

MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE HELD ON Monday, 11th April, 2016 7pm

PRESENT:

Councillors John Bevan (Vice-Chair in the Chair), Dhiren Basu, Reg Rice and Viv Ross

Also present Keith Brown (Non-voting), Michael Jones (Non-voting), Roger Melling (Non-voting).

Cllr Bevan in the Chair

126. FILMING AT MEETINGS

RESOLVED

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

127. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Cllrs C Bull and Peacock.

128. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

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

- LBH pensions training 14/1/16
- Local Authority Pension Fund Forum 27/1/16
- Local Authority Pension Fund Strategic Investment Forum 04/2/16
- Pensions briefing with Environment Agency pension scheme officers 12/2/16
- Pension Investment Academy, exchange traded funds 23/2/16
- P&LSA pensions update briefing 24/2/16
- Local Authority Pension Investment Strategies and Current Issues Conference 17/3/16
- Decarbonisation/re-energise 2016, carbon risk workshop 22/3/16
- Pensions Investment Academy, Budget 2016 – implications for pension schemes 29/3/16

Prior to the start of the meeting, the Committee received a short demonstration on the new pensions web pages on the Council website. It was noted that this constituted an additional piece of training attended by Committee members. Following on from the presentation, the Committee requested that officers give consideration to increasing the prominence of the pensions self service tab to the top of the pensions home page; look into promoting the new pensions web pages on pension and payslips and provide an update in 6 months on the number of users accessing the new portal [**actions: Janet Richards**].

129. MINUTES

RESOLVED

- That the minutes of the meeting held on 14 January be approved as an accurate record.

In response to a question regarding the current status of Age Concern (UK) Haringey, the Chair advised that the Director of Adult Services had circulated a briefing note to Members but that the issue was not relevant to the Committee.

As a matters arising, clarification was sought as to whether there would be a change in the level of fees associated with proposals to switch one third of passive equities into a Low Carbon Target Index. John Raisin, the Independent Advisor, advised in response of a slight fee increase reflecting the more complex arrangements. It was also confirmed that the investment could not be moved within the London CIV (Collective Investment Vehicle).

130. ADMINISTRATION REPORT

The Committee received a report on administrative issues related to the Haringey Pension Scheme, in this instance the admission of two school catering companies and one cleaning contractor. It was noted that one of the catering companies, Lunchtime Company Ltd, had been approved for entry to the scheme as an Admitted Employer under delegated authority by the Chief Finance Officer.

The Committee sought assurance on scheme admission arrangements for borough schools that transferred from local authority control to academy status. Officers advised in response that the contribution rate for each academy entering the scheme was subject to actuarial calculation and as such was outside of the control of the Council. It was clarified that all academy staff, including new starters, were eligible to enter the scheme by virtue of academies being classified as Scheduled Bodies. Academies did however have the freedom to provide alternative workplace pension provision outside of the Local Government Scheme, for example through schemes such as Nest.

RESOLVED

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

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

131. AUTO ENROLMENT UPDATE

The Committee received a report on the latest position of the re-enrolment process for the Haringey Pension Scheme starting on 1 April 2016, a duty required under the Pensions Act 2008. It was advised that there were approximately 150 members of staff to be re-enrolled into the scheme at that time. A copy of the letter to be sent out to the members of staff in question was circulated to the Committee for information.

In response to a question, officers confirmed that the 150 staff members referred to had all started Council employment since the last auto enrolment process in March 2013 and emphasised the duty on employers to enrol workers into a workplace pension scheme.

The Committee raised concern over the current level of eligible Haringey Council and Homes for Haringey employees that were members of the pension scheme and how the current 72% membership level could be improved. To this end, it was requested that a report be submitted to the next meeting providing a breakdown of current membership in relation to the total number of employees; details of any actions planned to increase membership levels; a summary of the number of employees subject to the transitional delay period for enrolment of 1 October 2017 and an update on the outcome from the 1 April re-enrolment process. [**action – Janet Richards**].

RESOLVED

- To note that 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.

132. QUARTERLY REPORT - VALUATION AND PERFORMANCE

The Committee received a quarterly update report on performance of the Haringey Pension Scheme covering the three month period up to 31 December 2015. The Independent Advisor, John Raisin, gave a context to the £40m increase in value of the fund between September and December 2015 including impacting factors such as a bull market in equities, changes to US federal reserve interest rates, Chinese currency movements and reductions in commodity prices including oil.

The Committee sought clarification on the significant value change illustrated to the infrastructure element of the fund over the period. Officers outlined the impact of an initial drawdown of £17m of the Allianz Infrastructure debt fund during quarter four but also agreed to investigate this value change further with the fund manager and provide a written response for circulation to the Committee (**action: Oladapo Shonola**).

In response to a question, confirmation was provided that the infrastructure bonds were actively managed with the exception of Legal and General index bonds which were passively managed. It was also advised that the cash allocation was held by the Council as part of normal treasury management arrangements.

Concern was raised over the paragraph within the report detailing reasons for the reversal in 2015 of the fund position of previous years of expenditure exceeding income. It was commented that the wording was misleading in not referencing the impact of the one off £1m saving made on fees. Officers agreed to review this wording **(action: Oladapo Shonola)**.

RESOLVED

- To note the information report in respect of the activity in the three months to 31st December.

133. NEW TERMS OF REFERENCE FOR THE JOINT PENSIONS COMMITTEE AND BOARD

The Committee considered a report on proposals to establish a Joint Pensions Committee and Board following approval by Full Council in March and by the Secretary of State. The draft Terms of Reference would be submitted to Standards Committee and Full Council for approval in July to formalise establishment.

Roger Melling identified that he would be ineligible to sit on the new Board in his current role as the draft Terms of Reference required employee side representatives jointly appointed by the trade unions to be active members whereas he was a retired member. Officers identified that he would however be eligible for appointment to the pensioner and deferred member employee representative position on the Board.

The Committee proposed that a restriction be imposed in the interests of good governance on the term of office of the four co-opted members of the Board of serving two consecutive four year terms. The individual would then be eligible for reappointment following a four year break **(action: Oladapo Shonola)**.

The Committee emphasised the importance of early forward planning in arranging the election of representatives to the Board and completion of their mandatory training prior to the first scheduled meeting. Officers identified that a forward plan would be generated for the Board which would cover member training. Training for the Board would also be incorporated within the Councillor training and development programme going forward. In light of this, it was agreed that the wording regarding training set out within paragraph 10.4 of the report required strengthening **(action: Oladapo Shonola)**.

RESOLVED

- To note 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's Constitution would be made.

134. EXTERNAL AUDIT PLAN

The Committee received a report on the audit plan prepared for the 2015/16 pension fund accounts by the external auditors, BDO. It outlined the approach to be taken for the audit and key issues and considerations to be covered.

In response to a question regarding the relatively low fee to be charged for the audit, the BDO engagement lead for the audit, Leigh Lloyd-Thomas, advised that this was a flat fee set by Public Sector Audit Appointments Ltd (PSAA) and which reflected the straightforward nature of the project.

Clarification was sought on the assumptions used within the audit and the link to the triennial valuation. It was advised that the triennial valuation was undertaken on a separate basis and an independent report would be used for the audit.

The Committee were advised of an increased push going forward for transparency of 'hidden fees' related to investment management expenses, with separate reporting on these expected to be made mandatory next year (2016/17 Accounts) for Local Government pensions funds by CIPFA. In response to a question, a margin spread on buying and selling was given as an example of such a non visible fee.

Clarification was also provided to the Committee on the rotation system for the BDO engagement team members which served to maintain independence.

RESOLVED

- That the 2015/16 audit plan prepared by BDO be noted.

135. COMPLIANCE WITH TPR CODE OF PRACTICE

[John Raisin, the Independent Advisor, left the meeting for the discussion of this item].

The Committee received a progress update following on from discussions at the last meeting on actions required to achieve compliance with the Pensions Regulator's Code of Practice produced in April 2015 covering the governance and administration of public service pension schemes. Officers advised that as some of the actions agreed at the last meeting had yet to be fully implemented, ongoing update reports would be provided to the Committee until this was realised (**action: Oladapo Shonola**).

Officers had looked into the best options for progressing the governance review and were proposing that John Raisin be commissioned to undertake this piece of work prior to the completion of 2015/15 draft financial statements as he had the requisite skills set and experience. The Committee questioned whether a governance review was required on an annual basis as set out within the report. Officers agreed to clarify this with reference to the Code of Practice (**action: Oladapo Shonola**).

RESOLVED

- To note progress on meeting the requirements of the Pensions Code of Conduct
- To agree to commission the Independent Advisor to undertake a governance review at an estimated cost of £4500 prior to signing of the 2016 annual accounts.

136. RISK REGISTER

The Committee received a report on the establishment of a secure internal control framework for the Haringey Pension Fund consisting of a mission statement and objectives and a risk register as required by the Pensions Regulator. Officers advised that this was a standard approach and that the risk register was currently in draft form.

Officers proposed that once the risk register was implemented, red rated risks be reported up to Committee meetings going forward including the agreement of further action or mitigation. New risks entered onto the register would also be reported up to the Committee. It was additionally recommended that the Committee consider in turn each of the four key risk areas in detail over the course of the years meetings.

The Committee questioned whether the impact of future central government directions such as that anticipated covering investments, should be included within the register as a national political risk. Officers expressed some reservations on this as although it was a legitimate risk, any mitigation would be hard to determine and the importance was emphasised of keeping the register manageable.

Clarification was sought on the red rating given to the assumptions used by the actuary to calculate pension liabilities and related concern over the impact of long term interest rates which were outside of control. In response, it was confirmed that some mitigation could be put in place to manage this risk through making assets behave more like liabilities such as leveraging linked gilts and which need to be more explicitly set out within the register **(action: Oladapo Shonola)**.

It was agreed that investment risk relating to market volatility should be included within the register and that the mitigating actions wording for risk reference 3 and 4 should be strengthened and the risk rating increased **(action: Oladapo Shonola)**.

RESOLVED

- To approve the risk register for the Haringey Pension Fund.
- To agree that any risk which is rated red be reviewed at each meeting
- To agree that each of the four risk areas be reviewed in depth at consecutive meetings of the Pensions Committee such that over the course of the year, all risk areas are fully reviewed.

137. REPORTING ON BREACHES OF THE LAW

The Committee considered a report setting out a proposed policy for the reporting of breaches of the law to the Pensions Regulator as required under the Pensions Act 2004 and in line with the Code of Practice.

The Committee sought clarification on how they would be kept informed of future breaches. Officers agreed to look into developing an overall summary report to be submitted to each Committee meeting providing details of any breaches or nil returns as appropriate **(action: Oladapo Shonola)**.

Officers confirmed that any breaches identified via the whistleblowing hotline would automatically be forwarded to the Council's Monitoring Officer as the appropriate

officer to determine whether a breach required reporting to the Regulator. Breaches determined as such would be reported retrospectively to the Committee to avoid delaying the process.

RESOLVED

- That the policy on reporting breaches of the law to the Pensions Regulator be approved.

138. POOLING UPDATE

The Independent Advisor gave a verbal update following on from discussions at the last meeting regarding the publication of two Government documents on revisions to the Investment Regulations/powers of intervention and the pooling of investments.

It was confirmed that a response to the Investment Regulations proposals had been submitted by Haringey as signed off by Cllr Bull as Pensions Committee Chair. The response set out broad support for proposals but expressed concern over the general power of intervention of the Secretary of State and that further clarification was needed within the Regulations on the position relating to the use of derivatives which it was considered should be focussed on their misuse and not their legitimate use for investment purposes.

In relation to pooling proposals, it was confirmed that the Council had complied with the requirement to submit initial responses by 19 February 2016 and which had made a commitment to the London CIV. Completed submissions were required by 15 July 2016 to allow for implementation in 2018. An overview was given of the national pooling picture consisting of 8 proposed CIVs spread out on a geographical basis. It was updated that clarification had been provided by the Government that Funds could only be in one pool but that if a pool didn't provide a particular asset class, the freedom existed to procure that service on behalf of all its members from another pool.

RESOLVED

- That the verbal update be noted

139. SCHEME ADVISORY BOARD (SAB) BENCHMARKING STUDY

The Committee considered a report following on from the pilot study undertaken by the SAB on the rollout of Key Performance Indicators (KPIs) to assess the financial health of Local Government Pension Funds. Officers had undertaken an early evaluation of the Haringey Pension Fund against the anticipated range of KPIs to identify action required to improve performance in advance of the assessment regime becoming mandatory for all Local Government Funds in 2016. This would inform a detailed work plan focussing on areas for improvement.

The Committee commented that improvements could be made to the readability of the Haringey Pension Fund initial KPI analysis chart in providing a clearer explanation on the scoring criteria. It was also suggested that consideration be given to introducing a tick or cross rating indicator **(action: Oladapo Shonola)**.

Officers identified that a further report on overall readiness would come to the next meeting of the Committee prior to compliance kicking in and which would include an underpinning work plan (**action: Oladapo Shonola**).

RESOLVED

- That the Committee receives and monitors the progress of the Haringey Pension Fund, on a quarterly basis, against the KPIs used by the SAB in its pilot benchmarking study.

140. DATE OF NEXT MEETING

RESOLVED

- To note the first meeting of the new municipal year would be on 11 July 2016, 7pm.

141. 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.)

CHAIR:

Signed by Chair

Date