

## NOTICE OF MEETING

# PENSIONS COMMITTEE

**Monday, 11th April, 2016, 7.00 pm – Haringey Civic Centre, High Road, Wood Green N22 8LE**

***Please note that there will be a demonstration of the new pensions website in advance of the meeting, starting at 6.45pm.***

**Members:** Councillors Clare Bull (Chair), John Bevan (Vice-Chair), Dhiren Basu, Sheila Peacock, Reg Rice and Viv Ross

**Non Voting Members** Keith Brown, Michael Jones and Roger Melling

Quorum: 3

### **1. FILMING AT MEETINGS**

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

The Chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual, or may lead to the breach of a legal obligation by the Council.

### **2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

To receive any apologies for absence.

### **3. URGENT BUSINESS**

The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under

Item 17 below. New items of exempt business will be dealt with at Item 22 below).

#### **4. DECLARATIONS OF INTEREST**

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct.

#### **5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING**

Members of the Committee are asked to provide details of any relevant training undertaken since the previous meeting of the Committee to enable this to be formally recorded in the minutes of the meeting. Where no training has been undertaken during the period in question a nil return is required and must be recorded.

#### **6. MINUTES (PAGES 1 - 10)**

To confirm and sign the minutes of the meeting held on 14 January 2016 as a correct record.

#### **Note from the Assistant Director of Corporate Governance and Monitoring Officer**

When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

#### **7. ADMINISTRATION REPORT (PAGES 11 - 14)**

Report of the Assistant Director, Human Resources, setting out any relevant matters for the Committee's consideration relating to the proper administration of the Haringey Pensions Scheme.

**8. AUTO ENROLMENT UPDATE (PAGES 15 - 18)**

Report of the Assistant Director, Human Resources, to update members of the Pensions Committee on the latest position relating to the re-enrolment process.

**9. QUARTERLY REPORT - VALUATION AND PERFORMANCE (PAGES 19 - 28)**

Report of the Chief Operating Officer report the Fund Performance against the following indicators in respect of the three months to 31st December 2015:

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

**10. NEW TERMS OF REFERENCE FOR THE JOINT PENSIONS COMMITTEE AND BOARD (PAGES 29 - 36)**

Report of the Chief Operating Officer setting out the Terms of Reference for the Joint Pensions Committee and Board and the intention for these to be sent for approval by the Council's Standards Committee and Full Council, following which the necessary amendments to the Council Constitution will be made.

**11. EXTERNAL AUDIT PLAN (PAGES 37 - 60)**

Report of the Chief Operating Officer to present the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2015/16 for the Committee's consideration.

**12. COMPLIANCE WITH TPR CODE OF PRACTICE (PAGES 61 - 64)**

Report of the Chief Operating Officer for the Committee to note progress on meeting the requirements of the pension code of practice and to commission a governance review to be completed prior to signing off the 2016 annual accounts.

**13. RISK REGISTER (PAGES 65 - 78)**

Report of the Chief Operating Officer to propose the establishment of a supporting framework consisting of a mission statement and objectives and a Risk Register which are both components of a secure internal control framework.

**14. REPORTING ON BREACHES OF THE LAW (PAGES 79 - 94)**

Report of the Chief Operating Officer for the Committee to approve the proposed policy on reporting breaches of the law to the Pensions Regulator.

**15. POOLING UPDATE**

Verbal update

**16. SCHEME ADVISORY BOARD (SAB) BENCHMARKING STUDY (PAGES 95 - 106)**

Report of the Chief Operating Officer for the Committee to monitor progress quarterly on addressing weakness identified in the Shadow Advisory Board benchmarking study.

**17. ANY OTHER BUSINESS OF AN URGENT NATURE**

To consider any items admitted at item 2 above.

**18. DATE OF NEXT MEETING**

Monday, 11 July 2016, 7pm.

**19. EXCLUSION OF THE PRESS AND PUBLIC**

The following items are likely to be the subject of a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 12A of the Local Government Act 1972, paragraph 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

**20. EXEMPT MINUTES (PAGES 107 - 110)**

To confirm the exempt minutes of the meeting of the Pensions Committee held on 14 January 2016 as a correct record.

**21. LONG LEASE PROPERTY AND RENEWABLE ENERGY (PAGES 111 - 168)**

Report of the Chief Operating Officer.

**22. ITEMS OF EXEMPT URGENT BUSINESS**

To consider any items of exempt urgent business admitted by the Chair at agenda item 3 above.

Helen Chapman  
Principal Committee Co-ordinator  
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Bernie Ryan  
Assistant Director – Corporate Governance and Monitoring Officer  
River Park House, 225 High Road, Wood Green, N22 8HQ

Friday, 1 April 2016

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**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

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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**



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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 that 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.

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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

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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.

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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 30<sup>th</sup> September 2015 be noted.

**117. WORK PLAN AND MEETING REFLECTIONS**

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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

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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 Harringay 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.

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- 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**

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**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**



**Report for:** Pensions Committee 11 April 2016

**Item number:** 7

**Title:** Administration Report

**Report**

**authorised by :** Jacque McGeachie Assistant Director Human Resources

**Lead Officer:** Janet Richards 0208489 3824  
janet.richards@haringey.gov.uk

**Ward(s) affected:** N/A

**Report for Key/**

**Non Key Decision:** Non Key decision

**1. Describe the issue under consideration**

- 1.1. The Pensions Administration Report sets out any relevant matters for the Committee's consideration relating to the proper administration of the Haringey Pension Scheme. In this report the admission of two schools catering company and one cleaning contractor as Admitted Employers is set out.

**2. Cabinet Member Introduction**

- 2.1. Not Applicable

**3. Recommendations**

**Members of the Pensions Committte are asked to note :**

- 3.1. That the Council's Chief Finance (Section 151) Officer agreed on behalf of the Pension Committee the entry of Lunchtime Company Limited as an Admitted Employer following their catering service contract with St Marys Priory Infant and Junior School on 25 March 2016.

**That members agree:**

- 3.2. That the catering contractor Caterlink Limited be admitted to the Haringey Pension Fund. The reason being Caterlink Limited is entering into a service contract with Woodside High School and is subject to an admission agreement.
- 3.3. That the admission agreement be entered into and that the agreement is a closed agreement such that no new members can be admitted.
- 3.4. That the cleaning company Hillcrest Cleaning Contractors be admitted to the Haringey Pension Fund. The reason being Hillcrest Cleaning Contractors is entering into a service contract with Chestnuts Primary School and is subject to an admission agreement.

- 3.5. That the admission agreement be entered into and that the agreement is a closed agreement such that no new members can be admitted.

#### **4. Reasons for decision**

- 4.1. The Council is obliged under the Local Government Pension Scheme Regulations 2013 to admit new eligible admission body employers into the pension scheme where the admitted body has entered into an admission agreement and to admit to the Scheme the eligible employees of that body.

#### **5. Alternative options considered**

- 5.1. Not Applicable

#### **6. Background information**

##### **Delegated Authority New Employer seeking Admitted Body Status**

- 6.1. The Haringey Pension Fund sought delegated authority for the Council's Chief Finance Officer to agree the entry of a new employer as a Transferee Admission Body.
- 6.2. The new employer Lunchtime Company Limited requested Admitted Body Status following it entering into a catering service contract with the Governing Body of St Mary's RC Priory School with effect from 25 March 2016.
- 6.3. The employer contribution rate is 33.9% plus, as an alternative to carrying deficit liability and providing bonds, the contractor has exercised the option to pay an additional 5% employer contribution. The staff are required to work no less than 50% of their time on the contract. The admission agreement is closed and only the TUPE transferred staff can participate in the LGPS.

##### **New Employer seeking Admitted Body Status**

- 6.4. Woodside High School will be outsourcing their catering function on 1 June 2016 to the catering contractor Caterlink Limited.
- 6.5. Twelve staff will be transferred under TUPE regulations, they are members of the LGPS. The admission agreement is closed and only the TUPE transferred staff can participate in the LGPS. The contract length is for 3 years, staff are required to work no less than 50% of their time on the contract. The actuary has been asked to calculate the employer contribution rate and bond value.
- 6.6. Chestnuts Primary School will be outsourcing their cleaning function to the cleaning company Hillcrest Cleaning Contractors.
- 6.7. Four staff will be transferred under TUPE regulations, two are members of the LGPS. The admission agreement is closed and only the TUPE transferred staff can participate in the LGPS. The contract length is for 3 years, staff are required to work no less than 50% of their time on the contract. The actuary has been asked to calculate the employer contribution rate and bond value.

**7. Contribution to strategic outcomes**

7.1. N/A

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

8.1. Finance and Procurement

8.1.1. The Chief Finance Officer has been consulted in the preparation of this report and confirms that there are no additional financial implications.

8.2. Legal

8.2.1. Under Regulation 3 of the Local Government Pension Scheme Regulations 2013 the employees are eligible to remain members of the Haringey Pension Fund if Lunchtime Company Limited has entered into an Admission Agreement. The Admission Agreement is still to be agreed and is to be a closed agreement. A “pass through arrangement” has also been agreed which means there is no bond/ indemnity or guarantee being provided.

**9. Use of Appendices**

9.1. None

**10. Local Government (Access to Information) Act 1985**

10.1.

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**Report for:** Pensions Committee 11 April 2016

**Item number:** 8

**Title:** Auto Enrolment update

**Report**

**authorised by :** Jacquie McGeachie Assistant Director Human Resources

**Lead Officer:** Janet Richards 0208489 3824  
janet.richards@haringey.gov.uk

**Ward(s) affected:** N/A

**Report for Key/**

**Non Key Decision:** Non Key decision

**1. Describe the issue under consideration**

- 1.1. Auto enrolment for the Haringey Pension Scheme first took place on 1 March 2013. This report updates members of the Pensions Committee on the latest position relating to the re-enrolment process.

**2. Cabinet Member Introduction**

- 2.1. Not Applicable.

**3. Recommendations**

**Members of the Pensions Committee are asked to note that:**

- 3.1. Haringey Pension Fund re-enrolment will take place on 1 April 2016 and that it is estimated that there are approximately 150 members of staff who will be re-enrolled into the scheme at that time.

**4. Reasons for decision**

- 4.1. Employers are required to comply with the pension duties which have been introduced under the automatic enrolment provisions of the Pensions Act 2008.

**5. Alternative options considered**

- 5.1. None; auto-enrolment is a statutory provision.

**6. Background information**

- 6.1. The Local Government Pension Scheme (LGPS) is a qualifying pension scheme and meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008. The Council must continue to maintain

membership of the LGPS and ensure the scheme continues to meet certain government standards.

- 6.2. Re-enrolment happens every three years after an employers staging date and is a repeat of the auto enrolment duties, re-enrolment can apply three months either side of the third anniversary date.
- 6.3. The employer must 'automatically re-enrol' eligible jobholders who commenced employment on or after the 'staging date', opted out of membership of the LGPS, remained in continuous employment and, on the re-enrolment date is not an active member of the LGPS.
- 6.4. Eligible jobholders are those who are aged 22 or over but under State pension age and earn over the trigger for automatic enrolment of £10,000.00 per annum.
- 6.5. Eligible jobholders who have opted out of the LGPS less than 12 months prior to the 'automatic enrolment' date or where a notice to terminate has been given or where an eligible jobholder has Primary Protection, Enhanced Protection, Fixed Protection 2012, Fixed Protection 2014 or Individual Protection 2014 under the Finance Acts 2004, 2011, 2013 or 2014, do not have to be automatically re-enrolled.
- 6.6. The employer must write to the eligible jobholders within 6 weeks of the chosen re enrolment date and include in that letter, confirmation that they will be enrolled back into the LGPS, the date of the enrolment, value of contributions payable, and that tax relief is or will be given. A copy of the letter will be provided to the Committee.
- 6.7. The transitional delay notice which had the effect of postponing automatic enrolment until 1 October 2017 for eligible jobholders still applies. Eligible jobholders to whom the transitional delay period applies still have the right to opt into the pension scheme.
- 6.8. There will be approximately 150 employees who will be auto enrolled into the Haringey Pension Fund on 1 April 2016. They can, if they wish elect to opt out of the fund or join the 50/50 section of the scheme.
- 6.9. There are currently 72% of eligible Haringey Council employees in the pension scheme and there are 81% of eligible Homes for Haringey employees in the pension scheme (not including casual employees).

## **7. Contribution to strategic outcomes**

- 7.1. N/A

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

- 8.1. Finance and Procurement
  - 8.1.1. To the extent that staff who are automatically re-enroled do not subsequent exercise their right to opt out, both employee and employers contributions will become payable into the Pension Fund.
- 8.2. Assistant Director of Corporate Governance

8.2.1. Automatic enrolments are statutory obligations contained within the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 (as amended). These Regulations were made pursuant to the Pensions Act 2008. The Council must therefore comply with these Regulations where they apply to the Haringey Pension Fund.

## **9. Use of Appendices**

9.1. None

## **10. Local Government (Access to Information) Act 1985**

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**Report for:** Pensions Committee – 11 April 2016

**Item number:** 9

**Title:** Quarterly Performance Report Q3 2015/16

**Report authorised by:** Tracie Evans – Chief Operating Officer.

**Lead Officer:** Neville Murton – Lead Finance Officer  
020 8489 3176 neville.murton@haringey.gov.uk

**Ward(s) affected:** N/A

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

**1. Describe the issue under consideration**

1.1. To report the Fund Performance against the following indicators in respect of the three months to 31st December 2015:

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

**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 31st December 2015 is noted.

**4. Reasons for decision**

4.1. The Local Government Pension Scheme Regulations require the Committee to review investment performance on a quarterly basis. This report covers various issues on which the Committee or its predecessor body have requested they receive regular updates

**5. Alternative options considered**

5.1. None

**6. Background information**

6.1. This update report is produced on a quarterly basis. Appendix 1 covers a range of performance data including in particular Appendix 2 shows the targets which have been agreed with the fund managers.

**7. Contribution to strategic outcomes**

7.1. Regular review of the Pension Fund performance is a key element of ensuring that the Funds objectives are being achieved.

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

**Chief Finance Officer**

8.1. This report is primarily financial in nature and no additional comments are included. However, the Independent Advisor will provide additional commentary orally at the meeting for the Committee to understand more fully the issues affecting the funds performance.

**Assistant Director of Corporate Governance**

8.2 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;

8.3 Periodically the Council must consider whether or not to retain the investment managers. In particular members should note the continuing negative performances compared with the target benchmarks and the reason stated in this report as to why this is the case;

8.4 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;

8.5 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.

**9. Use of Appendices**

Appendix 1 – Quarterly performance Data

Appendix 2 – Fund Manager Targets.

**10. Local Government (Access to Information) Act 1985**

## Fund Performance Data

## Total Portfolio Allocation by Manager &amp; Asset Class

Qtr 3

	Value 30.09.15 £'000	Value 31.12.15 £'000	Value 31.01.16 £'000	Allocation 31.01.2016 %	Strategic Allocation %
<b>Equities</b>					
UK	154,398	160,652	155,664	15.46%	15.00%
North America	229,815	250,497	237,821	23.63%	21.70%
Europe	74,343	79,027	76,546	7.60%	7.40%
Japan	35,792	40,290	38,442	3.82%	3.50%
Asia Pacific	34,435	37,965	36,301	3.61%	3.40%
Emerging Markets	86,346	88,935	95,402	9.48%	9.00%
<b>Total Equities</b>	<b>615,129</b>	<b>657,367</b>	<b>640,175</b>	<b>63.60%</b>	<b>60.00%</b>
<b>Bonds</b>					
Index Linked	<b>146,302</b>	<b>141,473</b>	<b>149,173</b>	<b>14.82%</b>	<b>15.00%</b>
<b>Property</b>					
CBRE	<b>98,398</b>	<b>108,538</b>	<b>109,513</b>	<b>10.88%</b>	<b>10.00%</b>
<b>Private equity</b>					
Pantheon	<b>41,044</b>	<b>41,563</b>	<b>42,730</b>	<b>4.24%</b>	<b>5.00%</b>
<b>Multi sector credit</b>					
CQS	<b>46,052</b>	<b>46,274</b>	<b>45,878</b>	<b>4.56%</b>	<b>5.00%</b>
<b>Infrastructure</b>					
Allianz	<b>20,621</b>	<b>12,592</b>	12,430	1.23%	<b>5.00%</b>
<b>Cash &amp; NCA</b>					
	<b>6,649</b>	<b>6,527</b>	<b>6,727</b>	<b>0.67%</b>	<b>0.00%</b>
<b>Total Assets</b>	<b>974,195</b>	<b>1,014,335</b>	<b>1,006,626</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Fund Managers</b>					
Legal & General	761,431	798,840	789,348	<b>78.42%</b>	<b>75.00%</b>

The value of the fund increased by £40.1 million between September and December 2015. US equities and Index Linked bonds were the main contributor to the market movements.

The first drawdown on the Allianz infrastructure debt fund (£17 million) took place on 25th November.

The equity allocation exceeds target by 5%. This is mostly the unfunded Allianz mandate (3%). In addition, property and private equity are both around 1% below their benchmark weighting. It is anticipated that the Infrastructure debt mandate will be fully funded in 2015.

### Investment Performance Update: to 31st December 2015

Appendix 2 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter October to December 2015 and for the 1, 3 and 5 years.

#### Whole Fund

	Return	Benchmark	(Under)/Out	WM LA average
Oct - Dec 2015	4.42%	4.43%	(0.01%)	3.2%
One Year	3.29%	3.55%	(0.26%)	8.2%
Three Years	9.63%	10.27%	(0.64%)	11.1%
Five Years	7.70%	7.99%	(0.29%)	8.9%

One year	Return(%)	Benchmark(%)	Under/out(%)	WM LA Average
<b>Equities</b>				
UK	1.01	0.98	0.03	0.9
Developed				
Europe	6.01	5.99	0.02	0.6
North				
America	5.35	5.35	0.00	18.0
Japan	17.61	17.58	0.03	3.3
Asia ex				
Japan	-2.57	-2.67	0.10	7.0
Emerging	-10.43	-10.31	-0.12	6.7
<b>Balanced</b>				
fund	3.48	6.19	2.71	
Infrastructure	7.14	5.50	1.64	
I L gilts	-1.12	-1.21	0.09	20.1
Property	13.09	12.44	0.65	15.7
Private equity	15.38	8.95	6.43	15.5
<b>Total</b>	<b>3.29</b>	<b>3.55</b>	<b>-0.26</b>	<b>8.2</b>

<b>Five years</b>	<b>Return(%)</b>	<b>Benchmark(%)</b>	<b>Under/out(%)</b>	<b>WM LA Average</b>
Equities				
UK	5.97	6.00	-0.03	9.7
Developed				
Europe	7.33	6.12	1.21	7.0
North				
America	12.10	12.62	-0.52	15.2
Japan	6.79	6.32	0.47	8.4
Asia ex				
Japan	1.11	1.34	-0.23	7.1
Emerging	-1.95	-3.03	1.08	4.6
Index linked				
gilts	8.77	8.37	0.40	10.1
Property	8.48	9.84	-1.36	9.2
Private equity	16.60	13.28	3.32	10.4
<b>Total</b>	<b>7.70</b>	<b>7.99</b>	<b>-0.29</b>	<b>8.9</b>

- Investment returns from all the asset classes over the last five years have been extraordinarily favourable. WM report that the ten year average local authority return is 7.5% p.a., with equity markets generally close to or above all time highs and bond yields close to record lows.
- Compared to benchmark the fund's returns have underperformed the benchmark by approximately 0.5% over 1, 3 and 5 years.
- Equity and index linked gilts, which are passively managed, show some variability compared to the benchmarks, but not significant differences.
- The main detractor from performance is property, in particular overseas, and over the 3 & 5 years private equity. Individual manager's performance is discussed below.

### **Legal & General Investment Management**

	<b>Return</b>	<b>Benchmark</b>	<b>Variance</b>
Oct - Dec 2015	4.92%	4.73%	0.19%
One Year	-0.14%	-0.10%	(0.04%)
Since inception (May 2012)	7.59%	8.04%	(0.45%)

- Total Value at 31/12/15: £798.8 million
- Variances at regional level are minimal, varying between +0.09% (UK) and -0.14% (Emerging) over the last year.
- The underperformance is due to the allocation of assets between markets being out of balance with the benchmark.

### **CBRE Global Investors**

	<b>Return</b>	<b>Benchmark</b>	<b>(Under)/Out</b>
Oct - Dec 2015	4.03%	2.80%	1.23%
One Year	12.75%	12.44%	0.31%
Three Years	11.76%	12.89%	(1.13%)
Five Years	8.11%	8.97%	(0.86%)

- Total Value at 31/12/15: £110.2 million
- The relative performance of the property has been poor driven by two European holdings that have suffered significant capital loss. The UK element of the portfolio has generally exceeded benchmark.
- The two European funds have been unsuccessful. With an aggregate cost of £9.7 million, they are now valued at £0.2 million, a virtual total loss. Both funds are invested in highly leverage non prime property (German residential and Italian office / retain). The underlying holdings have suffered during the Euro crisis and the impact has been magnified on unit holders by the high levels of debt in each fund. Both funds are being rationalised which may offer an exit opportunity, but with little recovered value.
- The portfolio will lag the benchmark for many years until the impact of the two European funds passes through.

### **Pantheon**

	Return	Benchmark	(Under)/Out	Net drawdowns/(distributions)
Oct - Dec 2015	0.87%	9.21%	(8.34%)	£520m
One Year	14.15%	8.95%	5.20%	(£585m)
Three Years	14.96%	17.77%	(2.81%)	(-£5,600m)
Five Years	16.00%	13.28%	(2.72%)	£224m

- Total Value at 31/12/15: £46.4 million
- Distributions have exceeded drawdowns during the quarter and the prior year years as the funds moved into the distribution phase of their cycles.
- The performance target is the MCSI Worlds plus 3.5%. The funds are still relatively young for long term returns to emerge. As yet only 75% of the committed funds have been invested and only a quarter of funds invested have been realised. Private equity valuations tend to underestimate exit prices. It is only when the fund is substantially realised will a more accurate picture of performance emerge.

### **CQS (multi sector credit)**

The CQS mandate was funded in Q3 2014. The portfolio valuation was little changed from September 2015 valuation and stood at £46.3 million as at 31<sup>st</sup> December 2015.

### **Allianz (infrastructure debt)**

The initial drawdown of £17 million was completed in Q4. It is anticipated that most of the allocation will be drawn during 2015.

### **In house cash**

	Value	Average Credit Rating	Average Maturity (days)	Return
At 31/12/15	£3.1M	AAA	1	0.43%
At 30/09/15	£0.2M	AA	1	0.45%
At 30/06/15	£0.2M	AA	1	0.45%
At 31/03/15	£3.92M	AAA	1	0.38%

	Prior year 2014-15 £'000	Current year 2015-16 £'000	Change in expenditure £'000
<b>Contributions &amp; Benefit related expenditure</b>			
Income			
Employee Contributions	6,705	6,806	101
Employer Contributions	25,185	25,183	(2)
Transfer Values in	2,294	1,451	(843)
<b>Total Income</b>	<b>34,184</b>	<b>33,440</b>	<b>(744)</b>
Expenditure			
Pensions & Benefits	(32,322)	(33,530)	(1,208)
Transfer Values Paid	(2,765)	(2,109)	656
Administrative Expenses	(618)	(687)	(69)
<b>Total Expenditure</b>	<b>(35,705)</b>	<b>(36,326)</b>	<b>(621)</b>
<b>Net of Contributions &amp; Benefits</b>	<b>(1,521)</b>	<b>(2,886)</b>	<b>(1,365)</b>
<b>Returns on investment</b>			
Net Investment Income	3,158	2,672	(486)
Investment Management Expenses	(1,809)	(671)	1,138
<b>Net Return on Investment</b>	<b>1,349</b>	<b>2,001</b>	<b>652</b>
<b>Total</b>	<b>(172)</b>	<b>(885)</b>	<b>(713)</b>

The fund had in the previous year moved into a position in which expenditure exceeds income as active membership falls and numbers of pensioners' increases. This has reversed this year through higher contributions from members (post 2014 reforms) and employers (impact of tri-annual valuation) together with rising distributed property income.

The income shown is virtually all from property as income from other asset classes is automatically re-invested and shown within the change in market value.

### Late Payment of Contributions

The table below provides details of the employers who have made late payments during the last quarter. These employers have been contacted and reminded of their obligations to remit contributions on time.

Employer	Occasions late	Average Number of days late	Average monthly contributions(£)
Lunchtime UK	1	2	10,002
TLC	2	4	3,539
Cofely	1	4	10,675

### Communication Policy

Two sets of regulations govern pension 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.

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.

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.

The requirement to publish a Communications Policy Statement recognises the importance that transparent effective communication has on the proper management of the LGPS.



## Investment Managers mandates, benchmarks and targets

Manager	% of Total Portfolio	Mandate	Benchmark	Performance Target
Legal & General Investment Management	75.0%	Global Equities & Bonds	See overleaf	Index (passively managed)
CQS	5%	Multi Sector Credit	3 month libor + 5.5% p.a	Benchmark
Allianz	5%	Infrastructure Debt	5.5% p.a.	Benchmark
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 3.5%	Benchmark
<b>Total</b>	<b>100%</b>			

<b>Asset Class</b>	<b>Benchmark</b>	<b>Legal &amp; General Investment Management</b>	<b>Total</b>
UK Equities	FTSE All Share	15.0%	15.0%
Overseas Equities		45.0%	45.0%
North America	FT World Developed North America GBP Unhedged	21.7%	21.7%
Europe ex UK	FT World Developed Europe X UK GBP Unhedged	7.4%	7.4%
Pacific ex Japan	FT World Developed Pacific X Japan GBP Unhedged	3.4%	3.4%
Japan	FT World Developed Japan GBP Unhedged	3.5%	3.5%
Emerging Markets	FT World Global Emerging Markets GBP Unhedged	9.0%	9.0%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	15.0%	15.0%
		75.0%	75.0%

**Report for:** Pensions Committee – 11 April 2016

**Item number:** 10

**Title:** Terms of Reference for the Joint Pensions Committee and Board

**Report**

**authorised by:** Tracie Evans – Chief Operating Officer.

**Lead Officer:** Neville Murton – Lead Finance Officer  
020 8489 3176 neville.murton@haringey.gov.uk

**Ward(s) affected:** N/A

**Report for Key/**

**Non Key Decision:** N/A

**1. Describe the issue under consideration**

1.1. Following approval by Full Council to the creation of a Joint Pension Committee and Board, and the approval of a Joint Committee and Board by the Secretary of State, the Terms of Reference (ToR) have been reviewed to ensure alignment with the relevant regulations and the Council's Constitution.

**2. Cabinet Member Introduction**

2.1. Not Applicable.

**3. Recommendations**

3.1. The Committee are asked to note the attached ToR and the intention for these to be sent for approval by the Council's Standards Committee and Full Council, following which the necessary amendments to the Council Constitution will be made.

**4. Reasons for decision**

4.1. The ToR for the Joint Pensions Committee and Board must be consistent with the relevant statutory provisions and align with the Council's Constitution such that there is clarity on the respective roles, responsibilities and procedures to be followed.

**5. Alternative options considered**

5.1. Not Applicable.

**6. Background information**

6.1. At their meeting of 23 March 2015 Full Council gave approval to the creation of a Joint Pensions Board and Committee. Approval from the Secretary of State was received earlier this year.

6.2. There has been a subsequent review of the ToR approved at that time to ensure that they comply with the relevant provisions and also align against the Council's constitution. A number of changes have been made which, whilst relatively minor, are necessary to ensure compliance with the relevant provisions governing the Joint Committee/ Board. Revised ToR have been drafted and are attached at Appendix 1.

6.3. These ToR will be sent for consideration and approval by the Council's Standards committee and Full Council (anticipated to be at the June Council meeting).

**7. Contribution to strategic outcomes**

7.1. Not Applicable.

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

8.1. Chief Finance officer

8.1.1. The Chief Finance Officer has been consulted on this report and has no additional comments to make.

8.2. Assistant Director of Corporate Governance

8.2.1. The Assistant Director of Corporate Governance has drafted the attached Terms of Reference and has no additional comments to make.

**9. Use of Appendices**

Appendix 1 –Terms of Reference.

**1. Local Government (Access to Information) Act 1985**

### Terms of Reference for the Joint Pension Committee and Board

The Committee Procedure Rules and the Access to Information Rules apply to this committee except where this would be inconsistent with either these Terms of Reference or the legislation covering the Committee and Board.

#### 1. Responsibilities

1.1 The Pensions Committee & Board has the following functions and responsibilities:

- (a) all the functions which are stated not to be the responsibility of The Executive in Regulation 2 and Schedule 1 paragraph H of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) and in any Statute or subordinate legislation further amending these Regulations relating to those matters concerning the Local Government Pension Scheme.
- (b) Exercising all the Council's functions as "Administering Authority" and being responsible for the management and monitoring of the Council's Pension Fund and the approval of all relevant policies and statements. This includes:
  - (i) Selection, appointment and performance monitoring of investment managers, AVC scheme providers, custodians and other specialist external advisers;
  - (ii) Formulation of investment, socially responsible investment and governance policies and maintaining a statement of investment principles and funding strategy statement;
  - (iii) Determining the allocation of investments between each asset class;
  - (iv) Reviewing specialist external advisers performance;
  - (v) Publicising statements and policy documents as required by legislation, government directives and best practice.
- (c) monitoring and as appropriate to decide upon Pensions Administration issues.
- (d) Monitoring the Pension Fund Budget including Fund expenditure and actuarial valuations; and to receive the Pension Fund Budget annually.
- (e) agreeing to the admission of bodies into the Council's Pension scheme.
- (f) Receiving actuarial valuations.
- (g) Ensuring that members receive appropriate training to undertake their responsibilities.
- (h) Approving the Annual Accounts of the Local Government Pension Scheme and consider recommendations from the Auditor.
- (i) To secure, and to assist in securing compliance with:
  - i) the Regulations,
  - ii) and any other legislation relating to the governance and administration of the Scheme and any connected scheme,
  - iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme, and
- (j) To ensure, and to assist in securing the effective and efficient governance and administration of the Scheme and any connected scheme.

For the avoidance of doubt, none of the functions set out above entail the committee in regulating or controlling the finances of the Council or its area.

## 2. Membership

2.1 The Committee & Board shall consist of 10 members and be constituted as follows:

### Councillors

(a) Six Councillors appointed by the administering authority.

### Employer Representatives (co-optees)

(b) Two representatives from scheduled and admitted employers,

### Employee Representatives (co-optees)

(c) Two scheme membership representatives, one being appointed by local trade unions and the other selected from scheme member nominations.

2.2 The Chair and vice chair of the Committee & Board will be Council representatives. The Chair will be appointed by full Council, and the vice chair will be appointed by the Joint Committee and Board.

2.3 The Chair will ensure that meetings are properly conducted, decision making is clear and professional advice is followed. The Chair will monitor the performance and attendance of Committee & Board members and if appropriate make recommendation to terminate appointments in accordance with section 4 below.

2.4 All members of the Committee & Board will have equal voting rights. The Chair will have a casting vote.

2.5 The Committee & Board may nominate advisers to support them. These nominees are not Committee & Board members and do not have voting rights.

## 3. Appointment and removal of Committee & Board Members

a) Council members:

3.1 The administering authority will appoint and replace as it sees fit, the six councillor members of the Committee.

b) Employer representatives:

3.2 The employer representatives will be nominated by employers other than the Council. If there are more than two nominations a panel consisting of the Chair of the Committee & Board and Chief Financial Officer to the Council will select the representatives to be appointed.

3.3 Employer representatives will serve for a period of four years and will be eligible to be re-appointed in accordance with the above processes, subject to compliance with the conditions of appointment

3.4 Employer representatives will remain as members of the Committee & Board during their appointed term of office unless in the opinion of the administering

authority they are not adequately performing their role (including non attendance at two consecutive meetings), they become incapable of acting, they cease to represent their constituency, they resign or a replacement member is nominated by their relevant nominating body. If an appointment is terminated a new appointment process will commence for the remainder of the term.

c) employee representatives:

3.5 The employee representatives will be appointed as follows:

- i) one active scheme member representative will be the appointed jointly by trade unions who represent working scheme members.
- ii) one pensioner and deferred member representative will be selected through an open invitation to apply.

3.6 If there is more than one nomination for these positions a panel consisting of the Chair of the Committee & Board and Chief Financial Officer to the Council will select the representatives to be appointed.

3.7 Employee representatives will serve for a period of four years and will be eligible to be re-appointed in accordance with the above processes, subject to compliance with the conditions of appointment

3.8 Employee representatives will remain as members of the Committee & Board during their appointed term of office unless in the opinion of the administering authority they are not adequately performing their role (including non attendance at two consecutive meetings), they become incapable of acting, they cease to represent their constituency, they resign or a replacement member is nominated by their relevant nominating body. If an appointment is terminated a new appointment process will commence for the remainder of the term.

All appointed members:

3.9 Prospective members of the Committee & Board will be required to demonstrate to the panel consisting of the Chair of the Committee & Board and the Chief Financial Officer that they have the capacity to represent other employers and employees (as appropriate) and that they do not have a conflict of interest. The decision of the panel will be final.

3.10 Each Committee & Board member should endeavour to attend all meetings during the year.

3.11 Other than by ceasing to be eligible as set out above, a Committee & Board member may only be removed from office during a term of appointment by Full Council on a recommendation from the panel.

#### **4. Quorum, voting and substitutes**

4.1 The Committee & Board shall have a formal quorum of five comprising at least three Council and two employer or employee representatives. Advisers and other nominees

do not count towards the quorum. All decisions will be by majority of votes, with the Chair having a casting vote when the votes are initially tied unless stated otherwise in these terms, although it is expected that the Committee & Board will, as far as possible, reach a consensus.

4.2 No substitutes shall be permitted for employer and employee representatives.

## **5. Meetings**

5.1 The Committee & Board shall meet sufficiently regularly to discharge its duties and responsibilities. There will be at least four meetings a year, with additional meetings if the Committee & Board so agrees.

5.2 Notice of all meetings will be provided to Committee & Board Members at least 30 days in advance, unless agreed otherwise by Committee & Board Members.

5.3 The agenda for each meeting will be agreed by the Chair and all papers will be circulated to Members in accordance with the Access to Information Procedure Rules.

5.4 A formal record of Committee & Board proceedings will be maintained. Following the approval of the minutes by the Chair, they shall be circulated to all members and published in accordance with the Access to Information Procedure Rules.

5.5 The Committee & Board has the power to set up working groups on whatever terms that it determines and will prepare terms of reference for these entities.

## **6. Standards of Conduct and Conflicts of Interest**

6.1 All members of the Committee & Board, Councillors and others, are expected to act at all times within these terms of reference and will be required to comply with both the Members' Code of Conduct and the provisions of the Localism Act relating to Standards. In accordance with section 108 of the Regulations Board members must not have a financial or other interest that could prejudice them in carrying out their duties. This does not include a financial or other interest arising merely by virtue of membership of the LGPS.

6.2 Each Committee & Board member must provide the Council with such information as is reasonably required for the purpose of complying with the Members Code of Conduct and demonstrating that there is no conflict of interest.

## **7. Budget and Business Plan**

7.1 The Committee & Board will prepare a Business Plan and Budget each year.

## **8. Committee & Board Review Process**

8.1 The Committee & Board will undertake each year a formal review process to assess how well it and the members are performing with a view to seeking continuous improvement in performance.

## **9. Advisers to the Committee & Board**

9.1 The Committee & Board may be supported in its role and responsibilities through the appointment of advisers, and shall, subject to any applicable regulation and legislation



from time to time in force, consult with such advisers on such terms as it shall see fit to help better perform its duties. Advisers may include:

- Officers from the Council's Finance, Human Resources, Legal and other teams as needed;

An independent Advisor;

The Fund's Actuary;

The Fund's Investment Managers and Custodian;

- The Fund's Investment Consultant; and

- Any other appointed advisers.

9.2 Any remuneration to advisors appointed by the Committee & Board must be in accordance with the Budget.

9.3 The Committee & Board shall ensure that the performances of the advisers are reviewed on a regular basis.

## **10. Knowledge and Skills**

10.1 Every member of the Committee & Board must be conversant with –

(i) The rules of the LGPS.

(ii) Any document recording policy about the administration of the LGPS which is for the time being adopted by the LB Haringey Pension Fund.

10.2 It is for individual Committee & Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions.

10.3 Committee & Board members are required to be able to demonstrate their knowledge and understanding and to keep these up to date and to maintain a written record of relevant training and development.

10.4 The Council will provide a training programme, which all Committee & Board members must attend. Training undertaken will be reported at each meeting.

## **11. Expense Reimbursement, remuneration and allowances**

11.1 Remuneration for Employee and Employer Representatives who are not Councillors will be limited to a refund of actual expenses incurred in attending meetings and training. Remuneration for Councillors will be via the Members Allowances Scheme.

11.2 The expenses of the Committee & Board are a part of the costs of administering the Pension Fund.

## **12. Publication of Committee & Board information**

12.1 The Council will publish up to date information on the Council's website including:

- The names and information of the Committee & Board members.

- The Committee & Board's terms of reference.
- Papers, agendas and minutes of meetings.

**Report for:** Pensions Committee 11<sup>th</sup> April

**Item number:** 11

**Title:** Pension Fund External Audit Plan – 2015/16

**Report authorised by:** Tracie Evans, Chief Operating Officer (CFO)

**Lead Officer:** Neville Murton - Lead Finance Officer  
[neville.murton@haringey.gov.uk](mailto:neville.murton@haringey.gov.uk) 020 8489 3176

**Ward(s) affected:** N/A

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

### 1. Describe the issue under consideration

- 1.1. This report presents for the Committee's consideration, the audit plan prepared by the external auditors, BDO, for the audit of the 2015/16 Pension Fund accounts. The audit plan will be presented by Leigh Lloyd-Thomas who is the Engagement Lead from BDO.

### 2. Cabinet Member Introduction

- 2.1. Not applicable.

### 3. Recommendations

- 3.1. That the 2015/16 Audit Plan prepared by BDO be noted.

### 4. Reason for Decision

- 4.1. The pension fund is required to produce annual accounts and have these externally audited. For 2015/16 there is a change of external auditor from Grant Thornton to BDO. This reflects a change in the contractual arrangements which will in future be operated by Public Sector Audit Appointments Limited (PSAA) following the transfer of functions from the Audit Commission.

### 5. Other options considered

- 5.1. None.

### 6. Background information

- 6.1. The external audit plan, attached in full as Appendix 1 to this report, sets out information on the conduct of the audit and the approach that the

auditors are proposing they will take. It also sets out the key audit issues and considerations, timescales, staffing and fee for the audit. The key pages are:

Page 2 – BDO team

Page 4 – timetable

Page 5 – explanation of responsibilities

Page 6 & 15 – discussion on materiality levels

Pages 7 – Audit Strategy

Pages 8 to 12 - Key audit risks

- 6.2. Officers will provide the auditors with all necessary information during the audit which will take place during July & August. BDO will then report back to the Pension Committee in September on their findings together with any recommendations.

## **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable.

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

### **8.1. Finance and Procurement**

- 8.1.1. The BDO fee of £21,000 for the 2015/16 audit is same as the two prior years.

### **8.2. Legal**

- 8.2.1. The Assistant Director of Corporate Governance has been consulted on the content of this report. The audit is in line with the Council's duty as administering authority for the Haringey Pension Fund.

### **8.3. Equalities**

- 8.3.1. There are no equalities issues arising from this report.

## **9. Use of Appendices**

- 9.1. Appendix 1 – BDO Audit Plan

## **10. Local Government (Access to Information) Act 1985**

10.1. Not applicable.

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# LONDON BOROUGH OF HARINGEY PENSION FUND

PLANNING REPORT TO THE PENSIONS COMMITTEE  
Audit for the year ending 31 March 2016

29 February 2016

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# INTRODUCTION

## PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the pension fund for the year ending 31 March 2016. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Pensions Committee and should not be shown to any other person without our express permission in writing.

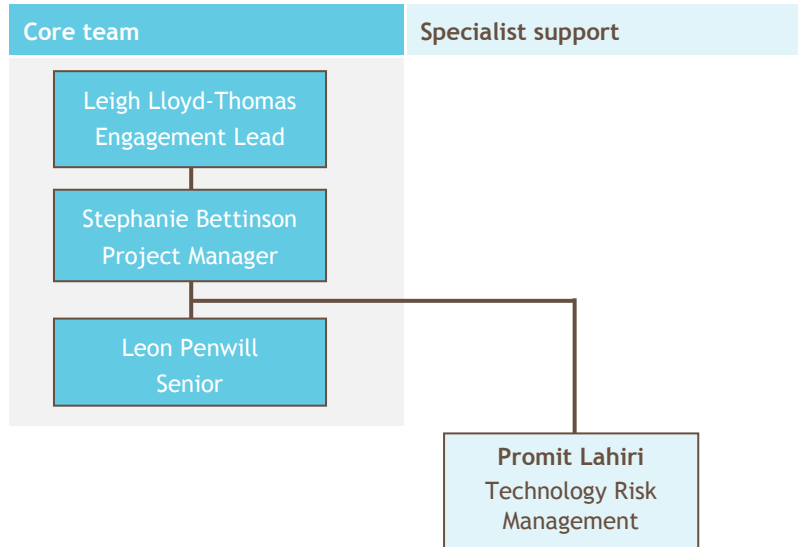
In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

## CONTENT OF OUR REPORT

In this report, we set out the following:

- Our team and responsibilities for this year's audit
- Our client service commitment
- An overview of the audit timetable with key dates and deliverables
- The audit scope and objectives
- Our preliminary evaluation of materiality
- Our overall audit strategy
- Our initial assessment of the key audit risks and other relevant matters along with our planned audit approach
- Confirmation of independence and consideration of any independence related matters
- Our proposed fees for the audit.

# YOUR BDO TEAM



Name	Contact details	Key responsibilities
<b>Leigh Lloyd-Thomas</b> Engagement Lead	Tel: 020 7893 2616 leigh.lloyd-thomas@bdo.co.uk	Oversee the audit and sign the audit report
<b>Stephanie Bettinson</b> Project Manager	Tel: 01473 320 775 stephanie.bettinson@bdo.co.uk	Management of the audit
<b>Leon Penwill</b> Senior	Tel: 01473 320 739 leon.penwill@bdo.co.uk	Day to day supervision of the on-site audit
<b>Promit Lahiri</b> Technology Risk Manager	Tel: 020 7893 3526 promit.lahiri@bdo.co.uk	Manage IT review for audit purposes

Leigh Lloyd-Thomas is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Leigh is responsible for the overall quality of the engagement.

# OUR CLIENT SERVICE COMMITMENT TO YOU

## CLIENT SERVICE EXPECTATIONS

1

High quality audit service at a reasonable cost.

2

A quality team, with relevant expertise.

3

Clear communication.

4

Concentrating our work on areas of higher risk.

5

Avoiding surprises through timely reporting of issues.

6

Consulting with management to resolve matters early.

7

Meeting deadlines.

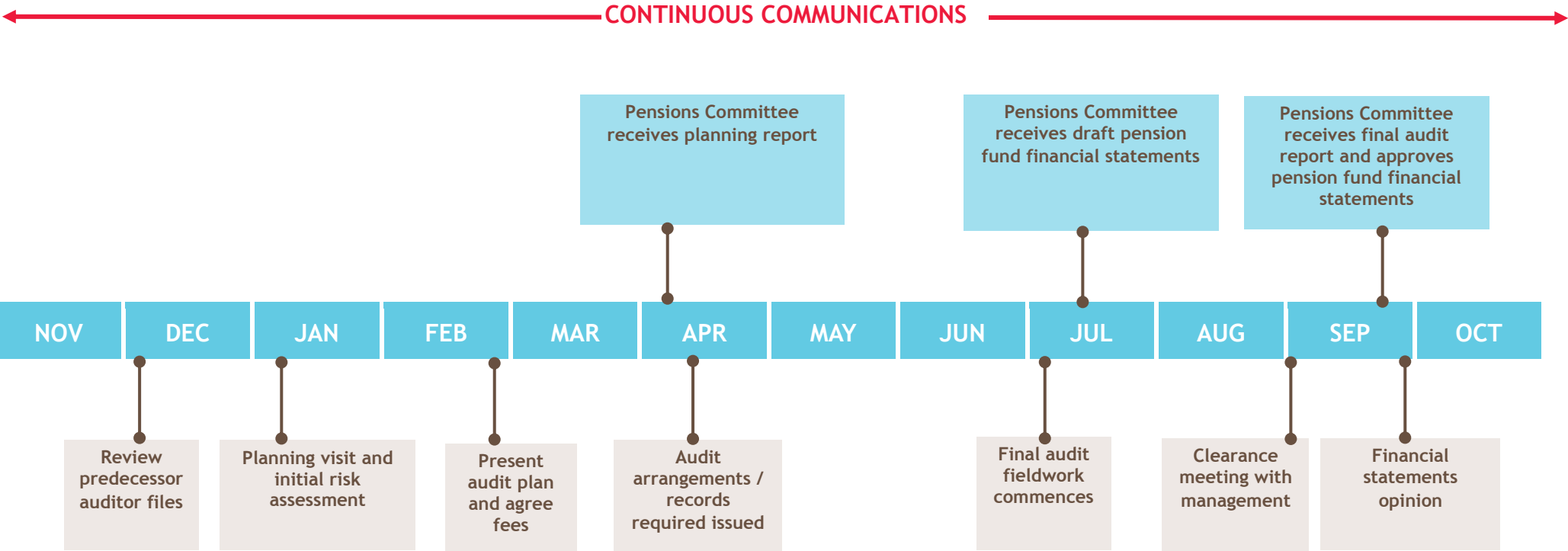
8

Identifying shortcomings in controls and processes.

# ENGAGEMENT TIMETABLE

## TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements.



# AUDIT SCOPE AND OBJECTIVES

## SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	ADDITIONAL REQUIREMENTS
<p><b>1</b> The financial statements give a true and fair view of the financial transactions of the pension fund for the period, and the amount and disposition at the period end of the assets and liabilities, other than liabilities to pay pensions and benefits after the period end.</p>	<p><b>2</b> The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p><b>3</b> Other information published together with the audited financial statements is consistent with the financial statements.</p>	<p><b>4</b> Review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.</p>

# MATERIALITY

## MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Pension fund overall materiality	£10,000,000	£200,000
Specific materiality for other financial statement areas:		
- Fund account	£2,125,000	£43,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the pension fund financial statements will initially be based on 1% of net assets. Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the fund account at 5% of contributions receivable.

At this stage, these figures are based on the prior year net asset amounts and contributions receivable. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

# OVERALL AUDIT STRATEGY

## **We will perform a risk based audit on the pension fund financial statements**

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the pension fund and the specific risks it faces. We discussed the changes to the fund, such as scheme regulations, and management's own view of potential audit risk during our planning visit in order to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

We also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

We then carry out our audit procedures in response to risks.

## **Risks and planned audit responses**

Under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

## **Internal audit**

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

# KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other issue

## AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of the fund's policies, aims and objectives and to manage the risks facing the fund; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates as a significant fraud risk.</p> <p>In every organisation, management may be in a position to override routine day to day financial controls. Accordingly, our audit has been designed to consider this risk and adapt procedures accordingly.</p>	Not applicable.
Revenue recognition (contributions)	<p>Under International Standard on Auditing 240 "The Auditor's responsibility to consider fraud in an audit of financial statements" there is a presumption that income recognition presents a fraud risk.</p> <p>For pension funds, the risk can be identified as affecting the completeness, accuracy and existence of contributions income.</p>	<p>We will carry out audit procedures to gain an understanding of the pension fund's internal control environment for receiving and recording contributions income in accordance with the schedule of contributions, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We will perform an examination, on a test basis, of evidence relevant to the amounts and timing of contributions receivable to the fund including checking to employer payroll records, where relevant.</p>	<p>We will check a sample of contributions receivable from the Council to the Council's payroll records to ensure that the correct amounts have been paid by the employee and employer.</p> <p>For other significant admitted and scheduled bodies, we will select a sample of bodies each year and request confirmation from that organisation that the correct amounts have been paid to the pension fund for selected employees.</p>



# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Fair value of investments (infrastructure and private equity)	<p>The investment portfolio includes unquoted infrastructure and private equity holdings valued by the General Partner or fund manager using valuations provided by the underlying partnerships.</p> <p>The valuation of these assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data.</p> <p>In some cases, the valuations may be provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations.</p> <p>As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.</p>	<p>We will obtain direct confirmation of investment valuations from the General Partner or fund manager and request copies of the audited financial statements of the underlying partnerships (and member allocations).</p> <p>Where the financial statement date supporting the valuation is not coterminous with the pension fund's year end, we will confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds.</p> <p>Ensure investments have been correctly valued in accordance with the relevant accounting policies.</p>	<p>Direct confirmation of the fund valuation and audited financial statements for the underlying partnerships.</p>
Fair value of investments (other)	<p>The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian (Northern Trust), and reported on a quarterly basis. These funds are quoted on active markets.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>	<p>We will obtain direct confirmation of investment valuations from the fund managers and agree valuations, where available, to readily available observable data (such as Bloomberg).</p> <p>We will ensure that investments have been correctly valued in accordance with the relevant accounting policies.</p> <p>We will obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.</p>	<p>Direct confirmation of investment valuations from fund managers.</p> <p>Assurance report on the operating effectiveness of internal controls within each of the fund manager organisation as well as the custodian.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Investment management expenses	<p>Local Government Pension Fund Accounts are required to disclose investment management expenses.</p> <p>Management expenses included in the pension fund accounts represents the fee for the service provided by and any performance related fees in relation to the fund manager. However, fund managers do not ordinarily provide information on any 'hidden' fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in the change in market value of investments.</p> <p>The Financial Conduct Authority criticised the investment management industry for not reporting charges to investors sufficiently clearly. In particular, it criticised the annual management charge as failing 'to provide investors with a clear, combined figure for charges'.</p> <p>Last year, CIPFA issued guidance on obtaining and separately presenting these additional charges in the fund accounts. While not mandatory to report these costs separately, there is a clear expectation that LGPS fund accounts do observe this guidance. CIPFA intends to publish revised guidance in April.</p> <p>We consider there to be a risk in the presentation of investment management expenses in the fund accounts where these 'hidden' fees are not identified and separately reported.</p>	<p>We will review the arrangements put in place by management to identify all relevant investment management fees, and responses provided by fund managers, to ensure that the true costs are disclosed appropriately in the fund accounts.</p>	<p>Not applicable.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Membership disclosure	<p>Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed.</p> <p>There is a risk that the membership database may not be accurate and up to date to support this disclosure.</p>	<p>We will obtain membership records and review the controls over the maintenance of these records. We will undertake sample testing of movements of members to transactions recorded in the fund account.</p> <p>We will review action taken in response to findings of the National Fraud Initiative (NFI) data matching exercise of paid amounts to pensioners with the UK register of deaths, and any 'life certification' exercise undertaken.</p>	Review of NFI data matching.
Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	<p>We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions.</p> <p>We will discuss with management and review members' and Senior Management declarations to ensure that there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.</p>	Companies House searches for undisclosed interests.
Pension liability assumptions	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation uses inappropriate assumptions to value the liability.</p>	<p>We will review the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate.</p> <p>We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.</p> <p>We will agree the disclosure to the information provided by the actuary.</p>	We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Fraud and error	<p>We are required to discuss with you the possibility of material misstatement, due to fraud or error.</p> <p>We are informed by management that there have not been any cases of material fraud or error, to their knowledge.</p>	<p>We will continue to consider throughout the audit process and discuss with management.</p>	<p>Not applicable.</p>

# INDEPENDENCE

## INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Pensions Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2016.

Our appointment by the Audit Commission (and confirmed by Public Sector Audit Appointments Limited) covers both the Council and pension fund. We do not consider this to be a threat to our independence and objectivity.

We have not identified any potential threats to our independence as auditors.

We have confirmed that we have not provided any non audit services.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

# FEES

## FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2016 are:

	£
Code audit fee (pension fund)	21,000
<b>TOTAL FEES</b>	<b>21,000</b>

Fee invoices will be raised as set out below, following which our firm's standard terms of business state that full payment is due within 14 days of receipt of invoice:

- Instalment 1: £10,500 in July 2015
- Instalment 2: £10,500 in January 2016.

### Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the pension fund financial statements prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

# APPENDIX I: MATERIALITY

## CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Instances when greater precision is required (e.g. related party transactions disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the pension fund, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.

# APPENDIX I: MATERIALITY

## Continued

### REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.


### UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Pensions Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Pensions Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
  - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
  - Other misstatements that we believe are material or clearly wrong.



## APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Leigh Lloyd-Thomas - Engagement lead	1 <sup>st</sup> year	31 March 2021
Stephanie Bettinson - Project manager	1 <sup>st</sup> year	31 March 2026
Engagement quality control reviewer	1 <sup>st</sup> year	31 March 2021



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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**Report for:** Pensions Committee – 11 April 2016

**Item number:** 12

**Title:** **Compliance with the Pensions Regulator (TPR) Code of Practice**

**Report authorised by:** Tracie Evans – Chief Operating Officer.

**Lead Officer:** Neville Murton – Lead Finance Officer  
020 8489 3176 neville.murton@haringey.gov.uk

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** N/A

### **1. Describe the issue under consideration**

- 1.1. The Pensions Regulator (TPR) was given some oversight responsibility for LGPS under the Public Service Pensions Act 2013. The Regulator issued Code of Practice No 14 “Governance and administration of public service pension schemes” in April 2015. The code of practice sets out the legal requirements for public service pension schemes together with practical guidance and standards of conduct expected.
- 1.2. The Code was discussed at the September 2015 meeting of the Pensions Committee and a number of actions were agreed to achieve the standards set out in the code. This report sets out progress towards implementing the required actions. Although compliance with the Code of Practice in its entirety is not a legal requirement, departures from the code may well result in challenge and examination by the Regulator.

### **2. Cabinet Member Introduction**

- 2.1. Not Applicable.

### **3. Recommendations**

- 3.1. The Committee is asked to:
  - (a) Note progress on meeting the requirements of The Pension Code of Practice.
  - (b) Agree to commission the Independent Advisor to undertake a Governance Review at an estimated cost of £4,500, prior to signing of the 2016 annual accounts.

### **4. Reasons for decision**

- 4.1. It is important for the Committee to keep under review its performance in respect of items expected by the regulator under the Pension Code of Practice and take steps to ensure that compliance can be demonstrated.

### **5. Alternative options considered**

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- 5.1. The Committee could choose to adopt the activities under the Code of Practice over alternative timeframes but it is considered to be in the Pension Fund's overall interest to undertake this work as soon as possible subject to resources.
- 5.2. The Governance Review could be commissioned from an alternative source however, given the relatively low cost involved and the experience of the Independent Advisor in undertaking reviews for other Pension Funds and his existing knowledge of the Haringey Pension Fund arrangements it is considered to be sensible to commission this work from the Independent Advisor.

## 6. Background information

- 6.1. The progress against each of the actions agreed at the September meeting is summarised:

- a) Internal controls around key processes of the fund are set out in a single document and that key risks and mitigating controls are documented and discussed annually by the Committee.

***A draft risk register has been prepared and is included elsewhere on this agenda (item 13). No substantive progress has been made to document and evaluate processes and internal controls.***

- b) A report on the performance of the administration function e.g. collection of contributions, payment of benefits and responses to scheme members enquires is presented to the Committee on a quarterly basis. Also included would be the operation of the internal disputes resolution procedures and breaches of the law.

***The 3 quarter Performance report is included elsewhere on the agenda (item 9) and Reporting on Breaches of the law (item 14).***

- c) Internal Audit is requested to review the operation of the internal controls and the identification of key risks and provide annual reports to the Committee.

***Internal Audit is waiting for progress on issues (a) and (b) above before conducting a review of controls over pension fund activities.***

- d) Annually, the Committee review training undertaken and agree training plans for the next 12 months in light of the requirements of the code.

***At its meeting on 14 March 2013 the Corporate Committee adopted the recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills and also received a paper from the Independent Advisor which included a description and explanation of the CIPFA guidance on training for Pension Committees and proposals for training. Since 2013 the Independent Advisor has provided a range of training to the Corporate Committee (until 2014) and the Pensions Committee (since 2014).***

***At its July 2015 meeting the Pensions Committee considered its approach to training and agreed that further training should be requested from the Independent Advisor and that details of external training also be circulated to Committee members***

***It is suggested however that the Independent Advisor be requested to prepare an updated paper on training to include details of developments to the CIPFA recommended approach since 2013 and specific training proposals for the financial year 2016-17.***

- e) A listing is maintained of laws, regulations and scheme documentation that the committee should be familiar.

***Not prepared.***

- f) Preparation of a conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest.

***A conflicts policy was approved at the January 2016 meeting. Subsequently declarations have been circulated to Members of the Committee for completion.***

- g) A report is prepared on events that may require notification to the Regulator e.g. late payment of contributions, failures to provide information to scheme members etc.

***A report summarising the policy on Breaches of the Law is included elsewhere on this agenda (item 14) with any further reporting on any actual breaches being reported to the next relevant meeting of the Pensions Committee.***

- h) An Annual Governance review is undertaken by a suitably qualified person.

***It is recommended that the Independent Advisor be requested to undertake a governance review and identify departures from best practice. The review to take place before the completion of the 2015/16 draft financial statements.***

- i) All employers in the London Borough of Haringey Fund are sent a copy of the Code of Practice.

***The Code of Practice has been circulated to all employers.***

- 6.2. Although good progress has been made in the last six months, much remains to do in order to meet the governance and administration requirements as set out in the code of practice. A lack of resources, particularly within the Pensions Administration team, is the main factor behind the limited progress to date. Achieving processes and controls in line with best practice can only be achieved and maintained if additional resources are applied to the Pension fund. Plans to appoint a Head of Pensions, a full time Pensions Accountant and an additional person to the administration team will provide the additional resources required to address the outstanding issues.

## **7. Contribution to strategic outcomes**

- 7.1. It is important that the Committee understands and has confidence in the range of activities that provide assurance of performance against the Pension Code of Practice. In this way there can be some assurance that the strategic outcomes of the Pension Fund are being delivered effectively.

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

- 8.1. Chief Finance Officer

8.1.1. The Governance Review falls outside of the scope of the work of the Independent Advisor and so there will be an additional cost for this piece of work estimated at £4,500. The cost of the Governance Review by the Independent Advisor is below the threshold for formal tender procedures and the Chief Finance Officer considers that the cost provides value for money.

## 8.2. Assistant Director of Corporate Governance

8.2.1. The Assistant Director of Corporate Governance has been consulted on the content of this report. The work being done on the Pension Code of Practice would enhanced the administering authority's duty to manage and administer the Scheme however members should note the slow progress and the reasons set out in the report.

8.2.2. The Committee has the authority under Part Four Section J of the Council's Constitution to authorise the appointment of the contractor set out in recommendation 3(1)(b).

## 9. Use of Appendices

9.1. None

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

10.1. Not applicable

**Report for:** Pensions Committee – 11 April 2016

**Item number:** 13

**Title:** Risk Register

**Report authorised by:** Tracie Evans – Chief Operating Officer.

**Lead Officer:** Neville Murton – Lead Finance Officer  
020 8489 3176 neville.murton@haringey.gov.uk

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** N/A

### 1. Describe the issue under consideration

- 1.1. The Pensions Regulator requires that the Committee establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.
- 1.2. This report proposes the establishment of a supporting framework consisting of a mission statement and objectives and a Risk Register which are both components of a secure internal control framework.

### 2. Cabinet Member Introduction

- 2.1. Not Applicable.

### 3. Recommendations

- 3.1. The Committee is asked to:
  - (a) Comment on the mission statement and objectives for the Committee (Appendix 1);
  - (b) Approve the attached risk register for the Haringey Pension Fund (Appendix 2);
  - (c) Agree that any risk which is rated as Red will be reviewed at each meeting; and
  - (d) Agree that each of the four risk areas be reviewed in depth at consecutive meetings of the Pension Committee such that over the course of the year all risk areas are fully reviewed.

### 4. Reasons for decision

- 4.1. It is important to establish at an early stage the objectives of the Pension Fund in order to give a strategic direction and communicate clearly to others the purpose and constraints against which the Fund operates.
- 4.2. The Risk Register forms an important part of the governance framework and enables the Committee to consider and evaluate the key risks which the Fund faces in trying to achieve its stated objectives. Being aware of the impact and probability of those risks

allows for proper planning and risk mitigation strategies to be implemented and evaluated.

## 5. Alternative options considered

- 5.1. The Committee could choose to operate without an overarching mission statement and objectives however this would make it more difficult to form an independent judgement about the relative success of the Fund or achievement of its strategic outcomes.
- 5.2. A Risk Register is an integral part of the on-going internal control system of the Pension Fund and therefore no alternative options have been considered. Notwithstanding that, other forms of risk register or indeed different risk areas should be kept under review in order to ensure that it continues provides a relevant and effective part of the Committee's overall Management processes.

## 6. Background information

- 6.1. The Pensions Regulator highlights that before implementing an internal controls framework, schemes should carry out a risk assessment. They should begin by:
  - setting the objectives of the scheme,
  - determining the various functions and activities carried out in the running of the scheme, and
  - identifying the main risks associated with those objectives, functions and activities.
- 6.2. An effective risk assessment process will help to identify a wide range of internal and external risks, which are critical to the scheme and members. Once schemes have identified risks, they should record them in a risk register and review them regularly. Schemes should keep appropriate records to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.
- 6.3. Attached is a draft:
  - Mission Statement including Committee Objectives (Appendix 1)
  - Risk Register (Appendix 2)
- 6.4. The Committee is invited to review the attached documents and comment on:
  - The value of communicating a mission statement,
  - The completeness and appropriateness of the specified objectives, and
  - The content of the risk register.
- 6.5. It is not suggested that each risk is reviewed in detail at this stage. Rather if the Committee is content with the construction of the risk register it is proposed that all Red rated Risks are reviewed at every meeting and that each of the four risk areas is reviewed in detail at one Committee meeting, such that all risks are reviewed annually.
- 6.6. The purpose of the review will be to consider the mitigating actions for risks rated medium and high and whether additional steps can be taken to reduce the remaining risk. However, if a change to a risk becomes apparent at anytime, or a new risk is identified, the Risk Register will be adjusted and the change highlighted to the Committee at its next meeting.



## **7. Comments of the Independent Advisor**

- 7.1. This report includes the proposed approval of a Mission Statement, high level Objectives for the Committee and Risk Register for the Haringey Pension Fund. The preparation, maintenance and review of a Risk Register should be regarded as not merely highly desirable but necessary.
- 7.2. Not only does CIPFA in its publication “Managing Risk in the Local Government Pension Scheme” state risk management “is a key responsibility” of those charged with governance the Pensions Regulator’s Code of Practice No 14 “Governance and administration of public service pension schemes” of April 2015 (see pages 27 to 31) requires that public service pension schemes establish and operate internal controls after carrying out a risk assessment including recording identified risks in a risk register and reviewing them regularly. The attached draft Risk Register seeks to address the issue of risk management through a broad ranging consideration of risk across the crucial areas of Governance; Funding & Contribution Rates; Investments; and Administration – Members and Employers.
- 7.3. The Independent Advisor was invited to comment on initial drafts of the Mission Statement, Objectives and Risk Register.

## **8. Contribution to strategic outcomes**

- 8.1. All of the areas covered in this report form an integral part of the system of internal controls necessary to ensure that strong Corporate Governance exists to support the achievement of the Fund’s Strategic objectives.

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

- 9.1. Chief Finance Officer

9.1.1. Confirms that there are no financial implications directly arising from this report.

- 9.2. Assistant Director of Corporate Governance

9.2.1. The Assistant Director of Corporate Governance has been consulted on the content of this report. The recommendation would enhance the administering authority’s duty to manage and administer the Scheme and is in line with the Pensions Regulator’s Code of Practice.

## **10. Use of Appendices**

- Appendix 1 – Mission Statement
- Appendix 2 – Risk Register

## **11. Local Government (Access to Information) Act 1985**

- 11.1. Not applicable

**Mission Statement.**

To administer the London Borough of Haringey Pension Fund in accordance with best pensions practice in the public sector, delivering a high quality service to scheme members while aiming for low and stable employer's contribution rates facilitated by an appropriate investment strategy.

**Objectives****Below are listed the six primary objectives and supporting actions of the Joint Pensions Committee & Board**




1. To operate the Pension Fund in accordance with legislation, regulations and best practice.
  - To comply with the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations and any guidance issued by the Secretary of State
  - To comply with the Pension Regulator's Code of Practice and guidance from the Shadow Advisory Board.
  - To establish and monitor Key Performance Indicators over all aspects of the fund's activities.
  - Members of the Committee and officers to undertake appropriate training and to regularly attend Committee meeting.
  - Appoint knowledgeable and experienced advisors.
2. To prudently fund the scheme to ensure sufficient assets to meet the promised benefits
  - To utilise actuarial assumptions that are achievable and to monitor outcomes.
3. To maintain affordable and stable contribution rates for employers
  - To monitor the solvency of employers and apply appropriate levels of prudence for each employer.
  - To manage cashflows to avoid selling investments at distressed prices.
4. To implement an investment strategy that supports the funding targets
5. To appoint and retain fund managers that are able to achieve performance objectives
  - To ensure that operational controls are robust and protect the Fund against loss due to fraud, error or insolvency.
6. To provide a high quality service to scheme members and employers
  - To utilise sufficient trained and experienced staff.
  - To operate a sound process of checks and reviews when calculating benefits.
  - To ensure systems are working accurately and that appropriate backup and disaster recovery processes are in place.
  - To respond in a timely manner to requests from scheme members and employers.




**Appendix 2: Pension Fund risk register, March 2016**




Changes to the risk register since previous quarter



Type	Ref	Risk	Rationale
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Pension Fund risk register, March 2016

Ref	Risk area 1 - Governance	Mitigating Actions	Residual risk score		Risk Rating	Comments	Responsible Officer / Review Date
			Likelihood	Impact			
1	Failure to comply with legislation and regulations leads to ultra vires actions resulting in financial loss and / or reputational damage	<ul style="list-style-type: none"> <li>Officers maintain knowledge of legal framework for routine decisions.</li> <li>Haringey's Legal team is involved in reviewing Committee papers and legal documents.</li> <li>Independent, Investment and Actuarial advisors are highly experienced with extensive LGPS understanding.</li> </ul>	1	2	2 Very low 		Head of Pensions  December 2016
2	Failure to comply with guidance issued by The Pensions Regulator and Scheme Advisory Board resulting in reputational damage.	<ul style="list-style-type: none"> <li>Guidance issued by TPR and SAB is reported to the Committee with gaps identified and clear timetables to address weaknesses agreed.</li> </ul>	3	3	9 Medium 	A work programme is in place to address compliance gaps with TPT Code of Practice	Head of Pensions  July 2016
3	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	<ul style="list-style-type: none"> <li>An updated knowledge and skills policy is developed including members self assessment.</li> <li>Training is provided both on general pension scheme issues and to facilitate specific decisions.</li> <li>The Committee has appointed an Independent Advisor together with additional investment and actuarial advisors.</li> </ul>	3	3	9 Medium 	An updated knowledge and skills policy is developed.  The Chair has suggested that Committee members undertake the TPR public sector	Head of Pensions  July 2016


						learning modules.	
4	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	<ul style="list-style-type: none"> <li>Job descriptions are used at recruitment to appoint officers with relevant skills and experience.</li> <li>Training plans are in place for all officers as part of the performance appraisal arrangements.</li> </ul>	3	3	9 Medium 	To be revisited when a Head of Pensions has been appointed	Head of Pensions September 2016
5	Key Performance Indicators are breached indicating poor governance standards.	<ul style="list-style-type: none"> <li>KPI yet to be defined.</li> </ul>	N/A	N/A	To be determined	Proposed KPI will be developed for the July meeting.	Head of Pensions July 2016
6	The advisors appointed to assist the Committee and officers – independent, investment and actuarial - provide inappropriate advice.	<ul style="list-style-type: none"> <li>Advisors are appointed following a detailed procurement exercise.</li> <li>Regular monitoring and feedback on performance is undertaken.</li> </ul>	1	4	4 Low 		Head of Pensions March 2017
7	Scheme expenses are excessive causing financial loss.	<ul style="list-style-type: none"> <li>All significant new contracts require Committee approval.</li> <li>An annual analysis of all pension fund costs is provided to Committee</li> </ul>	2	2	4 Low 		Head of Pensions September 2017

Ref	Risk area 2 – Funding & Contribution Rates	Mitigating Actions	Residual risk score		Risk Rating	Comments	Responsible Officer / Review Date
			Likelihood	Impact			
8	The assumptions used by the actuary to calculate pension liabilities as reflected in to Funding Strategy Statement e.g. inflation, salary increases, interest rates, longevity, ill-health, investment returns etc may be inaccurate leading to higher than expected liabilities requiring increased contributions.	<ul style="list-style-type: none"> <li>The Actuary is required by regulation to build prudence into the valuation process.</li> <li>The Government Actuaries dept will review LGPS valuation processes and assumptions and may challenge those that are insufficiently prudent.</li> <li>The Committee regularly monitor actuarial funding levels and can challenge where outcome differs from expectations.</li> <li>Should future expected costs of providing LGPS benefits increase the Government have a mechanism to cap costs by reviewing the benefit structure / members contribution rate.</li> </ul>	3	4	High 12 	<p>Recent experience is that funding levels have not improved and employer contribution rates have been increasing.</p> <p>With a current funding level of circa 70%, disappointing outcomes at the 2016 Valuation will have a potentially negative impact on contribution rates.</p>	<p>Chief Finance Officer</p> <p>December 2016</p>
9	Pension's legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	<ul style="list-style-type: none"> <li>Government's focus is on reducing costs, with overall Scheme (but not Fund specific) cost cap in place and investment pooling aiming at reducing costs.</li> </ul>	1	3	Low 3 		<p>Head of Pensions</p> <p>March 2017</p>
10	There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at	<ul style="list-style-type: none"> <li>Cashflow remains positive, when income is included.</li> <li>Cashflow forecast monitored</li> <li>Cashflow requirement is a factor in</li> </ul>	2	1	Very Low 2 		<p>Head of Pensions</p> <p>March 2017</p>






	sub-optimal prices.	investment strategy reviews.					
11	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	<ul style="list-style-type: none"> <li>Review maturity of scheme at each triennial valuation.</li> <li>Deficit contributions for most employers' specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions.</li> <li>Cashflow position monitored quarterly.</li> </ul>	2	3	Low 6 		Head of Pensions  December 2016
12	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	<ul style="list-style-type: none"> <li>Transferee admission bodies required to have bonds in place at time of signing the admission agreement or pay additional contributions.</li> <li>Regular monitoring of employers and follow up of expiring bonds.</li> <li>The 2016 valuation will use a risk basis to determine required level of prudence in actuarial valuation assumptions and in deficit recovery period.</li> </ul>	3	2	Low 6 	Other employers are relatively small in terms of membership and the actuary utilises more conservative assumptions.	Head of Pensions  March 2017

Ref	Risk area 3 - Investments	Mitigating Actions	Residual risk score		Risk Rating	Comments	Responsible Officer / Review Date
			Likelihood	Impact			
13	The Investment strategy, including design of mandates, is not consistent with the funding strategy leading to insufficient investments returns or excessive volatility in asset values and employer contribution rates.	<ul style="list-style-type: none"> <li>The strategic asset allocation is developed taking advice from the Investment Consultant, the Independent Advisor and the Actuary and is documented in the SIP.</li> <li>In developing strategy, asset liability modelling is undertaken to identify the probability of achieving the required investment returns and volatility compared with liabilities.</li> </ul>	2	4	Medium 8 	This risk is less about outcomes and more concerned with having an inappropriate strategy.	Chief Finance Officer  December 2016
14	Appointed Fund Managers / Funds underperform relative to their benchmarks leading to insufficient investment returns.	<ul style="list-style-type: none"> <li>Most assets are in index tracking passive funds.</li> <li>Reductions in market cap passive to fund low carbon and property / infrastructure / will increase volatility around benchmarks</li> </ul>	3	2	Low 6 		Head of Pensions  December 2016
15	Failure of fund manager, custodian or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	<ul style="list-style-type: none"> <li>Officers, Independent Advisor and the Investment Consultant all monitor funds providing assurance that critical events will be promptly identified.</li> <li>Operational arrangements at fund managers e.g. custody, are reviewed on appointment and annually via internal controls reports.</li> <li>The fund has 5 fund managers. 75% of assets are with LGIM.</li> <li>The custodian, Northern Trust, provide annual internal controls report reviewed by Independent Acc.</li> </ul>	1	4	Low 4 		Head of Pensions  September 2016



16	Loss of funds through fraud or misappropriation at fund manager / custodian leading to negative impact on reputation of the Committee as well as financial loss.	<ul style="list-style-type: none"> <li>• Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place.</li> <li>• Review of third party internal control reports.</li> <li>• Fund managers and custodian all UK based with no hedge funds.</li> </ul>	1	4	<p>Low</p> <p>4</p> 		Head of Pensions September 2016
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Ref	Risk Area 4 – Administration – Members and Employers	Mitigating Actions	Residual risk score		Risk Rating	Comments	Responsible Officer / Review Date
			Likelihood	Impact			
17	The in-house administration team has insufficient staff or skills to manage the service leading to poor performance and complaints.	<ul style="list-style-type: none"> <li>The HR Pensions Team is highly skilled and knowledgeable in the area of LGPS administration.</li> <li>The work is split across multiple officers to ensure skills are fully developed so that there is no single point of failure.</li> <li>Team members received regular training on LGPS and on changes or enhancements to the pension administration system.</li> <li></li> </ul>	2	3	Low 6	This is more a reputational than financial issue. Relatively little scrutiny is given to the activities of the Pensions team by the Committee or internal audit. There are no KPI reported to the Committee.	Pensions Manager December 2016
18	Failure to pay pension benefits accurately leading to under or over payments.	<ul style="list-style-type: none"> <li>The pension administration system, <b>Altair</b>, allows for all pensioner benefits to be automatically calculated by the administration system.</li> <li>Pensioner benefits are double-checked by another team member in before being released.</li> </ul>	2	3	Low 6	As above.	Pensions Manager December 2016
19	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	<ul style="list-style-type: none"> <li>Pensioner administration system Altair is subject to daily software backups and off-site duplication of records.</li> <li>Disaster recovery procedures allow for Altair to be run from an alternative site if required.</li> </ul>	1	4	Low 4	Service and reputational rather than financial issue	Pensions Manager December 2016

20	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	<ul style="list-style-type: none"> <li>Pensioner payroll system is subject to daily software backups and off-site duplication of records.</li> <li>Disaster recovery procedures allow for pensioner payrolls to be run from alternative sites if required.</li> </ul>	1	3	Low 3 	Service and reputational rather than financial issue	Pensions Manager December 2016
21	Failure of financial system leading to delays in lump sum payments to scheme members.	<ul style="list-style-type: none"> <li>Lump sums paid via BACs.</li> <li>The software around BACs is subject to the Council's security and backup processes.</li> </ul>	1	3	Low 3 		Pensions Manager December 2016
22	Failure by employers to pay the correct level of contributions on time. Inadequate processes in place to check that the appropriate contribution rate is being paid.	<ul style="list-style-type: none"> <li>Pensions admin team monitor payment dates and chase late payments, which are reported to pensions committee.</li> </ul>	4	2	Medium 8 		Head of Pensions September 2016
23	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	<ul style="list-style-type: none"> <li>Regular reconciliations of pension payments undertaken by Finance Team.</li> </ul>	2	2	Low 4 	There are currently no KPI reported to the Committee	Pensions Manager December 2016
24	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	<ul style="list-style-type: none"> <li>Monitor numbers and values of transfers out being processed.</li> <li>If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.</li> </ul>	3	1	Low 3 	As yet little evidence of transfers. Other than cashflow implications, transfers out have a mildly positive actuarial impact.	Pensions Manager September 2016

## Scoring

### Risk and Impact

1 – Negligible

2 – Low

3- Medium

4 - high

### **Risk Rating**

Very low – 1 to 2 Green

Low – 3 to 6 Yellow

Medium – 8 to 10

High - 12 to 16

**Report for:** Pensions Committee 11<sup>th</sup> April 2016

**Item number:** 14

**Title:** Reporting on Breaches of the Law

**Report authorised by:** Tracie Evans, Chief Operating Officer (COO)

**Lead Officer:** Neville Murton – Lead Finance Officer  
02084893176

**Ward(s) affected:** N/A

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

## **1. Describe the issue under consideration**

- 1.1 The Pensions Act 2004 requires certain individuals to report breaches of the law to the Pensions Regulator. The Regulator's Code of Practice provides details of which breaches should be reported, persons with a reporting responsibility and the contents of a report. Best practice is that the Committee approve a policy on reporting breaches.

## **2. Cabinet Member Introduction**

- 2.1 Not applicable.

## **3. Recommendations**

- 3.1 That the Committee approve the attached policy on reporting breaches of the law to the Pensions Regulator (Appendix 1).

## **4. Other options considered**

- 4.1 None.

## **5. Background information**

- 5.1 The Pensions Act 2004 places an obligation on certain people to report breaches of the law to the Pensions Regulator. The individuals covered are:
- Scheme Manager (Haringey Council).
  - Members of the Pension Board (Pensions Committee).
  - Any person who is otherwise involved in the administration of the Scheme.
  - Employers

- Professional advisers
- Any person who is otherwise involved in advising the managers of the scheme in relation to the scheme

5.2 The attached policy note provides guidance to those with an obligation to report and is based on Code of Practice 14 – Governance and Administration of Public Service Pension Schemes.

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

6.1 The Chief Finance Officer confirms that there are no direct financial implications arising from this report.

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

7.1 The Assistant Director of Corporate Governance has been consulted on the content of this report. The recommendation would enhance the administering authority's duty to manage and administer the Scheme. It is part of the requirements contained within the Pensions Regulator's Code of Practice.

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

8.1 There are no equalities issues arising from this report.

## **9. Policy Implications**

10.1 None applicable.

## **10. Use of Appendices**

11.1 Appendix 1 – Policy on reporting breaches of the law.

## **11. Local Government (Access to Information) Act 1985**

12.1 Not applicable.

**Appendix 1**

**London Borough of Haringey Pension Fund**

**Procedure for Reporting Breaches of the Law**

**Introduction**

1. This document sets out the procedures to be followed by certain persons involved with the London Borough of Haringey Pension Fund in relation to reporting breaches of the law to the Pensions Regulator.
2. The London Borough of Haringey, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Assistant Director – Corporate Governance.
3. Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions. This Procedure document applies, in the main, to:
  - all members of the Pensions Committee,
  - all officers involved in the management of the Pension Fund
  - any professional advisers and third party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
  - officers of employers participating in the Haringey Pension Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

**Requirements**

Pensions Act 2004

4. Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:
  - a trustee or manager of an occupational or personal pension scheme
  - a member of the pension board of a public service pension scheme
  - a person who is otherwise involved in the administration of an occupational or personal pension scheme
  - the employer in relation to an occupational pension scheme
  - a professional adviser in relation to such a scheme
  - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and
  - (b) the failure to comply is likely to be of material significance to The Pensions Regulator.
5. The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

#### The Pension Regulator's Code of Practice

6. Practical guidance in relation to this legal requirement is provided in The Pension Regulator's Code of Practice including in the following areas:
- Implementing adequate procedures
  - Judging whether a breach must be reported
  - Submitting a report to The Pensions Regulator
  - Whistleblowing protection and confidentiality.

#### Application to the London Borough of Haringey Pension Fund

7. The London Borough of Haringey has developed this procedure which reflects the guidance contained in The Pension Regulator's Code of Practice and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure. Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pensions Committee members and key officers involved with the management of the Pension Fund on a regular basis. Further training can be provided on request to the Pensions Manager.

#### **London Borough of Haringey Pension Fund Reporting Breaches Procedure**

8. The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.



## 8.1 Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown in appendix A. In particular, individuals should refer to the section on 'Reporting breaches of the law' and for information about reporting late payments of employee or employer contributions, the section of the Code on 'Maintaining contributions'. Further guidance and assistance can be provided by the Pensions Manager as long as requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

## 8.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Assistant Director Corporate Governance, the Chair of the Pensions Committee, the Pensions Manager or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

## 8.3. Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

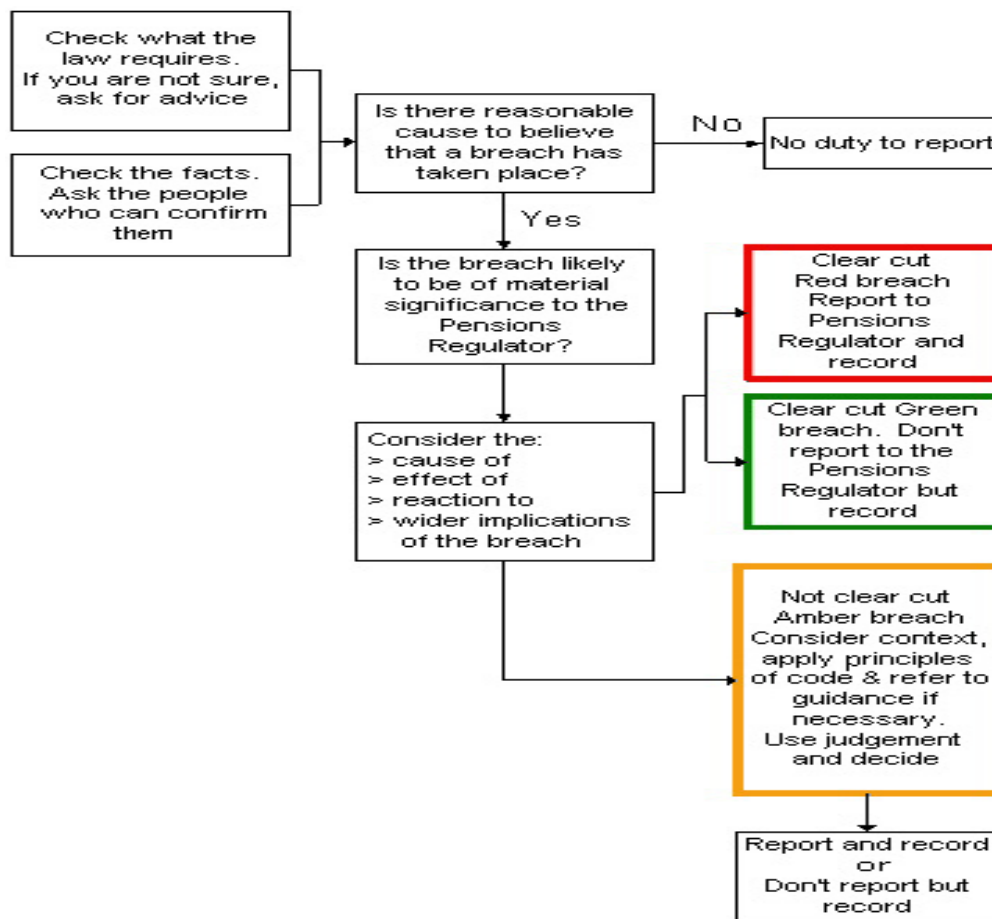
- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

Individuals may also request the most recent breaches report from the Pensions Manager as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix B to this procedure.

The individual should use the traffic light framework described in Appendix C to help assess the material significance of each breach and to formally support and document their decision. A decision tree is provided below to

show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore needs to be reported.



#### 8.4 Referral to a level of seniority for a decision to be made on whether to report

The Assistant Director Corporate Governance has been designated to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Assistant Director Corporate Governance at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Assistant Director Corporate Governance is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The potential reporter remains

responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to the Assistant Director Corporate Governance if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty. A telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

#### 8.5 Dealing with complex cases

The Assistant Director Corporate Governance may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by the Council or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee meeting.

#### 8.6 Timescales for reporting

The Pensions Act and The Pension Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgments on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

#### 8.7 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

#### 8.8. Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). The Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Assistant Director Corporate Governance. Records of unreported breaches should also be provided to the Assistant Director Corporate Governance as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly work plan Report at each Pensions Committee meeting.

### Reporting a breach

9. Reports must be submitted in writing via The Pensions Regulator's online system at [www.tpr.gov.uk/exchange](http://www.tpr.gov.uk/exchange), or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.
10. As a minimum, individuals reporting should provide:
  - Full scheme name
  - Description of breach(es)
  - Any relevant dates
  - Name, position and contact details
  - Role in connection to the scheme
  - Employer name or name of scheme manager (the latter is the London Borough of Haringey).
11. If possible, reporters should also indicate:
  - The reason why the breach is thought to be of material significance to The Pensions Regulator
  - Scheme address (provided at the end of this procedures document)
  - Scheme manager contact details (provided at the end of this procedures document)
  - Pension scheme registry number (PSR -xxxxxxx)
  - Whether the breach has been reported before.
12. The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its

functions. The Pensions Regulator may make contact to request further information.

### **Confidentiality**

13. If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

### **Reporting to Pensions Committee**

14. A report will be presented to the Pensions Committee on a quarterly basis setting out:
  - All breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
  - In relation to each breach, details of what action was taken and the result of any action (where not confidential).
  - Any future actions for the prevention of the breach in question being repeated.
  - New breaches which have arisen in the last year/since the previous meeting.
15. This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix D to this procedure.

### **Review**

16. This Reporting Breaches Procedure was originally developed in January 2016. It will be kept under review and updated as considered appropriate. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

### **Further Information**

17. If you require further information about reporting breaches or this procedure, please contact:

Janet Richards  
London Borough of Haringey  
Pensions Manager  
Alexandra House

Station Road  
Wood Green  
London, N22 8HQ  
E-mail – [janet.richards@haringey.gov.uk](mailto:janet.richards@haringey.gov.uk)

Telephone – 02084893824

Further information on the London Borough of Haringey Fund can be found as shown below:

London Borough of Haringey Website:

<http://intranet/index/ssc/personnel/payandconditions/pensions.htm>

Email: [pensions.mailbox@haringey.gov.uk](mailto:pensions.mailbox@haringey.gov.uk)

### Relevant Regulations and Guidance

- Section 70(1) and 70(2) of the Pensions Act 2004:  
[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- Employment Rights Act 1996:  
[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):  
[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)
- Public Service Pension Schemes Act 2013:  
[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)
- Local Government Pension Scheme Regulations (various):  
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)  
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:  
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-servicepension-schemes.aspx>

## Appendix B

### **Determining whether a breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

#### The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

#### The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements



- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

### The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

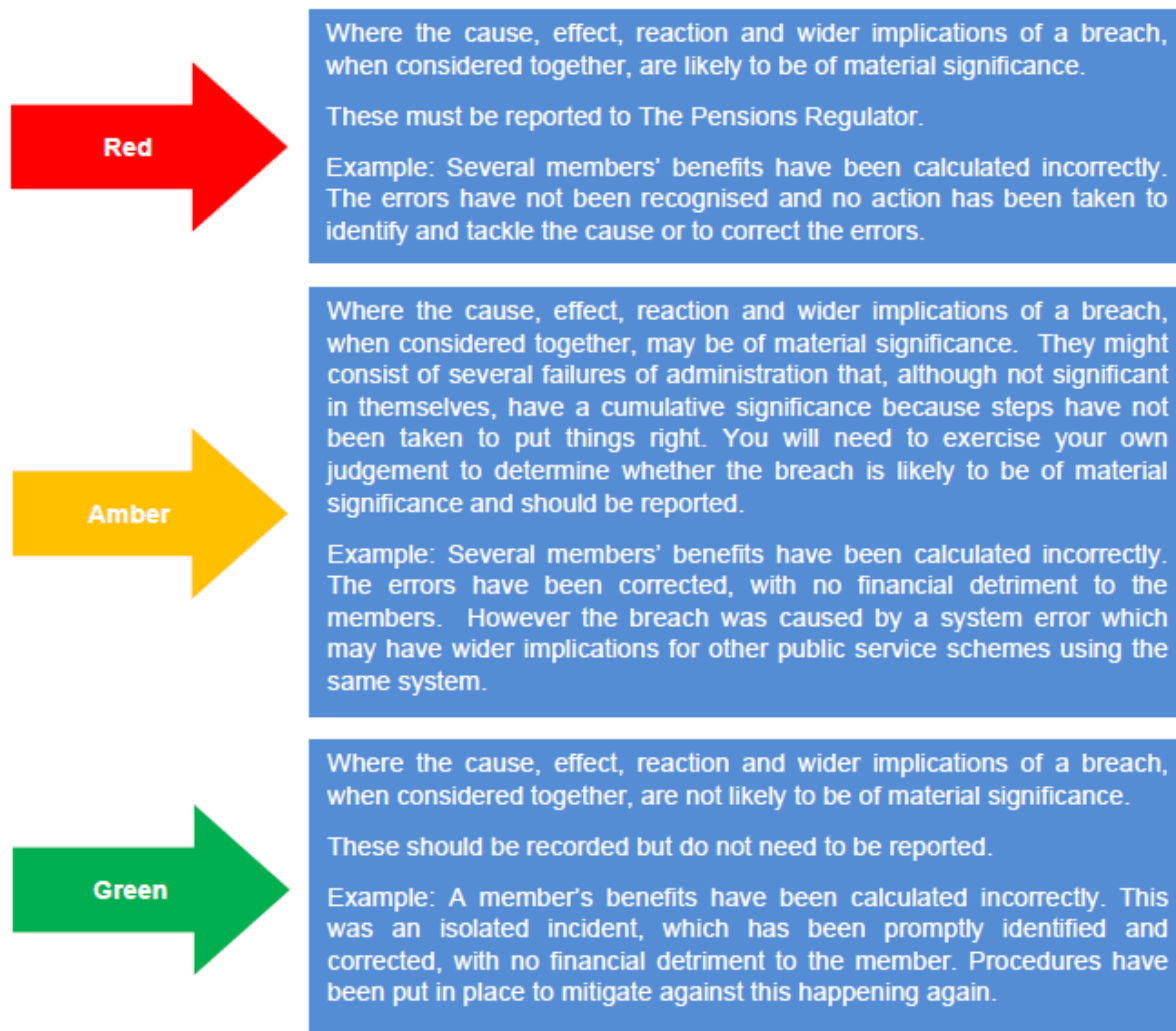
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

### The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

## Appendix C - Traffic light framework for deciding whether or not to report

The London Borough of Haringey recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



All breaches should be recorded even if the decision is not to report. When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link [http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)



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**Report for:** Pensions Committee 11 April 2016

**Item number:** 16

**Title:** Scheme Advisory Board (SAB) Benchmarking Study.

**Report authorised by:** Tracie Evans – Chief Operating Officer.

**Lead Officer:** Neville Murton – Lead Finance Officer  
020 8489 3176 neville.murton@haringey.gov.uk

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** N/A

### **1. Describe the issue under consideration**

- 1.1. The Local Government Pension Scheme Advisory Board (SAB) has developed a number of key performance indicators to enable it to identify any LGPS Funds causing concern. The SAB has been set up by Government to advise the DCLG on LGPS matters and provide guidance to administering authorities on good pensions practice. The SAB is not a regulator such as The Pensions Regulator and has no powers to direct or intervene in the affairs of the pension fund. However, it will publicise poor practice and it has the ability to notify DCLG or TPR when it believes action is necessary and under Regulation 110 of the LGPS Regulations 2013 (As amended) it has a specific role to provide advice to both the DCLG and LGPS Funds.
- 1.2. The SAB carried out a pilot study of the KPI's in late 2015. It will utilise the feedback from the exercise to facilitate the implementation of the exercise across all LGPS Funds in 2016. The SAB's note suggests that the completion and publication of the KPIs will become compulsory in 2016 as the SAB will likely advise the DCLG to implement such a requirement on all LGPS Funds. To ensure that the Haringey scheme is not identified as an outlier requiring intervention it is useful to score the fund and agree areas of actions in advance of the 2016 exercise.
- 1.3. This report highlights the approach adopted for the pilot exercise and applies the principles to the Haringey scheme to establish the degree of performance in comparison to the anticipated range of KPI's

### **2. Cabinet Member Introduction**

- 2.1. Not Applicable.

### **3. Recommendations**

- 3.1. It is recommended that:
  - 3.1.1. The Committee receives and monitors the progress of the Haringey Pension Fund, on a quarterly basis, against the KPI's used by the SAB in its pilot benchmarking study.

### **4. Reasons for decision**

- 4.1. In order to avoid the possibility of failing to meet a number of the anticipated KPI's when they are implemented for all LG Pension Schemes, some early evaluative work

has been undertaken. It is suggested that the Committee approve appropriate corrective and monitoring action so that the Haringey Scheme is well placed to perform against the KPI's when they are implemented.

## **5. Alternative options considered**

- 5.1. None; at this stage the KPI's are not mandatory and the proposals in this report are voluntary to ensure that the Haringey Scheme is well placed in any future evaluation process.

## **6. Background information**

- 6.1. As part of its work over the last two years the LGPS Scheme Advisory Board has sought to improve the quality and comparability of data associated with the LGPS following criticism from the Hutton Commission Final Report in 2012. This has involved work to consolidate the 89 separate Annual Reports into a single scheme document, published on the Board's website.
- 6.2. There has also been considerable discussion around the ability to identify and compare the financial health of individual LGPS Funds. This led to the establishment of a working party which was tasked with creating a range of meaningful performance indicators to show those funds who were in a stronger or weaker position. This assessment is not necessarily a reflection of the current governance and administration arrangements but will highlight where improvements are required following decisions made over a number of years.
- 6.3. The Haringey fund was not selected for the 2015 pilot study. However, the requirement to complete the assessment and publish the results will be expanded to all LGPS in 2016. Understanding and addressing the gaps now will help ensure the Scheme does not receive adverse publicity.
- 6.4. Attached at Appendix 1 is the Guidance issued by Scheme Advisory Board which sets out the rationale for the exercise and explains the range of KPI's to be completed by each Fund. These are split into 4 core KPI's and 14 supplementary KPI's where the core KPI's are classed as "alarm bells" to identify under-performing funds.

## **Issues Raised**

- 6.5. Officers have completed the KPI pro-forma attached at Appendix 2 based upon data as at 31st March 2015 and a review of the current position of the Fund in respect of these indicators.
- 6.6. The areas in which improvement action can be taken relatively quickly are:
- 1) Approving and publish the risk register and agree that risks will be regularly monitored by the Committee. On April agenda.
  - 2) Development of an annual training plan and agreement that all members will self certify training undertaken and training needs.
  - 3) The proposed restructure within Finance and the appointment of a Head of Pensions together with a Pensions Accountant will increase the dedicated resources available to the pension fund.
  - 4) Completion of the work agreed at the December meeting to address the gaps in compliance with the TPR's code of practice.
  - 5) All statutory documents and employer discretions to be published on the scheme web site and available to all.
  - 6) The reporting of HR pensions administration performance against service level targets
- 6.7. The issues that will take longer to address are:

- 1) Improvements to funding level and reducing deficit recovery period to less than 15 years.
- 2) Adoption of UK Stewardship Code.

### **Conclusion**

6.8. Some of the issues identified overlap the actions identified to meet TPR code of practice. It is proposed that progress in meeting the KPI's is monitored quarterly.

### **7. Contribution to strategic outcomes**

7.1. The use of Key Performance Indicators is one of a number of activities that can be undertaken to judge the relative performance of the Haringey Pension Fund. Although externally determined by the SAB the KPI's provide an indication of the performance of the Fund including its achievement of strong internal controls and outcomes.

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

8.1. Chief Finance Officer.

8.1.1. Confirms that there are no direct financial implications arising from this report.

8.2. Assistant Director of Corporate Governance

8.2.1. . The Assistant Director of Corporate Governance has been consulted on the content of this report. The work being done on the Pension Code of Practice would enhance the administering authority's duty to manage and administer the Scheme.

### **9. Use of Appendices**

- Appendix 1 – Guidance on SAB Benchmarking Indicators.
- Appendix 2 – Haringey Pension Fund initial KPI Analysis.

### **10. Local Government (Access to Information) Act 1985**

## Guidance for LGPS funds on the 2015 benchmarking exercise

### Strategic context

The Secretariat to the LGPS Scheme Advisory Board (SAB) would like your help to undertake a national exercise of a suite of LGPS pension fund key performance indicators (KPIs). By taking part in this exercise it is an opportunity for your fund to:

- 1) Assess your fund against the examples of best practice and concern
- 2) inform us how much effort/time/cost doing the exercise consumed
- 3) Provide feedback to the SAB on the KPIs before their implementation in 2016

The SAB have agreed that individual LGPS fund performance should be assessed in aggregate using the following 5 key themes:

- 1) Fund governance, management, administration, accountability and transparency,
- 2) Funding level, contributions, deficit reduction, and ability to meet pension liabilities,
- 3) Asset management strategy, stewardship, and investment returns,
- 4) Pension benefits, administration, member service, and communications ,and
- 5) Independent external review and assurance.

The SAB considers that maintaining and improving the overall performance of the LGPS is best done by focusing on improving key financial and governance metrics of “underperforming” funds, and concurrently seeking to raise the level of performance of “average” funds to that of the “highest performing” funds.

The SAB has agreed it is not seeking to develop an LGPS fund league table or multi-tier categorization system to rank or group all LGPS funds relative performance, because such rankings might be misinterpreted by scheme members and other parties.

The SAB have identified 4 core KPIs (“alarm bells or trip wires”) to identify underperforming funds, and 14 supplementary (“health”) KPIs that can be used to identify where potential management problems lie and improvements could be made.

The 4 core KPIs are in relation to risk management, funding levels and contributions, deficit recovery, and required investment returns. The suite of KPIs were developed during 2014 by the SAB Scheme Reporting Working Group that comprises of LGPS fund staff and bodies including some LGPS funds, the NAPF, CIPFA, and the ACA LGPS Sub-Group.

The Working Group has devised KPIs that:

- 1) can be considered in aggregate as well as individually, and the examples of high performance which are set high to encourage funds to aspire to best practice and excellence,
- 2) use existing information that each LGPS fund should already have access to, for example in your 31<sup>st</sup> March 2015 Annual Report and audited financial statements, fund website, from your fund administrator, actuary, 31<sup>st</sup> March 2013 triennial valuation, asset custodian, investment performance measurer, and internal or external auditors,



- 3) can be used to assess and benchmark funds and the whole scheme and over time via repeating the national exercise in future.

The SAB have agreed that they plan to use these KPIs (as improved, clarified or amended by the exercise) to formally assess and benchmark the health of LGPS pension funds as part of the 2016 triennial valuation of the LGPS.

By undertaking such analyses it will enable the SAB to be proactive in encouraging best practice, continuous improvement, and raising standards within the LGPS. Administering authorities are strongly encouraged to share the KPIs and their assessment and scoring with their Local Pension Board. Following such a local and national performance review process it might be appropriate for any “outliers” and/or any “under-performing” fund(s) to be either:

- 1) supported with technical advice and help from adjacent/higher performing LGPS funds or external advisors/consultants; and/or in extremis
- 2) be placed on watch and possible recommendation to the Secretary of State for intervention and/or remedial action.

However, well before this, the SAB considers the KPIs should be used by individual LGPS funds to develop balanced “score-cards” to undertake an assessment of a fund’s current level of performance (and thus sustainability) against the level of high performing funds. Local Pension Boards may use the indicators as a ‘sense check’ or ‘self-audit’ tool.

Please note your response to this exercise will be seen by the SAB Secretariat and the SAB. The individual fund results from the 2015 exercise are not intended to be made public. However, in future years, individual fund results may be.

### LGPS fund actions

The Secretariat would like you to self-assess your fund’s performance relative to the examples proposed for high performing funds and the examples of concern (see Table 1 attached). The intention is that the key sources of information for assessing your funds achievement of the KPIs should come from:

- 1) fund annual report and audited financial accounts for financial year ending 31<sup>st</sup> March 2015 and other supporting information published on your fund website or hard copy documents relating to the FY 2014/15,
- 2) fund membership/administrative data and any benchmarking data from your internal/external pension benefits administrator for FY 2014/15,
- 3) fund investment performance information and benchmarking data provided by asset custodian and performance measurer for FY 2014/15,
- 4) actuarial data from your 31<sup>st</sup> March 2013 statutory valuation and any benchmarking reports produced by LGPS actuaries (e.g. Hymans Robertson) (and if available your updated actuarial position to 31<sup>st</sup> March 2015),
- 5) your internal audit or external audit reports for FY 2014/15,
- 6) your DCLG LGPS SF3 return for FY 2014/2015.

The Secretariat has communicated with the actuarial firms in the LGPS ACA Sub-Group to help facilitate your actuaries’ help to provide you with your 2013 triennial valuation figures for KPI’s 2, 3, and 4. For each KPI, please assess, provide the main

source of your evidence (e.g. see page 21 of our 2015 Annual Report or see the Governance section of our fund website) with an e-link and indicate your fund's status in terms of a score for each of the examples of best practice or examples of concern.

Please provide explanatory notes you feel would clarify your assessment and scoring for this exercise.

The Secretariat would welcome your feedback on how much effort and time and any costs were consumed to respond to this exercise. We would also welcome general feedback on the KPIs and the examples of best practice and examples of concern, and any suggestions for their clarification, refinement, and improvement, or any better or alternative KPIs.

The SAB Secretariat will consider the results of the exercise during December 2015. The SAB will review the outcome of the exercise in early 2016 and will recommend to DCLG the KPIs are considered to be included in LGPS regulations/scheme guidance and/or as part of 31<sup>st</sup> March 2016 valuation process. They will then be issued in April 2016 and from December 2016 used as tool to assess and support funds accordingly.

Issued by the SAB Secretariat, 4th September 2015.

**Scheme Advisory Board Primary Performance Indicators**

No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Fund Score	Evidence and Comments
1	Risk management	No or only partial and / or unclear risk register with no or poorly specified or un-implemented mitigation actions over time leading to increased fund risk. No evidence of risk register being:	Comprehensive risk register covering the key risks (in accordance with current CIPFA guidance) with prioritisation, robust mitigation actions, defined deadlines, with action tracking completion.	1	Draft risk register follows this methodology.
		a) Prioritised	a) risks prioritised on a RAG red, amber, green or by a scoring methodology	0	Risk register in draft only
		b) annually reviewed by Pensions Committee	b) completed actions signed off by Pensions Committee after at least an annual update.	0	Risk register in draft only
		c) annually reviewed by internal or external audit	c) annual review by internal and external audit	1	Only two high priority risks in draft register
		d) used to reduce high risk	d) less than three priority / red risks	0	Risk register in draft only
		e) available for public scrutiny	e) Public disclosure of a summary version published on fund website or in fund annual report. Score 1 point for each one		
2	Funding level and contributions	a) Decreased funding level (calculated on a standardised and consistent basis) and / or in bottom decile of LGPS over the last three triennial valuations on a standardised like for like basis.	a) Funding level rising and getting closer to 100% funded (or above) over the last three triennial valuations on a standardised like for like basis. Funding % - 91 to 100 = score +5, 80-90= +4, 70-70= +3, 60-69 = +2, less than 59 = +1	2	For fund as a whole? For council at the last two reported funding levels of 69% and 70%. Funding levels constant.
		b) No or minimal employer funding risk assessment and monitoring and not reported to Pensions Committee.	b) Employer funding risk assessment and monitoring reports to Pension Committee.	0	Employer risk assessments completed for 50% of employers and communicated to the Actuary.
		c) Total actual contributions received in the last 6 years less than that assumed and certified in last two triennial valuations.	c) Total actual contributions received in the last 6 years less than that assumed and certified in last two triennial valuations.	?	To be confirmed with the Actuary.
		d) Net inward cash flow less than benefit outgoings so need for any unplanned or forced sale of assets	d) Net inward cash flow less than benefit outgoings.	1	Yes. Benefits and contributions broadly in line. When income is added, cashflows strongly positive.
			Score - 1 point for each		

3

Deficit Recovery

- a) No or opaque deficit recovery plan.
- b) lengthening implied deficit recovery period for contributions
- c) Implied deficit recovery periods > 25 years for last three valuations.

- a) transparent deficit recovery plans for tax raising and non-tax raising bodies
  - b) implied deficit recovery period reducing at each valuation.
  - c) Implied deficit recovery period is less than 15 years for last three valuations.
- Score 1 point for each.

1

A schedule is produced for each employer indicating the deficit recovery period.

0

Stable at 20 years.

0

20 year deficit recovery plan.

4

Investment returns

a) required future investment returns as calculated by the actuary are consistent with and aligned to the investment strategy so higher likelihood of the fund meeting its funding strategy.

a) required future investment returns as calculated by the actuary are consistent with and aligned to the investment strategy so higher likelihood of the fund meeting its funding strategy.

1

The actuary uses the investment strategy to determine that there is a prudent probability of the deficit being eliminated.

b) Actual investment returns consistently exceed actuarially required returns.

b) Actual investment returns consistently exceed actuarially required returns.  
Score 1 point for each.

1

The 3, 5 and since inception average returns at 31 Dec 2015 of 9.63%, 7.70% and 7.82% exceed those assumed in the actuarial valuation.

**Scheme Advisory Board Secondary Key Performance Indicators**

No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Fund Score	Evidence and Comments
5	Pension Committee member competence	Appointees unclear of statutory role and unable to clearly articulate the funds funding and investment objectives. No evidence of:	Appointees understand their statutory role and are able to clearly articulate the funds funding and investment objectives.		
		a) different employer types and no or minimal scheme member representation.	a) representatives on Committee of different employer and employee types.	1	Non voting at the moment, but Joint Committee and Board will extend voting rights.
		b) No training needs analysis or training strategy or training log or use of CIPFA LGPS training framework	b) annual training plan recorded against CIPFA's knowledge and understanding framework.	0	Training Policy agreed in 2013 but no annual training plan has been documented.
		c) No training recover disclosure	c) annual training records disclosed in the annual accounts.	0	No.
		d) Self assessment	d) annual self - assessment of training undertaken and identification of future needs. Score 1 point for each.	0	No.
6	Administering authority staff accountability, leadership, experience and training	a) No or only part time Head of Fund and or only part time officers	a) Experienced Head of Fund with full time dedicated officers with at least three years experience.	0	Although officers are experienced they undertake treasury in addition to pensions activities.
		b) No or little induction or no on-going training provision or experience recorded on the adoption of CIPFA LGPD knowledge and understanding framework.	b) staff undertake regular CIPFA LGPS TKU or other CPD training recorded across all LGPS skills (governance, benefits administration, funding, investments and communications) Score 1 point for each.	1	Training undertaken via seminars and also using TPR on line training.
7	Statutory Governance standards and principles (as per DCLG and TPR Codes)	Several key areas of non-compliance with:			
		a) DCLG LGPS Statutory Guidance	a) Full Compliance with DCLG LGPS statutory guidance	?	To be confirmed.
		b)TPR Guidance and codes	b) Full compliance with TPR guidance and codes for public sector pension schemes.	0	Progress on achieving full compliance to be reported to April meeting.
		c) No, little or poor key decision taking records and no or poor self, or scheme employers or scheme members assessment of overall fund effectiveness.	c) Meet or exceed other LGPS best practice on recording all key decision taking and annual self, scheme employers, scheme members assessment of effectiveness. Score 1 point for each.	0	No self assessment undertaken.
8	Quality and accessibility of information and statutory statements, strategies, policies (governance, FSS, SIP, Communications, admin authority and employer discretion policies)	a) Statutory publications not all in place or published on fund web site or updated in accordance with regulatory requirements and due timelines.	a) Statutory publications all in place and published on fund web site and updated in accordance with regulatory requirements and due timelines.	1	All provided for loading on to the Hymans' sponsored member web site
		b) Fund and employers discretions not published.	b) Fund and employers discretions published.	1	The Council's discretions policy is published. Those for other employers are their responsibility.
		c) Do not seek to meet any recognised 'Plain English' or e-publishing standards.	c) Meet 'Plain English' or and or other recognised e-publishing standards. Score 1 point for each.	?	Publications follow a Hyman's template widely used by LGPS funds.

9	Adoption and report compliance with Investment Governance Principles (IGP) (was Myners Principles) and voluntary adoption / signatory to FRC Stewardship Code and UNPRI	No or un-explained non-compliance and /or support of a) IGP b)UK Stewardship Code c)UN PRI	a) 100% compliance with IGP b) adoption and public reporting of compliance against the FRC UK stewardship Code. c) External managers or fund are PRI signatories. Score 1 point for each.	1 0 1	We report full compliance No. All managers are PRI signatories - check CQS
10	Historic investment returns (last 1,3, 5) and total investment costs compared to other LGPS funds.	a) overall fund investment returns (net of fees) for last 1,3 and 5 years bottom two quintiles.  b)Retain fund managers under performing their benchmarks for two triennial valuation cycles.  c) Fund does not benchmark its fund managers and total investment costs relative to other LGPS funds.	a) overall fund management returns (net of fees) or last 1,3 and 5 years. Top quarter score 5 points. 2nd quarter 3 points, 3rd quarter 0 points and 4th quarter -3 points.  b) Greater than 75% of fund managers deliver target performance over rolling three years periods. Score 1 point.  c) Fund benchmarks its fund manager and total investment costs. Score 1 point	?  1 1	To be completed  As at December 2015, three of the four active managers (CBRE, Pantheon & Allianz report above benchmark returns with only CQS reporting below benchmark returns. Annual comparison reported to Committee as part of the annual accounts.
11	Annual report and audited accounts	a) Do not fully meet some regulatory requirements or CIPFA LGPS guidance. b) Not published in Admin Authority Accounts by 1st October. c) Published on SAB website after 1st November	a) Meet all regulatory requirements and CIPFA LGPS guidance. b) Published in Admin Authority Accounts by 1st October. c) Published on SAB website before 1st November Score 1 point for each	1 1 0	Yes Yes Not in 2015.
12	Scheme membership data	a) Common data does not meet TPR standards. b) Conditional data do not meet the TPR standards. No plans in place to rectify this.	a) Greater than 99% of common data meets TPR quality and due date standards. b) Greater than 95% of conditional data meets the TPR quality and due date standards. Plans in place to improve this. score 1 point for each.		To be confirmed To be confirmed
13	Pension queries, pension payments and annual benefit statements	a) No or poor website with no scheme member or employer access. b) ABS do not meet regulatory requirements or due timelines for issuance.	a) Good website with interactive scheme member and employer access. b) ABS meets or exceeds regulatory requirements and due timelines for issuance. Score 1 point for each.	1 0	Haringey utilise a Hymans hosted web site We are working to ensure that the difficulties experienced in 2015 do not re-occur in 2016.
14	Cost efficient administration and overall value for money fund management.	a) In bottom quartile with high total admin costs pa per member (based on CIPFA or other benchmarking tool). b) Not in any national or regional frameworks for any externally procured services or collective investments.	a) In top quartile with low total admin costs pa per member (based on CIPFA or other benchmarking tool). b) Lead or actively participates in collaborative working and collective LGPS procurement, shared services or CIV. Score one point for each.	1	To be confirmed. Used frameworks for advisor appointments and active member of London CIV.

15	Handling of formal complaints and IDRPCs	a) Any Pensions Ombudsman determinations and any appeals or fines were against the action of the fund (not employers)	No stage 2 IDRPCs and no Pensions Ombudsman finding against <u>the fund's</u> actions in the last three years. Score one point	1	No items to report.
16	Fraud Prevention	No or minimal systems / programme or plan or mechanism in place to: a) Prevent fraud b) detect fraud c) detect pension overpayment due to unreported deaths.	a) Fraud prevention programme in place. b) Use external monthly, quarterly or annual mortality screening services. Score one point for each.	0 1	Required documenting. Monthly screening used
17	Internal and external audit	a) No annual internal audit or qualified internal and external audit opinions. b) Urgent management action recommended on high / serious risk. c) Only moderate or low level of assurance and a number of high priority action recommendations.	a) Unqualified annual internal audit report with no or only low priority management action. b) Unqualified annual external audit report with no or only low priority management action. c) Full or substantial assurance against all key audit areas with no high risk recommendation. score 1 for each	1 1 1	Full assurance in most recent internal audit reports. No recommendations in last external audit report. Full assurance in most recent internal audit reports.
18	Quality assurance	No evidence of: a) quality management system b) externally reviewed publications. c) externally approved website accessibility d) any awards	a) Fund has formal quality management external certification. b) Crystal Mark for plain English for publications. c) Externally approved web site accessibility. d) pensions & investment recognition awards. Score 1 for each.	0 ? 1 0	no. Check with Hymans. Yes Not entered any competitions!

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