

**MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016**

Councillors Clare Bull (Chair), John Bevan (Vice-Chair), Sheila Peacock, Reg Rice and Viv Ross

Also Present Keith Brown (Non-voting) and Roger Melling (Non-voting)

Apologies Councillor Dhiren Basu and Michael Jones (Non-voting)

105. FILMING AT MEETINGS

The Chair referred Members present to agenda item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

106. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllr Basu and from Michael Jones.

107. URGENT BUSINESS

There were no items of urgent business.

108. DECLARATIONS OF INTEREST

Roger Melling declared a prejudicial interest in respect of agenda item 19 as a trustee of Age Concern (UK) Haringey and that he would withdraw from the meeting for that item.

109. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Members of the Committee were advised to pass details of relevant training undertaken since the last Committee meeting to the Clerk for recording in the minutes.

The following Members provided details of training undertaken since the last meeting:

Cllr Bevan

IP Real Estate Infrastructure investment strategies 11/09/15

NAPF managing risk in pensions 15/09/15

Russell Investments Trustee Development Investment Workshop 16/09/15

Hymans Robertson LLP pensions training 22/09/15

Local Authorities Pension Fund Forum 6/10/15

Pensions, training 13/10/15

Pensions training LBH 19/10/15

Local Government Pension Investment Forum 2015, day one 20/10/15

Local Government Pension Investment Forum 2015, day two 21/10/15

Climate Change financial Implications for investment portfolios 27/10/15

University of Westminster, Pension Investment Academy 27/10/15

D C pensions insight 29/10/15

SPS Local Authority Pension Fund Investment Strategies Conference 19/11/15

Local Authority Pension Fund Forum 23/11/15

P&LSA Stewardship Accountability Forum 24/11/15

MINUTES OF THE PENSIONS COMMITTEE

THURSDAY, 14 JANUARY 2016

Pension Investment Academy 24/11/15
Infrastructure conference for pension funds 01/12/15
P&LSA GMP pension reconciliation issues seminar 10/12/15

110. MINUTES

RESOLVED

That the minutes of the meeting held on Thursday, 10 September 2015, be approved as a correct record and signed by the Chair.

Updates on the following items were provided as follows:

95 - London Collective Vehicle

George Bruce, Head of Finance – Treasury and Pensions, advised that share capital of the London Collective Investment Vehicle had now been purchased, following approval by the Committee at the previous meeting.

97 – Application for a Combined Pension Committee and Board

Mr Bruce advised that the DCLG had written to confirm that the application to operate a combined Committee and Board had been approved, and the draft terms of reference that the Committee had considered at the meeting in September would be considered for approval by Full Council in March. The joint Committee and Board would have a wider remit than the existing Committee, and would consist of six voting Councillor Members, two voting employee representatives and two voting employer representatives. Appointment to the new positions would commence once approval had been granted by Full Council. It was noted that the new body would be subject to increased regulatory and governance responsibilities; training for all Committee and Board Members would be mandatory, and it was proposed that a training schedule be brought to the next meeting of the Committee for consideration.

111. TRIENNIAL ACTUARIAL VALUATION

The Committee considered the report on the Triennial Actuarial Valuation, presented by Douglas Green, Hymans Robertson. The report gave an overview of the valuation process and principles, the anticipated timeline and the preparatory work required. It was noted that the final valuation report had to be signed off by 31 March 2017, with new contribution rates payable from 1 April 2017, and that it was therefore essential to engage with employers within the scheme at an early stage. Members of the Committee had attended a training session with Mr Green on the triennial valuation process prior to the meeting.

In response to a question from the Committee regarding schools, it was reported that Council-run schools, including religious schools, were grouped as part of the Council for the purposes of the valuation, whereas academies were separate employers within the scheme. The Committee also asked about the reference to primary and secondary rates of contribution in section 7.3 of the report and it was clarified that this related to whether the employer had a deficit or not.

RESOLVED

MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016

That the Committee note the report.

112. LOW CARBON INVESTING

The Committee considered the report on low carbon investing, as circulated. Following on from a discussion around ethical investments at a training session in October 2015, the Chair advised that Friends of the Earth had been invited to address the Committee briefly on this topic and asked Quentin Given, Friends of the Earth, to speak.

Mr Given addressed the Committee on behalf of Friends of the Earth and Sustainable Haringey, and welcomed the report and the proposals arising from it. It was recognised that, were the Committee to approve the recommendations of the report, this would send a positive signal to other Funds in support of moving to low carbon investing. The need to limit global warming had been recognised at the 2015 United Nations Climate Change Summit in Paris; achieving the limits agreed at that summit would necessarily lead to a decline in the fossil fuels industry and a decrease in the valuations of companies involved in this sector and it was important for Funds to take action at an early stage. Mr Given felt that engagement with companies entirely dependant on the exploitation of fossil fuels was unlikely to be effective. Mr Given hoped that the Committee would approve the recommendations of the report as a first step, and advised that Friends of the Earth and Sustainable Haringey would continue to press for further movement of funds towards low-carbon investment options. Following a petition signed by more than 2,500 individuals, a debate on this issue would also be held at Full Council in March 2016.

The Chair thanked Mr Given for addressing the meeting. Cllr Bevan advised that the Council had participated in the Local Authorities Pension Fund Forum (LAPFF) since last year, and that this was a very powerful way for Funds to engage with companies and was having an effect on behaviours. It was noted that there was an argument that this was an alternative way of proceeding as opposed to divestment.

The Committee asked why the report recommended an implementation plan to switch one third of passive equities into a low carbon index. Mr Bruce advised that the timing of any switch in funds was important, as market volatility could affect prices significantly. A phased transition was therefore proposed in order to minimise the risk of the transferred funds being unduly affected by specific market conditions, and one third had been assessed by officers as a reasonable initial proportion. Steve Turner, Mercer, advised that one third of the passive equities mandate would represent 20% of the Fund's portfolio, which would be a significant first step, but emphasised the importance of the timing of any move, as outlined by Mr Bruce previously, and the need to ensure the best return possible for the Fund.

The Chair invited Cllr Goldberg, Cabinet Member for Economic Development, Social Inclusion and Sustainability, whose portfolio included responsibility for carbon reduction, to address the Committee. Cllr Goldberg discussed the risks associated with certain industries, such as the oil industry, in light of the move to incentivise the renewables industry globally, as a result of the Paris summit. Cllr Goldberg noted that many places were moving away from carbon-based energy to renewable sources and that it was therefore essential to consider the risks associated with investing in carbon-based energy companies.

**MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016**

In response to a question from the Committee regarding his opinion of the recommendation of the report in the context of the Committee's fiduciary duty to act in the best interest of the Fund, John Raisin, Independent Advisor to the Fund, indicated that he was supportive of the proposals. Mr Raisin indicated that there was no evidence that the proposed index would be less efficient than the indices currently used, and would represent increased diversification in the Fund, which would help to protect the fund from the impacts of market volatility. Mr Raisin noted that there were risks associated with carbon industries in relation to global warming, but that he supported the role of active engagement with companies via forums such as the LAPFF and would not recommend wholesale disengagement for that reason.

Mr Bruce felt that it would be very helpful for Committee Members to meet with the Environment Agency Pension Fund in the next month, as they were a leader in sustainable investing and had current holdings in the MSCI World Low Carbon Index Fund. In relation to the specific points covered in the petition by Friends of the Earth relating to coal and tar sands, research to date suggested that the MSCI World Low Carbon Index met the objective of having no exposure to coal and had very limited exposure to tar sands, and would therefore go a long way towards achieving the aims of the petition.

RESOLVED

That an implementation plan to switch one third of passive equities into the MSCI Low Carbon Target Index be developed for the next Committee meeting.

113. CONFLICTS OF INTEREST POLICY

The Committee considered the report on the proposed Conflicts of Interest Policy, introduced by George Bruce, Head of Finance – Treasury and Pensions. It was noted that this was a requirement under the Public Service Pensions Act, and Members were advised to consult with legal services in relation to which interests were required to be recorded.

Members noted that, given the recent decision to permit the operation of a combined Pensions Committee and Board, the draft Conflicts of Interest Policy would need to be updated to reflect the title of the new body, and the Committee was asked to approve that authority be delegated to the Section 151 Officer to approve the updated version of the document.

RESOLVED

That the proposed Conflicts of Interest Policy be updated to reflect the formation of the combined Pensions Committee and Board and that authority be delegated to the Chief Operating Officer, as Section 151 Officer, to approve the updated Policy for adoption.

114. POOLING CONSULTATION AND REVISIONS TO INVESTMENT REGULATIONS

The Committee considered the report on the pooling consultation and revisions to investment regulations, presented by George Bruce, Head of Finance – Treasury and Pensions. The report set out details of two documents published by the Government concerning the management of Local Authority Pension Scheme investments, the consultation on revisions to the investment regulations and new Government powers

**MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016**

of intervention, and the timetable for submission and content of plans for pooling investments and criteria for judging acceptability of pooling proposals submitted.

The Committee was advised that the proposed changes to the investment regulations were broadly welcomed as they permitted greater flexibility, however there were concerns regarding the proposed new powers of direction which were intended to relate to pooling matters but were not limited to this area and could therefore potentially be applied more broadly. Of particular concern was that in issuing any direction, the Government would not be operating under the same fiduciary duty as the Pensions Committee and would not be responsible for any costs incurred arising from its direction. It was proposed that the Committee respond to this consultation on the basis that the Government should have a specific obligation to operate in the best interest of the Fund, and Mr Bruce advised that a draft response would be circulated to the Committee for comment in due course.

The Committee also noted the proposed approach to pooling and that initial responses on this were due by mid-February. It was noted that the London CIV would most likely be consistent with the Government's requirements and that it was proposed that an initial response be sent indicating that Haringey was a member of the London CIV and anticipated that management of some of the Fund's assets would be undertaken by the CIV, while keeping the Fund's options open in respect of any other pools that it may be in the best interests of the Fund to participate in. It was also noted that it was not proposed for the Fund to transfer its emerging market equities to the CIV on the basis that this would incur additional costs, and assurance would be sought from the Government that this was an acceptable position. A more detailed response would subsequently be provided in July.

RESOLVED

- i) That the Committee note the actions required and timetable to comply with the revised investment regulations;
- ii) That the Committee approve the draft response to the pooling criteria; and
- iii) That the Committee delegate authority to the Chair to submit a response to the investment regulations consultation on behalf of the Committee if she considers it appropriate to do so.

115. LONDON COLLECTIVE INVESTMENT VEHICLE

The Committee considered the report on the London Collective Investment Vehicle, introduced by George Bruce, Head of Finance, Treasury and Pensions. The report sought formal approval for the transfer of the management of listed equities (excluding emerging markets) to the London CIV; it was noted that management of the assets would ultimately remain with Legal and General within a slightly different structure from the current mandate.

In response to a question from the Committee regarding the low carbon index, as discussed earlier in the meeting, Steve Turner, Mercer, advised that this was not an index currently used by the CIV and that for now it would be necessary to manage this separately. If the CIV did adopt the low carbon index at a later date, it would be possible to transfer the assets over at that time.

**MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016**

John Raisin, Independent Advisor, advised that the issues arising around the transfer of a straightforward asset class such as market cap weighted equities illustrated that the pooling process was likely to be more complex than had been originally envisaged and that this should be noted in the response to the Government regarding the pooling criteria.

RESOLVED

- i) That the Committee agree to transfer the management of listed equities excluding emerging markets to the London CIV noting that ultimate management will remain with Legal and General;
- ii) That the Committee delegate authority to the Chief Operating Officer or in their absence the Head of Finance – Treasury and Pensions to execute any documents required to complete the transfer of assets to the London CIV.

116. INVESTMENT QUARTERLY UPDATE

The Committee considered the report on the Investment Quarterly Update, presented by George Bruce, Head of Finance - Treasury and Pensions. It was noted that it had been a volatile year in respect of equities, however the fund value at the end of December 2015 was £1.013bn, an increase of almost 3% over the course of the year. It was noted that performance had been driven primarily by the selection of asset classes.

The Committee noted that the property mandate had underperformed against the benchmark; poor performance in the retail sector and acquisitions above net asset value were given as reasons for this underperformance. It was noted that these were new investments priced on the basis of future performance and that it was therefore anticipated that these would lead to improved performance in future years, although the current net asset value was a detractor in terms of performance at present. It was noted that the premium paid on recent transactions was the more significant of these factors in relation to the underperformance.

In response to questions regarding the Property mandate, it was noted that the current manager, CBRE, had inherited this portfolio from ING in 2007/8. It was anticipated that there would be an opportunity to review this mandate, taking into account issues such as performance over the life of the fund, in the next year or so as arrangements for pooling started to come forward and that this was an area that could be discussed with the CIV.

The Committee noted the multi-sector credit performance. While this was below benchmark, it was noted that this had been a particularly difficult year for the credit sector and that decisions taken by the fund manager CQS during this had prevented further under-performance.

RESOLVED

That the information provided in respect of the activity in the three months to 30th September 2015 be noted.

117. WORK PLAN AND MEETING REFLECTIONS

MINUTES OF THE PENSIONS COMMITTEE

THURSDAY, 14 JANUARY 2016

The Committee considered the report on the work plan and meeting reflections, introduced by George Bruce, Head of Finance – Treasury and Pensions. It was noted that the meeting plan would need to be revised to take into account the additional responsibilities of the joint Pension Committee and Board once this was formally established and there may be a need for an additional meeting to accommodate these additional duties. In respect of the new responsibilities of the joint Committee and Board, the Chief Operating Officer advised that there was a need to consider how to make the work of the Pension Committee and Board as accessible as possible, and that this would cover the way in which reports were presented as well as the programme of meetings over the course of the year.

The Committee discussed the need for quarterly performance reports. It was felt that these were important in order to fulfil the Committee's fiduciary duty, to identify any emerging issues with fund managers and to monitor progress against the strategy, although it was agreed that the format of the performance reports should be reviewed. The Committee agreed that receiving presentations from fund managers on a quarterly basis, however, would not be an effective use of time and resources.

In response to a suggestion from the Committee that a mission statement would help Fund members to engage with the work of the Committee and, in due course, the joint Committee and Board, Mr Bruce suggested that the formulation of a mission statement could be linked to the current work on identifying clear objectives, as part of the focus on risk management.

It was suggested that more detailed proposals around these issues would be brought back to the next meeting of the Committee and would include details on the responsibilities of the combined Committee and Board.

RESOLVED

That the content of the report be noted and that further proposals for the work plan and training requirements be brought back to the next meeting for consideration.

118. ADMINISTRATION REPORT

The Committee considered the administration report, presented by Janet Richards, Pensions Manager.

The Committee noted the non-material breach in respect of the publication of the annual benefit statements for active members of the scheme, which had been reported to the Pensions Regulator. The report also set out the forthcoming launch of the new pensions website, including self service, new employers seeking Admission Body Status and the Tell Us Once Service, whereby the Council would be automatically notified of a death at the point of a death being registered, where this had been agreed by the next of kin.

In respect of new employers seeking admission body status, the Committee asked about the safeguards in place in the event that a company ceased trading, having been admitted as an Admission Body to the Fund. It was reported that a cessation valuation would be undertaken in this instance and any outstanding funds owed would be recovered. Some Admission Bodies entered into a bond for this purpose, however

MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016

this did not apply to all admission agreements. It was noted that the actuary assessed the contribution rates for new employers admitted to the scheme and that these would be at a rate relative to the risk of a business failing – it was also noted that, in the event of a firm going out of business, it would be expected that another firm would take the contract over to continue to deliver the service in question, for example school catering.

RESOLVED

- i) That the Committee note:
 - a) That a report to the Pensions Regulator was sent regarding a ‘non-material’ breach and the actions being taken to rectify the position.
 - b) That the Section 151 Officer agreed on behalf of the Pension Committee the entry of Lunchtime Company Limited as an Admission Body into the Council’s Pension Scheme in respect of their catering service contract with the Governing Body of Earlsmead School starting on 1 January 2016.
 - c) The new web address of the pensions website.
 - d) The impending launch of the new ‘Tell Us Once’ service.
- ii) That the Committee agree:
 - a) That the catering contractor Pabulum Catering Limited be admitted to the Council’s Pension Scheme as an Admission Body in relation to the provision of catering under contracts with the Governing Bodies of each of the following schools:
 - i) Tetherdown School
 - ii) Lea Valley Primary School
 - iii) St Peter in chain RC Infants School
 - iv) Belmont Infant School
 - v) Belmont Junior School
 - vi) Alexandra Primary School
 - vii) St Martin of Porrs RC Primary School
 - viii) Earlham Primary School
 - ix) St John Vianney School
 - x) South Haringay School

Subject in each case to the contractor entering into an admission agreement with the Council in respect of the particular contract. The reason being Pabulum Catering Limited is entering into catering service contracts with the Governing Bodies of the above schools.

- b) That admission agreements satisfactory to the Council be entered into in respect of each of the above contracts, and that the agreements are closed agreements, such that no new members can be admitted.

**MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016**

- c) That the catering contractor Absolutely Catering Limited be admitted to the Council's Pensions Scheme as an Admission Body, in relation to the provision of catering under a contract with Trinity Primary Academy, subject to the contractor entering into an admission agreement with the Council in respect of the contract. The reason being Absolutely Catering Limited is entering into a catering service contract with Trinity Primary Academy.
- d) That an admission agreement satisfactory to the Council be entered into in respect of the contract, and that the agreement is a closed agreement, such that no new members can be admitted.

119. ANY OTHER BUSINESS OF AN URGENT NATURE

There were no new items of urgent business.

120. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for the following items as they contained exempt information as detailed in Section 100a of the Local Government Act 1972, Paragraph 3; information relating to the business or financial affairs of any particular person (including the Authority holding that information.)

121. LOW CARBON INVESTING

The Committee considered exempt information pertaining to agenda item 8

122. INVESTMENT STRATEGY UPDATE

The Committee considered the report on the Investment Strategy, introduced by George Bruce, Head of Finance – Treasury and Pensions. The Committee had considered a report setting out different models for risk and return within the Fund in July 2015, and had considered alternative asset classes at its September meeting and at a training session in October; this report proposed that a manager search be undertaken for the preferred options of renewable energy and long lease property and set out possible mandate structures, which Steve Turner, Mercer, outlined in greater detail.

The recommendations of the report were agreed.

123. AGE CONCERN (UK) HARINGEY

Roger Melling declared a prejudicial interest in this item as a trustee of Age Concern (UK) Haringey and left the meeting for this item.

The Committee considered the report on Age Concern (UK) Haringey and agreed the recommendations of the report.

124. ANY EXEMPT ITEMS OF URGENT BUSINESS

**MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 14 JANUARY 2016**

RESOLVED

That Cllr Bevan be authorised to vote on behalf of the Committee at the forthcoming LAPFF AGM, based on the information provided at the AGM.

The Chair advised the Committee that this was the last Pensions Committee meeting that George Bruce would be attending, as he was leaving Haringey to take up a new opportunity. The Chair thanked Mr Bruce for the excellent support he had provided to the Committee whilst in post and this was strongly endorsed by the rest of the Committee.

125. DATE OF NEXT MEETING

11 April, 2016.

The meeting closed at 9.50pm.

Councillor Clare Bull

Chair