

Report for: Pensions Committee and Board – 30 January 2024

Item number:

Title: Draft Investment Strategy Statement

Report

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

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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. Haringey Council is the designated statutory Administering Authority for the Haringey Local Government Pension Scheme (LGPS). Administering Authorities are responsible for operating the scheme in accordance with the LGPS regulations, which includes the investment of Pension Fund assets and paying pension benefits.
- 1.2. This report provides the Pensions Committee and Board (PCB) with a draft version of the Pension Fund's revised Investment Strategy Statement (ISS). This report aims to ensure that the Pension Fund has an appropriate strategy in place to fulfil its obligation of paying member pension benefits.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To approve the revised Investment Strategy Statement which has been included as Confidential Appendix 1 of this report.
- 3.2. To delegate the authority to the Head of Pensions and Treasury to upload the approved Investment Strategy Statement on the Pension Fund's website.

4. Reason for Decision

- 4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required by law to keep its investment strategy under regular review from time to time, and at least once every three years. The revised Investment Strategy Statement has been prepared following the completion of the 2022 actuarial valuation exercise.

4.2. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. Following the conclusion of the actuarial valuation exercise, the Pensions Committee and Board (PCB) agreed to conduct a thorough review of its investment strategy. The purpose of this review was to ensure that the Fund's investment strategy was in line with the anticipated growth in the Fund's long-term obligations, as well as the expected future investment return requirements.

6.2. The high-level process included establishing investment objectives and reviewing the strategic asset allocation, following which a revised Investment Strategy Statement (ISS) would be prepared in accordance with LGPS Regulations.

Fund objectives

6.3. The primary objective of the Fund is to provide pension and lump sum benefits to scheme members on a defined benefit basis. To meet this primary objective, the revised ISS sets out the following investment objectives:

- Maximise the returns from investments while keeping risk within acceptable levels.
- Maintain a future funding level above 100%.
- Ensure employer contribution rates remain as stable as possible.

6.4. Accompanying these investment objectives are the proposed investment beliefs which are set out in Appendix A of the ISS.

Strategic asset allocation

6.5. The Fund's strategic asset allocation has been revised in line with the Fund's objectives. The proposed revised strategic asset allocation is expected to exceed the Fund's required rate of return, which was determined during the actuarial valuation exercise, while maintaining an appropriate level of risk.

6.6. In addition to this, the ISS also includes proposed rebalancing ranges for rebalancing as well as the approach for carrying out rebalancing activities.

Other areas included in the ISS

6.7. The revised ISS also considers the Fund's approach to measuring and managing risk, asset pooling and includes the social, environmental and governance policy.

7. Carbon and Climate Change

7.1. 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.

7.2. The proposed revised ISS sets out the Fund's current and future approach in detail. As part of the ongoing strategy review, further work has been planned for a thorough review of the Fund's responsible investment and ESG policies.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)
Finance and Procurement

8.1. The proposed revised ISS sets out the Pension Fund's approach to ensuring the long-term sustainability and affordability of the Fund.

8.2. The expected return of the proposed strategic asset allocation is higher than the required rate of return set at the 2022 actuarial valuation exercise. Therefore, the ISS increases the likelihood of the Fund maintaining a future funding level above 100% and ensuring that contributions rates remain as stable as possible.

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

8.3. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. The administering authority must invest in accordance with the Investment Strategy.

8.4. Under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the administering authority must, after taking proper advice, formulate an Investment Strategy (in accordance with guidance issued from time to time by the Secretary of State). It must also keep this under review (at least every three years) and if necessary, revise it.

8.5. The Investment Strategy must include:

(a) a requirement to invest fund money in a wide variety of investments;

(b) the authority's assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

8.6. The Investment Strategy must set out the maximum percentage of the total value of all investments of fund money that will be invest in particular investments or classes of investment. Therefore, any decision made by the PCB must not exceed the maximum percentage for that particular or class of investment.

8.7. The authority must review and if necessary, revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

Equalities

8.8. Not applicable.

9. Use of Appendices

9.1. Confidential Appendix 1: Draft Investment Strategy Statement

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.