NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Tuesday, 12th July, 2022, 7.00 pm - 40 Cumberland Road, Wood Green, N22 7SG (watch the live meeting here, watch the recording here)

Members: Councillors Yvonne Say (Chair), John Bevan (Vice-Chair), da Costa, Hymas, Thayahlan Iyngkaran, and Matt White.

Employer Member: Keith Brown
Employer Member: Craig Pattinson
Employee Member: Ishmael Owarish
Employee Member: Randy Plowright

Quorum: 3 Council Members and 2 Employer / Employee Members

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. 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', 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

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 14 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

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when an individual:

i) Has a responsibility or duty in relation to the management of, or provision of advice to, the LBHPF, and

ii) At the same time, has:
    - a separate personal interest (financial or otherwise) or
    - another responsibility in relation to that matter,

    giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

At the commencement of the meeting, the Chair will ask all Members of the Committee and Board to declare any new potential conflicts and these will be recorded in the minutes of the meeting and the Fund's Register of Conflicts of Interest. Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting must advise the Chair prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Head of Legal and Governance (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. MINUTES (PAGES 1 - 8)

To note the minutes of the informal Pensions Committee and Board meeting held on 15 March 2022.

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 27 April 2022 as a correct record. **(To Follow)**

8. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 9 - 18)

This report provides the following updates on the Pension Fund's performance for the quarter ended 31 March 2022:

- Independent advisor's market commentary
- Investment asset allocation
- Investment performance
- Funding position update
- London Collective Investment Vehicle (LCIV) update
- External audit update

9. LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE - JUNE 2022 (PAGES 19 - 32)

This paper updates the Pensions Committee and Board (PCB) on several developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:

- Asset (Investment) Pooling
- Climate Reporting – Task Force on Climate Related Financial Disclosures (TCFD)
- Levelling Up White Paper and the LGPS in England and Wales
- Good Governance in the LGPS
- Age Discrimination in the LGPS (commonly referred to as "McCloud"

10. FORWARD PLAN (PAGES 33 - 38)

The purpose of the paper is to identify topics that will come to the attention of the Committee and Board in the next twelve months and to seek members' input into future agendas. Suggestions for future training are also requested.

11. RISK REGISTER (PAGES 39 - 46)

This paper provides an update on the Fund's risk register and an opportunity for the Pensions Committee and Board to further review the risk score allocation.

12. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 47 - 50)

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and the Committee and Board has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations. This report provides an update on voting activities on behalf of the Fund.

13. PENSION FUND ADMINISTRATION SYSTEM CONTRACT AWARD

This report requests approval to award a contract for the pensions administration system for 7 years (with the option to extend for up to 3 years) from 1 August 2022. The contract award is proposed to be done following a further competition exercise conducted under a framework agreement set up by the National LGPS Frameworks, which operates out of Norfolk County Council. **(Report to Follow)**

14. NEW ITEMS OF URGENT BUSINESS

15. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

12 September 2022
22 November 2022
12 December 2022
23 January 2023
21 March 2023

16. EXCLUSION OF THE PRESS AND PUBLIC

Items 17-20 are likely to be subject to a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

17. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE (PAGES 51 - 92)

As per item 8.

18. PENSION FUND ADMINISTRATION SYSTEM CONTRACT AWARD

As per item 13. **(Report to Follow)**

19. EXEMPT MINUTES (PAGES 93 - 96)

To note the exempt minutes of the informal Pensions Committee and Board meeting held on 15 March 2022.

To confirm and sign the exempt minutes of the Pensions Committee and Board meeting held on 27 April 2022 as a correct record. **(To Follow)**

20. NEW ITEMS OF EXEMPT URGENT BUSINESS

Fiona Rae, Acting Committees Manager
Tel – 020 8489 3541
Email: fiona.rae@haringey.gov.uk

Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
River Park House, 225 High Road, Wood Green, N22 8HQ

Monday, 04 July 2022

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NOTES OF THE INFORMAL PENSIONS COMMITTEE AND BOARD MEETING HELD ON TUESDAY, 15TH MARCH, 2022, 7.00 - 8.40 PM

PRESENT: Councillor Yvonne Say (Chair), Councillor Dana Carlin, Councillor Viv Ross, and Keith Brown.

The following members joined the meeting virtually: Councillor Eldridge Culverwell (Vice-Chair, from item 10), Ishmael Owarish, and Craig Pattinson.

In attendance: John Raisin (Independent Advisor), Alex Goddard (Mercer), Steve Turner (Mercer), David Eagles (BDO, for item 9), and Kerry Lin (BDO, for items 1-17).

As some members were unable to join the meeting in person, this meeting was not quorate. However, the Pensions Committee and Board members agreed to proceed informally, receiving briefings on each item and making comments where relevant.

1. FILMING AT MEETINGS

The Chair referred to the notice of filming at meetings and this information was noted.

2. APOLOGIES

Apologies for absence were received from Councillor Patrick Berryman, Councillor Paul Dennison, and Randy Plowright. Apologies were also received from Councillor Eldridge Culverwell, Ishmael Owarish, and Craig Pattinson who were unable to join in person but joined the meeting virtually.

3. URGENT BUSINESS

There were no items of urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no deputations, petitions, presentations, or questions.

Haringey LONDON

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Councillor Yvonne Say (Chair), Councillor Dana Carlin, Councillor Viv Ross, and Craig Pattinson had attended a training session on 15 March 2022 entitled: Property Allocation. This session was also recorded and circulated to members who were not present.

Keith Brown noted that he had recently attended 'Beyond the Obvious', a Global Asset Management investment conference.

The Chair reminded members to inform the Pensions Committee and Board officers whenever they had attended training so that this could be recorded.

7. MINUTES

There were no comments on the minutes of the Pensions Committee and Board meeting held on 2 December 2021.

8. PENSION ADMINISTRATION REPORT

The Interim Pensions Manager introduced the report which provided updates on the Pension Fund's administrative activities. It was noted that the report included a statement on fund membership. It was also highlighted that, following some retirements, a new staff structure had been agreed for the Pensions Administration Team. It was noted that recruitment was underway to fill vacancies in the team and it was anticipated that interviews would take place in April 2022. In relation to a question about the recruitment, it was confirmed that the vacancies were for: a manager, two officers, a senior officer, and a pensions payroll officer. It was added that there were still plans to recruit an apprentice but that this would be undertaken when there were sufficient staff in the office to provide appropriate training and support.

The Committee was informed that the current contract for the provision of Haringey Pension Fund's pensions administration software services was due to expire shortly and that an update on the contract award would be presented to a future meeting.

In relation to the McCloud remedy (an age discrimination case), it was noted that data was being gathered from employers to verify any gaps in information. It was highlighted that the remedies would be implemented once they were confirmed in legislation and any relevant guidance.

The Pensions Committee and Board noted the report and the information provided regarding the Pension Fund's administration activities.

9. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Pension Fund performance for the quarter ended 31 December 2021.

It was noted that, in the quarter, the market value of the Pension Fund's investment assets was £1.818 billion, which represented an increase of 5.62%. The total funding level as at 15 March 2022 was at 110%. It was noted that the next valuation exercise was due to be undertaken in March 2022 and new contribution rates would apply from 1 April 2023.

In relation to the London Collective Investment Vehicle (LCIV), it was confirmed that, as at 28 February 2022, 30 of the 32 London Boroughs had agreed to amendments which were intended to resolve a technical issue regarding the accounting classification of the LCIV's regulatory capital and had signed the written resolution to effect the change. The LCIV was engaging with the two remaining boroughs and the Financial Conduct Authority (FCA) had been informed of the current position.

Some members noted that the recent geopolitical issues in Russia and Ukraine would likely have a significant, long term effect on markets such as commodities and suggested that it would be appropriate to re-examine the Pension Fund's investment strategy. The Head of Pensions and Treasury explained that the upcoming actuarial valuation of the Pension Fund's liabilities would inform the investment strategy. The Independent Advisor noted that the use of more active managers had been considered by the Pensions Committee and Board in the past and could be revisited.

An update on the external audit was provided by David Eagles, BDO. It was noted that the audit had been expected to conclude in advance of the Pensions Committee and Board meeting in March 2022 but that some evidence and explanations were awaited, a number of which related to investments (which was a key area), bank reconciliations, and some benefits work. It was noted that there had been some delays in the benefits work due to software access issues. It was stated that all parties were working to complete the work as soon as possible and it was aimed to present the finalised audit to the Pensions Committee and Board in July 2022. It was added that it was not possible to sign off the Pension Fund accounts until the main Council accounts were finalised and that the main Council audit was subject to a national issue on the accounting treatment of infrastructure assets which would require additional time to resolve.

Some members enquired whether anything could be done to assist with the delays in obtaining information for the audit. The Head of Pensions and Treasury explained that one of the key issues was the type of query and whether it relied on third party input as this would inevitably take longer. In addition, it was noted that all of the outstanding queries were subject to further requests for information from the external auditors until satisfactory assurance had been obtained. It was added that officers were doing as much as possible to forward and follow up on outstanding queries.

The Pensions Committee and Board noted the report.

10. UPDATED CIPFA GUIDANCE AND HARINGEY TRAINING POLICY

The Head of Pensions and Treasury introduced the report which provided an update regarding the revised CIPFA guidance on Pensions Knowledge and Skills issued in June 2021. Taking this guidance into account, the report recommended the approval of a Training Policy for the Pensions Committee and Board members and senior fund officers. It was noted that the report contained two appendices for consideration: Appendix 1 was a paper by the Independent Advisor which outlined the recommended approach for the Pensions Committee and Board to adopt regarding training in the context of the new CIPFA guidance and Appendix 2 was the proposed Training Policy.

The Independent Advisor noted that the Haringey Pension Fund had a good approach to training and that the Training Policy had been updated when the Pensions Committee and Board had been formed in 2016. It was explained that the updated CIPFA guidance reflected a number of significant changes that affected the Local Government Pension Scheme (LGPS). For example, following MiFID II (Markets in Financial Instruments Directive), there needed to be assurance that members could make investment decisions and understand the relevant risks to retain the Pension Fund’s status as a professional investor.

It was highlighted that, in section 6.4 of the proposed Training Policy, Pensions Committee and Board members would be required to complete all modules of the Hymans Robertson LGPS online training within six months of appointment. The Independent Advisor noted that members did not need previous knowledge but were required to undertake the relevant training. In response to a query about the Hymans Robertson training, the Independent Advisor stated that this was a reasonably new training programme but that it was well regarded as introductory training. It was added that additional and specific training would also be provided for members.

The Pensions Committee and Board had no detailed comments in relation to the Training Policy but noted that sections 1.1 and 6.3 should say ‘senior officers’ rather than ‘senior officer’.

Members also noted that the membership of the Pensions Committee and Board included elected councillors. It was considered that, because of the knowledge and training requirements, it was important to retain the same councillors for the four year council term as much as possible. It was acknowledged that this was not always possible but that it would be helpful to raise this with councillors. It was agreed that the Pensions Committee and Board would write to the Whips after the election to request that those appointed to the Pensions Committee and Board were willing to commit to the four year term.

The Pensions Committee and Board noted the report.

11. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Local Authority Pension Fund Forum’s (LAPFF) engagement and voting activities on behalf of the Pension Fund. It was noted that the LAPFF did not issue any voting alerts in the quarter but had focused on engagement. LAPFF had over 400 engagements, primarily to press for an annual ‘Say on Climate’ vote whereby companies and boards set out their strategy for transitioning to a net zero emissions business.

Some members noted that there was a LAPFF quarterly email update that was useful. The Head of Pensions and Treasury noted that he would request that all Pensions Committee and Board members were added to this mailing list.

The Pensions Committee and Board noted the report.

12. RISK REGISTER

The Head of Pensions and Treasury introduced the item and explained that the area of focus for review at this meeting was Investments. It was noted that the red/ high risk scoring range set out in section 6.4 of the report should include any risks rated 16-25 (rather than 15-25). It was clarified that risks were scored as follows: green/ low risk was less than 10, the amber/ medium risk was 10-15, and the red/ high risk was 16-25.

It was highlighted that the report set out some key risks in the short to medium term. It was noted that the invasion of Ukraine by Russia was a key issue and had been rated as a red/ high risk as several countries had announced sanctions against Russian companies and Russia had banned foreign entities from liquidating their assets. However, the Fund had a very small exposure of approximately 0.9% of total fund assets to Russian companies through its investment in an emerging markets index tracker fund. It was explained that this had resulted in the Fund experiencing a very small, negative impact on performance in the immediate term but that, if the situation changed, more guidance on the treatment of these investments would be issued. It was added that this might have further implications on the markets generally and this would be continually monitored.

It was also noted that high inflation had been identified as an amber/ medium risk as Consumer Price Index (CPI) inflation in January 2022 was 5.5% and the Bank of England expected this to peak at 7.25% in spring 2022. It was explained that the Fund’s investment portfolio provided some degree of protection through its investments in various inflation linked strategies. It was added that officers, in consultation with the Fund’s investment consultants and independent advisor, would continue to monitor the impact of sustained high inflation on the Fund’s investment portfolio.

Steve Turner, Mercer, noted that a watching brief would be maintained in relation to the geopolitical event in Russia and Ukraine. It was added that the relevant assets had been written down to 0. It was also recommended that a scenario analysis was undertaken, as part of the upcoming Investment Strategy review, to test how the strategy would perform in different environments. It was noted that the risk of a stagflationary environment, where there would be slow or negative economic growth, had increased fairly significantly.

Some members queried the actuarial calculations and suggested that a rise in inflation rates may result in an increased surplus. It was also noted that the report referred to CPI but that many people considered that both CPI and Retail Price Index (RPI) figures did not reflect the impact on the average person. It was enquired whether there were any plans for the government to use a more realistic measure of inflation. The Head of Pensions and Treasury noted that CPI was linked to pensions liabilities and confirmed that he was not aware of any planned changes.

The Pensions Committee and Board noted the report.

13. FORWARD PLAN

The Head of Pensions and Treasury introduced the report which identified items for future meetings and sought members' input.

In response to a question about the proposed, new requirement for Hymans Robertson online training, the Head of Pensions and Treasury confirmed that this was due to be undertaken from July 2022.

It was added that the next actuarial valuation would be carried out in 2022-23; it was anticipated that the Pensions Committee and Board members would receive training from the Fund's actuaries in mid-late 2022 and that the results would be available in late 2022 or early 2023.

The Pensions Committee and Board noted the report.

14. PROPERTY PORTFOLIO REVIEW

The Head of Pensions and Treasury introduced the report which provided a review of the Pension Fund's property portfolio and outlined the options to address the investment portfolio's current underweight position to property.

Following consideration of the exempt information, the Pensions Committee and Board noted the report.

15. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

16. DATES OF FUTURE MEETINGS

It was noted that the (provisional) dates of future meetings were:

11 July 2022
12 September 2022

22 November 2022
23 January 2023
21 March 2023

17. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 18-21 as they contained exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paras 3 and 5; namely information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

18. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

19. PROPERTY PORTFOLIO REVIEW

The Pensions Committee and Board considered the exempt information.

20. EXEMPT MINUTES

There were no comments on the exempt minutes of the Pensions Committee and Board meeting held on 2 December 2021.

21. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Yvonne Say

Signed by Chair ………………………………..

Date …………………………………

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Report for: Pensions Committee and Board – 12 July 2022

Title: Pension Fund Quarterly Investment and Performance Update

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury
tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 31 March 2022:

a. Independent advisor's market commentary
b. Investment asset allocation
c. Investment performance
d. Funding position update
e. London Collective Investment Vehicle (LCIV) update
f. External audit update

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the information provided in section 6 of the report in respect of the activity for the quarter ended 31 March 2022.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The independent advisor has prepared a market commentary for the quarter ending 31 March 2022 which has been included as appendix 1 to this paper.

Investment Asset Allocation

6.2. At 31 March 2022, the Pension Fund's investment assets had a market value of £1.795bn. This was a decrease of 1.16% from the December 2021 quarter, largely due to the uncertain global economic outlook as central banks raised their baseline interest rates in a bid to bring down higher inflation rates. The Pension Fund's strategic asset allocation as at 31 March 2022 is shown in Table 1 below.

Table 1: Total Portfolio Allocation by Manager and Asset Class

	Value 30.06.2021 £'000	Value 30.09.2021 £'000	Value 31.12.2021 £'000	Value 31.03.2022 £'000	Allocation 31.03.2022 %	Strategic Allocation %	Variance %
Equities							
Multi Factor Climate Transition	389,984	388,309	387,002	372,311	20.74%	20.20%	0.54%
Emerging Markets Low Carbon	128,706	134,665	128,984	124,152	6.92%	7.10%	-0.18%
Global Low Carbon	382,520	380,840	381,887	368,195	20.51%	20.20%	0.31%
Total Equities	**901,210**	**903,814**	**897,873**	**864,658**	**48.17%**	**47.50%**	**0.67%**
Bonds							
Index Linked	141,727	144,992	152,838	143,026	7.97%	7.00%	0.97%
Property							
Aviva	74,764	74,087	78,779	80,632	4.49%	6.00%	-1.51%
CBRE	102,019	106,357	113,913	119,877	6.68%	6.50%	0.18%
The London Fund	0	5,353	5,640	5,476	0.31%	3.00%	-2.69%
Private equity							
Pantheon	87,225	102,560	116,891	118,611	6.61%	5.00%	1.61%
Multi-Sector Credit							
LCIV Multi Asset Credit	158,487	160,392	162,003	153,360	8.54%	10.00%	-1.46%
Multi-Asset Absolute Return							
LCIV Absolute Return	128,732	129,425	171,186	178,788	9.96%	7.50%	2.46%
Infrastructure Debt							
Allianz	44,955	45,544	45,788	45,610	2.54%	2.50%	0.04%
Renewable Energy Infrastructure							
CIP	14,089	15,668	14,726	13,773	0.77%	1.25%	-0.48%
Blackrock	23,904	22,700	23,437	20,017	1.12%	1.25%	-0.13%
LCIV Renewable Infrastructure	7,711	4,915	16,992	17,983	1.00%	2.50%	-1.50%
Cash & NCA							
Cash	12,919	5,886	18,316	33,251	1.85%	0.00%	1.85%
Total Assets	**1,697,742**	**1,721,693**	**1,818,382**	**1,795,062**	**100.00%**	**100.00%**	

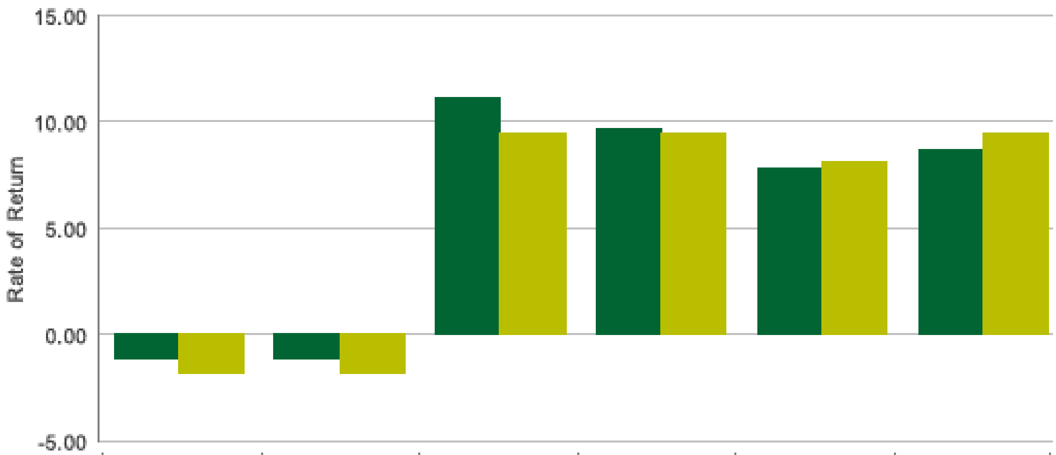
6.3. At the PCB meeting held on 15 March 2022, the Committee and Board agreed to adjust the weightings allocated to the Pension Fund's property investment managers. In addition to this, a commitment to invest an additional £30m to the Aviva Lime Property Fund was also agreed.

6.4. As at this meeting's date, the Pension Fund has invested almost £28.8m of the additional £30m commitment, into the Aviva Lime Property Fund via two secondary market transactions.

Investment Performance

6.5. The performance strategy report for the quarter to 31 March 2022 is attached to this report as Confidential Appendix 2. This has been prepared by the Fund's Custodian, Northern Trust. The Pension Fund's overall returns for the quarter are summarised in the chart on the chart below.

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Fund	-1.16	-1.16	11.11	9.66	7.80	8.72
Index	-1.83	-1.83	9.48	9.48	8.07	9.44

Index: Haringey New Total Plan BM

Funding Position Update

6.6. At the most recent actuarial valuation of the Pension Fund carried out as at 31 March 2019, the Pension Fund had a funding level of 100.4%. This meant that the Pension Fund's investment assets were sufficient to pay all pension benefits accrued at that date, based on the underlying actuarial assumptions.

6.7. The Pension Fund's Actuary, Hymans Robertson, regularly calculates an indicative funding position update based on the latest actuarial assumptions. The latest actuarial assumptions suggest that the funding level has increased since March 2019, largely driven by the slightly higher than expected investment returns over the past three years. However, the outlook for future returns over the next 20 years has fallen slightly which is likely to have increased the value placed on liabilities.

6.8. The next valuation will be carried out as at 31 March 2022, with new contribution rates to apply from 1 April 2023.

London Collective Investment Vehicle (LCIV) Update

6.9. Haringey Pension Fund, alongside all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the 8 asset pools that was set up after the government guidance issued in November 2015. The Pension Fund had approximately 76% of assets invested with the pool as at 31 March 2022.

6.10. In late 2021, the LCIV notified its shareholders of the technical issue regarding its accounting classification of the LCIV's regulatory capital. In order to rectify the issues, the LCIV informed shareholders that amendments to the Shareholder Agreement and Articles of Association would need to be made and agreed by all shareholders.

6.11. As of 28 February 2022, 30 of the 32 London Boroughs had agreed to the amendments and signed the written resolution to effect the change. Officers are continuing to monitor the progress the LCIV is making on this issue.

External Audit Update

6.12. The Pension Fund is required to produce annual statement of accounts and have them independently audited. The Council published the draft Statement of Accounts (including the accounts for Haringey Pension Fund) for the financial year ending 31 March 2021 in the summer of 2021. The final version of the accounts will be approved by the Committee following the completion of the audit.

6.13. Work on the audit has been ongoing since November 2021 and officers have been engaging with the audit team, providing them with the necessary information required to obtain assurance over the Pension Fund's Statement of Accounts.

6.14. Progress on the 2020/21 audit has been slow due several external factors. Officers are actively engaging with BDO, the Pension Fund's external auditor, to complete the audit as soon as possible.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including procurement), Head of Legal and Governance (Monitoring Officer), Equalities)

<u>Finance and Procurement</u>

8.1. There are no direct financial impacts from the contents of this report.

Head of Legal and Governance (Monitoring Officer)

8.2. The Council as administering authority for the Haringey Pension Fund must periodically review the suitability of its investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with its overall investment strategy.

8.3. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

Equalities

8.4. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. There are no impacts in terms of equalities issues arising from the contents of this report.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor’s Market Commentary Jan-Mar 2022

9.2. Confidential Appendix 2: Pension Fund Performance Report

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background January to March 2022

World Equity and Bond markets both declined during the January to March 2022 Quarter. World Equity markets, as measured by the MSCI World Index, declined by over 5% (in $ terms). Although markets were adversely affected by the threat of and then the appalling invasion of Ukraine by Russia this was not the primary reason for market declines, although it was likely a prime factor contributing to market volatility. Rather the primarily reasons for decline were ongoing concerns regarding high inflation together with the likely/actual tightening of monetary policy by the major central banks. In China and Asia generally, economic activity and equity prices were also clearly adversely affected by levels of Covid-19 cases and in China, in particular government-imposed lockdowns. Bond markets also weakened during the Quarter in the context of inflation/ongoing inflation concerns and central bank statements and announcements.

World Equity markets suffered a poor January with the MSCI World Index falling by over 5% (in $ terms). This was in the context of increasing worldwide market concerns regarding likely interest rate rises and less than positive news from some major US corporates. World markets fell another 2.5% in February in the context of the increasing Ukraine crisis and actual Russian invasion on 24 February adversely affecting markets and in particular Europe. March saw something of a bounce back with the MSCI World index increasing by 2.8% in March thus recovering its February loss.

January was a poor month for US markets with the S&P index closing down over 5% at 4,516 on 31 January 2022 compared to 4,766 on 31 December 2021. This was in the context of market concerns regarding inflation and likely interest rate rises (which were heightened by the contents of the Minutes of the December 2021 Federal Open Markets Committee released on 5 January 2022 and comments by Federal Reserve Chair Jay Powell to the Senate Committee on Banking, Housing and Urban Affairs on 11 January 2022), and increasing questions over the prospects for US growth stocks as exemplified by statements from Netflix and Peloton. February saw a further fall in the S&P 500 to 4,374 on 28 February before a rally in the second half of March saw the index close at 4,530 on 31 March 2022 a fall of 5% over the Quarter. Information Technology and other growth orientated stocks had a poor Quarter as higher interest rate expectations compressed valuations.

The January 2022 meeting of the US Federal Reserve's Federal Open Markets Committee (FOMC) did not raise interest rates but clearly signalled a forthcoming increase with the Press Release issued after the meeting including the statement *"With inflation well above 2 percent and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate."* On 16 March 2022, the FOMC increased its benchmark interest rate, the Federal Funds Rate by 0.25%, the first increase since 2018. The accompanying press release stated *"…the Committee decided to raise the target range for the federal funds rate to ¼ to ½ percent and anticipates that ongoing increases in the target range will be appropriate…"*

The Summary of Economic Projections issued after the March 2022 FOMC meeting indicated a dramatic increase in expectations regarding further interest rate rises. The projections issued after the December 2021 meeting indicated that Federal Reserve Officials expected three interest rate rises in 2022. The projections released after the March 2022 meeting indicated expectations of six increases in 2022 in addition to the one agreed at the meeting. Inflation expectations were significantly increased with the median projection for Core CPE inflation (the Federal Reserves preferred inflation measure) in 2022 at 4.1% compared to 2.7% in the December projection.

Actual US inflation remained significantly above the Federal Reserve policy target of 2%. The Core CPE index (the Federal Reserves' favoured index) was 5.2% in March 2022 compared to 4.9% in December 2021. US unemployment fell further to 3.8% in February 2022 and 3.6% in March 2022 compared to 3.9% in December 2021 thereby returning to the levels of the year before the worldwide outbreak of COVID-19 in March 2022.

The US economy contracted in the first Quarter of 2022. The US Bureau of Economic Analysis *"Advance Estimate"* issued on 28 April 2022 stated that GDP *"decreased at an annual rate of 1.4 percent in the first quarter of 2022, following an increase of 6.9 percent in the fourth quarter of 2021."* This equates to a decline of approximately 0.3% during the January to March 2022 Quarter. The poor GDP figures were however primarily the result of a growing trade deficit and indeed US business investment increased significantly during the Quarter. The University of Michigan survey of consumers saw consumer sentiment fall to the lowest levels in a decade with the March 2022 survey stating *"Inflation has been the primary cause of rising pessimism…"*

Eurozone Equities had a poor quarter in both real and absolute terms. The MSCI EMU index declined by 11.1% (in $ terms) compared to the decline of 5.2% (in $ terms) of the MSCI World index. The MSCI EMU index declined by 9.2% in Euro terms. In addition to the adverse effects of concerns regarding inflation and interest rates European markets were unsurprisingly particularly affected by the increasing hostility of Russia to Ukraine and ultimately the Russian invasion. The Press Release issued after the March 2022 meeting of the European Central Bank Governing Council included the statement "*The Russian invasion of Ukraine is a watershed for Europe."* In February European markets sold off significantly more than World markets and recovered less in March. The only sector of the equity market to record positive performance was Energy.

The February 2022 policy meeting of the ECB left monetary policy unchanged from the December meeting. However, comments (in the context of increasing inflation) by Christine Lagarde the ECB President at her press conference following the meeting increased market expectations that the ECB would more quickly end its asset purchases and indeed increase interest rates during 2022. The March meeting of the ECB Governing Council while again leaving interest rates unchanged resulted in an acceleration of the pace of withdrawal of its asset purchase programme. Interestingly and specifically in the context of the uncertain environment following the "*Russian invasion of Ukraine"* the ECB the press release issued after the March 2022 meeting included the statement that *"The Governing Council will take whatever action is needed to fulfil the ECB's mandate to pursue price stability and to safeguard financial stability."*

Eurozone inflation remained clearly above the ECB target of 2% and rose significantly further above target during the Quarter. The Harmonised Index of Consumer Prices (HICP) as reported by Eurostat which had been 3.4% in September 2021 and 5.0% in December 2021 was 5.9% in February 2022 and 7.4% in March 2022. Perhaps, unsurprisingly, the largest contributor to the rate of inflation in March 2022 was increasing energy costs. In contrast HICP inflation had been only 1.3% in March 2021.

Eurozone economic growth was only 0.3% during the first Quarter of 2022 according to the *"flash estimates"* issued by Eurostat on 17 May 2022. The first Quarter of 2021 had seen Eura area GDP grow by 2.2%.

In contrast to other major equity markets the UK as defined by the FTSE All Share index ended the Quarter almost exactly where it began. This was driven by the FTSE 100 index of the largest companies listed in the UK. These have a global focus and a significant weighting to energy, utilities, mining, and large banks which prospered (to a greater or lesser extent) in the context of rising inflation, interest rate expectations, pressures in the energy market, and the Ukraine conflict. The FTSE 100 advanced by around 2% during the Quarter. In contrast the FTSE 250 index whose constituent companies are more focussed on the UK domestic economy declined by over 9%.

At its February 2022 meeting the Monetary Policy Committee (MPC) of the Bank of England increased Base Rate from 0.25% to 0.5% in the context of concerns regarding inflation (which the Committee noted was 5.4% in December and which it expected to increase further) and low unemployment. The Monetary Policy Summary issued after the meeting included the statement "*Given the current tightness of the labour market and continuing signs of greater persistence in domestic cost and price pressures, the Committee judges that an increase in Bank Rate of 0.25 percentage points is warranted at this meeting."* In a further move to increase borrowing costs the MPC also announced that it would *"cease to reinvest any future maturities falling due from its stock of UK government bond purchases."* This refers to not reinvesting any of the government bonds it had previously purchased under its quantitative easing programme when these mature. This decision was in accordance with the MPC decision of August 2021 *"to reduce the stock of purchased assets when Bank Rate has reached 0.5%, if appropriate given the economic circumstances"* (Minutes of the MPC, August 2021). The March 2022 meting of the MPC saw a further 0.25% increase in Bank Rate from 0.5% to 0.75%. The Summary issued after the meeting included the statement *"Developments since the February Report are likely to accentuate both the peak in inflation and the adverse impact on activity by intensifying the squeeze on household incomes."*

The UK unemployment rate continued to fall, as reported by the Office for National Statistics (ONS), from 4.1 % in the October to December Quarter to 3.7% in the January to March 2022 Quarter. Inflation, however, rose further above the Bank of England policy target of 2%. CPI inflation which had been 5.4% in December 2021 was 7.0% in March 2022 and expected to rise further with the Bank of England Monetary Policy summary of March 2022 including the statement *"Inflation is expected to increase further in coming months."* GDP (as reported by the ONS on 12 May 2022) *"grew by 0.8% in the three months to March 2022."* However, this was as a result of January activity with February seeing no growth and March a fall of 0.1%. This combination of high inflation and low growth if continued would represent the re-emergence of "stagflation" (stagnant or low economic growth alongside high levels of inflation).

Japanese equities (as measured by the Nikkei 225 index) declined by approximately 3.5% over the Quarter. As in the final Quarter of 2021 Japan saw low inflation rather than deflation. CPI inflation which was 0.9% in February 2022 and 1.2% in March remained, however, clearly below the Bank of Japan's 2% target. Therefore, it is no surprise that both the January and March 2022 Monetary Policy meetings of the Bank of Japan resulted in a continued commitment to its asset purchase (quantitative easing) programme as well as a continuation of its negative interest rate policy. This is in clear contrast to the approaches now been (understandably) followed by the Federal Reserve and Bank of England.

As in the three previous Quarters Asia and Emerging Markets, overall performed less well than developed western markets. The MSCI AC Asia (excluding Japan) index fell by 8% (in $ terms) and the MSCI Emerging Markets index by 7% (in $ terms) on a total returns net basis. Asian and EM markets in general were adversely affected by expectations of significant tightening of US monetary policy. Rising US interest rates tends to both lead to increased costs of financing in Asian/Emerging markets and investors removing money from these markets. The Russian Ukrainian conflict affected Asian/Emerging markets in particular. The majority (Asia, European developing, Africa) were adversely affected by resulting higher commodity prices and consequent concerns for inflation and economic growth. In contrast, however Latin American (Emerging Market) equities had a bumper Quarter given the role of South America (for example Brazil, Chile, and Peru) as a major commodity exporting region. Chinese equities again performed poorly with the imposition of COVID-19 lockdowns in several cities acting as a detractor.

Benchmark Government bonds, unsurprisingly, experienced a poor Quarter with yields rising sharply (and prices therefore falling). This was in the context of increasing market concerns regarding inflation and additional anticipated increases in interest rates by Central Banks. The appeal of benchmark government bonds as a "safe haven" was doubtlessly heightened by the Russia/Ukraine situation but this was (far) more than offset by concerns regarding inflation and the direction of major Central Bank policy. The 10 Year Treasury yield increased from 1.51% to 2.34%. The 10 Year Gilt yield rose from 0.97% to 1.61% while the 10 Year German Bund which had been -0.18% at the end of December turned positive, on 19 January 2022, for the first time since 2019 and ended the Quarter at 0.55%. The more policy sensitive 2 year yields also saw significant increases particularly in the case of the 2 Year Treasury which increased from 0.73% to 2.33% over the Quarter. Corporate bonds also suffered and, indeed, overall underperformed benchmark Government bonds.

18 May 2022

Report for: Pensions Committee and Board – 12 July 2022

Title: Local Government Pension Scheme (LGPS) Update – June 2022

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@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. This paper updates the Pensions Committee and Board (PCB) on several developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:

- Asset (Investment) Pooling
- Climate Reporting – Task Force on Climate Related Financial Disclosures (TCFD)
- Levelling Up White Paper and the LGPS in England and Wales
- Good Governance in the LGPS
- Age Discrimination in the LGPS (commonly referred to as “McCloud”

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note the Independent Advisors Local Government Pension Scheme (LGPS) Update paper, appended as Appendix 1 to the report.

4. Reason for Decision

4.1. Not applicable

5. Other options considered

5.1. Not applicable

6. Background information

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6.1. The independent advisor has prepared a paper for the Pensions Committee and Board which provides an update on several developments relating to the LGPS. The paper has been included as appendix 1 to this report, and a summary of the issues covered in the paper will be provided in this section.

Asset (Investment Pooling)

6.2. The government has been widely expected to issue a consultation on further developing asset (investment) pooling in the LGPS since 2019. The latest indication from the Scheme Advisory Board (SAB) is that the Department for Levelling Up, Housing and Communities (DLUHC) intends to include this in a wider LGPS Consultation to be issued in Autumn 2022. Further details on this are set out on page 1-2 of Appendix 1 to this report.

Climate Reporting – Taskforce on Climate Related Financial Disclosures

6.3. The Taskforce on Climate Related Financial Disclosures (TCFD) published its final recommendations in 2017 which outlined the four key areas of a climate reporting framework – governance, strategy, risk and metrics and targets.

6.4. In the UK, the Department for Work and Pensions (DWP) has consulted upon and issued final Regulations on TCFD reporting by private sector pension schemes. However, DWP Regulations do not apply to the LGPS as this responsibility lies with DLUHC. DLUHC is widely anticipated to include climate reporting as part of the wider LGPS Consultation to be issued out in the Autumn of 2022. Further details on this are set out on page 3-4 of Appendix 1 to this report.

Levelling Up White Paper and the LGPS in England and Wales

6.5. DLUHC issued a White Paper on “Levelling Up in the United Kingdom” which sets out the Government’s ambition and plans for local investment in the UK. A key paragraph in the paper outlines the governments plans to have LGPS funds invest locally which includes setting an ambition of up to 5% of assets to be invested in projects which support local areas. Further details on the potential implications of this statement are set out on page 4-6 of Appendix 1 to this report.

Good Governance in the LGPS

6.6. The Good Governance in the LGPS project was initiated by the SAB in 2018 with a view to fundamentally enhance and strengthen the governance of the individual LGPS Funds in England and Wales. The detailed proposals of the Good Governance in the LGPS project are set out on page 6 of Appendix 1 to this report.

6.7. The Pensions Committee and Board has been briefed on these recommendations in the past and has taken a positive approach to implementing the Good Governance in the LGPS proposals as set out on page 7 of Appendix 1 to this report.

Age Discrimination in the LGPS (commonly referred to as "McCloud")

6.8. The Pensions Committee and Board has previously received advice regarding the outcome of the McCloud case, an age discrimination court case involving the transitional protection arrangements introduced as part of the 2014 reforms of the LGPS. Page 8-9 of Appendix 1 sets out the latest update regarding this case and subsequent amendments to the statutory underpin which were introduced to address the age discrimination identified in the LGPS.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including procurement), Head of Legal and Governance (Monitoring Officer), Equalities)

<u>Finance and Procurement</u>

8.1. There are no immediate financial implications arising from this report.

<u>Comments of the Head of Legal and Governance (Monitoring Officer)</u>

8.2. The Head of Legal and Governance has been consulted on the content of this report. The updates may have legal implications for the Fund which will need to be dealt with as and when they become relevant.

<u>Equalities</u>

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor's LGPS Update June 2022

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Haringey Pension Fund

LGPS Update

A paper by the Independent Advisor

June 2022

Introduction

This paper provides an update on five issues relating to the LGPS. In respect of the first three some, or possibly all, of these are expected to be the subject of a Consultation to be issued by DLUHC in the Autumn of 2022. There is presently no indication of a timescale for a Consultation on the fourth issue. The fifth issue may to be subject to a further announcement possibly (but not necessarily) before Parliament rises for its Summer recess in July 2022. These issues are:

1. Asset (Investment) Pooling
2. Climate – Task Force on Climate Related Financial Disclosures (TCFD) Reporting
3. Levelling Up White Paper and the LGPS in England and Wales
4. Good Governance in the LGPS
5. Age Discrimination in the LGPS (commonly referred to as “McCloud”)

1. Asset (Investment) Pooling

The Consultation on further developing Asset (Investment) Pooling expected since 2019 has not yet been issued. The latest indication from the DLUHC and Scheme Advisory Board statements/sources is that this is intended to be included in a wider LGPS Consultation to be issued in Autumn 2022.

In November 2015, the government issued guidance entitled ***“Local Government Pension Scheme Investment Reform Criteria and Guidance.”*** This set out criteria for the (then) 89 LGPS Funds in England and Wales to form Asset Pools whose fundamental role is to select asset managers to implement the Investment Strategy determined by each individual LGPS Fund. This resulted in the creation of 8 Asset Pools across the LGPS. These had a wide range of both regulatory and governance structures and have, individually, developed very differently since 2015. All London Borough LGPS Funds (and the City of London) became members of the London Collective Investment Vehicle (London CIV).

Crucially, however, all Asset Pools are creations of their constituent LGPS Funds, owned by them, and ultimately accountable to them. Furthermore, all assets continue to belong to the individual LGPS Funds not the Pools.

The sole fundamental role of Asset Pools, including the London CIV, is to select and monitor investment managers to implement the Investment Strategy of their constituent (individual) LGPS Fund's. The setting of Investment Strategy (including the types of Assets and their proportions) which academic studies clearly demonstrate is the primary driver of investment returns remains the responsibility of each individual LGPS Fund. To fulfil its role, it is crucial that an Asset Pool provides/procures investment products that meet the needs of its constituent LGPS Funds.

The (then) MHCLG issued a Consultation on a new framework for Pooling in January 2019 but subsequently withdrew this. In November 2020, the Government stated in writing (in ***"The Balance Sheet Review Report"*** issued by HM Treasury) that it would *"consult"* in 2021 *"on next steps"* to implement *"a strengthened framework for LGPS investment and pooling"* but this did not occur. Therefore, the mandate for Pooling within the actual LGPS Regulations remains limited to one statement in the LGPS (Management and Investment of Funds) Regulations 2016. This is, that the Investment Strategy of an LGPS Fund must include *"the authority's approach to pooling investments, including the use of collective investment vehicles and shared services."* In reality the present position with Investment Pooling is therefore that while LGPS Funds need to demonstrate commitment to the principle, the actual pooling of particular assets is in essence ultimately voluntary. The extent to which individual LGPS Funds across both England and Wales, and within London itself, have pooled their assets varies enormously. Some Funds have now placed most of their assets with their Pool while some have placed little.

There can be no doubt, however, based on both written statements and speeches made by Civil Servants that Pooling is here to stay and that the DLUHC intend to develop it further. The question is how? The DLUHC will certainly need to think carefully given responses to the Consultation of 2019 and the 2020 Supreme Court case relating to another LGPS issue which resulted in a judgement which included reference to the extent to which the Secretary of State (DLUHC) can use Statutory Guidance (rather than Regulations) to mandate how LGPS Funds should act.

There have been various suggestions as to the nature of the Consultation that the DLUHC will issue. Particular important themes will be the extend of mandation which could cover a range of issues including the structures and governance of Asset Pools, and possible timescales. One suggestion is that the Consultation might include "comply or explain" provisions. Whatever the contents of the Consultation, however, given the broad range of views amongst the (approximately) 85 LGPS Funds together with the diverse approach to Pooling that has developed since 2015 there will doubtlessly be a vigorous response from the LGPS community when the Consultation is (finally) issued.

2. Climate Reporting – Task force on Climate Related Financial Disclosures (TCFD) Reporting

In 2015 the Financial Stability Board (established in 2009 by the G20 countries) created the Task Force on Climate Related Financial Disclosures (TCFD) to develop consistent climate related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

In 2017 the TCFD published its final recommendations. The Task Force recommendations were structured around four thematic areas that represent core elements of how organisations operate - Governance, Strategy, Risk Management, Metrics and Targets. The 2017 report summarised these as follows

1. **Governance:** *"Disclose the organization's governance around climate-related risks and opportunities."*

2. **Strategy:** *"Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material."*

3. **Risk Management:** *"Disclose how the organization identifies, assesses, and manages climate-related risks."*

4. **Metrics and Targets:** *"Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material."*

In the United Kingdom, the Department for Work and Pensions (DWP) has consulted upon and issued final Regulations (***The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021***) on TCFD reporting by private sector pension schemes. These set out how private sector schemes are required to report against the TCFD framework.

The DWP Regulations do not apply to the LGPS as the DWP has no role in relation to the Regulations relating to the governance and investment of the LGPS. This responsibility lies with the DLUHC (formerly the MHCLG).

A Consultation to amend the LGPS Regulations to apply TCFD reporting to Local Government Pension Funds was expected by early 2021. This has not yet been issued but is now anticipated to be issued as part of a wider LGPS Consultation expected in Autumn 2022. Such is the delay in issuing a Consultation on applying TCFD reporting to the LGPS (particularly given that DWP issued their Consultation in January 2021 and Regulations came into force from 1 October 2021) the DLUHC should surely now urgently issue its Consultation on this matter. Indeed, this has led some commentators to suggest that consulting in respect of TCFD Regulations for the LGPS is now more urgent than consulting in respect of new Pooling Guidance and that this should be/is the DLUHC's most urgent issue relating to the LGPS.

When the Consultation is issued, it will seek to apply the TCFD principles in the specific context of the LGPS although it is expected the requirements on LGPS Funds will be very similar to those which apply to the private sector. There will however, it is believed, be some differences. For example, it is expected the Regulations will apply at the same time to all LGPS Funds whatever their size (in the private sector the Regulations apply/applied to Funds with assets of over £5bn earlier than other Funds) and unlike for private sector Funds there are not expected to be financial penalties for non compliance by an LGPS Fund.

It is important that the Haringey Fund carefully considers, and responds as it considers appropriate, to this Consultation when issued as the MHCLG (now DLUHC) have stated (to the Scheme Advisory Board Investment Governance and Engagement Committee) that the regulatory requirement to report on TCFD in the context of the LGPS Regulations will lie with individual LGPS Funds rather than their Asset Pool.

3.Levelling Up White Paper and the LGPS in England and Wales

On 2 February 2022, the DLUHC issued a White Paper ***"Levelling Up the United Kingdom"*** which sets out the Government's ambition and plans in terms of "levelling up." The White Paper is very detailed and lengthy (the main document is 332 pages cover to cover and the Technical Annexe 54 pages).

One paragraph on pages 162/163 and three paragraphs on page 163 include reference to the LGPS. The paragraph on pages 162/163 *states "There is huge potential for institutional investment to support levelling up, across infrastructure, housing, regeneration and SME finance. Institutional investors currently hold UK pension assets of over £3.5tn. Within that, the Local Government Pension Scheme (LGPS) has total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of these funds are currently allocated to local projects. If all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment."*

Consequently, on page 163 the White Paper includes a paragraph which states *"Infrastructure investment by the LGPS has grown from under £1bn in 2016 to £21bn in 2021. To build on this established capacity and expertise, and ensure that all LGPS funds play their full part, the UK Government is asking LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas."*

On 2 February 2022, the day the White Paper was issued representatives of the LGPS Scheme Advisory Board for England and Wales (SAB) met with DLUHC officials. This was to clarify the White Paper's aims in relation to the LGPS.

Later on 2 February 2022 the SAB posted a statement on its website. Given both the SAB has close links/contacts to/with the DLUHC and the actual content of the statement it should be carefully noted. The full text reads: *"Today the government published the Levelling Up whitepaper which includes references to LGPS funds* *having plans for up to 5% of assets to be allocated to projects which support local areas. We understand that in this context local refers to UK rather than local to a particular fund and that there will be no mandation beyond the requirement to have a plan. Further details will emerge over the period up to an expected summer consultation which we understand will also include the outstanding climate risk and reporting regulations and the pooling guidance."*

A paper to the SAB Board meeting held on 7 March 2022 also states (based on the 2 February meeting between DLUHC and SAB representatives) that *"The White Paper makes references to 'increasing investment'. It would appear that government is not looking for LGPS funds to count existing investments in this area. The plan should rather set out how new investments will seek to achieve the ambition in this area."* and *"In the matter of fiduciary duty there does not appear to be any expectation that LGPS funds should put intervention outcomes above those of return. Instead, the intention would seem to be for funds to actively seek opportunities in this space which contribute to the levelling up agenda while at the same time providing expected levels of return."*

Therefore, in essence the White Paper, supplemented by the clarifications provided by DLUHC officials on 2 February 2022, contains an exhortation to the LGPS to invest in UK infrastructure including housing. The wording of the White Paper makes no suggestion of actually requiring LGPS Funds to increase *"local investment."* Rather the Whitepaper merely states *"… UK Government is asking* ***LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment****, including setting an ambition of up to 5% of assets invested in projects which support local areas."* This approach which requires only a plan which relates to the UK as a whole is in reality the only practical approach Government can take. Any attempt to direct mandatory investment would likely be contrary to Fiduciary Duty and public law duties and would, almost certainly, result in legal challenge(s) potentially including an application for Judicial review.

The White Paper is merely stating that LGPS Funds be asked to publish plans to increase investment in infrastructure and housing across the UK. This is, in essence, likely to be the approach of the Consultation. LGPS Strategic Asset Allocations are not driven by government exhortations but by funding/investment requirements influenced by factors such as funding levels; actuarial assumptions; risk/diversification; inflation; cashflow; existing allocations; appropriate consideration of Environmental, Social and Governance (ESG) issues.

Recent years have, however, seen a trend towards greater LGPS investment in infrastructure (but not necessarily/always UK infrastructure) and housing. This will likely continue primarily for strategic investment reasons (incorporating consideration of ESG issues) rather than because of Government exhortation even in the context of a Consultation and subsequent Regulation possibly supplemented by Statutory Guidance.

Indeed the approach suggested in the previous two paragraphs is clearly supported in the following quote from a letter dated 27 April 2022 from the Chair of SAB (Councillor Roger Philips) to the Minister of State responsible for the LGPS (Kemi Badenoch MP) which includes the statement *"…the Board is fully supportive of the aim of increasing investment in the type of "local" and "impact" projects envisaged in the White Paper and believes that the LGPS sector is willing to support the levelling up agenda wherever possible <u>and appropriate within their funding and investment strategy policies</u>…"* (my underlining).

<u>4.Good Governance in the LGPS</u>

The Good Governance in the LGPS project was initiated by the SAB in 2018. The project sought to fundamentally enhance and strengthen the governance of the individual LGPS Funds in England and Wales. The project took place over three phases and resulted in three reports which progressively developed a broad range of proposals. Two broad ranging stakeholder working groups (the Standards & Outcomes Group and the Compliance & Improvement group) were established at Phase II to work with Hymans Robertson who were tasked with co-ordinating the Good Governance in the LGPS project. The Independent Advisor to the Haringey Fund was a member of both working groups and the Phase III Implementation Group. The detailed proposals of the Good Governance in the LGPS project in the Phase II report which were further developed in the Phase III report may be summarised as follows:

- The MHCLG (now the DLUHC) to produce Statutory Guidance to establish new governance requirements for Funds to effectively implement the proposals from the Good Governance in the LGPS project

- Each Administering Authority (LGPS Fund) must have a single named officer responsible for the delivery of all LGPS related activity for the Fund – "the LGPS Senior Officer"

- Each Administering Authority must publish an annual Governance Compliance Statement that sets out how they comply with the governance requirements for LGPS Funds as set out in the new Statutory Guidance

- Enhancements to the requirements in relation to - Conflicts of Interest, Knowledge and Understanding, Service Delivery including Business Planning/Budgeting and performance against a key set of indicators

- Each Administering Authority to be required undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

In February 2021, the SAB received the final Phase III report, considered and approved an Action Plan based on the final report. It was agreed that the Board's Chair (Councillor Roger Phillips) would write to the (then) Local Government Minister Luke Hall MP inviting him to consider the Board's Action Plan.

The Action Plan consists of formal requests from the SAB to the Government to implement the proposals of the Good Governance in the LGPS project. Given DLUHC were represented on both the Phase II Working Groups and the Phase III Implementation Group it is highly likely that the Action Plan will be positively received by the DLUHC. The Action Plan includes the Recommendations in the Phase III report, the consequent proposed actions for DLUHC either by Regulation or Statutory Guidance, and work to be undertaken by SAB.

The approval of the Phase III report by SAB and the submission of the Action Plan to the Government (DLUHC) bring much closer the practical implementation of the Good Governance in the LGPS project proposals. However, implementation of proposals by the DLUHC (likely to be closely but not exactly derived from those of SAB) requires a formal Consultation. Based on statements from SAB, based on discussions with DLUHC it would seem likely that the Good Governance in the LGPS proposals, thought submitted to Government in early 2021, will not form part of the (expected) Autumn 2022 Consultation but will be held over until later.

Notwithstanding this Consultation delay some Funds, including the Haringey Fund are seeking to determine how they can implement (some of) the proposals of the Phase III report prior to the issuing of Regulations/Statutory Guidance from DLUHC and further SAB guidance. Consequently, in this regard, the Haringey Fund commissioned the Independent Advisor to prepare a paper which was considered by the Pensions Committee and Board at its meeting held on 2 December 2021. This paper which may be accessed at www.minutes.haringey.gov.uk/documents/s128178/Appendix1%20-%20Haringey%20Good%20Governance%20Potential%20Implications.pdf provides the background to the Good Governance in the LGPS project and includes links to the Phase III report and the SAB Action Plan. Specifically, the Table in the paper reproduces the Proposals in the Phase III SAB report, contains a commentary on each proposal and its implications, and the Independent Advisor's suggested potential action(s) for Haringey. Those Members of the Pensions Committee and Board who are not familiar with the Good Governance in the LGPS project may wish to access the paper to learn more about this hugely important initiative.

At its meeting on 2 December 2021 the Pensions Committee and Board took a positive approach to implementing the Good Governance in the LGPS proposals Resolving *"To request that officers look into each recommendation in the Independent Advisor's Good Governance in the Local Government Pension Scheme (LGPS) Project paper, appended as Appendix 1, and provide an update on the options and likely implementation dates. The Pensions Committee and Board noted that this report was likely to be considered a number of times and that it may be useful to present the recommendations in sections, possibly focusing on short term and then long term options."*

5. Age Discrimination in the LGPS (commonly referred to as "McCloud")

The Public Service Pensions Act 2013 which reformed all the major public service pension schemes from 2014 or 2015 included provision for protections for older members designed to ensure they would not be worse off as a result of the introduction of the new schemes. In 2018 the Court of Appeal ruled that in the case of the Judges' and Firefighters Pension Schemes this was (age) discriminatory against younger members. In July 2019, the Government confirmed that there would be changes to all public service pension schemes, including the LGPS, to remove this age discrimination. This whole issue is now commonly referred to as "McCloud."

On 16 July 2020, the then MHCLG issued a Consultation called ***"Amendments to the statutory underpin"*** to address the age discrimination identified in the LGPS. However, given the age discrimination in the LGPS and other public service pension schemes had resulted from the Public Service Pensions Act 2013 there was a need for revision to primary legislation before the LGPS Regulations could be amended. On 11 May 2021, the Government confirmed that a Public Service Pensions and Judicial Offices Bill would introduce amendments to incorporate the McCloud judgment into public service pension schemes. On 13 May 2021, in a Ministerial Statement, Luke Hall MP, the then Minister of State with responsibility for the LGPS, confirmed that it was intended that these remedial Regulations would come into force on 1 April 2023 but *"will be retrospective to 1st April 2014."* Referring to the Consultation of July 2020 it was confirmed that key elements of this would form changes to the LGPS Regulations which would be made after the Public Service Pensions and Judicial Offices Bill had become an Act.

The Public Service Pensions and Judicial Offices Act came into effect from 10 March 2022. There have been suggestions that the DLUHC may possibly issue an announcement relating to the actual amended LGPS Regulations before the Parliamentary recess commences in July 2022. However, there is already clarity regarding the overall nature of the remedy from the Ministerial Statement of 13 May 2021 and a letter issued from the Head of Local Government Pensions at the DLUHC on 22 March 2022 which suggested that for purposes of the 2022 Actuarial Valuations Funds apply the following:

- *It should be assumed that the current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap.*

- *The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).*

- *Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner).*

- *Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.*

- *The underpin will consider when members take their benefit so they can be assured they are getting the higher benefit.*

In conclusion, there is now further clarity as to the remedy for “McCloud” in the context of the LGPS particularly in the light of the enactment of the Public Service Pensions and Judicial Offices Act 2022, and the letter from the DLUHC issued on 22 March 2022. However, the detail in respect of further Consultations and the actual Regulations are still awaited. There are still complexities around matters of detail including, for example, taxation. Even if an initial Consultation occurred in July 2022, it has been suggested that at least two Consultations may be needed to resolve all the regulatory detail to remedy “McCloud.” Additionally for Haringey and every other individual LGPS Fund there is a huge amount of work to be undertaken to apply the finalised remedy (when known) to the benefit entitlement of individual members of the LGPS.

John Raisin

30 June 2022

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Report for: Pensions Committee and Board – 12 July 2022

Title: Forward Plan

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury
tim.mpofu@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. This paper has been prepared to identify topics that will come to the attention of the Pensions Committee and Board over the upcoming months and seek members input into future agendas. Suggestions on future training topics are also requested.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is requested:

3.1. To identify additional matters and training requirements for inclusion within the Pensions Committee and Board's forward plan.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Local Government Pension Scheme (LGPS) Regulations require those responsible for the governance, decision making and operational functions of the pension fund to acquire and maintain proper knowledge and understand of pension law and scheme regulations.

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6.2. To support this requirement, it is best practice for a pension fund to maintain a work plan. The plan sets out the key activities anticipated over the upcoming months in the areas of governance, members/employers, investments, and accounting.

6.3. The Pensions Committee and Board (PCB) has adopted the revised CIPFA 2021 Code of Practice on Local Government Pension Scheme (LGPS) Knowledge and Skills which was issued in June 2021.

6.4. The appendices attached to this paper set out the PCB's current work plan over the next 12 months, including the Training Plan. The PCB is requested to consider whether it wishes to amend any future agenda items as set out in the papers.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including procurement), Head of Legal and Governance (Monitoring Officer), Equalities)

Finance and Procurement

8.1. There are no financial implications arising from this report.

Head of Legal and Governance (Monitoring Officer)

8.2. The Assistant Director of Governance has been consulted on the content of this report. There are no specific legal implications arising from this report.

Equalities

8.3. Not applicable.

9. Use of Appendices

9.1. Appendix 1: Forward Plan
9.2. Appendix 2: Training Plan
9.3. Appendix 3: Training Needs Assessment Form

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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July 2022	September 2022	November 2022	January 2023	March 2023
		Standing Items		
Administration Report	Administration Report	Administration Report	Administration Report	Administration Report
Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Risk Register Review	Risk Register Review	Risk Register Review	Risk Register Review	Risk Register Review
Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
LAPFF Voting update	LAPFF Voting update	LAPFF Voting update	LAPFF Voting update	LAPFF Voting update
		Fund Adminstration & Governance		
Pension Administration Software Contract	Annual Pension Fund Accounts 21/22 and Annual Report (including various statutory documents)	Investment Consultant's Performance Review		
	External Audit for Pension Fund Accounts Final Audit Report 21/22	Business Plan and Annual Budget		
		Investments		
		Investment Strategy Review	Investment Strategy Review	Investment Strategy Statement
	2022 Valuation Assumptions proposal, and initial results	2022 Valuation Draft Results		Funding Strategy Statement
	External Audit Plan 21/22			
		Training		
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Pensions Committee and Board Induction Training	Actuarial Valuation Training	Investment Strategy Training		

Date	Conference / Event	Training/ Event Organiser	Website	Cost	Delegates Allowed
	Scheme Advisory Board Website	LGPS Scheme Advisory Board	http://www.lgpsboard.org	Free - Online	N/A
	The Pension Regulator's Pension Education Portal	The Pension Regulator	www.thepensionsregulator.gov.uk	Free - Online	N/A
	The Pension Regulator's Trustee Toolkit	The Pension Regulator	https://trusteetoolkit.thepensionsregulator.gov.uk/?redirect=0	Free - Online	N/A
	LGPS Regulation and Guidance	LGPS Regulation and Guidance	http://www.lgpsregs.org/	Free - Online	N/A
	LGPS Members Website	LGPS	http://www.lgps2014.org/	Free - Online	N/A
	Local Government Association (LGA) Website	LGA	www.local.gov.uk	Free - Online	N/A

Please contact Tim Mpofu, Head of Pensions & Treasury if you require any further information on the available training
Email: tim.mpofu@haringey.gov.uk

Haringey Pensions Committee and Board

Member Training Needs Assessment

Name of Member: ……………………………………..

Please rate your current level of knowledge and understanding for each of the following key areas by placing a tick in the relevant box:

Topic:	**Good**	**Moderate**	**Poor**	**Unsure**
Pensions Legislation and Governance				
Pensions Administration				
Pensions accounting and auditing standards				
Financial Markets and Investment Products				
Procurement of Financial services and relationship management				
Investment Performance and Risk management				
Actuarial methods, standards and practices				

If you had to choose just one area that you would particularly like to receive more training on, please name this in the box below:

(this may be one of the key areas shown in the list above, but it could also be a different topic that you feel you have a particular need or interest in expanding your knowledge of)

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Are you available to attend day time training sessions (please tick the box which best applies):

Yes, I am generally available during the day to attend training sessions	
I am sometimes available during the day to attend training sessions provided adequate notice is provided (at least 2 months)	
I am general unable to attend training sessions during the day time	

Please provide any comments or feedback you feel are important about the current format or content of training sessions (i.e. one hour of training before committee meetings on various topics)

Please indicate the format of training that you have a preference for, or would have an interest in attending (tick as many that apply):

1 hour evening training prior to committee meetings (current format)	
1 hour evening training but on different nights to formal committee meetings	
Evening workshops of 2-3 hours on different nights to formal committee meetings	
Half day workshops during the day time	
Individually tailored training by attendance at key events – e.g. CIPFA events, London CIV information days, trustee training events	
Flexible individually tailored training through online webinars, or training material that can be read in the member's own time	
Flexible individually tailored training through meetings with officers or advisors in the day time either on a one to one basis or as a group of several members	

Agenda Item 11

Report for: Pensions Committee and Board – 12 July 2022

Title: Haringey Pension Fund Risk Register

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@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. This paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Committee and Board to further review the risk score allocation.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is requested:

3.1. To note and provide any comments on the Pension Fund's risk register. The area of focus for review at the meeting is Investments.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

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6. Background information

6.1. The Pensions Regulator requires that the Pension Committee and Board (PCB) establish and operate internal controls for the Pension Fund. 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.

6.2. The PCB previously approved a full version of the risk register on 20 September 2016 and from each meeting after this date, different areas of the register have been reviewed and agreed so that the risk register remains current.

6.3. The Pension Fund's risk register covers administration, governance, investment, accounting, funding, and legislation risks. Appendix 1 to this paper includes an assessment of the investment risks which have been reviewed and updated for the PCB to provide feedback on at the meeting. The other risk areas will be presented to the PCB in forthcoming meetings.

Risk Scoring

6.4. The Pension Fund's risk scoring assesses the impact and likelihood of an identified risk occurring. This is assessed based on a score of 1 (low impact, unlikely to occur) – 5 (high impact, likely to occur). Each score is grouped using the RAG (Red-Amber-Green) rating system below.

RAG Rating	Scoring Range
	25 - 15
	15 - 10
	Less than 10

Key identified risks

6.5. The Pension Fund has identified a few key risks of particular concern over the short to medium term. These have been summarised in the table below.

Key identified risk	RAG Rating	Update on Risk	Action Taken to manage risk
INV13 – High inflation		CPI inflation in May 2022 came in at 9.1% and the Bank of England expects inflation to reach double figures in the spring. This has increased concerns that high inflation may be proving to more persistent that initially thought.	The Fund has several investment mandates in inflation linked strategies such as property and renewable infrastructure which should provide some level of inflation protection. The Pensions Committee and Board recently reviewed the Fund's property allocation and agreed to commit an additional £30m to the Aviva Lime Property.

INV14 – Increasing risk of a market downturn		This is a new risk that has been added this quarter due to the increasing risk of a market downturn.	Officers will continue to monitor the situation as it develops, consulting with investment managers were necessary, making the appropriate recommendations to the Pensions Committee and Board.

6.6. Officers will continue to keep the Pension Fund's risk register under constant review.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including procurement), Head of Legal and Governance (Monitoring Officer), Equalities)

Finance and Procurement

8.1. There are no financial implications arising from this report.

Head of Legal and Governance (Monitoring Officer)

8.2. The Head of Legal and Governance has been consulted on the content of this report and there are no legal issues.

Equalities

8.3. Not applicable.

9. Use of Appendices

9.1. Appendix 1: Haringey Pension Fund Risk Register – Investment Risks

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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London Borough of Haringey Pension Fund Risk Register										
Risk Ref	**Risk Group**	**Risk Description**	**Impact**	**Likelihood**	**Risk Score**	**Controls and Mitigations In Place**	**Further Actions**	**Revised Likelihood**	**Total Risk Score**	**Reviewed on**
INV13	Investment Risk	High inflation is sustained over the long term leading to investment underperformance and higher costs for the Fund. CPI inflation in May 2022 came in at 9.1% and the Bank of England expects inflation to reach double figures in the spring.	5	5	25	1) The Fund's liability increases at the rate of CPI inflation. Officers regularly discuss the implications of inflation the Fund's actuary which helps inform the Fund's investment strategy. 2) Several of the Fund's investment mandates are in inflation linked strategies such as property and renewable infrastruture. 3) The Fund's investment consultant regularly provides advice to the PCB on the Fund's investment strategy including the impact of inflation on the Fund's investment performance.	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board. 2) The next actuarial valuation is to be carried as at 31 March 2022. PCB members will receive training which will inform the Fund's funding strategy.	4	20	30/06/2022
INV14	Investment Risk	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates	4	4	16	1) The Pension Fund's holds a well diversified investment portfolio which includes a mixture of growth and defensive assets 2) The PCB regularly reviews investment performance and the Fund's investment consultant regularly provides advice on the Fund's investment strategy	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.	3	12	30/06/2022
INV02	Investment Risk	Significant volatitility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainity including the ongoing crisis between Russia and Ukraine.	4	4	16	1) Officers are actively engaging with the Fund's investment managers and advisors on an ongoing basis to assess the implications of the response to the various geopolitical risks 2) The Fund's investment consultant regularly provides advice to the PCB on the Fund's investment strategy.	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.	3	12	30/06/2022
INV03	Investment Risk	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. It is widely anticipated that legislation and guidance will be issued on reporting and managing climated-related risks.	4	3	12	1) The Fund's entire listed equity allocation is invested in low carbon strategies. The RAFI Climate Transition Fund aims to reduces carbon emissions by 7% annually in line with the Paris-Agreement. 2) The Fund also has several investments in renewable energy infrastructure funds. 3) The Department for Levelling Up, Housing and Communities is expected to issue its consultation on climate reporting later this year.	**Treat** 1) Officers and the Fund's investment consultants will continue to monitor developments in legislation, investment products and reporting requires, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.	3	12	30/06/2022

INV08	Investment Risk	Investment managers fail to achieve benchmark/outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.7m.	5	3	15	1) The Fund conducts a rigorious selection process to ensure that it appoints the most suitable investment managers based on available information during the tendering process of a new mandate. 2) Expert professional advice is provided by the Fund's investment consultant supporting manager selection and ongoing monitoring of performance. 3)The Fund's Custodian provides a manager monitoring service which is reported to the PCB on a quarterly basis. Recent performance shows that the Fund has outperformed the benchmark over the last year.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.	2	10	30/06/2022
INV01	Investment Risk	The ongoing global response to the COVID-19 outbreak poses economic uncertainty across the global investment markets.	4	3	12	1) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements. 2) The Fund continually monitors and reviews its asset allocation, rebalancing where necessary and making changes as required. The Fund's asset allocation is included as part of the PCB's quarterly update report.	**Treat** 1) Officers will continue to monitor the impact of any new lockdown measures on the Fund's underlying investments and wider economic environment, as a result of the discovery of a new variant.	2	8	30/06/2022
INV05	Investment Risk	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	4	3	12	**Tolerate** 1) The LCIV has to reach consensus among its 32 member funds, meaning there is a persistent risk that the full completement of mandates in the Fund many not be replicated by the LCIV, particularly the illiquid mandates. 2) The LCIV has recently added more resources to their team across the different mandates and shared plans to develop more illiquid mandates, with a focus on property in 2022.	**Treat** 1) Officers and the Chair of the PCB regularly participate and contribute to various LCIV working groups.	2	8	30/06/2022
INV07	Investment Risk	The Pension Fund's actual asset allocations move away from the strategic benchmark.	4	3	12	1) The Fund continually reviews its asset allocation and rebalances the portfolio in line with the Investment Strateguy Statement. The Fund's asset allocation is included as part of the PCB's quarterly update report. 2) The Pension Fund's passive equity investments are rebalanced by the investment manager based on pre-agreed thresholds.	**Treat** 1) Officers will regularly monitor the strategic asset allocation and make recommendations for any necessary adjustments.	2	8	30/06/2022
INV04	Investment Risk	Economic uncertainity caused by the implementation some of the post-Brexit agreements	3	3	9	1) The Fund's investment portfolio is well diversified, most of the mandates have a global focus (other than property investments and the index linked gilts). 2) A segment of the Fund's equity investments have been hedged to protect against currency movements.	**Treat** 1) Officers to consult and engage with advisors and investment managers on an ongoing basis.	2	6	30/06/2022

INV10	Investment Risk	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	3	3	9	1) The Pension Fund's investment and funding strategy statements are regularly reviewed and discussed at the PCB meetings. As at the last funding update, the Pension Fund is well funded. 2) The Pension Fund has appointed actuarial and investment consultants to provide advice on matters relating to investment and funding. 3) The PCB is presented with the Pension Fund's Annual report each year.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise. 2) Training on investment risks and fund liabilities will be provided to members over the coming months.	2	6	30/06/2022
INV11	Investment Risk	Strategic investment advice received from the investment consultants is inappropriate for the Fund	3	3	9	1) The Fund has appointed Mercer, one of the largest global investment consultants, to provide strategic investment advice to the PCB. In addition to this, the fund has also engaged an experienced investment advisor to challenge/confirm investment strategy decisions. This ensures that the advice provided is subject to peer review to ensure that it is fit for purpose.	**Treat** 1) The investment consultant's performance is reviewed on an annual basis. The next review will be provided at the next PCB meeting.	2	6	30/06/2022
INV09	Investment Risk	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	3	2	6	1) The Department for Levelling Up, Housing and Communities (DLUHC) is expected to issue its consultation on the pooling guidance before the end of the year.	**Tolerate** 1) Officers to consult and engage with the DLUCH, LGPS Scheme Advisory Board, advisors and consultations once the consultation has been issued	2	6	30/06/2022
INV06	Investment Risk	The Fund has insufficient cash available to meet pension payments when they fall due	5	2	10	1) The Fund carried out and analysis of its cash flow requirements in 2020 and several changes were made to the fund's investment strategy to increase its income from investments. The Fund receives income from its private equity, multi-asset credit and absolute return funds.	**Treat** 1) Officers regularly monitor the Fund's cashflow position. 2) An annual cashflow review at fund level is undertaken by the Head of Pensions and utilised to inform the Fund's investment strategy.	1	5	30/06/2022
INV12	Investment Risk	Financial failure of an investment manager leads to negative financial impact on the fund	4	2	8	1) Officers receive and review internal control reports from investment managers on an annual basis. 2) The Pension Fund's investment consultants regularly reviews and assigns ratings to the Fund's investment strategies.	**Treat** 1) Officers to continue to work closely with the investment consultants and independent advisor to monitor the financial and operational performance of investments managers.	1	4	30/06/2022

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Agenda Item 12

Report for: Pensions Committee and Board – 12 July 2022

Title: Local Authority Pension Fund Forum (LAPFF) Update

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury
tim.mpofu@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. This paper provides an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities on behalf of the Pension Fund. The Pension Fund is a member of LAPFF, and the Pensions Committee and Board has previously agreed that the Fund's investment managers should cast its votes at investor meetings in line with the LAPFF voting recommendations.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is requested:

3.1. To note the report.

4. Reason for Decision

4.1. Not applicable

5. Other options considered

5.1. Not applicable.

Haringey LONDON

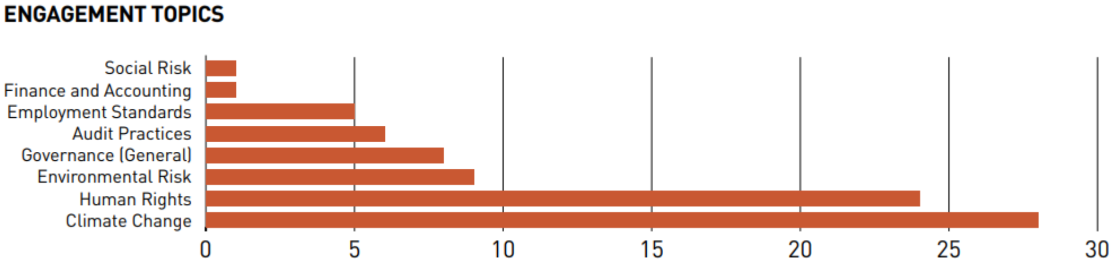
6. Background information

6.1. Haringey Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a shareholder engagement group that regularly engages with companies to encourage best practice and effect positive change. LAPFF engages directly with senior management and company boards to ensure they have the right policies in place to create value responsibly.

Engagement Report

6.2. During the quarter to 31 March 2022, LAPFF engaged with 50 companies domiciled in 10 countries. Most of this engagement was on climate change related issues.

6.3. The chart below shows the breakdown of engagement topics over the quarter.



Voting Alerts

6.4. There was only one voting alert received from LAPFF during the quarter and the outcome of votes, as well as how the Pension Fund's equity manager, Legal and General Investment Management (LGIM) voted is detailed below.

Company	Description	LAPFF Recommendation For/Oppose	LGIM Vote	AGM Vote Outcome
Rio Tinto	• Climate Action Plan	Oppose	Oppose	For (72.01%)

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including procurement), Head of Legal and Governance (Monitoring Officer), Equalities)

<u>Finance and Procurement</u>

8.1. There are no financial implications arising from this report.

Haringey LONDON

Head of Legal and Governance (Monitoring Officer)

8.2. The Assistant Director of Governance has been consulted on the content of this report. There are no specific legal implications arising from this report.

Equalities

8.3. Not applicable.

9. Use of Appendices

9.1. None.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is exempt

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