



Report for:	Corporate Committee 19th September 2013	Item number	
-------------	--	----------------	--

Title:	Pension Fund: Asset Allocation Advice
--------	---------------------------------------

Report authorised by :	<i>J. Parker</i> 16/9/13 Director of Corporate Resources
---------------------------	---

Lead Officer:	Ian Talbot, Interim Head of Finance – Treasury & Pensions ian.talbot@haringey.gov.uk 020 8489 8621
---------------	---

Ward(s) affected: N/A	Report for Non Key Decision
-----------------------	-----------------------------

**1. Describe the issue under consideration**

1.1 This report considers the Pension Fund's current asset allocation and recommends movements towards the agreed strategic benchmark.

**2. Cabinet Member Introduction**

2.1 Not applicable.

**3. Recommendations**

3.1 That the asset allocation moves set out in the Advice Table on page 6 of Appendix 1 are implemented.

**4. Other options considered**

4.1 None.



## **5. Background information**

- 5.1 At the time of agreeing the new investment strategy for the Pension Fund, the Committee agreed the assets would be transferred to the new fund managers in their existing allocations and that asset allocation advice would be taken from the investment advisers, Aon Hewitt to move to the agreed strategy on a gradual basis taking into consideration conditions in the market.
- 5.2 At the meetings on 22<sup>nd</sup> January 2013, 14<sup>th</sup> March 2013 and 27<sup>th</sup> June Aon Hewitt presented a timetable of proposed moves which would achieve the strategic asset allocation by the end of 2013. The moves agreed at those meetings were implemented in February, April and August/September respectively.

## **6. Comments of the Chief Financial Officer and financial implications**

- 6.1 This report recommends the final set of timetabled moves to achieve the strategic asset allocation by the end of the calendar year. Implementing the moves on a gradual basis mitigates the risk to performance of making one large move.

## **7. Head of Legal Services and Legal Implications**

- 7.1 The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management and Investment Funds) Regulations 2009.
- 7.2 All investments must comply with the Council's published investment policy and the asset allocation must be in accordance with the investment strategy adopted on 12 April 2011.

## **8. Equalities and Community Cohesion Comments**

- 8.1 Not applicable.

## **9. Head of Procurement Comments**

- 9.1 Not applicable.

## **10. Policy Implications**

- 10.1 None.



## 11. Use of Appendices

### 11.1 Appendix 1: Aon Hewitt – Asset Allocation Process

## 12. Local Government (Access to Information) Act 1985

### 12.1 Not applicable.

## 13. Asset Allocation

13.1 At the meetings on 22<sup>nd</sup> January 2013, 14<sup>th</sup> March 2013 and 27<sup>th</sup> June the Committee agreed to the first three sets of asset allocation moves towards the strategic asset allocation and these were implemented in February 2013, April 2013 and August/September 2013 respectively. Aon Hewitt have prepared a report setting out their advice for the final set of asset allocation moves to the strategic benchmark in 2013 and this is attached at Appendix 1.

13.2 This shows that the Pension Fund remains overweight in its allocation to equities (76% compared to 70%). Offsetting this overweight, the property and private equity allocations are underweight, but these are long term asset classes which cannot be added to quickly. Property and private equity, along with other alternative asset classes, are currently being considered by the Working Group. Recommendations will be brought to the Committee once the review is complete.

13.3 Aon Hewitt have recommended that the planned moves take place over time for all asset classes and that the overweight position in equities is temporarily maintained. These recommendations have been discussed with Aon Hewitt and are supported by officers and the Independent Adviser.

13.4 Since the last meeting of the Committee the Pensions Working Group has met twice and considered whether to make recommendations to the Committee to adjust the asset allocation policy. In particular they have considered whether to dispose of some or all of the Council's allocation to index linked gilts investments and purchase other assets. With the assistance of the external advisers the Group have considered transferring funds to alternative asset classes such as absolute return bonds, diversified growth funds and infrastructure. At their meeting on 9 September the Group agreed that a training / briefing session should be arranged to which all members of the Committee would be invited. When all members have had the opportunity to understand the options a report will be presented to the Committee at its next



**Haringey** Council

meeting on 26 November making recommendations as to the future strategy.