

Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Pension Fund Quarterly Investment and Performance Update

Report

authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury
tim.mpofu@haringey.gov.uk

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 March 2023:
- a. Independent advisor's market commentary
 - b. Investment performance
 - c. Investment asset allocation
 - d. London Collective Investment Vehicle (LCIV) update
 - e. Funding position update

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

- 3.1. The Pensions Committee and Board is recommended to note the information provided in section 6 of this report regarding the Pension Fund's investment performance and activity for the quarter ended 31 March 2023.

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. Not applicable.

6. Background information

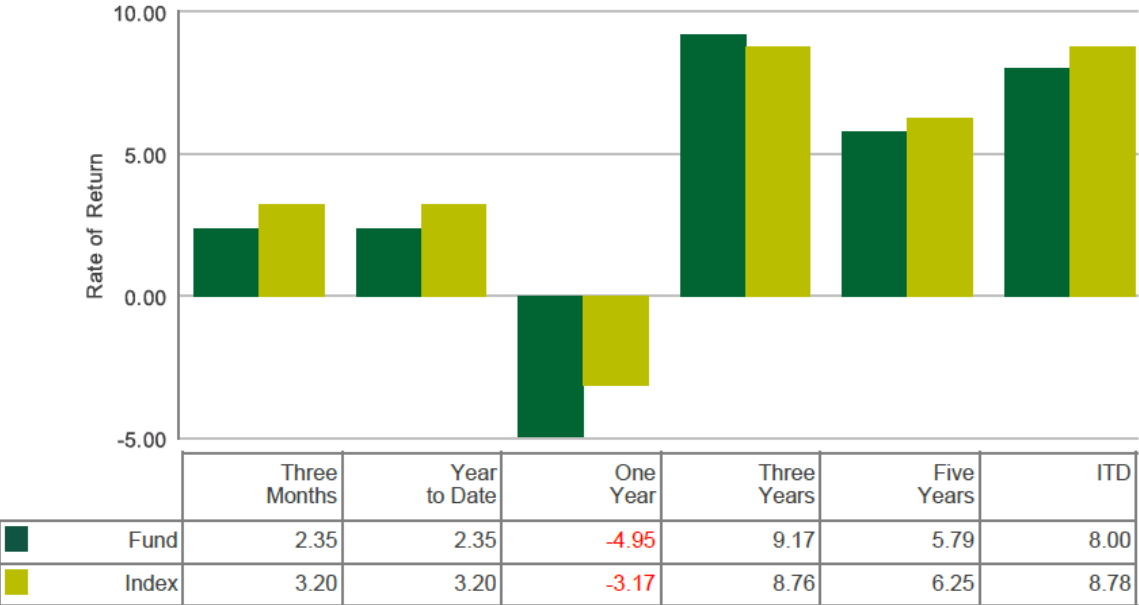
6.1. The independent advisor has prepared a market commentary for the quarter ending 31 March 2023 which, has been included as Appendix 1 to this paper.

Investment Performance

6.2. As of 31 March 2023, the Pension Fund's investment assets had a market value of £1.698bn. Although the investment portfolio produced a positive return of +2.35% during the quarter, it underperformed its benchmark by -0.83%.

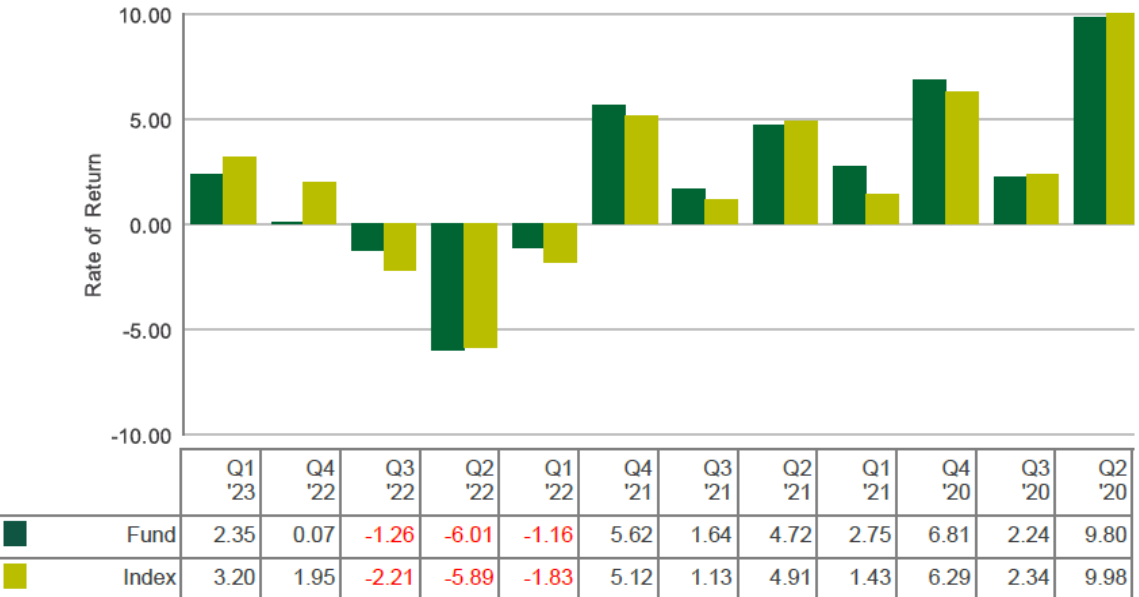
6.3. The fund’s overall investment returns as of 31 March 2023 are shown in the charts below.

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

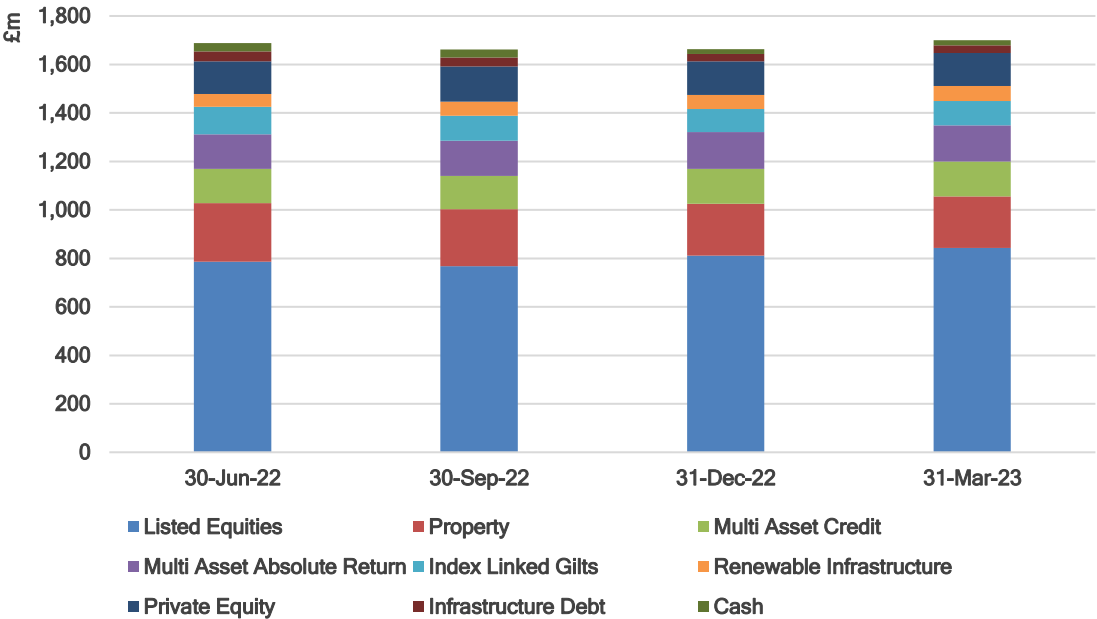


- 6.4. Although the Pension Fund’s global listed equities and credit strategies provided positive returns over the quarter, volatility remained present in financial markets. This was largely driven by inflation estimates and outcomes, as well as market expectations that rate cuts were to be expected sooner rather than expected.
- 6.5. Performance was relatively mixed across the rest of the portfolio. The commercial property sector, in particular, continued to face downward asset revaluations, which impacted on overall sector performance.
- 6.6. A detailed breakdown of pension fund’s investment performance can be found in the Fund Strategy Report for the quarter ending 31 March 2023, appended to this report as Confidential Appendix 2.

Investment Asset Allocation

- 6.7. The Pension Fund’s strategic asset allocation over the last four quarters to 31 March 2023 is shown in the chart below.

Asset allocation as at 31 March 2023



- 6.8. The Pensions Fund current asset allocation, compared to the strategic asset allocation is show on the following tables below.

Liquid assets	Mar-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equities	844	47.5%	49.6%	2.1%	+/- 10.0%
Multi-asset credit	143	10.0%	8.4%	(1.6%)	+/- 3.0%
Multi-asset absolute return	150	7.5%	8.8%	1.3%	+/- 3.0%
Index linked gilts	99	7.0%	5.9%	(1.1%)	+/- 3.0%
Cash	20	0.0%	1.2%	1.2%	

- 6.9. The Pension Fund determines liquid assets as any investments that can be traded within a month such as listed equities and fixed income securities. The Pension Fund has established acceptable ranges for rebalancing these strategies in the event that they deviate from the strategic asset allocation.



Illiquid assets	Mar-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance
Property	212	15.5%	12.5%	(3.0%)
Private equity	135	5.0%	7.9%	2.9%
Renewable infrastructure	63	5.0%	3.7%	(1.3%)
Infrastructure debt	33	2.5%	1.9%	(0.6%)

- 6.10. As property, private equity, and renewable infrastructure are illiquid asset classes, no formal tolerance range has been established for the investment portfolio. Some of these asset classes are still in the funding stage, and it anticipated that the allocation to them will increase over time to be in line with the strategic asset allocation.
- 6.11. As of 31 March 2023, all asset classes were within the acceptable ranges. Therefore, no rebalancing is required.

London Collective Investment Vehicle (LCIV) Update

- 6.12. Haringey Pension Fund, along with all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), of the asset pools that were established following the government guidance issued in November 2015. As of 31 March 2022, the Pension Fund has approximately 75% of its assets investment with the pool, with 20% invested in funds managed directly by the pooling company.

Funding Position Update

- 6.13. The funding level is the ratio of the market value of assets to the projected future benefit payments, also known as fund liabilities. At 31 March 2022, the Pension Fund had a funding level of 113%. This indicates that the Pension Fund's investment assets were more than sufficient to cover all the pension benefits accrued by that date, based on the underlying actuarial assumptions.
- 6.14. Hymans Robertson, the Pension Fund's actuary, regularly calculates an indicative funding position update using the latest actuarial assumptions. At 31 March 2023, the updated funding level position was 132%. A detailed breakdown of the Pension Fund's funding position has been included as Confidential Appendix 3 to this report.

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 report contains the financial performance of the Haringey Pension Fund and its investments. Proper monitoring and management of these investments increases the likelihood of the Pension Fund achieving its objectives. This, in turn, helps ensure the protection of member benefits and improves the probability of maintaining stable employer contribution rates.

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 Jan-Mar 2023
- 9.2. Confidential Appendix 2: Haringey Pension Fund Performance Report Q1 2023
- 9.3. Confidential Appendix 3: Funding Position Update

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.