

**Report for:** Pensions Committee and Board – 25 July 2024

**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  
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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 March 2024:
- a. Overview of fund performance including funding position update
  - b. Independent advisor's market commentary
  - c. Investment manager performance
  - d. Asset allocation
  - e. Market outlook

## **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 Fund's investment performance and activity for the quarter ended 31 March 2024.

## **4. Reason for Decision**

- 4.1. Not applicable.

## **5. Alternative options considered**

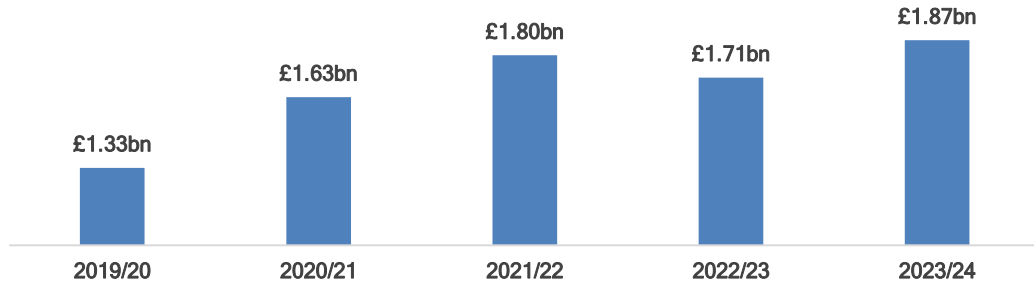
- 5.1. Not applicable.

## **6. Background information**

## Overview of Fund Performance

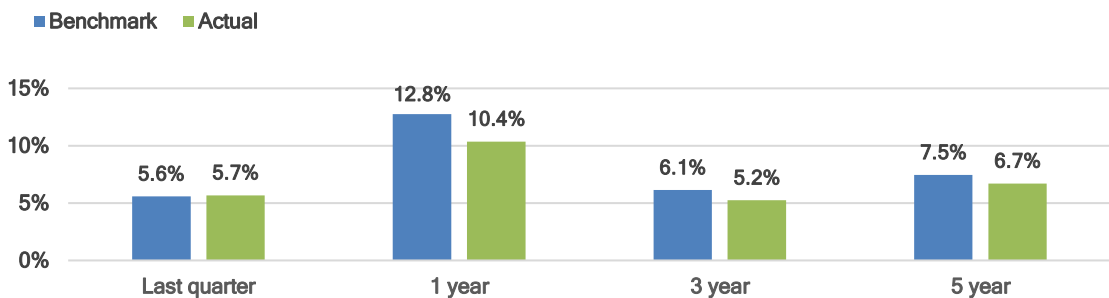
- 6.1. The Fund's investment portfolio on 31 March 2024 was £1.868bn, representing a 5.68% increase over the quarter. Chart 1 shows the growth in investment assets over the past 5 years.

Chart 1: Fund assets over the past 5 years



- 6.2. Chart 2 shows the Fund's investment performance over various time periods relative to its overall strategic benchmark.

Chart 2: Fund Investment Performance



Source: Northern Trust, Haringey Pension Fund Strategy Report, 31 March 2024

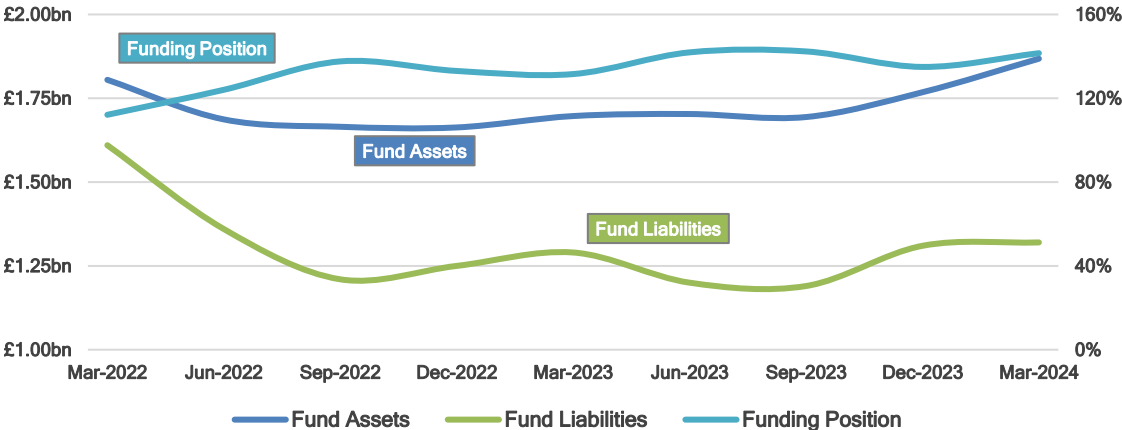
- 6.3. The Fund slightly outperformed the benchmark over the quarter. However, despite positive returns, it has underperformed the strategic benchmark over longer time periods.

### Funding position update

- 6.4. The Fund monitors its funding level each quarter. This is the ratio of the market value of assets to the projected future benefit payments, also known as fund liabilities.
- 6.5. The funding level as at 31 March 2022 was 113%, based on a discount rate of 4.3%. 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.
- 6.6. Hymans Robertson, the Fund Actuary, regularly calculates an indicative funding position update using the latest actuarial assumptions. A detailed breakdown of the Fund's funding position has been included as Confidential Appendix 3 to this report.

6.7. On 31 March 2024, the updated estimated funding level position was 140%. Chart 3 shows the assets and liabilities that comprise the funding level since 31 March 2022.

**Chart 3: Fund Assets Compared to Fund Liabilities**



6.8. Fund assets have remained relatively stable since the last valuation. However, the present value of future liabilities has decreased significantly, resulting in a notable improvement in the funding level. This decrease is largely due to increases in interest rates, which have raised the expected return of assets included in the Fund’s strategic asset allocation.

**Market Commentary**

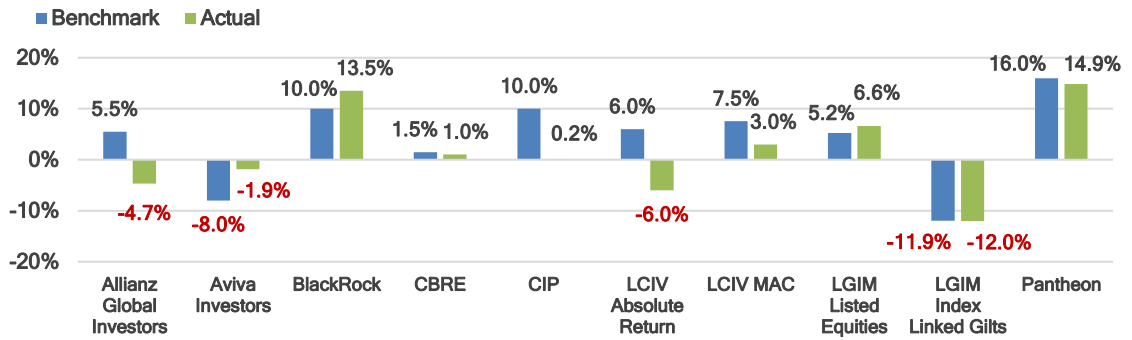
- 6.9. Global equities experienced significant gains in Q1 2024, driven by expectations of interest rate cuts, strong US economic data, positive corporate earnings, and optimism about artificial intelligence. The MSCI World Index rose 9%, with the S&P500 up over 10%. Eurozone shares also performed well, gaining over 10%.
- 6.10. Despite inflation concerns, central banks in the US, Eurozone, and Japan maintained interest rates but hinted at future cuts. The Bank of England also maintained its bank rate at 5.25%; however, to date, there is no clear direction from the Bank regarding the pace of any future interest rate cuts.
- 6.11. A detailed market commentary for the quarter ending 31 March 2024, has been prepared by the Fund’s Independent Advisor and is included as Appendix 1 to this paper.

**Investment Performance**

- 6.12. The Fund’s investment assets are managed to meet its liabilities over the medium to long term. Therefore, the performance of the appointed investment managers is assessed over these time periods.
- 6.13. A detailed breakdown of the investment performance of the Fund’s public markets mandates for the quarter ending 31 March 2024 has been prepared by the Fund’s investment consultant, Mercer. This has been included as Confidential Appendix 2 to this report.
- 6.14. Chart 4 shows the individual investment performance for each investment manager measured over the rolling three-year period.



Chart 4: Investment Manager Performance Over Rolling 3yr Period



Source: Northern Trust, Haringey Pension Fund Strategy Report, 31 March 2024

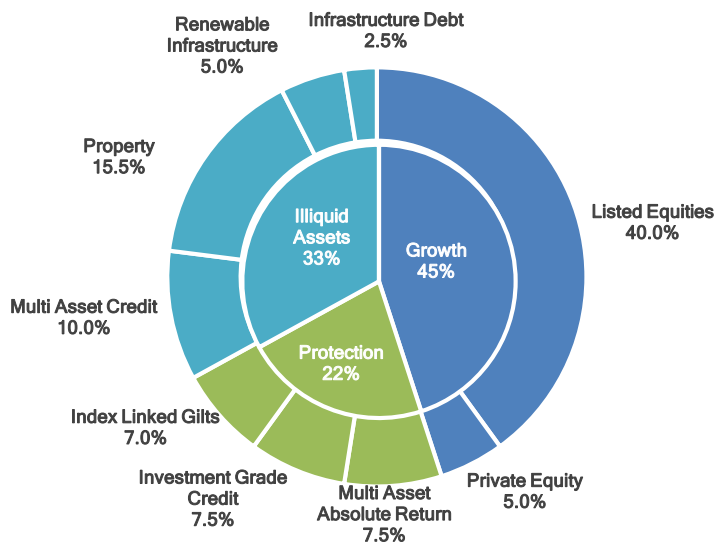
6.15. The following funds have not been included in Chart 4 as the Fund has been invested in them for less than 3 years:

- LCIV Renewable Infrastructure Fund
- London Fund
- LCIV Buy and Maintain

### Asset Allocation

6.16. The Fund has set a strategic asset allocation benchmark aimed at balancing long-term returns with risk, considering the nature of the Fund’s liabilities and prevailing market factors. The Fund’s strategic asset allocation is shown in Chart 5.

Chart 5: Strategic Asset Allocation



6.17. At the PCB meeting held on 30 January 2024, the PCB agreed to revise its strategic asset allocation following a review of the Fund’s investment strategy. The decision was to introduce an allocation to investment grade credit by reducing the allocation to listed equities. This change was fully implemented by 31 March 2024.

6.18. The Fund’s current asset allocation, compared to the strategic asset allocation is shown in Table 1.

**Table 1: Current strategic asset allocation**

Asset	Mar-24 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equity	837	40.0%	44.8%	4.8%	+/- 5.0%
Diversified alternatives	538	30.0%	28.8%	(1.2%)	+/- 10.0%
Property	207	15.5%	14.7%	0.2%	+/- 10.0%
Defensive	274	14.5%	11.1%	(4.4%)	+/- 5.0%
Cash	12	0.0%	0.6%	0.6%	
<b>Total</b>	<b>1,868</b>				

6.19. As of 31 March 2024, all asset classes were within the acceptable ranges. Therefore, no rebalancing is required at this stage.

### **Investments with the pool**

6.20. 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 31 March 2024, the Fund had approximately 78% of its assets invested with the pool, with approximately 25% invested in funds managed directly by the pooling company.

## **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 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 Fund is continually reviewing the ESG performance of existing investment strategies while also seeking out sustainable investment opportunities that align with the 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 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 Jan-Mar 24

10.2. Confidential Appendix 2: Manager Monitoring Report: Liquid Assets

10.3. Confidential Appendix 3: Funding Position Update March 2024

**11. Local Government (Access to Information) Act 1985**

11.1. Not applicable.