

**MINUTES OF THE PENSIONS COMMITTEE
11 JULY 2016**

Councillors Clare Bull (Chair), John Bevan (Vice-Chair), Gina Adamou, Mark Blake, Gideon Bull and Viv Ross

Also Present Keith Brown (Non-voting) and Michael Jones (Non-voting)

Apologies Roger Melling (Non-voting)

144. FILMING AT MEETINGS

RESOLVED

- That the Chair's announcement regarding the filming of the meeting for live or subsequent broadcast be noted.

145. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Roger Melling (Non-voting).

146. DECLARATIONS OF INTEREST

The Chair commented that she worked for the national arm of the Citizens Advice Bureau but not the Haringey Citizen's Advice Bureau, who were a Community Admission Body within the Fund and questioned whether this was a declarable pecuniary interest or a prejudicial interest. Officers agreed to look into this and come back to the Chair (**Action: Oladapo Shonola/Clerk**).

147. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr Bull identified that she had undertaken the following training since the last meeting:

- LGPS pooled infrastructure investment seminar - 26th May
- LAPFF Responsible Investment, shareholder rights and pooling 07/06
- Completed Pension Regulator's on line "Public Service Toolkit"

Cllr Bevan identified that he had undertaken the following training since the last meeting:

- Local Authority Pension Fund Forum 19/04
- IPE Risk-Based and Factor Investing 26/04
- PIA Achieving Diversification within your Portfolio 26/04
- Schroders' Annual Real Estate Conference 27/04
- P&LSA pensions survey update briefing 11/05
- SPS Pension Conference, Low Cost Equity & Other Investment Strategies 12/05
- Schroders' Defined Contribution Conference 19/05
- PIA Brexit pension fund issues 31/05
- LAPFF Responsible Investment, shareholder rights and pooling 07/06
- P&LSA Private rented sector investment 09/06

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- IPE Risk & Asset Allocation for pension funds 09/06 & 10/06
- Local Authority Pension Fund Forum 28/06

Prior to the start of the meeting, the Committee received training from John Raisin, Independent Advisor, which set out the minimum level of knowledge required to serve on the Committee. The Pension Regulator requires that all members of the Pension Committee/Board undertake this type of introductory training prior to taking up their roles.

148. MINUTES

RESOLVED

- That the minutes of the meeting held on 11 April be approved as an accurate record.

In response to a request for clarification on scheme admission arrangements for borough schools that transferred from local authority control to academy status, the Committee was advised that existing staff would be subject to TUPE rules and that consequently they would be eligible to join the LGPS. Any attempt to divert staff into an alternative scheme (due to it being financially advantageous to the company) would be illegal. The Committee was advised that as long as the employee was employed directly by the company then they must be transferred into the LGPS, whereas sub-contractors would not. It was not mandatory for members of staff who joined the company after it was transferred from local authority control to join the LGPS, but officers advised that they could negotiate this with the employer.

As a matter arising, clarification was sought on statutory online training and how to access it. It was agreed that officers would send round details of the training to the Committee (**Action: Oladapo Shonola**).

149. PENSIONS ADMINISTRATION REPORT

The Committee received a report on administrative issues related to the Haringey Pension Scheme, the issues related to automatic re-enrolment on 137 employees on 1st April 2016 and the admission of a school cleaning contractor into the LGPS. The Committee noted that the Council took advantage of a transitional delay period that permitted delaying auto-enrolment until 1st October 2017, this delay applied to those who had previously opted out of the LGS and TPS scheme. There would be approximately 1000 employees who could be brought into the scheme in October 2017.

The Committee requested clarification on its responsibilities in relation to understanding the deficit and liability rate for an individual admission agreement. Officers advised that under the regulations, if they met the criteria they had to be admitted to the LGPS. Officers agreed to include the individual actuarial rate for a new Admission Body in future reports (**Action: Janet Richards**).

The Committee also sought clarification on pension contributions from companies who had contracts with a number of different local authorities. Officers advised that each local authority had their own scheme and that employees could be part of several different schemes, depending on where they worked. It was noted that the location of

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the employer would be the critical factor in determining which scheme employees joined.

RESOLVED

- That the cleaning contractor Green Sky Clean Limited be admitted to the Council's Pension Scheme as an Admission Body in relation to the provision of a cleaning contract with the Governing Body of the Brook School, subject to the Contractor entering into an admission agreement with the Council in respect of the contract.
- That an admission agreement satisfactory to the Council, be entered into – in respect of the contract and that the agreement is a closed agreement, as such that new members can not be admitted.

150. DRAFT ANNUAL PENSION FUND ACCOUNTS

Clerks note - Councillor Bevan left the meeting at this point

The Committee received a report on the current position of the draft Pension Fund Accounts for 2015/16. The final accounts would be presented to the Committee in September once the auditors had reviewed them. A modest rise in total contributions was offset by larger rises in benefits paid and investment management expenses. Overall the fund had a net expenditure of £2.98m in 2015/16 compared to £0.86m in 2014/15 resulting in a year on year increase in expenditure of £2.18m.

The Committee sought clarification over the management fee charged by Pantheon Private Equity and sought reassurance that the fee was justifiable. In response, officers advised that the fees were reasonable given the asset class managed by the private equity firm. The Committee were advised that by using a private equity firm the Council achieved a much greater diversification than would be achieved otherwise, performance over the last year had been very good. The key factor in determining fees was the proportion of funds that were classed as passive, which in Haringey's case was around 75% which was at the lower end of the scale.

The Committee requested that there was a future agenda item to assess the performance of companies that managed the Additional Voluntary Contributions made to the fund, as this was long overdue. Officers agreed to add this item to the work plan (**Action: Oladapo Shonola**). In response to a query around offsetting increases in expenditure, the Committee was advised that the fund needed to increase its membership and that it was hoped that the appointment of a renewable energy fund manager should yield annual cash payments to the Fund.

RESOLVED

That the Committee note the content of the draft annual accounts.

151. GOVERNANCE UPDATE REPORT

The Committee received a report which provided an update on governance issues to ensure that the committee was informed of the activities being progressed by officers and advisors to the Fund. The Chair commented that paragraph 13.1 referred to appendix 1 of the report, which did not seem to be included in the agenda pack. Officers advised that appendix 1 should have been a copy of the Risk Register which the Committee approved at its meeting in April; this was omitted from the pack in error. A comprehensive review of the risk register was being undertaken and will be

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re-presented to the September meeting of the Committee for approval (**Action: Oladapo Shonola - Clerk to note**).

RESOLVED

- To note the information contained in the report.

152. PENSION FUND QUARTERLY UPDATE

The Committee received a quarterly update report on performance of the Haringey Pension Scheme covering the three month period up to 31 March 2016. Performance in the quarter was a return of 2.89% on the fund against a benchmark of 3.11%, producing a variance of -0.22%. The Committee noted that Pantheon Private Equity achieved a fund return of 19.73% over a 12month period, which represented an over performance of 16.07% against the benchmark of 3.66%.

The Committee considered the performance of individual fund managers, the Independent Advisor, John Raisin, gave a context the performance of CQS, advising that the multi sector credit funds across the board were unable to achieve the benchmarks originally set for them given market conditions and that seen that context; CQS had performed better than most. Steve Turner reiterated the assessment of the Independent Advisor and stated that their performance was one the best within their respective asset class. The Committee considered whether the benchmarks that had been set were unrealistic on the whole, given market conditions. Steve Turner agreed to speak to officers outside of the meeting to discuss the benchmarks and comparable performance of the different fund managers and bring a paper back to the next Committee. (**Action: Steve Turner/Oladapo Shonola**).

The Committee sought clarification on the likely impact of the Brexit vote to the Fund. In response the Committee was advised that stocks had rallied in the last week and that Equities were up around 20% since the low rate in February. Steve Turner, Mercer, advised that the fall in the value of sterling had massively increased the value of overseas equities, however the value of liabilities had also been pushed up in recent weeks. In response to a follow up question, Mr Turner advised that the risk of a recession had certainly increased along with the likelihood of inflation.

The Committee were advised that the property retail investment market had been impacted and that a number of funds had closed for redemptions, with some funds marking down the value of their assets by between 10-15%. Steve Turner suggested that the Committee would benefit from getting an update from its property manager CBR at the next meeting. (**Action: Oladapo Shonola/Clerk**).

Keith Brown advised that his reading of the situation was that there would be ongoing uncertainty in the markets, particularly in relation to levels of employment and the likely fall in GDP which would result was estimated at 1-1.5%. In addition, the growing speculation that the Bank of England would raise interest rates had been quashed and there was increased likelihood of further rounds of Quantitative Easing which could well have an inflationary impact. The Global Index was significantly up in June which would increase the value of overseas equities but the indices which were orientated toward the UK economy, such as the FTSE 250 had taken a significant hit to their value.

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Officers advised the Committee the investment of £50m in the Aviva Long Lease Property Fund was progressing and that the subscription agreement had now been signed. It was anticipated that the Fund would join the queue of investors by September and that investment would take around 12 months from that point. Officers also advised the Committee that in relation to the London CIV, the Government had issued further guidance on pooling, specifically in regards to passive mandate and life funds. This had impacted on the Fund's transfer of assets into the CIV and would likely impact the level of savings available. Further guidance was being awaited. The Chair advised that she had spoken to the Head of Finance – Pensions and Treasury about arranging for someone from London CIV to come in and provide the Committee with some training. In relation, to the decision to shift approximately 20% of total fund assets to the Low Carbon Index, the Committee was advised that the first tranche of asset switching worth approximately £60m was completed on 3rd May 2016. The second and third tranches were provisionally scheduled for 1st August and 1st November respectively.

RESOLVED

- To note the information provided in respect of the activity in the three months to 31st March

153. PENSIONS TRAINING POLICY AND FRAMEWORK; COMPLIANCE WITH TPR - PUBLIC SECTOR TOOLKIT

The Committee received a report from John Raisin Independent Advisor to the Committee which set out the legal and regulatory requirements for a comprehensive approach by the new Joint Pensions Committee and Board. The report proposed the adoption of the CIPFA Code of Practice on Public Service pensions Finance Knowledge and Skills, the adoption of a broad based Pensions Knowledge and Skills Framework and its implementation. The paper also proposed that a Training Needs Analysis was issued to all members of the Joint Committee and Board and that all members of the Joint Pensions Committee and Board complete the Pension Regulator's online Public Service Toolkit.

In response to a question regarding what the knowledge check was for the Board, the Independent Advisor commented that there wasn't a check as such but that the Pensions Regulator would want to see evidence that the members had attended relevant training and had shown a willingness to understand the subject material. The Chair requested that there were some questions included in the Training Needs Analysis around the format and type of the training the Board would like to receive **(Action: John Raisin)**.

The website for the Pension Regulator's Public Service Toolkit, including online training was noted as: <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

RESOLVED

- I. That the paper by the Independent Advisor attached as Appendix 1 of the report "Pensions Knowledge, Understanding and Skills" be noted.

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- II. That the key principles of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (July 2013 version) and specifically the following six statements contained within the Code be adopted:
- This organisation adopts the key recommendations of the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
 - This organisation recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.
 - Accordingly this organisation will ensure that it has adequate resources, formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision- making.
 - These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Framework.
 - This organisation will report annually on how these policies have been put into practice throughout the financial year.
 - This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Chief Operating Officer who will act in accordance with the organisation's policy statement, and, where he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).
- III. To adopt the "Haringey Pensions Knowledge and Skills Framework" as set out in Table 1 of the Independent Advisors paper (Appendix 1 of the report).
- IV. That all members appointed to the new Joint Pensions Committee and Board complete the Pension Regulator's on line "Public Service Toolkit" by 31 October 2016.
- V. That a Training Needs Analysis be issued to all members of the new Joint Pensions Committee and Board to be completed and returned by 31 August 2016.
- VI. That the Independent Advisor to the Pension Fund be requested to prepare a series of "core" training sessions to cover the seven areas within the "Haringey Pensions Knowledge and Skills Framework."

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- VII. That a report on Training, Knowledge, Understanding and Skills be presented to the Joint Pensions Committee and Board on an annual basis at its June/July meeting.

154. FORWARD PLAN AND MEETING REFLECTIONS

The Committee received an updated work plan which identified topics that would come to the attention of the committee in the next 12 months and sought Member input in to the contents of future agendas. The Committee were also given the opportunity to reflect on the conduct of the meeting and identify any areas for improvement. In response to a question from the Chair on the proposed agenda item on the LAPFF Guide to Co-filing for the 8 September, officers advised that this was in proposed by Cllr Bevan and that the report would propose the automatic filing of recommendations received by Members without the need for formal approval of the Committee.

RESOLVED

- To note the contents of the work plan.

155. ANY OTHER BUSINESS OF AN URGENT NATURE

N/A

156. DATE OF NEXT MEETING

RESOLVED

- To note the next meeting would be on 8 September 2016, 7pm.

157. EXCLUSION OF 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).

158. EXEMPT MINUTES

RESOLVED

- That the exempt minutes of the meeting held on 11th April be approved as an accurate record.

159. TRIENNIAL ACTUARIAL VALUATION - ASSET OUTPERFORMANCE ASSUMPTIONS

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The Committee received a presentation on the 2016 actuarial valuation from Douglas Green - Hymans Robertson LLP, and agreed the recommendations contained within the report.

160. AGE UK HARINGEY UPDATE

The Committee received an update on Age UK Haringey, as an employer in the Haringey Pension Fund.

RESOLVED

- To note the Exempt information contained within the report.
- To note that further updates will be provided at the next Committee meeting.

161. RENEWABLE ENERGY INVESTMENT

The Committee received an update on the ongoing process to identify a suitable fund manager to manage the Fund's agreed £50m allocation to the renewable energy sector.

RESOLVED

- To note the content of the report.
- To agree the recommendation of the report.

162. ANY ITEMS OF EXEMPT URGENT BUSINESS

There were no items of Exempt Urgent Business

Councillor Clare Bull

Chair