

Report for: Pensions Committee and Board – 30 January 2024

Item number: 12

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
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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 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 30 September 2023. An additional supplementary appendix has been included which shows the Pension Fund's asset values as at 30 November 2023.

4. Reason for Decision

- 4.1. Not applicable.

5. Alternative options considered

- 5.1. Not applicable.

6. Background information

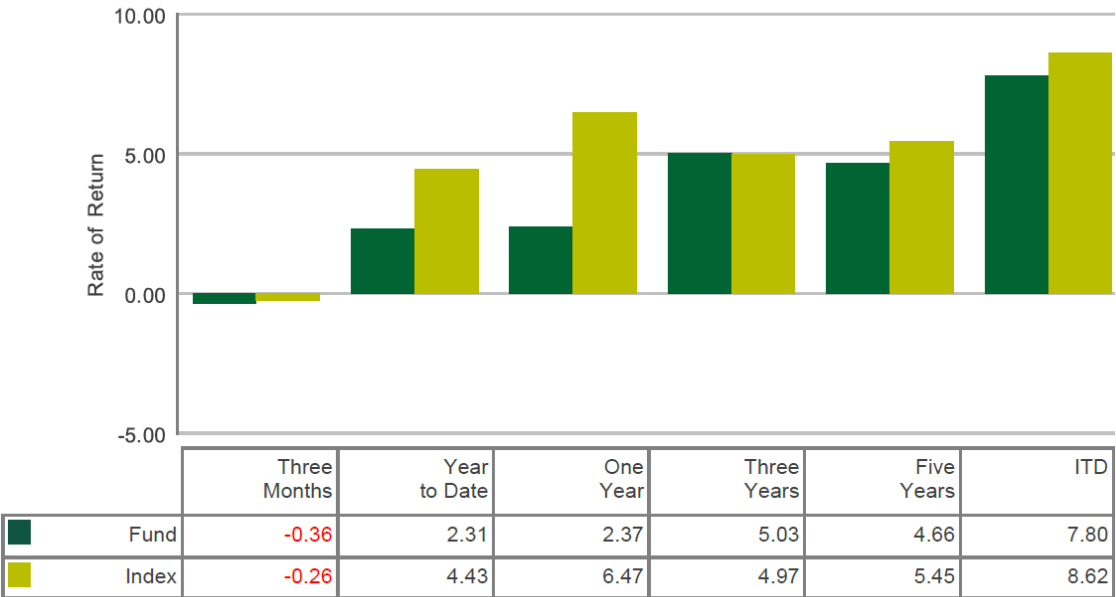
6.1. The independent advisor has prepared a market commentary for the quarter ending 30 September 2023 which, has been included as Appendix 1 to this paper.

Investment Performance

6.2. As of 30 September 2023, the Fund's investment assets had a market value of £1.694bn. The investment performance across the portfolio was relatively mixed, resulting in a slightly negative return of -0.26% over the quarter. This was an underperformance of -0.10% compared to the target benchmark.

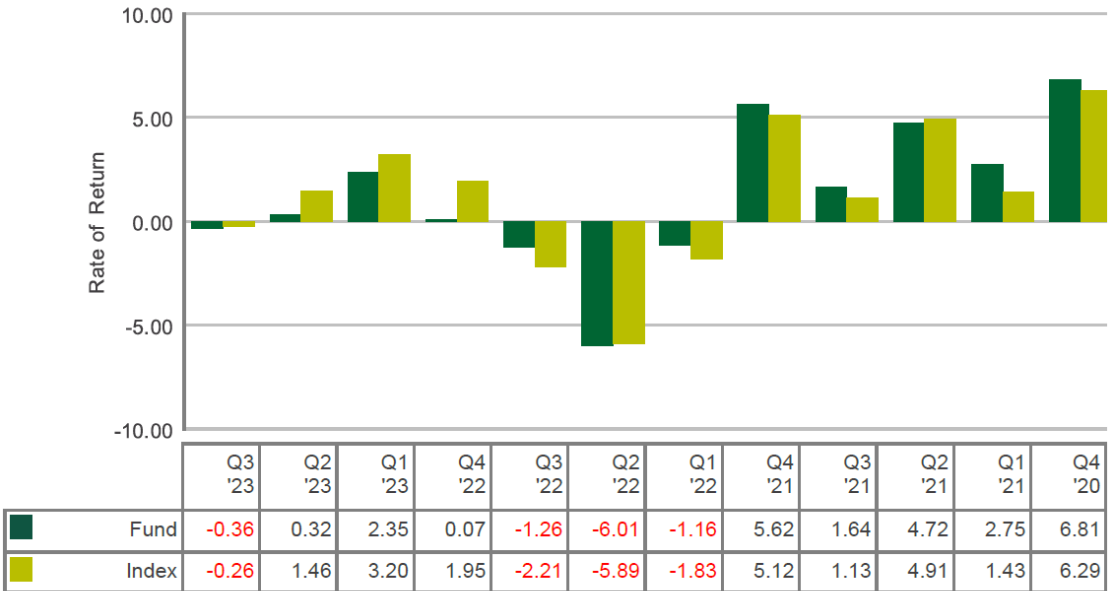
6.3. The fund's overall investment returns as of 30 September 2023 are shown in the charts below.

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

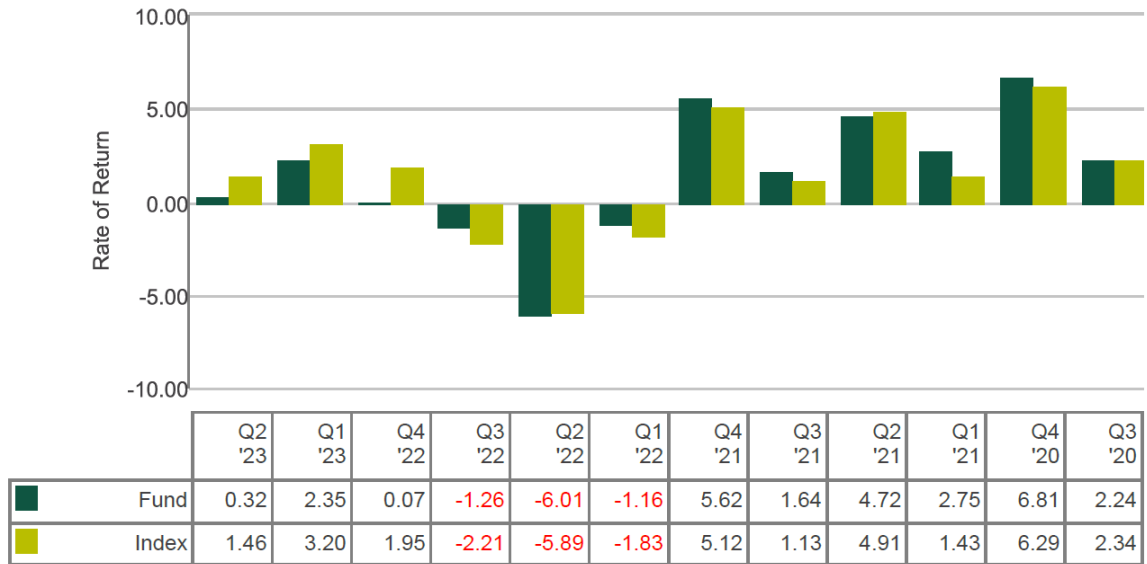
HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM



HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES



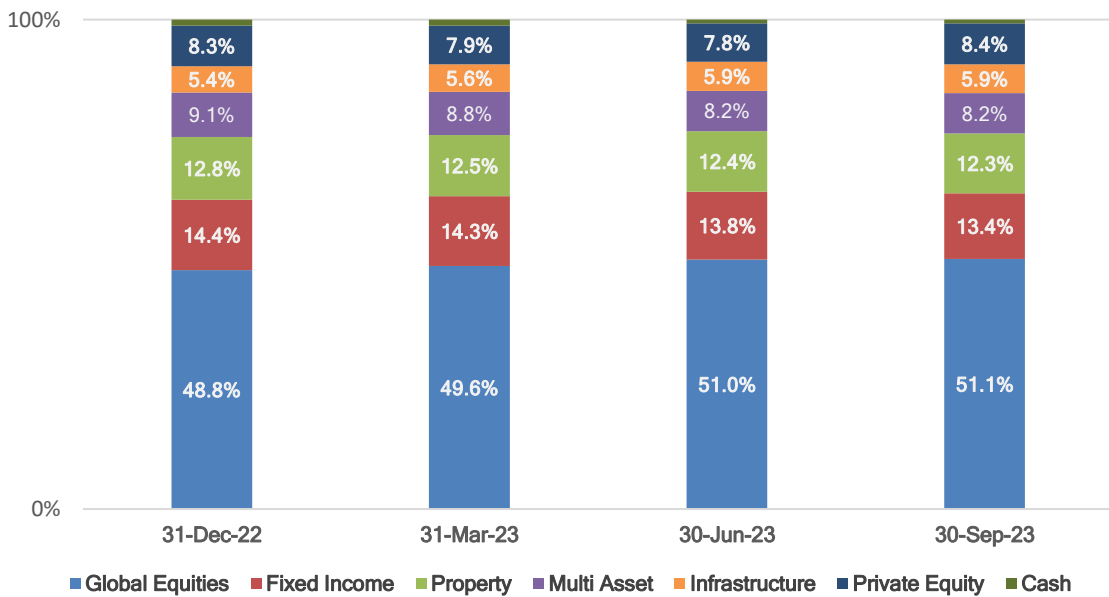
Index: Haringey New Total Plan BM

- 6.4. A detailed breakdown of Fund's investment performance can be found in the Fund Strategy Report for the quarter ending 30 September 2023, appended to this report as Confidential Appendix 3. An additional supplementary appendix has been included which shows the Fund's asset values as at 30 November 2023.

Investment Asset Allocation

- 6.5. The Fund's strategic asset allocation over the last four quarters to 30 September 2023 is shown in the chart below.

Asset allocation as at 30 September 2023



6.6. The Fund's current asset allocation, compared to the strategic asset allocation is shown on the following tables below.

Liquid assets	Sep-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equities	865	47.5%	51.1%	3.6%	+/- 10.0%
Multi-asset credit	141	10.0%	8.3%	(1.7%)	+/- 3.0%
Multi-asset absolute return	139	7.5%	8.2%	0.7%	+/- 3.0%
Index linked gilts	86	7.0%	5.1%	(1.9%)	+/- 3.0%
Cash	13	0.0%	0.8%	0.8%	

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

Illiquid assets	Sep-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance
Property	208	15.5%	12.3%	(3.2%)
Private equity	142	5.0%	8.4%	3.4%
Renewable infrastructure	68	5.0%	4.0%	(1.0%)
Infrastructure debt	32	2.5%	1.6%	(0.6%)

6.8. No formal tolerance range has been established for property, private equity, and renewable infrastructure as these asset classes are illiquid. 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.

6.9. As of 30 September 2023, all asset classes were within the acceptable ranges. Therefore, no rebalancing is necessary at this stage.

London Collective Investment Vehicle (LCIV) Update

6.10. Haringey Pension Fund, along with all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the asset pools that were established following the government guidance issued in November 2015. As of 30 September 2023, the Fund has approximately 76% of its assets invested with the pool, with approximately 20% invested in funds managed directly by the pooling company.

Funding Position Update

6.11. 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 Fund had a funding level of 113%. This indicated that the Fund's investment assets were more than sufficient to cover all the pension benefits accrued by that date, based on the underlying actuarial assumptions.

6.12. Hymans Robertson, the Fund Actuary, regularly calculates an indicative funding position update using the latest actuarial assumptions. At 30 November 2023, the updated funding level position was 139%. A detailed breakdown of the Fund's funding position has been included as Confidential Appendix 4 to this report.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Carbon and Climate Change

8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

8.2. The Pension Fund's current investment strategy includes allocations to renewable infrastructure funds and low-carbon equity index funds. One such fund is the RAFI-Multi Factor Climate Transition Fund, which aims to reduce the Pension Fund's carbon intensity accordance with the Paris Agreement.

8.3. The Pension Fund is continually reviewing the ESG performance of existing investment strategies while also seeking out sustainable investment opportunities that align with the Pension Fund's overall investment objectives.

9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

Finance

9.1. 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.

Procurement

9.2. There are no immediate procurement implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

9.3. 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.

9.4. 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.

Equality

9.5. The Local Government Pension Scheme is a defined benefit open scheme that allows all Council employees to participate. The report's contents have no direct impact on equality issues.

10. Use of Appendices

- 10.1. Appendix 1: Independent Advisor's Market Commentary Apr-Jun 2023
- 10.2. Appendix 2: Supplementary Investment Information Nov 2023
- 10.3. Confidential Appendix 3: Haringey Pension Fund Performance Report Q2 2023
- 10.4. Confidential Appendix 4: Funding Position Update Nov 2023

11. Local Government (Access to Information) Act 1985

- 11.1. Not applicable.