

Report for: Pensions Committee and Board – 24 July 2025

Item number:

Title: Pension Fund Quarterly Investment and Performance Update

Report authorised by: Taryn Eves, Director of Finance (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 March 2025:
- 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 March 2025.

4. Reason for Decision

- 4.1. Not applicable.

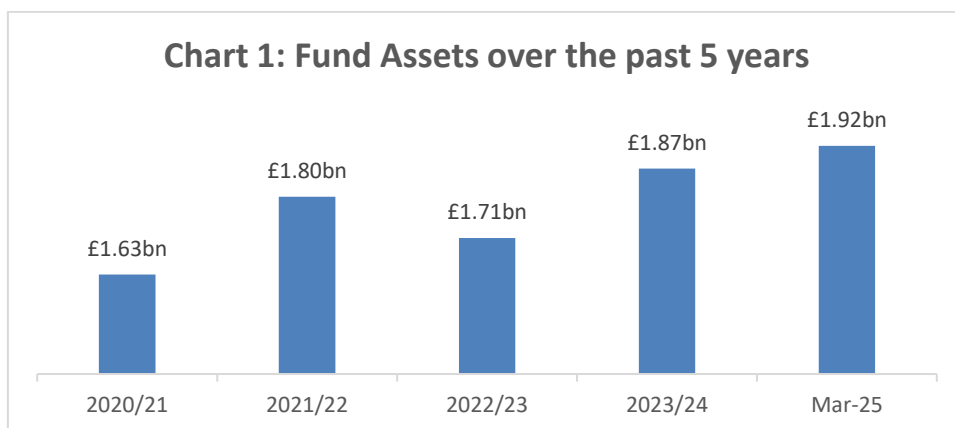
5. Alternative options considered

- 5.1. Not applicable.

6. Background information

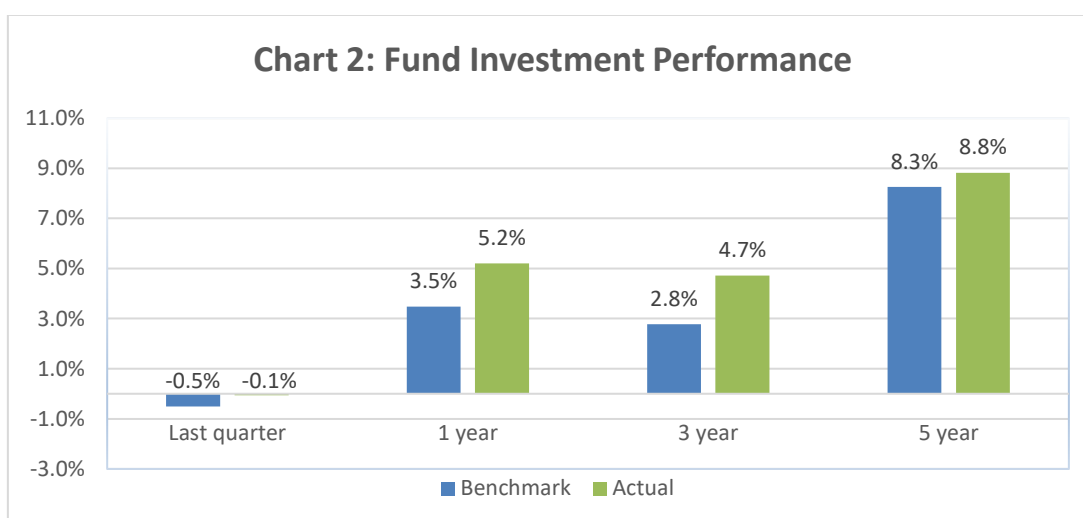
Overview of Fund Performance

- 6.1. The Fund's investment portfolio on 31 March 2025 was £1.92bn, representing a 0.5% decrease over the quarter. Chart 1 shows the growth in investment assets over the past 5 years. This has been down to poor equity performance over the quarter.



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

Funding position update

- 6.3. 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.
- 6.4. 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.
- 6.5. 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 11 to this report.
- 6.6 Fund assets have increased modestly since the last valuation. The present value of future liabilities has decreased, resulting in a notable improvement in the funding level. This 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

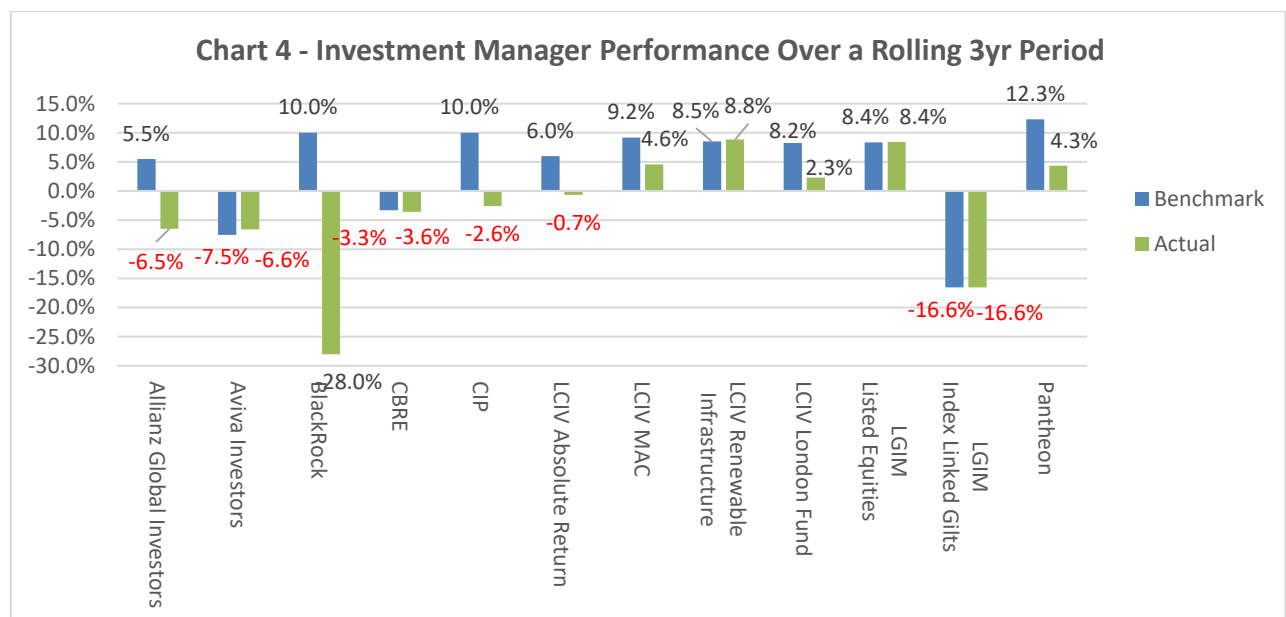
7. Global equities saw a slight decline the MSCI World Index declining by 1.8%. This overall decline primarily resulted from a fall in United States Equity markets (which account for around 70% of the MSCI World Index) with the S&P 500 Index declining by 4.3% over the Quarter. Exuberance reflected in US Equity markets following Donald Trump's re-election in November 2024 was replaced with concerns over the potential effects of tariffs on the domestic economy and consumers. Questions over the future profitability of artificial intelligence also weighed against the United States Technology Sector which saw significant losses over the Quarter. In contrast Europe, the UK, and Asia/Emerging markets (as measured overall by the MSCI Emerging Markets and MSCI Asia ex Japan Indices) all gained.
- 7.1. US Equities enjoyed a positive start to 2025 with the S&P 500 gaining 2.8% in January and reaching an all-time closing high of 6144 on 19 February 2025. However, overall February was a negative month for US Equities and March very clearly negative. The S&P 500 retreated by 5.6% in March and was down 4.3% over the January to March 2025 Quarter. There was however wide dispersion of performance across US Equities. As concerns grew over the Quarter regarding the potential negative effects on both the US economy as a whole and also on individual consumers of President Trump's approach to tariffs those companies likely to be most affected by a slowdown in the US Economy.
- 7.2. The Core PCE (Personal Consumption Expenditures) inflation index which the US Federal Reserve observes closely in its conduct of Monetary Policy continued to remain clearly and stubbornly above the 2% inflation target and was 2.8% in February 2025 (reported in March).
- 7.3. After cutting the Federal Funds rate (interest rates) by 0.25% at both its November and December 2024 meetings the US Federal Reserve Federal Open Markets Committee (FOMC), as widely expected, maintained the Federal Funds rate at a "target range" of 4.25 to 4.5% at both its January and March 2025 meetings. Interestingly the "Summary of Economic Projections" issued at the end of the March meeting revised down the 2025 estimate of GDP (economic growth) expansion to 1.7% compared to 1.9% in the December 2024 projections while increasing the projection for Core PCE Inflation from 2.5% to 2.8%.
- 7.4. Although March was a difficult month with concerns/uncertainties regarding US tariffs Eurozone Equities enjoyed a very positive Quarter overall with the MSCI EMU Index advancing by 7.5% (in Euro terms).
- 7.5. The meeting of the Governing Council of the European Central Bank (ECB) held on 30 January 2025 reduced interest rates by a further 0.25% resulting in the headline "deposit" rate reducing to 2.75%.
- 7.6. UK Equities as measured by the FTSE All Share Index gained 4.5% over the Quarter. There was however a large disparity in performance between the large internationally focussed FTSE 100 Index which gained 6.1% and the medium cap FTSE 250 which lost 5% and the FTSE Small Cap (ex Investment Trusts) which declined by 6.5%.
- 7.7. On 5 February 2025, the Bank of England Monetary Policy Committee (MPC) reduced Bank Rate by 0.25% to 4.5%. The February 2025 Monetary Policy Report raised concerns regarding sluggish growth and heightened inflation which could potentially be interpreted as an indication of potential stagflation in the domestic UK economy. The Monetary Policy Summary issued at the end of the February MPC

meeting included the statement “...a gradual and careful approach to the further withdrawal of monetary policy restraint is appropriate.” This statement was repeated in the Monetary Policy Summary issued at the conclusion of the March MPC meeting. At the meeting of the MPC which concluded on 19 March 2025 the Committee held Bank Rate at 4.5%.

- 7.8. Overall Emerging Markets and Asia ex Japan advanced modestly during the Quarter. The MSCI Emerging Markets Index gained 2.9% (in US \$ terms) while the MSCI Asia ex Japan Index gained 1.8% (in US \$ terms).
- 7.9. In contrast UK Gilts overall experienced a (mildly) negative Quarter in the context of concerns over a stagnant economy and Government finances including borrowing needs. The 10 year Gilt yield rose (and therefore prices fell) from 4.57 to 4.68.
- 7.10. A detailed market commentary for the quarter ending 31 March 2025, has been prepared by the Pension Fund’s Independent Advisor and is included as Appendix 12 to this paper.

Investment Performance

- 7.1. 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.
- 7.2. 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 March 2025

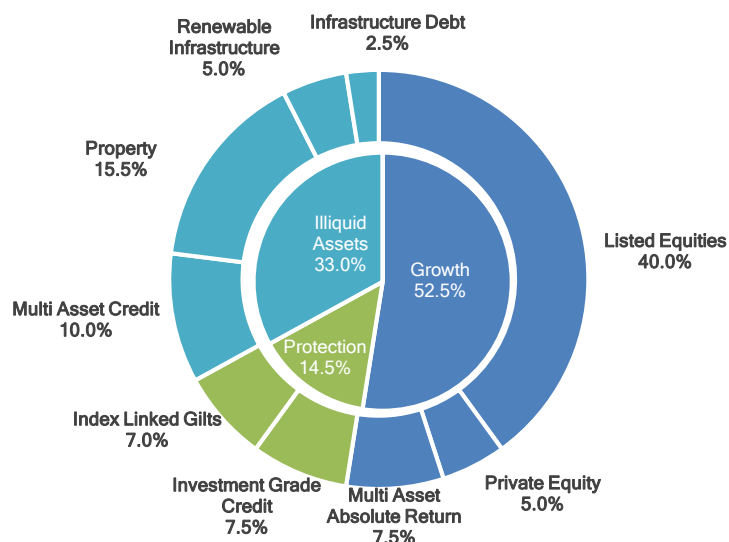
- 7.3. The following funds have not been included in Chart 4 as the Fund has been invested in them for less than 3 years:

- LCIV Buy and Maintain

Asset Allocation

7.4. 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



7.5. 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-25 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equity	834	40.0%	43.4%	3.4%	+/- 5.0%
Diversified alternatives	575	30.0%	30.0%	0%	+/- 10.0%
Defensive	264	14.5%	13.8%	(0.7%)	+/- 5.0%
Property	213	15.5%	11.1%	(4.4%)	+/- 10.0%
Cash	34	0.0%	1.7%	1.7%	
Total	1,920				

7.6. Illiquid assets will be considered in more detail during the investment strategy review, which will support the upcoming actuarial valuation.

Investments with the pool

7.7. 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 March 2025, the Fund had approximately 78% of its assets invested with the pool, with approximately 28% invested in funds managed directly by the London CIV.

7.8. Following the Government's response to the Fit for the future consultation, it is expected that all Pension Fund investments are transferred to the pool (or deemed under pool management) by 31 March 2026.

7.9. Fund Officers are in discussions with LCIV to agree on an asset transition plan to transitioning the remaining unpoled assets to the pool, taking into consideration factors relating to realistic time frames and fees.

7.10. Once a transition plan has been drafted, this will be brought to the Pensions Committee and Board for comment and sign off.

8. Contribution to Strategic Outcomes

8.1. Not applicable

9. Carbon and Climate Change

9.1. 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.

9.2. 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.

9.3. 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.

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

Finance

10.1. 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

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

Director of Legal and Governance [Fiona Alderman]

10.3. 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.

10.4. 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

- 10.5. 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.

11. Use of Appendices

- 11.1. Appendix 12: Independent Advisor's Market Commentary Jan-March 2025
11.2. Confidential Appendix 13: Quarterly Investment Performance Report 31 March 2025
11.3. Confidential Appendix 11: Funding Position Update March 2025

12. Local Government (Access to Information) Act 1985

- 12.1 Not applicable.