

Report for: Pensions Committee and Board 20th July 2017

Item number:

Title: Social Impact Investments Review

Report authorised by: Tracie Evans, Deputy Chief Executive (CFO and S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions
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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1. At the 27 March Pensions Committee and Board meeting, the committee agreed to commission a paper from the Fund's investment consultant, Mercer, dealing with the subject of social impact investing.
- 1.2. This report brings back a report from Mercer which gives a comprehensive overview of social impact investing.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the committee consider the report and recommendations outlined by Mercer in Confidential Appendix 1, namely:
 - To agree to focus the attention of the Committee and Board specifically on private equity and real estate as potential asset classes for social impact investment going forwards.
 - To agree to arrange an interim half day or evening training session for members of the Committee and Board, to meet with some social impact investment fund managers, as the Committee and Board begins to build up a knowledge base in this area in order to consider investment in the future. The aim would be to hold this meeting in September or October.
 - Following this interim meeting, to agree that a further report on the social impact investing topic be presented to the November Pensions Committee and Board meeting.

4. Reason for Decision

- 4.1. The fund has a commitment to investing in a manner which not only secures sufficient returns to meet the fund's strategy to increase the overall funding level, but which also takes serious consideration of ESG factors.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The most important investment role for the Committee and Board is the setting of an asset allocation strategy. This is the desired allocation to the various asset classes e.g. equities, bonds, property, cash etc. Different asset allocations will have different expected outcomes in terms of future returns and also the predictability of returns.
- 6.2. The current investment strategy has a clear commitment to ESG issues, with the inclusion of low carbon equity and renewable energy mandates. Going forward, the Committee and Board wish to explore the area of social impact investing further, and have commissioned a paper on this subject from the Fund's Investment Consultant: Mercer.
- 6.3. Mercer's report gives an overview of social impact investment opportunities, as well as potential barriers and a recommendation as to how the Committee and Board should proceed with this strand of work.

7. Contribution to Strategic Outcomes

- 7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. The report from Mercer highlights the difficulty of finding investments of suitable scale and likely returns in this area. Whilst commitment to ESG issues is clearly a key consideration for Haringey Pension Fund, the overriding aim of the fund's investment strategy must be to improve the funding position with the aim of reaching fully funded status, whilst maintaining stability of employer contributions. Any future changes to

the Fund's investment strategy must be consistent with these principles.

- 8.2. Before any new fund managers or asset classes are introduced to the pension fund, proper due diligence will be undertaken, and sound professional advice will be sought. Officers will ensure that the Pensions Committee and Board receive adequate and appropriate training on any new investment techniques or asset classes prior to these being undertaken by the pension fund.
- 8.3. The paper from Mercer does not recommend any specific actions to be taken at this stage, such as changes to be made to the investment strategy, or fund managers to be appointed. The report is an initial paper, seeking to channel to efforts of the Committee and Board with the suggestion to focus primarily on real estate and private equity as the asset classes to be considered in this space going forwards. As the idea of social impact investing is currently at an exploratory stage for the Committee and Board, it is a logical first step to identify asset classes which would be appropriate for the fund's investment strategy.

Legal

- 8.4 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 & Investment Funds) Regulations 2016.
- 8.5 Any changes to the allocations must comply with the Pension Fund Investment Strategy Statement. There are no legal implications in respect of the recommendation.

Equalities

- 8.6 There are no equalities issues arising from this report

9. Use of Appendices

- 9.1. Confidential Appendix 1 – Low Carbon Investments Review

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.