

MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON MONDAY, 12TH SEPTEMBER, 2022, 7.00 - 9.00 PM

PRESENT: Councillor Yvonne Say (Chair), Councillor John Bevan (Vice-Chair), Councillor Nick da Costa, Councillor Tammy Hymas, Councillor Thayahlan Iyngkaran, Councillor Matt White, Keith Brown, and Craig Pattinson.

In attendance: Alex Goddard (Mercer), Julie Bailey (Hymans Robertson), Douglas Greene (Hymans Robertson); David Eagles (BDO); Tharshiha Vosper (BDO).

1. FILMING AT MEETINGS

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

THE PASSING OF HER LATE MAJESTY, QUEEN ELIZABETH II

The Chair noted the sad news of the passing of the Queen and, during the national period of mourning, the Committee paused and observed a moment of reflection before proceeding with the meeting.

2. APOLOGIES

Apologies for absence were received from Ishmael Owarish and John Raisin (Independent Advisor).

3. URGENT BUSINESS

There were no items of urgent business.

It was noted that there was a late report in relation to item 11 (Consultation on Governance and Reporting of Climate Change Risks).

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Councillor Yvonne Say (Chair), Councillor John Bevan (Vice-Chair), Councillor Nick da Costa, Councillor Thayahlan Iyngkaran, Councillor Matt White, Keith Brown, and Craig Pattinson had attended an actuarial training session on 12 September 2022.

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

Some members noted that, at the July meeting, a question had been asked about a previous concern raised by the Palestine Solidarity Campaign in relation to some companies that might be in contravention of international law. It had been explained that, the Fund had indirect exposure to these companies through its investments in index tracker funds. This meant that it was not possible to pursue an exclusionary policy. It was enquired whether it was possible to work with other Pension Funds to express interest in a passive fund with some exclusions. The Head of Pensions and Treasury stated that the exposure of the Pension Fund was small at the time of assessment (0.21% of total fund assets) and that an exclusionary fund of this nature did not currently exist but that work was ongoing to engage and find a suitable solution for all relevant parties.

Alex Goddard, Mercer, noted that the investments relevant to this issue were passive; this involved tracking an index. Although there were existing indexes designed with Environmental, Social, and Governance (ESG) factors in mind, there were none that were relevant in this case. It was commented that it would be possible to create a segregated portfolio with Legal and General Investment Management (LGIM) but this would be a significant departure from the currently agreed approach and would require proper consideration of a number of factors, such as transaction costs, particularly given the relatively small level of exposure.

RESOLVED

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 12 July 2022 as a correct record.

8. AUDIT PROGRESS UPDATE

Members noted that NHS delays were referenced in relation to audit progress. David Eagles (BDO) explained that auditors in the public sector often undertook local government and NHS audits and that, typically, there was a focus on NHS audits from April until June.

In relation to the timeline for the audit, David Eagles (BDO) noted that there would be a meeting with senior officers on 14 September 2022 to discuss timings. It was explained that the original timeline for completion had been September-November but

that this would need to be considered. It was added that the Pensions Committee and Board would have sight of the timelines.

It was enquired whether there would be any issues for the Pension Fund where the deadline for annual accounts was not met. David Eagles (BDO) noted that there were already significant delays in the wider system and that some local authorities had not yet completed 2018-19 or 2019-20 financial statements. It was stated that this would be monitored closely but it was not believed that there was a specific penalty. The Head of Pensions and Treasury noted that there was no direct penalty for the Pension Fund but that it was likely that the annual report would be published in draft form without the audit report.

9. PENSION ADMINISTRATION REPORT

The Pensions Manager introduced the report which provided updates regarding membership updates, resourcing of the Pensions Administration Team, an update on Annual Benefit Statements, and an update on McCloud remedy activities.

In relation to resourcing, it was noted that the Pensions Administration Team was looking to recruit two officers towards the end of September: an administration officer and a senior officer. It was highlighted that the recruitment of apprenticeships would be undertaken once the team was fully staffed to ensure sufficient support and training. It was noted that the team planned to recruit one apprentice initially and that, if possible, would look to have a second apprentice in the future.

It was noted that printed copies of Annual Benefit Statements had been posted to deferred members of the Pension Fund and that online copies were available for active members. It was added that printed copies had been posted to any active members who had requested them.

In relation to the work required to respond to the McCloud age discrimination case, it was enquired whether there were sufficient resources within the Pensions Administration Team. The Pensions Manager explained that Heywoods would assist with the initial phase of work. It was noted that the second phase of the process would be more complex and may require an assessment of resources but it was highlighted that this would be presented to the Pensions Committee and Board if necessary. In response to a query about any employers that did not respond, the Pensions Manager explained that this project would be undertaken with Heywoods; a data request form would be prepared and there would be follow up work with any non-responding employers. It was noted that guidance was awaited on how to deal with non-responding employers.

It was asked whether future pension administration reports could include the number of monthly visits to the Pension Fund website. The Head of Pensions and Treasury noted that officers would look to include this data in future reports if possible.

RESOLVED

To note the report and the information provided regarding the Pension Fund's administration activities.

10. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE

The Head of Pensions and Treasury introduced the report which provided updates for the quarter ended 30 June 2022 in relation to the independent advisor's market commentary, investment asset allocation, investment performance, funding position update, London Collective Investment Vehicle (LCIV) update, and 2021/22 Statement of Accounts update. It was noted that, as at 30 June 2022, the investment assets of the Pension Fund had a market value of £1.687 billion. This was a decrease from the previous quarter and was driven by uncertainty in the global economic outlook as central banks increased interests rates to tackle inflation. It was noted that some volatility was expected over the coming months.

In response to a query, it was noted that Multi-Sector Credit and Multi-Asset Absolute Return were listed separately as they did not correlate to other asset classes. Alex Goddard, Mercer, noted that the Multi-Asset Absolute Return portfolio aimed to generate positive absolute returns despite market conditions; it was disappointing that the figures had reduced in Quarter 2 but performance overall had been positive and had provided meaningful downside protection where other asset classes had been significantly impacted. In relation to Multi-Sector Credit, it was explained that there were allocations to a wide range of high yield asset classes and the majority of returns over time were from income. It was noted that, generally, it was expected that there would be a correlation with equities and overseas equities were currently down by about 20%. It was stated that overseas equities generally represented a large portion of Local Government Pension Scheme investments. The Haringey Pension Fund was quite well-positioned with diversifying asset classes and the Investment Strategy Statement (ISS) was performing as expected during challenging market conditions. Some members commented that, given the returns from other sectors, the Pension Fund performance numbers were reasonably good.

In response to a question about changing the current asset class allocation, it was noted that the ISS was due to be reviewed in the context of the actuarial valuation. Alex Goddard, Mercer, explained that the Pension Fund was relatively defensively positioned and it was not considered necessary to accelerate the review at present.

The Head of Pensions and Treasury provided an update in relation to the 2021-22 statement of accounts. It was noted that the deadline to publish the draft statement of accounts, including the Haringey Pension Fund accounts, was 31 July annually and the Council had given notice that this would be delayed. It was explained that the delay was due to a number of factors, including the Covid-19 pandemic, the complexity of the external audit, and the increases in workload for auditors nationally. The delays in completing the external audit meant that there was a delay in publishing the draft accounts but it was noted that this was not a unique position and a number of other boroughs in London had yet to publish their accounts. It was highlighted that the deadline to publish the Pension Fund annual report was 1 December. The proposed approach was to use the latest draft statement of accounts to inform the annual report and to publish a revised annual report once the statement of accounts was finalised.

It was aimed to present the draft annual accounts and annual report to the November meeting and to publish them by 1 December 2022. Members stated that, if the reports were ready and needed to be published by 1 December 2022, it would be useful to circulate them to the Pensions Committee and Board in advance of the next meeting. It was noted any reports for the next meeting would be included as part of the meeting agenda or, if relevant, could be circulated by email.

RESOLVED

To note the information provided in section 6 of the report in respect of the activity for the quarter ended 30 June 2022.

11. CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS

Under s100B(4)(b) of the Local Government Act 1972, the Chair of the meeting was of the opinion that the report should be considered at the meeting as a matter of urgency by reason of special circumstances. These circumstances were that the Department for Levelling Up, Housing and Communities (DLUHC) published its highly anticipated consultation on governance and reporting of climate change risks on 1 September 2022. As the consultation was published on 1 September 2022, the report was not available at the time of agenda publication. It is requested that the report be considered by the Pensions Committee and Board at its meeting on 12 September 2022 to ensure that it is able to comment on the proposed policy changes included in the consultation. The consultation ends on 24 November 2022 and officers, in consultation with the Chair, intend to respond to the consultation on behalf of the Haringey Council, in its role as Administering Authority for the Haringey Local Government Pension Scheme. This was agreed by the Chair on 12 September 2022.

The Head of Pensions and Treasury introduced the report which provided an update on the government consultation. It was noted that the consultation had been published shortly before the meeting but that the views of the Pensions Committee and Board were sought at this stage to allow the submission of a response in advance of the deadline of 24 November 2022. The Consultation sought views on the government's proposals, developed in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, to require Local Government Pension Scheme (LGPS) administering authorities to have effective management and targets for climate risks and opportunities. There would also be a requirement to publish an annual Climate Risk Report by 1 December. It was explained that the key proposals were summarised in Appendix 1 of the report.

It was noted that the Pensions Committee and Board would be expected to consider and review climate-related risks and opportunities and to take proper advice. It was explained that the format of the additional requirements could be decided by members; it could be included within existing reports or considered separately.

It was enquired why the proposals would have four metrics but would only require administering authorities to set a target in one metric. The Head of Pensions and

Treasury explained that the aim of this was to allow for individual processes and requirements of different administering authorities, whilst retaining some consistency in climate reporting. It was added that Pension Funds could set more ambitious targets. Alex Goddard, Mercer, noted that it would be possible to include Environmental, Social, and Governance (ESG) and/ or climate change objectives in annual scorecard frameworks for investment consultants.

Members noted that it would be useful to have as much information as possible about the current status of Pension Fund investments in relation to climate change as this would allow for effective comparisons and targets. The Head of Pensions and Treasury noted that this could be included in the consultation response. Members of the Pensions Committee and Board were invited to send any further comments to officers. It was explained that the draft consultation response would be presented to the November meeting but that there would only be two days between the meeting and the deadline for responses.

RESOLVED

To note the summary of the policy proposals included in the Consultation, appended as Appendix 1 to the report, and provide any initial comments and feedback to assist officers in drafting a response to the Consultation.

12. 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 Fund. It was stated that LAPFF had engaged with 90 companies in 20 countries. A breakdown of engagement activity was also included in the report and this had mainly related to climate change. The voting alerts issued by LAPFF were also included in the report and the table at section 6.6 of the report outlined the LAPFF recommendation, a brief explanation, and the outcome of the voting. It was stated that there was often considered to be progress, even if the outcome of the vote was not in line with the LAPFF recommendation.

In response to a question about the outcomes of votes, the Head of Pensions and Treasury explained that outcomes often depended on the shareholder base at a company which were often much wider than local authority pension schemes. It was also noted that, in a number of situations, the discussion of issues represented significant progress. It was explained that LAPFF often undertook engagement globally and had been effective in a number of developments. It was added that, in some quarters, the voting outcomes would be very successful and, in others, progress was not always reflected in the voting outcomes. Some members commented that LAPFF undertook a wider programme of work, including communications with company directors. It was also noted that LAPFF had a significant influence which would not be replicated by pension funds acting alone.

RESOLVED

To note the report.

13. RISK REGISTER

The Head of Pensions and Treasury introduced the item which provided an update on the Fund's risk register and an opportunity for the Pensions Committee and Board to further review the risk score allocation. It was noted that, at the last meeting, the Pensions Committee and Board had requested a more detailed version of the risk register; this had been provided and any views were welcomed. It was highlighted that section 6.5 of the report set out the key risks.

It was noted that a risk in relation to the delay in the accounts had been included. Some members also commented that the continuity of committee members had been raised as a risk but noted that there was currently a good level of expertise and continuity in relation to both members and co-opted members.

RESOLVED

To note the Pension Fund's risk register.

14. FORWARD PLAN

The Head of Pensions and Treasury introduced the report which presented the forward plan for consideration. It was noted that the forward plan was included as Appendix 1 to the report. Members were asked to complete the Training Needs Assessment to allow officers to organise training as required.

RESOLVED

To note the Pensions Committee and Board's forward plan.

15. ACTUARIAL VALUATION UPDATE REPORT

Following consideration of the exempt information, it was

RESOLVED

1. To note Hymans Robertson's Advice on Assumptions paper, appended as Confidential Appendix 1, and the advice contained therein.
2. To agree the methodology and valuation assumptions proposed by the Pension Fund's actuary, Hymans Robertson as outlined in Confidential Appendix 1 to this report.

16. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

17. DATES OF FUTURE MEETINGS

It was noted that the dates of future meetings were:

22 November 2022
23 January 2023
21 March 2023

18. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 19-22 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.

ORDER OF BUSINESS

It was agreed to consider Item 20, EXEMPT – Actuarial Valuation Update Report, then Item 19, EXEMPT – Pension Fund Quarterly Update and Investments Update, before returning to the agenda order as set out in the agenda.

19. EXEMPT - PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

20. EXEMPT - ACTUARIAL VALUATION UPDATE REPORT

The Pensions Committee and Board considered the exempt information.

21. EXEMPT MINUTES

RESOLVED

To confirm and sign the exempt minutes of the Pensions Committee and Board meeting held on 12 July 2022 as a correct record.

22. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Yvonne Say

Signed:

Date: