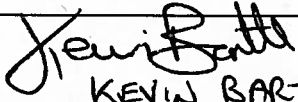


Haringey Council

Report for:	Corporate Committee 19 th September 2013	Item number	
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Title:	Pension Fund Quarterly Update
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Report authorised by :	 KEVIN BARTLE for Director of Corporate Resources
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Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621
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Ward(s) affected: N/A	Report for Non Key Decision
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1. Describe the issue under consideration

1.1 To report the following in respect of the three months to 30th June 2013:

- Investment asset allocation
- Investment performance
- Responsible investment activity
- Budget management
- Late payment of contributions
- Communications

2. Cabinet Member Introduction

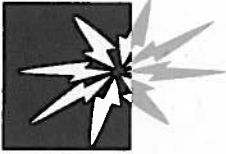
2.1 Not applicable.

3. Recommendations

3.1 That the information provided in respect of the activity in the three months to 30th June 2013 is noted.

4. Other options considered

4.1 None.



5. Background information

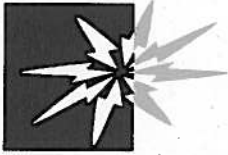
- 5.1 This report is produced on a quarterly basis to update the Committee on a number of Pension Fund issues. The Local Government Pension Scheme Regulations require the Committee to review investment performance on a quarterly basis and sections 13 and 14 provide the information for this. Appendix 1 shows the targets which have been agreed with the fund managers.
- 5.2 The Pension Fund has a responsible investment policy and section 15 of this report monitors action taken in line with it. The remainder of the report covers various issues on which the Committee or its predecessor body have requested they receive regular updates.
- 5.3 Following the request at the Committee's meeting in September 2012, information on communication with stakeholders has been provided by officers in Human Resources and included in section 18.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 The investment performance figures in section 14 show the impact of the introduction of passive fund managers in that generally the variance from target has reduced. The continuing negative performance reflects the underperformance of the previous active managers which is likely to continue to show for the next few years. The quarterly performance is very close to target.

7. Head of Legal Services and Legal Implications

- 7.1 The Council as administering authority for the Haringey Pension Fund ("Fund") has an obligation to keep the performance of its investment managers under review. In this respect the Council must, at least every three months review the investments made by investment managers for the Fund and any other actions taken by them in relation to it;
- 7.2 Periodically the Council must consider whether or not to retain the investment managers. In particular members should note the continuing negative performance and the reason stated in this report as to why this is the case;
- 7.3 In carrying out its review proper advice must be obtained about the variety of investments that have been made and the suitability and types of investment;



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7.4 All monies must be invested in accordance with the Council's investment policy and members of the Committee should keep this duty in mind when considering this report and have regard to advice given to them.

8. Equalities and Community Cohesion Comments

8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

9.1 Not applicable

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Appendix 1: Investment Managers' mandates, benchmarks and targets.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable



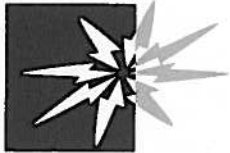
13. Investment Update

13.1 Fund Holdings at 30th June 2013

	BlackRock £000s	Legal & General £000s	CBRE £000s	Pantheon £000s	In-house £000s	Total £000s	% of Fund	Bench Mark %	Variance %
UK Equities	171,508	21,071	0	0	0	192,579	22.7	17.5	5.2
North America Equities	175,195	19,901	0	0	0	195,096	23.0	25.3	(2.3)
European Equities	44,038	43,112	0	0	0	87,150	10.3	8.6	1.7
Japanese Equities	8,413	38,371	0	0	0	46,784	5.5	4.1	1.4
Pacific ex Japan Equities	14,728	15,682	0	0	0	30,410	3.6	4.0	(0.4)
Emerging Markets Equities	0	81,262	0	0	0	81,262	9.6	10.5	(0.9)
Index linked Gilts	95,328	23,178	0	0	0	118,506	14.0	15.0	(1.0)
Property	0	0	48,712	0	0	48,712	5.7	10.0	(4.3)
Private Equity	0	0	0	35,648	0	35,648	4.2	5.0	(0.8)
Cash and other	2	0	6,875	1,596	3,183	11,656	1.4	0.0	1.4
TOTAL	509,212	242,577	55,587	37,244	3,183	847,803	100.0	100.0	0.0



	BlackRock £000s	Legal & General £000s	CBRE £000s	Pantheon £000s	In-house £000s	Total £000s	% of Fund	Bench Mark %	Variance %
UK Equities	183,155	22,503	0	0	0	205,658	23.3	17.5	5.8
North America Equities	184,562	20,966	0	0	0	205,528	23.3	25.3	(2.0)
European Equities	47,496	46,512	0	0	0	94,008	10.7	8.6	2.1
Japanese Equities	8,480	38,673	0	0	0	47,153	5.3	4.1	1.2
Pacific ex Japan Equities	15,222	16,205	0	0	0	31,427	3.6	4.0	(0.4)
Emerging Markets Equities	0	81,873	0	0	0	81,873	9.3	10.5	(1.2)
Index linked Gilts	95,684	23,258	0	0	0	118,942	13.5	15.0	(1.5)
Property	0	0	50,878	0	0	50,878	5.8	10.0	(4.2)
Private Equity	0	0	0	37,550	0	37,550	4.2	5.0	(0.8)
Cash	2	0	5,133	0	3,090	8,225	1.0	0.0	1.0
TOTAL	534,601	249,990	56,011	37,550	3,090	881,242	100.0	100.0	0.0



14. Investment Performance Update: to 30th June 2013

Appendix 1 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter April to June 2013.

14.1 Whole Fund

	Return	Benchmark	Target	(Under)/Out
April - June 2013	(1.56%)	(1.50%)	(1.49%)	(0.07%)
One Year	15.35%	16.00%	16.04%	(0.69%)
Three Years	10.93%	11.42%	11.54%	(0.61%)
Five Years	6.91%	7.78%	9.10%	(2.19%)

- Total Value at 30/06/13: £847.8m
- Performance in the quarter was very close to target.

14.2 BlackRock Investment Management

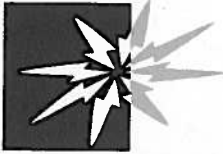
	Return	Benchmark	Variance
April - June 2013	(1.44%)	(1.37%)	(0.07%)
One Year	17.52%	17.50%	0.02%

- Total Value at 30/06/13: £509.2m

14.3 Legal & General Investment Management

	Return	Benchmark	Variance
April - June 2013	(3.29%)	(3.38%)	0.09%
One Year	14.11%	15.21%	(1.10%)

- Total Value at 30/06/13: £242.6m
- A variance will continue to be seen with the passive managers because the portfolios were transferred over in their existing allocations instead of at benchmark weights. Therefore the variance shows the out or under performance resulting from asset allocation being different to the benchmark.



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14.4 CBRE Global Investors

	Return	Benchmark	Target	(Under)/Out
April – June 2013	1.72%	1.55%	1.58%	0.14%
One Year	3.90%	3.33%	4.33%	(0.43%)
Three Years	3.72%	5.05%	6.05%	(2.33%)
Five Years	(1.56%)	0.09%	1.09%	(2.65%)

- Total Value at 30/06/13: £55.6m
- Following two quarters of underperformance, the property portfolio has now outperformed. The longer term performance is still being impacted by the issues with the European holdings, which cannot be resolved quickly due to the illiquid nature of property holdings.

14.5 Pantheon

	Return	Distributions in period	Drawdowns in period	% drawdown
April – June 2013	3.84%	£0.48m		
One Year	13.56%	£3.56m	£3.81m	
Since inception	4.40%	£5.05m	£31.09m	66.6%

- Total Value at 30/06/13: £37.2m
- Distributions exceeded drawdowns during the quarter as the funds move into the distribution phase of their cycles.

14.6 In house cash

	Value	Average Credit Rating	Average Maturity (days)	Return
At 30/06/13	£3.18m	AAA	1	0.33%
At 31/03/13	£5.51m	AAA	1	0.31%
At 31/12/12	£5.08m	AAA	1	0.37%
At 30/09/12	£3.76m	AAA	1	0.38%



15. Responsible Investment Activity in the three months ended 30th June 2013

BlackRock	Legal & General	LAPFF
<p>15.1 Environmental Issues</p> <p>BlackRock have advised that at their recent engagements with UK companies environmental topics were discussed on almost every occasion. However elsewhere in the world environmental issues did not play such a significant part and, in Japan, at their 46 engagements no environmental matters were discussed.</p> <p>In the Americas BlackRock attended a two-day on-site meeting with a large international energy company with the objective of better understanding the company's deep water offshore drilling operations and how the company manages the associated risks. This meeting provided them with a benchmark against which they can assess and engage with other companies involved with deep water drilling.</p> <p>In the UK BlackRock also met the Chief Sustainability Officer of a large mining company to understand his priorities and to emphasise the need for him to develop engagement with shareholders.</p>	<p>In the quarter, L and G attended 123 company meetings at which environmental issues were covered 18 times and social issues 23 times.</p> <p>They have engaged extensively with Rio Tinto specifically focussing on their water management targets as well as more broadly on their sustainability efforts.</p>	



BlackRock	Legal & General	LAPFF
<p>15.2 Governance / Remuneration Issues</p> <p>Whilst in the UK much of BlackRock's engagement was over environmental and social issues, overseas it was almost entirely related to governance matters. These engagements usually concerned the constitution of the Board, remuneration policies and the dilution of shareholder value.</p> <p>Within the UK, of particular note was that, at the Glencore Xstrata AGM, they voted against the election of the former Xstrata directors since, in their view, they had failed to represent shareholder interests during the process of the merger.</p> <p>BlackRock spoke at a conference to professionals holding positions within Company Secretariat, Investor Relations, Sustainability and Corporate Communications explaining how companies could demonstrate better their commitment to transparency and accountability.</p>	<p>The majority of L and G's engagements have covered governance and financial topics. Of their 123 meetings in the quarter these topics were covered in almost every one and most of their adverse voting actions were due to governance concerns.</p> <p>L and G had similar concerns to BlackRock over the Glencore Xstrata Board.</p> <p>At the AGM of JP Morgan L and G voted against the Risk Committee members and the Lead Independent Director due to poor oversight and insufficient relevant qualifications.</p> <p>As regards speaking engagements, of particular note was the Bank of New York Mellon Executive Women's Symposium where L and G spoke on gender diversity on boards and company performance.</p>	<p>LAPFF has recently joined other investors in urging stronger tax disclosure rules for oil, gas and mining companies listed in Canada.</p> <p>They have also expressed their concern where auditors earn more from their non-audit work with companies they audit than from the audit itself.</p> <p>LAPFF has held engagement meetings with Burberry, Marks and Spencer and Standard Chartered concerning executive pay.</p>



BlackRock	Legal & General	LAPFF
<p>15.3 Other Engagement activity</p> <p>During the quarter BlackRock do not appear to have engaged to any great extent on social issues and only around 10% of their engagements included such issues in the discussions.</p>	<p>As well as environmental issues raised with Rio Tinto, L and G have also continued to engage with them over the deaths of mine workers at one of their mines in Indonesia and their overall direct operational risk management.</p> <p>They have continued to engage with National Express over the issue of labour rights in the US. However, they advise that since the engagement began three years ago the company have adopted more stringent labour policies.</p>	<p>LAPFF has held engagement meetings with Sainsbury's and Next over employment standards.</p>



16. Budget Management – position at 30th June 2013

	Budget	Actual	Variance (under)/ overspend
	£'000	£'000	£'000
Contributions & Benefit related expenditure			
Income			
Employee Contributions	2,200	2,250	(50)
Employer Contributions	8,000	8,500	(500)
Transfer Values in	1,000	580	420
Total Income	11,200	11,330	(130)
Expenditure			
Pensions & Benefits	(10,000)	(12,000)	2,000
Transfer Values Paid	(1,300)	(530)	(770)
Administrative Expenses	(200)	(220)	20
Total Expenditure	(11,500)	(12,750)	1,250
Net of Contributions & Benefits	(300)	(1,420)	1,120
Returns on investment			
Net Investment Income	900	900	0
Investment Management Expenses	(400)	(130)	(270)
Net Return on Investment	500	770	(270)
Total	200	(650)	850



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17. Late Payment of Contributions

17.1 The table below provides details of the employers who have made late payments during the last quarter.

	Occasions late	Average Number of days late	Average monthly contributions
Mulberry School	1	4	£14,300

18. Communication Policy

- 18.1 Two sets of regulations govern pensions communications in the LGPS: The Disclosure of Information Regulations 1996 (as amended) and Regulation 67 of the Local Government Pensions Scheme (Administration) Regulations 2008 as amended.
- 18.2 In March 2011, the Council approved the Pensions Administration Strategy Statement (PASS). The PASS sets out time scales and procedures which are compliant with the requirements of the Disclosure of Information Regulations. The PASS is a framework within which the Council as the Administering Authority for the Fund can work together with its employing bodies to ensure that the necessary statutory requirements are being met.
- 18.3 In June 2008 the Council approved the Policy Statement on Communications with scheme members and employing bodies. The Policy Statement identifies the means by which the Council communicates with the Fund members, the employing bodies, elected members, and other stakeholders. These cover a wide range of activities which include meetings, workshops, individual correspondence and use of the internet. In recent times, the Pensions web page has been developed to provide a wide range of employee guides, forms and policy documents. Where possible, Newsletters and individual notices are sent by email to reduce printing and postage costs.
- 18.4 The requirement to publish a Communications Policy Statement recognises the importance that transparent effective communication has on the proper management of the LGPS.
- 18.5 During the first quarter of 2013-14 there has been an update to the Pensions web page and the Newsletter, Atease, has been issued to pensioners and posted on the web site. Additionally employers have been advised of guidance to ill health liability insurance and the consultation arrangements for the changes to the Scheme due in 2014.



Appendix 1 – Investment Managers mandates, benchmarks and targets

Manager	% of Total Portfolio	Mandate	Benchmark	Performance Target
BlackRock Investment Management	55.7%	Global Equities & Bonds	See overleaf	Index (passively managed)
Legal & General Investment Management	29.3%	Global Equities & Bonds	See overleaf	Index (passively managed)
CBRE Global Investors	10%	Property	IPD UK Pooled Property Funds All Balanced Index	+1% gross of fees p.a. over a rolling 5 yr period
Pantheon Private Equity	5%	Private Equity	MSCI World Index plus 5%	+ 0.75% gross of fees p.a.
Total	100%			



Asset Class	Benchmark	BlackRock Investment Management	Legal & General Investment Management	Total
UK Equities	FTSE All Share	14.9%	2.6%	17.5%
Overseas Equities				
North America	FT World Developed North America GBP Unhedged	28.8%	23.7%	52.5%
Europe ex UK	FT World Developed Europe X UK GBP Unhedged	21.5%	3.8%	25.3%
Pacific ex Japan	FT World Developed Pacific X Japan GBP Unhedged	4.3%	4.3%	8.6%
Japan	FT World Developed Japan GBP Unhedged	2.0%	2.0%	4.0%
Emerging Markets	FT World Global Emerging Markets GBP Unhedged	1.0%	3.1%	4.1%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	0.0%	10.5%	10.5%
		12.0%	3.0%	15.0%
		55.7%	29.3%	85.0%