MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 10 SEPTEMBER 2015

Councillors Present:	C Bull (Chair), Bevan (Vice-Chair), Basu, Peacock and Ross
Non-voting members present:	Keith Brown
Apologies:	Cllr Rice, Michael Jones and Roger Melling

84 **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.

85 **APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)**

Apologies for absence were received from Cllr Rice, Michael Jones and Roger Melling.

86 **URGENT BUSINESS**

There were no new items of urgent business.

87 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

88 **MINUTES**

Noted that the Chair's name was omitted from the list of those present and would be corrected.

RESOLVED

That, with the correction above, the unrestricted minutes of the meeting of the Pensions Committee held on 13 July 2015 be approved and signed by the Chair as a correct record.

89 **LOCAL GOVERNMENT PENSION SCHEME - GUARANTEED MINIMUM PENSION RECONCILIATION INITIAL FINDINGS**

The Committee received a report on the initial findings of the Guaranteed Minimum Pension reconciliation exercise, as presented by Janet Richards, Pensions Manager. Further to the initial stage of this work, it was noted that the Pensions Administration Team proposed to engage an additional member of staff for a temporary period of one year in order to complete the reconciliation exercise. It was also noted that the cost of adopting the £2 per week tolerance for reconciliation would be calculated and provided in the next report to the

Committee, and that the working note on this point should be disregarded from the comments of the Chief Finance Officer as set out in the report.

In response to a question from the Committee regarding the number of rejected and queried records identified in the initial reconciliation work, it was reported that there were a number of possible reasons for discrepancies in the records and that some of the inaccuracies may relate to the data held by HMRC as well as the Council's own data. It was anticipated that the reconciliation work could be completed by one additional officer within a year, however in the event that additional resource was still needed in a year's time, this would be brought back to the Committee for consideration.

RESOLVED

1. That the Committee note that the first stage of the exercise for the reconciliation of GMP has been completed and identifies where there are differences between the Fund's scheme records and HMRC records.

2. That the Committee note and agree that following the first stage, the Pensions Administration Team has assessed the potential resources required to reconcile the identified differences and complete the GMP reconciliation exercise. This will include the need for additional resources, to hire an additional temporary member of staff with pension administration experience on a fixed term contract for at least 1 year. The cost of this person on a SO1 grade £38,083.21 (including oncost) will be met from the pension fund.

3. That the cost of adopting the Pensions Regulators £2 per week tolerance be calculated and reported back to the Committee.

4. That the Committee agree a policy regarding recovery of any current overpayments of £250 (reclaim over £250 and write off any overpayment under £250) and pay any underpayments.

90 LOCAL GOVERNMENT PENSIONS SCHEME - ADMISSION OF NEW EMPLOYERS AS TRANSFEREE ADMISSION BODY

The Committee received a report on the proposed admission of KM Cleaning and Maintenance Services Limited and Amey Community Limited as Transferee Admission Bodies to the Haringey Pension Fund, as presented by Janet Richards, Pensions Manager.

In response to a question from the Committee, it was confirmed that St Paul's and All Hallows' school was not included in the report as no staff from this school were transferring under the KM Cleaning and Maintenance Services Limited contract. The Committee noted the different contribution rates for these employers as set by the actuary; the training on roles and responsibilities that had preceded the meeting had given some background regarding the way in which these were calculated by the actuary and the application of the Funding

Strategy Statement.

RESOLVED

1. That the cleaning contractor KM Cleaning and Maintenance Services Ltd be admitted to the Haringey Pension Fund as a Transferee Admission Body. The reason being KM Cleaning and Maintenance Services Ltd is entering into a service contract with the Governing Body of the LDBS Academies Trust Schools i.e. Holy Trinity, St Ann's and St Michael's Schools and is subject to an admission agreement.

2. That the admission agreement for KM Cleaning and Maintenance Services is a closed agreement such that no new members can be admitted.

3. That the contractor Amey Community Limited be admitted to the Haringey Pension Fund. The reason being Amey Community Limited is entering into a service contract with FM services and is subject to an admission agreement.

4. That the admission agreement for Amey Community Limited is a closed agreement such that no new members can be admitted.

91 **LOCAL GOVERNMENT PENSION SCHEME - ADMINISTRATION REPORT, TRANSFERS OUT**

The Committee received a report on the number of members leaving the pension scheme and transferring their pension benefits out of the Local Government Pensions Scheme to another pension provider, as presented by Janet Richards, Pensions Manager. It was noted that 36 members of the Haringey Scheme had enquired about transferring their pension benefits to another scheme in the period 6 April to 31 July 2015.

In response to a question from the Committee as to how many of those transferring out of the Haringey scheme had transferred their benefits to a scheme where they could withdraw their money, it was confirmed that 5 transfers had been made to personal pension schemes or defined contribution schemes. It was noted that one of these had made the request to transfer before the implementation of the new regulations, and the value of the other 4 transfers had been less than £30,000 in each case, which meant that they there was no obligation for these members to obtain independent financial advice, although the Council did still encourage them to do so.

In response to a question from the Committee as to why the information provided to members requesting a cash equivalent transfer value did not set out the benefits of the Haringey scheme, Ms Richards advised that this information was provided to members at the point of a transfer being requested and that a copy of this information could be supplied as part of the next update to the Committee. It was noted that any information provided had to be purely factual in nature regarding the benefits of the scheme, as the Council could not provide financial advice.

RESOLVED

That the number of scheme members that have or are transferring their pension benefits into a defined contribution pension scheme be noted.

92 **PENSION FUND ANNUAL REPORT AND ACCOUNTS 2014/15 AND ISA260 AUDIT REPORT**

The Committee received a report on the audited Pension Fund Annual Report and Accounts for 2014/15 and the Annual Governance Report of the external auditors, Grant Thornton, as presented by George Bruce, Head of Finance – Treasury and Pensions and Paul Jacklin, Grant Thornton. It was noted that the content of the annual report and accounts was what was required in order to comply with regulations. Members were invited to note the number of active members, the list of employers, the Fund value of £1,045m as at the end of 2014/15 and that the level of contributions received had increased relative to pension payments.

The Committee noted that there were 83 active members of the Haringey scheme who also held AVCs, and it was agreed that the Committee should review the list of AVC providers recommended by the Council, as this had not been considered recently.

The Committee noted the value of Promised Retirement Benefits as at 31 March 2015 was £1,708m as set out by the actuary in annex 1 to the Financial Statement, but it was reported that the way in which this valuation was calculated was different from the method used in producing the triennial valuation and could not therefore be taken as an indication of the value of liabilities in advance of the 2016 actuarial Fund valuation.

It was noted that the Governance Compliance Statement appended to the independent auditor’s report was out of date in that it referred to the Corporate Committee having responsibility for Pensions matters, and it was confirmed that officers would update this information and circulate it to the Committee by email for their reference. It was also noted that the Infrastructure Debt manager as set out under Commitments on page 49 of the accounts should be corrected to read ‘Allianz’ and that this amendment would be made.

Members noted the breakdown of costs provided at the end of the report, which indicated that costs had increased by around £800k compared with the previous year. It was reported that much of this increase related to the increase in the Fund value, as most fees were linked to the value of the investments. It was also noted that this was the first time that fees for underlying fund managers in relation to the private equity mandate had been disclosed by Pantheon; these costs were therefore being reported for the first time but would have been paid in previous years.

In response to a suggestion from the Committee regarding the list of Fund employers, it was agreed that the number of Haringey pension scheme members would also be shown as a percentage of those eligible to join the scheme within the Council and Homes for Haringey, in order to give an indication of the level of scheme membership in those employers.

The Committee mentioned a current petition calling on local authorities, including Haringey, to divest the Pension Fund money currently invested in the coal industry. Steve Turner, Mercer, advised that some fund managers were now offering low carbon funds. Mr Bruce advised that the Committee's overriding duty was to operate in the best interest of the Pension Fund and that as long as it was satisfied that it was doing so, this was an issue that could be considered. It was reported that a training session covering ethical investment was proposed for October 2015 and that a report on this topic would then be brought to the next meeting of the Committee. It was suggested that the Committee consider inviting the authors of the petition mentioned in respect of divesting from the coal industry to address the next meeting, and also representatives from Oxfordshire County Council Pension Fund, who had recently passed a motion on fossil fuel divestment.

Paul Jacklin, Grant Thornton, outlined the auditors report and advised that it was anticipated that an unqualified opinion would be provided in respect of the Fund's financial statements. It was noted that there had been one adjustment made in respect of the private equity holdings, and that three presentational amendments had been recommended by the auditor and accepted by the Council. It had been found during the course of the audit that one of the Fund employers had been using an incorrect contribution rate; while the amounts involved were very small, this highlighted the need to regularly review the data provided by the admitted bodies for accuracy and this had been put forward as a recommendation in the report. The report also set out the auditors' fee of £21k, which was in line with the initial audit plan. Mr Jacklin advised the Committee that this was the last meeting that he would be attending, and thanked officers for their work and cooperation with the audit process. The Council thanked Mr Jacklin and Grant Thornton staff for their support and assistance.

The Committee welcomed the positive report from the external auditor.

RESOLVED

1. That the contents of the report and verbal updates given at the meeting by Grant Thornton be noted.

2. That, subject to the amendments noted above being made, the Pension Fund Annual Report and Accounts for 2014/15 be approved.

3. That the Chair and Chief Financial Officer be authorised to sign the letter of representation to the auditor.

93 **INVESTMENT QUARTERLY UPDATE**

The Committee received a report on investment asset values and allocation, investment performance, income and expenditure, communications and late payment of contributions for the three months to 30th June 2015, as presented by George Bruce, Head of Finance – Treasury and Pensions. The Committee also noted the information contained in the exempt note of the meeting with CBRE and the background market data supplied by the independent financial advisor, John Raisin.

In response to a question from the Committee regarding the European property holdings, it was reported that this was office property in Italy and German residential property. Performance for these had been very disappointing and related to poor selections by the property fund manager at that time. The Committee also asked what 'unhedged' meant, as referred to in the benchmarks set out in appendix 1 to the report, and it was reported that this was where assets were kept in the same currency in which they had been purchased.

Steve Turner, Mercer, invited the Committee to note that Allianz and CQS had been selected on the basis of their cautious approach, and that the performance reported was broadly consistent with that approach. In the case of CQS in particular, this cautious approach had lead to their performance comparing favourably relative to their peers.

RESOLVED

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

94 **INVESTMENT STRATEGY REVIEW**

The Committee received a report setting out Mercer's modelling of the impact of reducing the Fund's equity allocation by 5% or 10%, as requested at the July meeting. The report was presented by George Bruce, Head of Finance – Treasury and Pensions, and Steve Turner, Mercer, and at this stage it was recommended only that the Committee undertake training on a variety of asset classes before being asked to take any decision in relation to the possible adjustment of the investment strategy.

Mr Turner advised that the aim was to increase the stability of the Fund's investment returns, in order to increase the affordability of the Fund for employers. Equities were highlighted as the main driver of return for the Fund, but also the main source of risk due to the volatility of this asset class, and Mercer had been looking for ways of maintaining the level of return, but at a lower risk level. Mr Turner advised that Mercer's view was that equities were now fully valued; it was likely that the strong returns seen in recent years would start to reduce and that it was therefore a good time to consider alternatives.

Mr Turner gave a brief presentation to the Committee on the different asset classes considered in this exercise and the benefits and drawbacks of each. It was proposed that the Committee undertake more detailed training on the different asset classes in order that Members had the knowledge they needed to make future decisions regarding changes to asset allocation. Mr Turner also set out some different models for a 5% and 10% reduction in equities, and the impact of these different options on the Fund's returns and risk level.

Mr Bruce invited the Committee to note the comments of the actuary, which had been circulated separately prior to the meeting, which indicated that it would not be expected that contribution rates would be affected by any change in asset allocation that maintained the current expected returns.

The Committee emphasised the need for training on the different asset classes before any further consideration could be given to amending the investment strategy. It was also felt that this training should take place before the Committee gave further consideration to ethical investment and divestment issues.

RESOLVED

That training be provided on the following asset classes prior to making any decisions on reducing equity allocations:

- Diversified growth funds
- Private debt
- High lease to value properties

95 **LONDON COLLECTIVE INVESTMENT VEHICLE**

The Committee received a report on the London Collective Investment Vehicle (CIV), as presented by George Bruce, Head of Finance – Treasury and Pensions. The report provided an update on the progress made in making the CIV operational and requested that authority be delegated to the Chief Finance Officer to purchase share capital of the London CIV up to a maximum of £150k. It was clarified that this £150k would be an investment and not an expense.

Steve Turner, Mercer, advised that many funds were currently looking for ways of collaborating, and that this was a significant challenge across the country. It was noted that Haringey had the benefit of having the option of participating in the London CIV, although there was no obligation to use it.

The Committee asked why two boroughs had chosen not to participate in the CIV. It was reported that this was a decision taken by the individual Pension Committees concerned and their view that they were able to make their own decisions relating to Fund investment. It was noted that contributing to the set-up of the CIV did not confer any obligation to use it, but that being involved did give the Fund the option of investing in it further down the line, and also provided an opportunity to influence the development of the CIV in the long term. Kevin Bartle, Assistant Director of Finance, and Mr Bruce advised that they had given robust consideration to the potential benefits and drawbacks of contributing to the establishment of the CIV and felt comfortable recommending to Members that the potential benefits outweighed the risks.

John Raisin, Independent Advisor to the Fund, advised that it was his opinion that the Government intended to impose compulsory pooling of local authority pension funds, as set out in The Red Book for 2015. If this was the case, Haringey would be in a better position by being engaged with the CIV.

RESOLVED

1. That progress in establishing the London CIV be noted.

2. That authority be delegated to the Chief Financial Officer in consultation with the Chair of the Pensions Committee to purchase share capital of the London CIV to meet the requirements for FCA (Financial Conduct Authority) authorisation up to a maximum of £150k.

96 **THE ROLE OF THE PENSIONS REGULATOR IN LGPS**

The Committee received a report on the role of the Pensions Regulator in LGPS, presented by George Bruce, Head of Finance – Treasury and Pensions, and John Raisin, Independent Advisor to the Fund. The report referred to the code of practice issued by the Pensions Regulator titled 'Governance and administration of public service pension schemes' and set out the areas where the Fund was not currently fully in line with best practice. Mr Raisin outlined the content of his note, which aimed to summarise the key points of the Regulator's code of practice and emphasised the need to pay attention to the standards expected of schemes and act on the matters highlighted. It was noted that much of the work required in order to comply with best practice related to documenting and testing processes that were already in place.

The Committee suggested that training undertaken by members of the Committee be added as a standing item to Pensions Committee agendas so that this was documented in the minutes. It was noted that this would be especially important if approval were granted for a combined Pension Board and Committee, as members of the Pension Board would be under an obligation to attend appropriate training.

It was recorded that the following Members had attended training on roles and responsibilities within the LGPS, delivered by John Raisin on 10th September 2015:

Cllr C Bull
Cllr Bevan
Cllr Basu
Cllr Peacock
Cllr Ross
Keith Brown

It was proposed that action be taken to address the issues set out in the report over the next 6 months and for the Committee to review progress and the Fund's performance in relation to best practice after this time.

RESOLVED

That the Committee agree with the proposed actions required and set out in paragraph 5.4 of the report to comply with the Regulator's Code of Practice.

97 **APPLICATION FOR A COMBINED PENSION COMMITTEE AND BOARD**

The Committee received a report on the progress of the application to operate a combined Pensions Committee and Board, presented by George Bruce, Head of Finance – Treasury and Pensions. The Committee noted that the Council had been advised by the DCLG that the minister has been asked to approve the application.

Members were invited to note that DCLG had indicated that it was not problematic that Haringey's stand-alone Pension Board had not met or had members appointed to it since its establishment by Full Council in March 2015, however it was agreed that the Council would write to the Pensions Regulator to provide the reasons why the Board had not met.

In terms of the draft terms of reference of the combined Committee and Board attached to the report, the Committee expressed concern that circulating papers for meetings a week in advance did not give sufficient time for members to read the reports, especially where the paperwork was lengthy. It was agreed that reports that were finalised in advance of the usual despatch date would be issued early, in order to give members more time to read all the necessary information.

RESOLVED

That the Committee note the progress of the application.

98 **WORK PLAN AND MEETING REFLECTIONS**

The Committee received a report on the work plan for the Committee over the next twelve months and suggestions for future training, as presented by George Bruce, Head of Finance – Treasury and Pensions. The Committee was also invited to reflect on the way in which the meeting had been conducted.

The Committee noted that one of the dates proposed for training, 22 October 2015, clashed with a meeting of the Labour Group, and it was agreed that an alternative date be sought. It was also suggested that the training on ethical investment be added to the topics to be covered at that session, although if officers felt that this would take longer than 2 hours, a separate date would be sought. Members expressed a preference for later start times for training in order to allow people time to arrive from work – 7-9pm was proposed as a reasonable timeslot for training sessions.

The Committee welcomed the opportunity to reflect on the way in which the meeting had run. The point regarding early publication of paperwork had been raised earlier in the agenda, but aside from the it was felt that the meeting had been well-conducted.

99 **ANY OTHER BUSINESS OF AN URGENT NATURE**

Cllr Bevan raised concerns regarding Sports Direct, which had been reported on extensively in the financial press, and asked whether it was possible to find out how the Fund's equities manager had voted at the company's AGM. Mr Bruce advised that the LAPFF had issued a voting recommendation to abstain or vote against the resolutions put forward by the company's Board which the Council had forwarded on to Legal and General. The Council had asked Legal and General to advise the Council how they had voted and would circulate this information to the Committee once received.

It was agreed that all LAPFF voting recommendations would be passed on to Legal and General and in each case they would be asked to advise the Council on how they voted.

100 **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).

101 **EXEMPT MINUTES**

RESOLVED

That the exempt minutes of the meeting of the Pensions Committee held on 13 July 2015 be approved as a correct record and signed by the Chair.

102 **INVESTMENT QUARTERLY UPDATE**

Noted the exempt information pertaining to agenda item 10 above.

103 **NEW ITEMS OF EXEMPT URGENT BUSINESS**

There were no such items.

104 **DATE OF NEXT MEETING**

The date of the next meeting of the Pensions Committee was noted as Thursday 14 January 2016.

The Chair advised the Committee that this would be the last meeting of the Pensions Committee attended by Kevin Bartle, Assistant Director of Finance as he was leaving the Council. The Chair and Committee Members thanked Mr Bartle for all his assistance and work to support the Committee over the years, and wished him well in his future endeavours. Members agreed that he would be greatly missed.

The meeting closed at 21:20hrs.

COUNCILLOR CLARE BULL
Chair