

**Report for:** Pensions Committee and Board – 20 March 2025

**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:** Jamie Abbott – Head of Pensions  
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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 December 2024:
- a. Overview of fund performance including funding position update
  - b. Independent advisor's market commentary
  - c. Investment manager performance
  - d. Asset allocation

## **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 this report regarding the Fund's investment performance and activity for the quarter ended 31 December 2024.

## **4. Reason for Decision**

- 4.1. Not applicable.

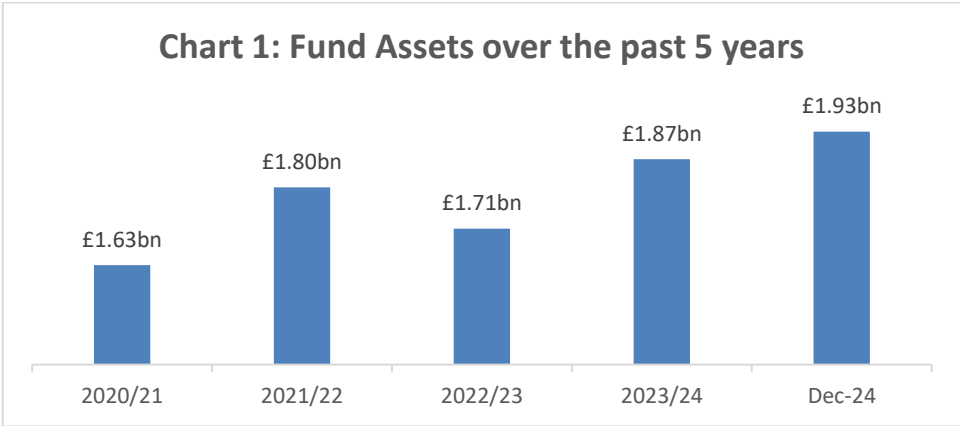
## **5. Alternative options considered**

- 5.1. Not applicable.

## **6. Background information**

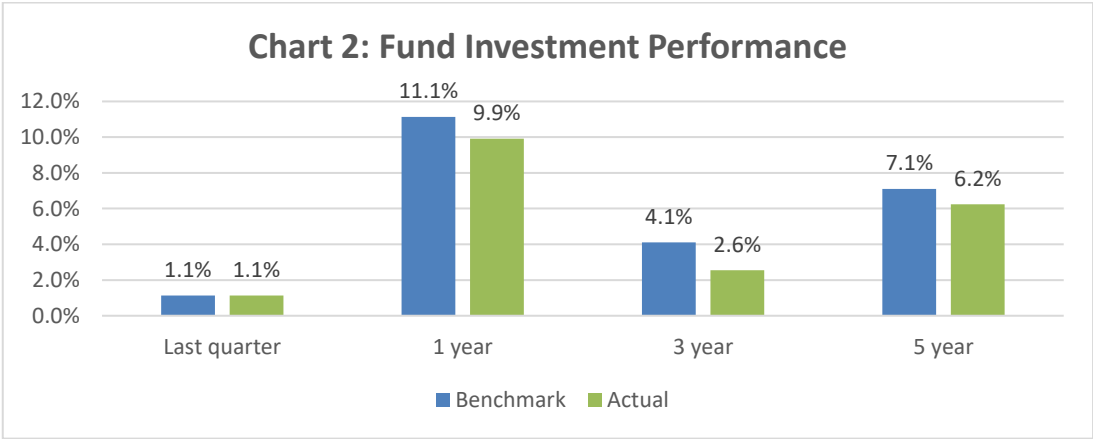
### **Overview of Fund Performance**

6.1. The Fund’s investment portfolio on 30 December 2024 was £1.93bn, representing a 0.5% increase over the quarter. Chart 1 shows the growth in investment assets over the past 5 years.



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

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



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

6.3. The Fund was in line with the strategic benchmark over the quarter. However, 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 2 to this report.

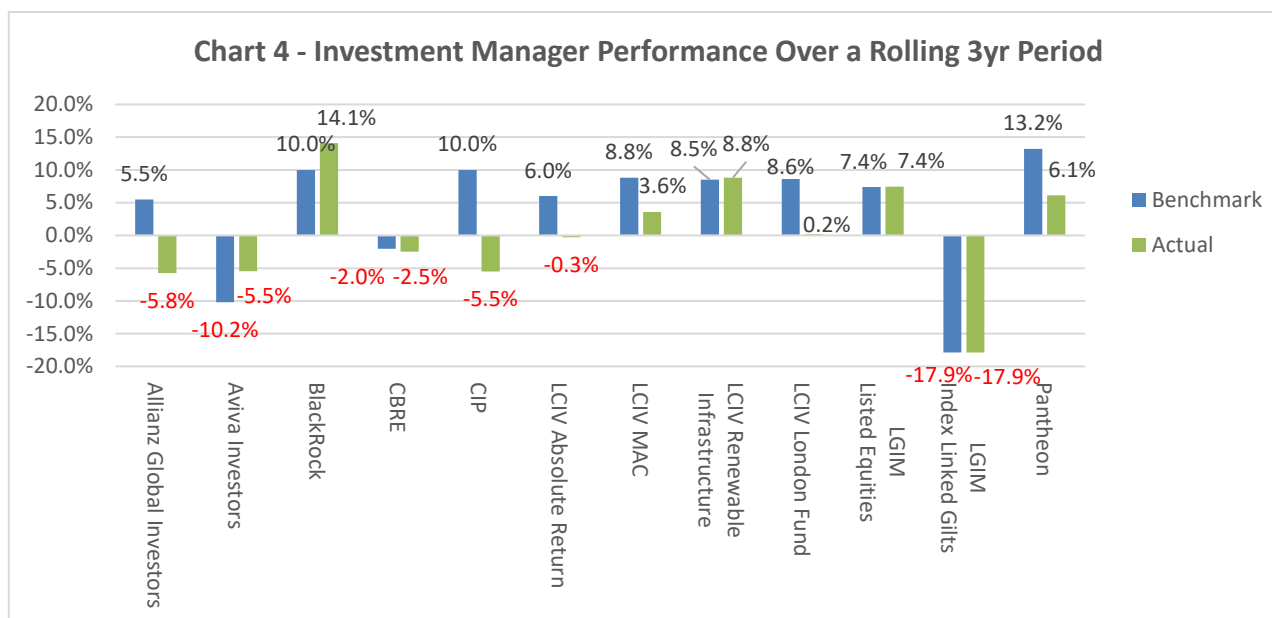
- 6.7. Fund assets have increased modestly since the last valuation. However, the present value of future liabilities has decreased significantly, resulting in a notable improvement in the funding level. This decrease is largely due to a significant increase in the (real) discount rates since 2022, which have raised the expected return of assets included in the Fund's strategic asset allocation.

### **Market Commentary**

- 6.8. Global equities were flat overall, with the MSCI World Index falling 0.2%. The US market, as represented by the S&P 500's 2.4% gain, prevented a negative quarter globally. The US market was boosted by Donald Trump's re-election, while other regions like Asia (exJapan), Emerging Markets, and the Eurozone were negatively impacted by his victory.
- 6.9. The US equity market experienced fluctuations, with a slight decline in October due to election uncertainty and a poor earnings report from Microsoft. November saw a significant gain of 6% following Trump's re-election, driven by expectations of tax cuts and deregulation. The Federal Reserve's interest rate cuts also supported the market, although a shift in future rate cut expectations contributed to a 2% decline in December.
- 6.10. Inflationary concerns and the Federal Reserve's indications of fewer interest rate cuts in 2025 adversely affected major government bonds (US, UK, and Germany). US inflation rose from 2.4% in September to 2.9% in December, influencing market sentiment and contributing to the negative performance of US Treasuries.
- 6.11. Eurozone equity markets declined by 2% despite the European Central Bank reducing interest rates. Political instability in France, concerns over potential US trade tariffs, and declining economic growth expectations weighed on the markets. The ECB projected slower economic recovery, with growth rates of 0.7% in 2024, 1.1% in 2025, 1.4% in 2026, and 1.3% in 2027.
- 6.12. The Bank of England held the Bank Rate at 4.75% (Which has since been decreased to 4.5%) due to rising inflation and wage growth, leading to a cautious approach to policy changes. UK equities declined slightly, with the FTSE All Share down 0.4% and the FTSE 250 down 1.4%. In contrast, Japanese equities had a positive quarter, with the Nikkei 225 Index rising over 5%, supported by a weak Yen, positive corporate profits, and a government stimulus package.
- 6.13. Considerable uncertainty remains regarding the pace of future interest rate cuts, driven by persistent high levels of inflation and ongoing geopolitical tensions.
- 6.14. A detailed market commentary for the quarter ending 30 December 2024, has been prepared by the Pension Fund's Independent Advisor and is included as Appendix 1 to this paper.

### **Investment Performance**

- 6.15. 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.
- 6.16. Chart 4 shows the individual investment performance for each investment manager measured over the rolling three-year period.



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

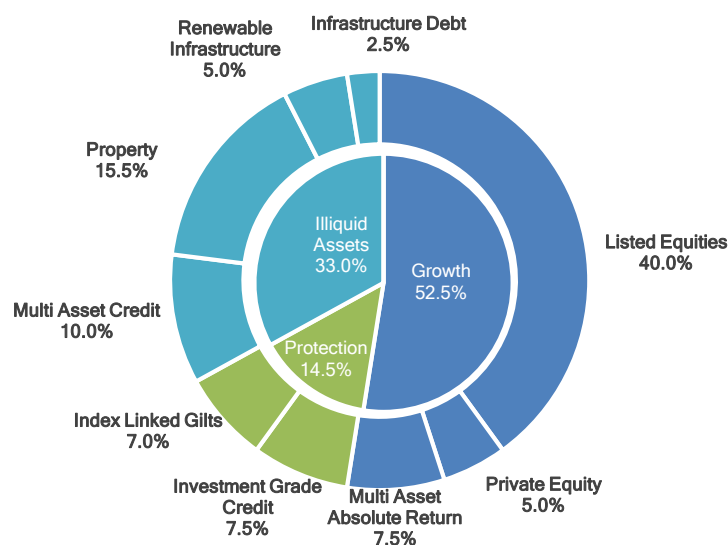
6.17. The following funds have not been included in Chart 4 as the Fund has been invested in them for less than 3 years:

- LCIV Buy and Maintain

### Asset Allocation

6.18. 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**



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

**Table 1: Current strategic asset allocation**

Asset	Dec-24 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equity	913	40.0%	47.3%	7.3%	+/- 5.0%
Diversified alternatives	535	30.0%	27.7%	(2.3%)	+/- 10.0%
Property	209	15.5%	10.8%	(4.7%)	+/- 10.0%
Defensive	254	14.5%	13.2%	(1.3%)	+/- 5.0%
Cash	19	0.0%	1.0%	1.0%	
<b>Total</b>	<b>1,930</b>				

- 6.20. As of 31 December 2024, the allocation to listed equities had exceeded the acceptable range. Since December 2024 Senior Fund Officers, in consultation with investment consultants Mercer, have actioned a rebalancing of £72m from LGIM and placing £45m into LCIV MAC Fund, £17m into Index Linked Guilts and the remaining £10m in Cash. This will be reflected in the March 2025 figures.
- 6.21. Illiquid assets will be considered in more detail during the investment strategy review, which will support the upcoming actuarial valuation.

### Investments with the pool

- 6.22. Haringey Pension Fund, along with all the London Borough funds, is a Partner Fund 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 December 2024, the Fund had approximately 79% of its assets invested with the pool, with approximately 26% invested in funds managed directly by the London CIV.
- 6.23. Earlier this year, the London CIV developed an Indirect Real Estate Pooling (IREP) Solution, designed for Partner Funds that have Separately Managed Accounts arrangements as part of their property portfolios. This solution aims to minimise disruption and costs whilst enabling Partner Funds to meet their pooling requirements.
- 6.24. In July 2024, the London CIV appointed CBRE Investment Management to support the execution of the IREP solution. CBRE Investment Management also manages a portion of Haringey Pension Fund's commercial property portfolio.
- 6.25. Senior Fund Officers, in consultation with investment consultants Mercer, and the Independent Advisor have met with the London CIV and CBRE to discuss the practical implementation of this solution.
- 6.26. London CIV with CBRE have been invited to present the pooling solution to the PCB.

## 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.

### Assistant Director of Legal and Governance [Fiona Alderman]

- 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 PCB 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 5: Independent Advisor's Market Commentary Oct-Dec 2024
- 10.2. Confidential Appendix 6: Quarterly Investment Performance Report 31 December 2024
- 10.3. Confidential Appendix 7: Funding Position Update December 2024

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

- 11.1. Not applicable.