

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

**Thursday, 13th July, 2023, 7.00 pm - George Meehan House,
294 High Road, N22 8JZ (watch the live meeting [here](#) , watch
the recording [here](#))**

Councillors: Ahmed Mahbub (Chair), John Bevan (Vice-Chair), Nick da Costa,
Tammy 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 15 or 21).

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

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 21 March 2023 as a correct record.

To follow

8. PENSION ADMINISTRATION UPDATE (PAGES 1 - 6)

This report provides the Pensions Committee and Board (PCB) with the following updates regarding Pension Fund's administration activities:

- a. Pension Fund membership update
- b. Online Member Self Service portal update
- c. Update on the Pensions Dashboard Programme
- d. Approval of new admission agreements

9. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 7 - 16)

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 2023:

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

10. INDEPENDENT ADVISORS LGPS UPDATE (PAGES 17 - 26)

This report provides the Pensions Committee and Board (PCB) with an update on the important issues related to the Local Government Pension Scheme (LGPS). The issues covered in this paper are:

- a. Changes to pensions taxation
- b. Further consultation on "McCloud" (Age discrimination in the LGPS)
- c. Climate reporting – Taskforce on Climate Related Financial Disclosure
- d. Investment pooling
- e. The Economic Activity of Public Bodies (Overseas Matters) Bill
- f. The Pensions Regulator: New general code

11. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) UPDATE (PAGES 27 - 30)

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 Pension Fund's investment managers should cast its votes at investor meetings in line with the LAPFF voting recommendations.

12. HARINGEY PENSION FUND RISK REGISTER (PAGES 31 - 44)

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 Pension Committee and Board to further review the risk score allocation.

13. FORWARD PLAN (PAGES 45 - 50)

This paper has been prepared to identify and agree upon the key priorities for the Pensions Committee and Board over the upcoming months, as well as seek members' input into future agendas. An overview of the planned investment strategy review work that will follow the completion of the actuarial valuation exercise has also been included for members' consideration.

14. INVESTMENT STRATEGY REVIEW: CASHFLOW REQUIREMENTS REVIEW (PAGES 51 - 54)

This report provides the Pensions Committee and Board with a review of the Pensions Fund's cashflow requirement over the short to medium term.

Haringey Council is the designated statutory Administering Authority for the Haringey Local Government Pension Scheme (LGPS). Administering Authorities are responsible for operating the scheme in accordance with the LGPS regulations, which includes the investment of Pension Fund assets and paying pension benefits.

This report aims to ensure that the Pension Fund has an appropriate strategy in place to fulfil its obligation of paying member pension benefits.

15. NEW ITEMS OF URGENT BUSINESS

16. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

6 September 2023

4 December 2023

30 January 2024

5 March 2024

17. EXCLUSION OF THE PRESS AND PUBLIC

Items 18-21 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) and para 5 – information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

18. EXEMPT MINUTES

To confirm and sign the exempt minutes of the Pensions Committee and Board meeting on 21 March 2023 as a correct record.

To follow

19. EXEMPT - PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 55 - 104)

Exempt information pertaining to agenda item 9.

20. EXEMPT - INVESTMENT STRATEGY REVIEW - CASHFLOW REQUIREMENT (PAGES 105 - 132)

Exempt information pertaining to item 14.

21. NEW ITEMS OF EXEMPT URGENT BUSINESS

Felicity Foley, Committees Manager
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Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
George Meehan House, 294 High Road, Wood Green, N22 8JZ

Wednesday, 05 July 2023

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Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Pensions Administration Update

Report

authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officers: Tim Mpofo, Head of Pensions & Treasury
Jamie Abbott, Pensions Manager
020 8489 3824
Jamie.Abbott@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 regarding Pension Fund's administration activities:
- a. Pension Fund membership update
 - b. Online Member Self Service portal update
 - c. Update on the Pensions Dashboard Programme
 - d. Approval of new admission agreements

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note this report and the information provided regarding the Pension Fund's administration activities.
- 3.2. To note and approve the admission of the entities listed in section 6.14 of this report, as new employers participating in the Haringey Local Government Pension Scheme.

4. Reason for Decision

- 4.1. According to the Local Government Pension Scheme (LGPS) Regulations 2013, an employer can participate in the LGPS under an admission agreement if the employer is established following the transfer of service or is established based on a community of interest arrangement.

- 4.2. Haringey Council, in its role as Administering Authority and Scheme Employer for the Haringey LGPS, has the authority to agree to the admission of bodies into the pension scheme.
- 4.3. The Council has delegated the responsibility to exercise all the Council's functions as the Pension Fund's Administering Authority to the Pensions Committee and Board.

5. Other options considered

- 5.1. Not applicable.

6. Background information

Membership Update

- 6.1. Employees working for an employer that participates in the Local Government Pension Scheme (LGPS) are eligible for membership in the scheme. Membership in the LGPS is voluntary, and members are free to choose whether to continue participating in the scheme or to make personal arrangements outside of it.
- 6.2. The table below provides a breakdown of Haringey Pension Fund's membership on 31 March 2023.

Member status	30 Jun 22	30 Sep 22	31 Dec 22	31 Mar 23
Active members	6,308	6,301	6,271	6,350
Pensioner members	8,426	8,420	8,578	8,633
Deferred members	10,727	10,660	10,509	11,194
Total scheme members	25,461	25,381	25,358	26,177

Online Member Self Service Portal Update

- 6.3. The Member Self Service portal is a pension scheme website that members can register an account with to view/edit their personal information as well as running their own retirement estimates.
- 6.4. The table below provides a breakdown of the number of active members registered for the Haringey Pension Fund's Member Self Service as at 31 March 2023.

Member Self Service	30 Sep 22	31 Dec 22	31 Mar 23
Total active members	6,301	6,271	6,350
Total active member registrations on MSS	953	1,028	1,057
Proportion of registered active members	15.12%	16.39%	16.65%

- 6.5. The table on the following page provides a breakdown of the number of members who have accessed the Member Self Service portal over the past 7 days, 30 days, 2 months, and 3 months periods. This table is provided for information purposes only. Officers cannot actively influence the frequency of members accessing the MSS, as individuals will often have different reasons for requiring access to their pensions information.

Period last accessed	No. of Members
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Last 7 days	27
Last 30 days	95
Last 2 months	60
Last 3 months	77

Pensions Dashboards Programme (PDP)

- 6.6. The PDP is a government backed initiative to give individuals more oversight on their pension savings pots and to better plan for retirement. Pension funds will be required to ensure that all data held for members is complete and accurate so that when members make requests for information it is matched to a record held by the pension fund.
- 6.7. The PDP is an online service intended to enable individuals to access all their pension information securely and in one place. Dashboard will provide clear and simple information about an individual's multiple pension savings, including their State Pension.
- 6.8. On the 8th June 2023, the Department for Work and Pensions (DWP) issued a written ministerial statement providing an update on the connection deadline for pensions dashboards. The connection deadline is the latest date that a pension scheme must have their data and systems in a suitable condition to be able to connect to the Pensions Dashboards.
- 6.9. The statement outlined the amended regulations which set out a new approach to delivery. The new approach removes the entire staging timeline from legislation and will instead set this out in guidance which will provide pension schemes with greater flexibility. When approved by Parliament, the previous staging timeline set out in legislation will be replaced with a single connection deadline of 31 October 2026.
- 6.10. In addition to this, the statement explained that the "Dashboards Available Point" – the point at which dashboards will be accessible to the public – will differ from the connection deadline which is the date when the Pension Fund is required to have its data available to members. The Dashboards Available Point could potentially come into effect earlier than the connection deadline. If the Pensions Dashboard goes live prior to the Pension Fund being connected, then it could generate an increase in queries to the pensions team as members would expect to see their Haringey pension benefits on the dashboards, but it won't be visible until Haringey Pension Fund connects to the system.
- 6.11. Schemes have been advised that, despite the delay in the connection deadline, they should still be actively preparing for their dashboard staging date. The Pensions team is currently working on cleansing the data held on the pensions administration system to ensure that member records are ready for connection.

Approval of new admission agreements

6.12. An admission agreement is a way for an external service provider to join the Local Government Pension Scheme (LGPS). This usually happens when a service provider take overs a service that was previously provided by the Council, and is therefore required to offer the LGPS to existing employees.

6.13. The Pension Fund has a policy to put in place a guarantee bond for certain employers to protect the Fund against any unpaid liabilities that may arise from the contractor's admission. The entities included in this report will have this arrangement in place.

6.14. The table below lists the entities that have been awarded contracts to provide services to the relevant schools.

Admission Body	Service Contracts
Cleantec Services Ltd	Cleaning services for Stroud Green Primary
Birkin Cleaning Services Ltd	Cleaning services for Hornsey School for Girls
Olive Dining Ltd	Catering services for St Mary's Priory Catholic Infant and Junior School, Tetherdown Primary School and Devonshire Hill Nursery & Primary School
Aspen-Services Limited	Catering services for Academies Enterprise Trust (Trinity Primary)

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. Not applicable.

Head of Legal and Governance (Monitoring Officer)

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report.

8.3. The report seeks authority to admit a number of employers as admitted body to the Haringey Pension Fund. A person is eligible to be an active member of the Scheme in an employment if employed by an admission body and is designated, or belongs to a class of employees that is designated by the body under the terms of an admission agreement, as being eligible for membership of the Scheme.

8.4. The entities listed in section 6.14 of this reports are bodies that are providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of service or assets by means of a contract or other arrangement. These entities have entered into service contracts to provide cleaning or catering services on behalf of the schools participating in Haringey LGPS, and the administering authority may enter into the Admission Agreements pursuant to Schedule 2 of The Local Government Pension Scheme Regulations 2013.

8.5. There will need to be an admission agreement for each service contract.

Equalities

8.6. 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. None

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Pension Fund Quarterly Investment and Performance Update

Report

authorised by: Josephine Lyseight, 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 2023:
- a. Independent advisor's market commentary
 - b. Investment performance
 - c. Investment asset allocation
 - d. London Collective Investment Vehicle (LCIV) update
 - e. Funding position update

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

- 3.1. The Pensions Committee and Board is recommended to note the information provided in section 6 of this report regarding the Pension Fund's investment performance and activity for the quarter ended 31 March 2023.

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. Not applicable.

6. Background information

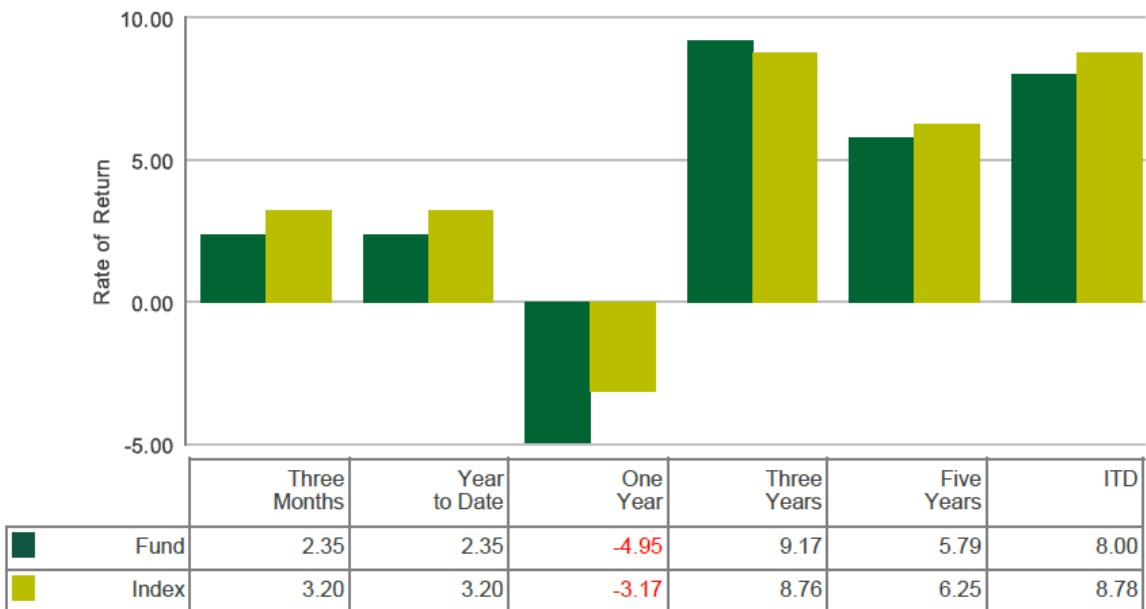
6.1. The independent advisor has prepared a market commentary for the quarter ending 31 March 2023 which, has been included as Appendix 1 to this paper.

Investment Performance

6.2. As of 31 March 2023, the Pension Fund's investment assets had a market value of £1.698bn. Although the investment portfolio produced a positive return of +2.35% during the quarter, it underperformed its benchmark by -0.83%.

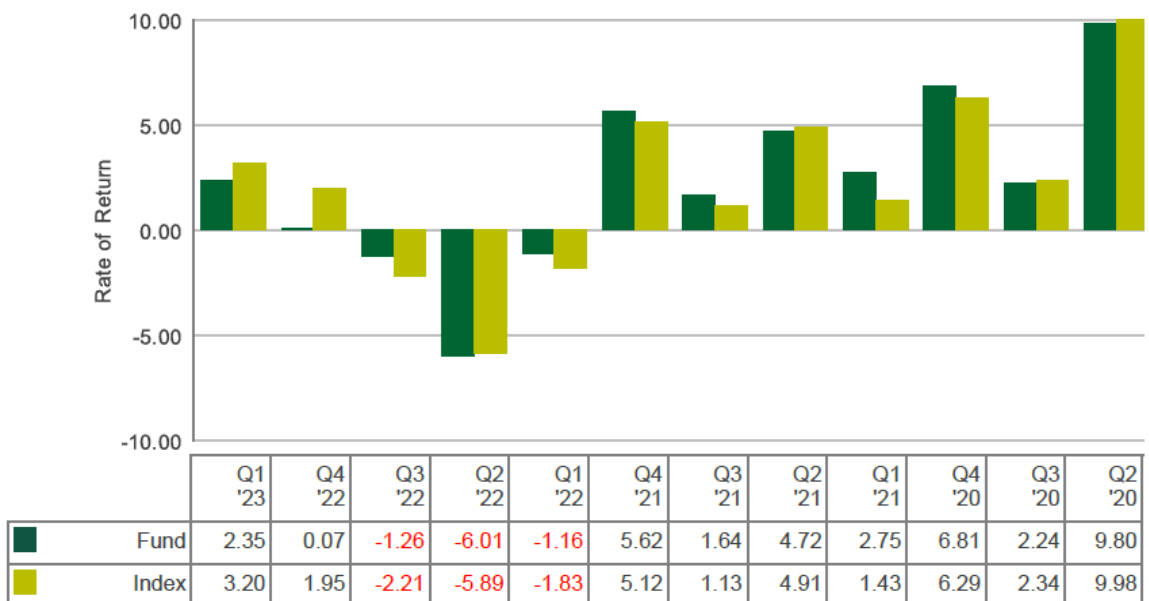
6.3. The fund's overall investment returns as of 31 March 2023 are shown in the charts below.

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES



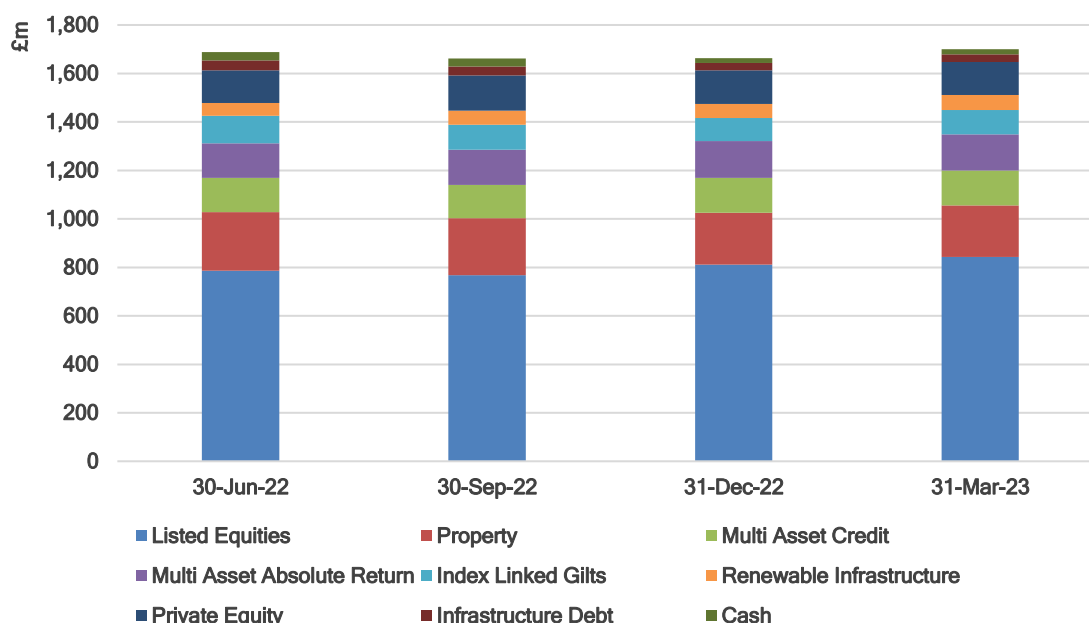
Index: Haringey New Total Plan BM

- 6.4. Although the Pension Fund's global listed equities and credit strategies provided positive returns over the quarter, volatility remained present in financial markets. This was largely driven by inflation estimates and outcomes, as well as market expectations that rate cuts were to be expected sooner rather than expected.
- 6.5. Performance was relatively mixed across the rest of the portfolio. The commercial property sector, in particular, continued to face downward asset revaluations, which impacted on overall sector performance.
- 6.6. A detailed breakdown of pension fund's investment performance can be found in the Fund Strategy Report for the quarter ending 31 March 2023, appended to this report as Confidential Appendix 2.

Investment Asset Allocation

- 6.7. The Pension Fund's strategic asset allocation over the last four quarters to 31 March 2023 is shown in the chart below.

Asset allocation as at 31 March 2023



- 6.8. The Pensions Fund current asset allocation, compared to the strategic asset allocation is show on the following tables below.

Liquid assets	Mar-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equities	844	47.5%	49.6%	2.1%	+/- 10.0%
Multi-asset credit	143	10.0%	8.4%	(1.6%)	+/- 3.0%
Multi-asset absolute return	150	7.5%	8.8%	1.3%	+/- 3.0%
Index linked gilts	99	7.0%	5.9%	(1.1%)	+/- 3.0%
Cash	20	0.0%	1.2%	1.2%	

- 6.9. The Pension Fund determines liquid assets as any investments that can be traded within a month such as listed equities and fixed income securities. The Pension Fund has established acceptable ranges for rebalancing these strategies in the event that they deviate from the strategic asset allocation.

Illiquid assets	Mar-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance
Property	212	15.5%	12.5%	(3.0%)
Private equity	135	5.0%	7.9%	2.9%
Renewable infrastructure	63	5.0%	3.7%	(1.3%)
Infrastructure debt	33	2.5%	1.9%	(0.6%)

- 6.10. As property, private equity, and renewable infrastructure are illiquid asset classes, no formal tolerance range has been established for the investment portfolio. Some of these asset classes are still in the funding stage, and it anticipated that the allocation to them will increase over time to be in line with the strategic asset allocation.
- 6.11. As of 31 March 2023, all asset classes were within the acceptable ranges. Therefore, no rebalancing is required.

London Collective Investment Vehicle (LCIV) Update

- 6.12. Haringey Pension Fund, along with all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), of the asset pools that were established following the government guidance issued in November 2015. As of 31 March 2022, the Pension Fund has approximately 75% of its assets investment with the pool, with 20% invested in funds managed directly by the pooling company.

Funding Position Update

- 6.13. The funding level is the ratio of the market value of assets to the projected future benefit payments, also known as fund liabilities. At 31 March 2022, the Pension Fund had a funding level of 113%. This indicates that the Pension Fund's investment assets were more than sufficient to cover all the pension benefits accrued by that date, based on the underlying actuarial assumptions.
- 6.14. Hymans Robertson, the Pension Fund's actuary, regularly calculates an indicative funding position update using the latest actuarial assumptions. At 31 March 2023, the updated funding level position was 132%. A detailed breakdown of the Pension Fund's funding position has been included as Confidential Appendix 3 to this report.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. The report contains the financial performance of the Haringey Pension Fund and its investments. Proper monitoring and management of these investments increases the likelihood of the Pension Fund achieving its objectives. This, in turn, helps ensure the protection of member benefits and improves the probability of maintaining stable employer contribution rates.

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 2023
- 9.2. Confidential Appendix 2: Haringey Pension Fund Performance Report Q1 2023
- 9.3. Confidential Appendix 3: Funding Position Update

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 Commentary January to March 2023

For the second Quarter in a row Global Equities advanced. The January to March 2023 Quarter saw the MSCI World Index increase by almost 8% (in \$ terms). As in the previous Quarter all major geographies saw positive returns.

January 2023 was a very positive month for markets with the MSCI World index increasing by 7% in the context of positive macroeconomic prospects exemplified by falling energy prices, lower headline inflation in the US (December 2022 headline CPI was 6.5% compared to 7.1% in November), and a broad based recovery/reopening in China arising from both government economic policies and loosened COVID restrictions. The US Federal Reserve slowed its rate of monetary tightening with the Federal Open Markets Committee (FOMC) only increasing its benchmark interest rate, the Federal Funds rate, by 0.25% at its policy meeting which ended on 1 February 2023 – following this announcement the S&P 500 Index rose to 4,180 on 2 February 2023 its highest point since August 2022.

February, however, proved to be a more difficult month for markets (except for Europe and the UK which both saw small gains) with the MSCI World Index falling over 2%. There were increased US China tensions beginning with the US stating it had discovered a Chinese spy balloon flying over the US and Secretary of State Antony Blinken announcing, on 3 February, the cancellation of his planned visit to China. Additionally, the release, on 3 February 2023, of the US Employment report for January 2023, showed that employment rose by 517,000 in January, way in excess of market forecasts of under 200,000. This, together with the announcement, on 14 February of higher than anticipated US CPI inflation in January 2023, suggested the US economy was stronger than had been anticipated and therefore that interest rates would be higher and/or longer. This weighed against US markets and in particular Asian and Emerging Markets with the S&P 500 falling over 2% during the month but both the MSCI AC Asia (ex-Japan) and MSCI Emerging Markets Indices falling by more than 6%.

Despite a potential Banking crisis in both the US and Europe in March – which was averted by the decisive actions of the US and Swiss authorities (and likely the tougher regulatory regimes introduced after the 2008 financial crisis) markets determined there was a lack of systemic risk. After coming under pressure in the first half of the month markets enjoyed a positive second half of March with the MSCI World Index advancing by over 3% during the month with most major markets increasing over the month.

Unemployment in the US continued to be very low with a rate of 3.5% in March 2023. Inflation remained clearly elevated over the Quarter. The Core PCE Index which is closely observed by the Federal Reserve when determining monetary policy remained well above its target of 2%. Having registered no lower than 4.6% throughout 2022 it was 4.7% in both January and February 2023 and 4.6% in March 2023. The headline CPI inflation index remained higher than the Core CPE index throughout the Quarter.

The US Federal Reserve has the dual monetary policy objectives of seeking to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Therefore (as stated in the press release issued after, both, the meetings that ended on 1 February 2023 and on 22 March 2023) *“in support of these goals”* the Federal Open Markets Committee (FOMC) of the US Federal Reserve further increased interest rates. On each occasion, however, by only 0.25% which was in contrast to the four 0.75% increases and the two 0.5% increases seen between May and December 2022.

At its March meeting the FOMC determined a further 0.25% increase in the Federal Funds rate to the target range of 4 $\frac{3}{4}$ to 5% despite the recent turmoil in the US banking sector. However, the Press Release issued following the March meeting indicated that the long run of meeting after meeting increases in interest rates (which commenced in March 2022) may be nearing its end. The term *“The Committee anticipates that ongoing increases in the target range will be appropriate...”* which had been used in the March 2022 to February 2023 press releases was replaced by softer statement that *“The Committee anticipates that some additional policy firming may be appropriate...”*

March 2023 saw a potential US Banking crisis with the forced closure on 10 March, by the California State authorities, of Silicon Valley Bank (SVB) that had been the 16th largest bank by assets in the US. This was followed by the closure of Signature Bank, by the New York State authorities on 12 March. These represented the second and third largest bank failures in US history. A banking crisis was however averted (for the time being at least) by the immediate action of the US Government, in consultation with the Federal Reserve, with US Secretary of the Treasury Janet Yellen announcing that no depositors, at either bank, would lose any of their money. At his Press Conference on 22 March, following the Federal Reserve FOMC meeting, Chair Jay Powell referred to *“decisive actions”* by the Federal Reserve and US Treasury Department *“to protect the U.S. economy and to strengthen public confidence in our banking system.”* Chair Powell went on to state *“Our banking system is sound and resilient, with strong capital and liquidity. We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools as needed to keep it safe and sound.”*

January saw a return of over 6% in the S&P 500 (the best for January since 2019). US stocks had a poor February but advanced in the later part of March. This was despite continuing turmoil in the US regional banking system which included the largest US Banks depositing \$30 billion into the California based First Republic bank to bolster its finances. However, in a speech, to the American Bankers Association, on 21 March Secretary of the Treasury Janet Yellen reassured not only bankers but the wider market when she indicated government support *“...if smaller institutions [banks] suffer deposit runs that pose the risk of contagion.”* As at the end of March the S&P 500 had returned 7.5% over the Quarter.

Eurozone stocks were the best performing of the major markets during the Quarter with the MSCI EMU Index returning over 12% (in Euro terms and over 14% in US\$ terms). This was aided by the reopening of China given this is a major export market for the Eurozone, fiscal support packages by many governments in response to the energy crisis and high inflation, and moderating wholesale gas prices. The relative and clear *“cheapness”* of Eurozone stocks compared to US stocks may have been another factor.

In Europe, the massive Swiss bank Credit Suisse, which had suffered rapid and huge outflows was acquired, on 19 March 2023, by its arch rival UBS following negotiations, which were not merely brokered but forced, by the Swiss regulators in order to protect the Swiss banking system and to avert a potential crisis across global financial markets. However, there was no crisis or other actual or potential failures in the wider European banking system. The robust regulation of the Eurozone banking sector and its “*strong capital and liquidity*” (referred to in a European Central Bank statement of 19 March 2022) doubtlessly does much to explain this. Indeed, overall, Eurozone financial stocks increased in value over the Quarter!

Eurozone inflation as measured by the Harmonised Index of Consumer Prices (HICP) declined over the Quarter but remained way above the European Central Bank (ECB) target of 2%. It had been 9.2% in December 2022 but fell to 8.6% in January, 8.5% in February and 6.9% in March 2023. However, Core Inflation (which excludes energy and food) increased from 5.2% in December 2022 to reach 5.7% in March 2023. In response to this heightened inflation the ECB raised interest rates by 0.5% at both its 2 February and 16 March 2023 monetary policy meetings. After the March 2023 meeting the benchmark ECB interest rate (known as “*the deposit facility*”) stood at 3%.

The March increase took place against the background of the turmoil in the US banking market and rapidly increasing concerns regarding the future of Credit Suisse. These circumstances did not however prevent the ECB from implementing a further clear tightening of monetary policy. However, whereas the Press Statement issued after the February policy meeting began with the statement “*The Governing Council will stay the course in raising interest rates significantly at a steady pace...*” this was omitted completely from the March Press Statement which was notable particularly as this began with the statement “*Inflation is projected to remain too high for too long.*” The March Press Statement placed emphasis on a “*data-dependent approach*” to future interest rate decisions.

UK Equities gained 3% over the Quarter (as measured by the FTSE All-Share Index). Although this was positive the return on UK equities was below that of World markets overall and other major developed markets. The mining sector, an important constituent of the FTSE indices, saw significant losses during the Quarter with both Anglo American and Glencore stocks losing over 15% and Rio Tinto over 5%. In the context of concerns about the global banking sector (in reality primarily because of issues relating to only a limited portion of the US banks and Credit Suisse) the UK listed banks having advanced in the first part of the Quarter experienced a clearly negative March.

During the January to March 2023 Quarter CPI inflation remained, as in the previous Quarter, far above the Bank of England policy target of 2% and indeed continued to be in excess of 10%. CPI inflation which had been 7.0% in March 2022 reached 11.1% in October which was the highest rate for 41 years (since October 1981). November 2022 saw a rate of 10.7% and December 10.5%. In January, February and March 2023 CPI was 10.1%, 10.4% and 10.1% respectively.

In the context of this inflationary environment the Bank of England continued to further tighten its monetary policy stance. The February meeting of the Bank of England Monetary Policy Committee (MPC) increased Bank Rate (interest rates) by a further 0.5% to 4%. At its March 2023 meeting the MPC increased Bank Rate by a further 0.25% to 4.25%.

Japanese stocks enjoyed a successful Quarter with the Nikkei 225 Index advancing over 7% during the Quarter. For the fourth Quarter in a row Japanese inflation was above the Bank of Japan's 2% target with CPI Inflation exceeding 3% in each of January, February, and March 2023.

The Bank of Japan continued to be the only major Central bank to retain negative interest rates with both the January and March 2023 Monetary Policy meetings determining to maintain short term interest rates at -0.1%. The + or minus 0.5% target range for the 10 Year Japanese Government Bond Yield was also maintained. With the Federal Reserve, ECB and Bank of England all having raised their benchmark interest rates to between 3% and 5% and all indicating further potential increases the monetary policy stance of the Bank of Japan has become ever more differentiated from that of the other major Central Banks. It must however be remembered that both in the short and longer term Japan has experienced clearly lower inflationary pressures than the US, Eurozone and United Kingdom which surely is the fundamental explanation of the continuing monetary policy approach of the Bank of Japan.

Both Asian (excluding Japan) and Emerging Market equities clearly advanced over the Quarter but less so than World equities as a whole. The MSCI Asia (ex-Japan) index and the MSCI Emerging Markets index both returned approximately 4% (in US\$ terms). The ongoing reopening of China provided an early boost as 2023 began as did a weakening US dollar (US\$). However, February was a particularly negative month in the context of US China tensions and a strengthening of the US dollar. March was however generally positive for Asian and Emerging Market Equities.

US, UK, and German Government bonds all enjoyed a positive Quarter with Yields falling and consequently prices rising across the benchmark 2, 10 and also the 30 Year instruments. The Yield on the 2 Year Treasury fell from 4.43% to 4.03% and the 10 Year Treasury Yield fell from 3.87% to 3.47%. The 2 Year (UK) Gilt Yield fell from 3.58% to 3.44% and the 10 Year Gilt Yield from 3.67% to 3.49%. The German 2 Year Bund Yield fell from 2.76% to 2.68% and the 10 Year Yield fell from 2.57% to 2.29%.

The Quarter was however volatile for the major Government bond markets. Yields fell in January (with some initial market optimism regarding inflation falling and hopes that the major Central Banks might slow/soon end their monetary policy tightening) but then rose significantly in February in the context of renewed market concerns regarding inflation and the likely future course of the monetary policy approach of both the US Federal Reserve and ECB. The turmoil in the US banking sector during March was surely a factor in the significant fall in Yields experienced during March as this (naturally) led to questions over whether this might mitigate the approach of the major Central Banks to further interest rate rises.

16 May 2023

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“Strategic and Operational Support for Pension Funds and their Stakeholders

Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Independent Advisors LGPS Update

Report

authorised by: Josephine Lyseight, 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 an update on the important issues related to the Local Government Pension Scheme (LGPS). The issues covered in this paper are:

- a. Changes to pensions taxation
- b. Further consultation on “McCloud” (Age discrimination in the LGPS)
- c. Climate reporting – Taskforce on Climate Related Financial Disclosure
- d. Investment pooling
- e. The Economic Activity of Public Bodies (Overseas Matters) Bill
- f. The Pensions Regulator: New general code

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

3.1. The Pensions Committee and Board is recommended to note the Independent Advisors, LGPS Update, June 2023 paper, appended as Appendix 1 to this report.

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 paper for the Pensions Committee and Board (PCB) that provides an update on several developments relating to the LGPS. The paper has been included as Appendix 1 to this report, and this section will provide a summary of the issues covered in the paper.

Changes to Pensions Taxation

- 6.2. As part of the March 2023 Budget Statement, the Chancellor of the Exchequer announced changes to the pensions taxation regime, including an increase in the Annual Allowance from £40,000 to £60,000 and the abolition of the Lifetime Allowance. These changes will exempt almost all members of the LGPS from the pensions taxation regime and simplify benefit calculations. Further details of the implications of this announcement are set out on page 1-2 of Appendix 1 to this paper.

Further Consultation on “McCloud” (Age discrimination in the LGPS)

- 6.3. 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.
- 6.4. The “McCloud” remedy is being implemented through draft regulations, which will come into effect on 1 October 2023, and LGPS pension funds will be required to review all qualifying members’ pensions to determine any effects on individuals. Page 2 of Appendix 1 to this paper includes the latest update regarding the most recent Government Consultation to introduce draft regulations which would implement the “McCloud” remedy.

Climate Reporting – Taskforce on Climate Related Financial Disclosure

- 6.5. The UK government issued a Consultation on Climate Reporting on 1 September 2022, ahead of the introduction of mandatory reporting requirements related to the governance or disclosure of climate-related financial risks for LGPS funds. The introduction of these mandatory reporting requirements has been delayed until at least April 2024. This is despite mandatory reporting requirements having been introduced for private sector defined benefit pension schemes with over £1bn assets since October 2022.
- 6.6. The disclosure of climate-related financial risks is considered to be helpful in supporting a transition to a net zero economy and encouraging carbon reduction. This delay is therefore likely to hinder any progress currently being made. Further details of the implications of the delay in the issuance of these disclosure requirements are set out on page 3 of Appendix 1 to this paper.

Investment Pooling

- 6.7. The UK government was widely expected to consult on new guidance to the Local Government Pension Scheme (LGPS) in England and Wales on asset pooling in early 2023. The consultation was expected to propose that LGPS funds transfer all listed assets into their pools by March 2025, and possibly include provisions for

moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale.

- 6.8. At the time of writing, this consultation had not yet been issued making any new investment pooling regime unlikely to be finalised before 2024. Further details of the implications of the expected investment pooling arrangements are set out on page 3-4 of Appendix 1 to this paper.

The Economic Activity of Public Bodies (Overseas Matters) Bill

- 6.9. In June 2023, the UK government introduced the “Economic Activity of Public Bodies (Overseas Matters) Bill, a new piece of legislation which is intended to apply to boycotts and disinvestments targeted at foreign countries. The Bill is not intended to address boycotts and disinvestments for other reasons, such as divestment from fossil fuels companies.
- 6.10. In a letter to all Local Authority Leaders and Chief Executives, the government stated that the Bill would not interfere with the ability of LGPS pension funds to make investment decisions based on financial or non-financial concerns, as long as it does not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision. Further details of the implication of this new proposed bill are set out on page 4-5 of Appendix 1 to this paper.

The Pensions Regulator: New General Code

- 6.11. Since April 2015, the Pensions Regulator (tPR) has had an oversight role in the Administration of Benefits and Governance of public service pensions schemes, including the LGPS.
- 6.12. TPR issued Code of Practice No 14 “Governance and Administration of Public Service Pension Schemes” in 2015, and since 2021 has been working towards issuing a new General Code to consolidate several existing Codes of Practice. Although not all of the new General Code will be applicable to the LGPS, its introduction will require all LGPS funds to assess, implement, and demonstrate compliance with the applicable parts of the new Code. The finalised version of the new general code is expected to be issued later this year. Further details on this new General Code are set out on page 5 of Appendix 1 to this paper.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities) Finance and Procurement

- 8.1. There are no immediate 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. There will be legal implications for the Pensions with regards to the matters referred to in the updates. Further advice will be provided in particular in respect

of legislation relating to the McCloud remedy and the Economic Activity of Public Bodies (Overseas Matters) when these are passed and come into force.

Equalities

8.3. Not applicable.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor's LGPS Update

Local Government (Access to Information) Act 1985

9.2. Not applicable.

JOHN RAISIN FINANCIAL SERVICES LIMITED

Haringey Pension Fund

LGPS Update

A paper by the Independent Advisor

June 2023

Introduction

This paper informs and updates the Pensions Committee and Board in respect of a number of important issues relating to the LGPS at a national level. The issues covered in this paper are:

1. Changes to Pensions Taxation.
2. Further Consultation on “McCloud” (Age Discrimination in the LGPS).
3. Climate Change Reporting.
4. Investment Pooling.
5. The Economic Activity of Public Bodies (Overseas Matters) Bill
6. The Pensions Regulator: New General Code.

It is hoped this paper will be informative to all Members of the Pensions Committee and Board and in particular to those who have joined the Committee and Board since the May 2022 Council elections.

1. Changes to Pensions Taxation

In his Budget of 15 March 2023, the Chancellor of the Exchequer announced significant changes to the pensions taxation regime applicable to both private sector and public sector pensions. The Annual Allowance (the maximum amount of pensions savings an individual can make each year before incurring a tax charge) is to increase from £40,000 to £60,000 from 6 April 2023, with individuals continuing to be able to carry forward unused Annual Allowances from the three previous tax years. The Chancellor also announced his intention to abolish the Lifetime Allowance which was £1,073,100 at the time of the Spring 2023 Budget.

Most members of the LGPS have never earned enough to be within the scope of either the Annual or Lifetime Allowance. However, increasing numbers of senior managers have become subject to these taxation provisions in recent years and this trend was set to continue and increase as the Government appeared to be likely to freeze these allowances over the long term. The increase in the Annual Allowance and the abolition of the Lifetime Allowance means that almost all members of the LGPS will now be exempt from the pension's taxation regime. These changes will also simplify LGPS benefit calculations/entitlements.

2. Further Consultation on “McCloud” (Age discrimination in the LGPS)

The Public Service Pensions Act 2013 which reformed all the major public service pension schemes from 2014 or 2015 (fundamentally by replacing final salary with career average salary as the basis for the calculation of benefits) 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. On 6 April 2023 the DLUHC issued its response to the 2020 Consultation detailing how it will proceed. On 30 May 2023 DLUHC issued a further Consultation **“‘McCloud’ remedy in the LGPS – supplementary issues and scheme regulations”** together with draft Regulations regarding the “McCloud” remedy. This Consultation closes on 30 June 2023.

In this latest Consultation the Government is seeking views where in its 6 April 2023 response it stated it would be reconsulting to obtain further views, and also on issues which were not addressed in the 2020 Consultation. At the same time the Government is seeking feedback on draft Regulations which would implement the (entire) “McCloud” remedy. It is intended these Regulations come into force on 1 October 2023. Assuming that the Regulations come into effect from October 2023 LGPS Pension Funds will review qualifying members pensions to determine any effects on individuals. It should however be pointed out that most individual members will not experience any increase in the benefits they ultimately receive as a result of “McCloud” – this is because the pension they build up in the present career average scheme will be higher than what they would have built up in the previous final salary scheme.

3. Climate Change reporting

As previously reported to the Committee and Board the DLUHC issued a LGPS Consultation on Climate Change Reporting on 1 September 2022 which closed on 24 November 2022. It was proposed, in the Consultation, that mandatory Climate Change reporting would apply to all LGPS Funds from April 2023 with the deadline for the first annual report by each Fund being 1 December 2024.

By April 2023 no Regulations had been issued by the DLUHC to introduce mandatory Climate Change reporting by LGPS Funds. On 23 May 2023 the Scheme Advisory Board stated on its website that the implementation of Climate Risk reporting in the LGPS – *“is now expected to commence from 1 April 2024, with first reports due in late 2025.”* The DLUHC officially confirmed a further delay in introducing Climate Change reporting by LGPS Funds on 15 June 2023 when the relevant Minister, Lee Rowley MP, wrote to the Chair of the Scheme Advisory Board stating *“...I am therefore writing to confirm that Government will not be implementing any requirements related to the governance or disclosure of climate-related financial risks for the financial year 2023/24.”*

The Government introduced the mandatory reporting of Climate Change by private sector Defined Benefit Pension Schemes with over £5bn of assets from October 2021, extending this to those with over £1bn assets from October 2022. That the Government has now delayed the introduction of mandatory Climate Change reporting by LGPS Funds to April 2024 (at the earliest) is clearly regrettable.

Actually, achieving a transition to a net zero economy will be assisted by mandatory Climate Change reporting by investors. The fact that this is still not required by Government of the LGPS, whose 86 individual Funds across England and Wales have investments of approximately £350 billion, means that a significant opportunity is still been missed, by the Government, to further encourage carbon reduction.

4. Investment Pooling

A Consultation on the further development of Investment (Asset) Pooling has been expected since 2019. On 9 December 2022 the Chancellor of the Exchequer Rt Hon Jeremy Hunt MP stated that the Government *“Will, in early 2023, consult on new guidance to the Local Government Pension Scheme (LGPS) in England and Wales on asset pooling.”*

On 15 March 2023 the Chancellor of the Exchequer announced his Spring Budget 2023. The **SPRING BUDGET 2023** red book which sets out in full the Chancellor of the Exchequer’s Spring Budget 2023 included the following:

- **4.116 Local Government Pension Scheme investment** – *The government is challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets – a forthcoming consultation will propose LGPS funds transfer all listed assets into their pools by March 2025, and set direction for the future. This may include moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale. While pooling has delivered substantial benefits so far, progress needs to accelerate to deliver, and the government stands ready to take further action if needed...*

As at the date of finalising this LGPS Update (27 June 2023) no Consultation on the future of Investment Pooling has been issued by the DLUHC. If anything is issued this year it will (almost certainly) just be a Consultation – not actual new Regulations/Statutory Guidance. This is because a major Consultation normally lasts for three months, and the Government then considers all the responses received, and issue its reply to these before then issuing the consequent Regulations and/or Statutory Guidance.

Any Consultation on the further development of Investment Pooling will doubtlessly result in many, and varied, responses from not only individual LGPS Funds but also a range of other LGPS stakeholders. Given the response to the (subsequently withdrawn) 2019 Investment Pooling Consultation which included suggestions of legal challenge, and the judgement of the Supreme Court in a 2020 case concerned with LGPS Regulations, the DLUHC will doubtlessly very carefully consider not only the proposals in any Consultation it issues, but also how it responds to responses to the Consultation, and the nature of the final Regulations and/or Statutory Guidance issued. Therefore, any new Investment Pooling regime is unlikely to be finalised before 2024.

5. The Economic Activity of Public Bodies (Overseas Matters) Bill

On 19 June 2023 the Government introduced the **“Economic Activity of Public Bodies (Overseas Matters) Bill”** into Parliament. On the same day a letter was issued to all Local Authority Leaders and Chief Executives by Felicity Buchan MP, Parliamentary Under-Secretary of State at the DLUHC. This letter stated *“The Bill will only deal with boycotts and divestments targeted at foreign countries or territories. It will not deal with boycotts and divestments for other reasons, such as against fossil fuels.”* The letter further stated, *“This is not about cutting across the appropriate fiduciary duty of administering authorities, nor is it about interfering with a scheme manager’s ability to make proper and prudent use of Environmental, Social and Governance considerations in making investment decisions.”*

Based on the DLUHC letter of 19 June 2023 the Bill will only apply to boycotts and disinvestments targeted at foreign countries and therefore would not interfere with the ability of a LGPS Pension Fund not to invest in a particular company or investment vehicle on financial grounds or because of non-financial concerns

“provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.” (to quote the Statutory Guidance of July 2017 on Preparing and Maintaining an Investment Strategy Statement).

From a purely LGPS perspective it is difficult to understand the purpose of this Bill and indeed the Scheme Advisory Board stated on 23 June 2023 in relation to the Bill that *“As far as the Board is aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycott or divestment policies.”*

6. The Pensions Regulator: New General Code

By virtue of the Public Service Pensions Act (PSPA) 2013 the Pensions Regulator (TPR) has, since April 2015, had an oversight role in relation to the Administration of Benefits and (to a lesser extent) Governance of public service pension schemes including the LGPS. The remit of TPR does not extend to LGPS investment issues which remain solely the responsibility of DLUHC.

As a result of the extension of its remit to public service pension schemes TPR issued in 2015 its Code of Practice No14 ***“Governance and Administration of Public Service Pension Schemes.”*** This is one of the Codes of Practice issued by TPR with the others covering various issues as they relate to private sector pension schemes/arrangements. Since 2021 TPR has been working towards issuing a new General Code (formerly referred to as the Single Code of Practice) to consolidate several of the existing Codes of Practice, including Code No14, into one Code. The new General Code will also contain revisions of requirements to those contained in the existing Codes.

While not all of the TPR new General Code will be applicable to the LGPS its introduction will require that all LGPS Funds assess, implement, and demonstrate compliance with the applicable parts of the new Code. The finalised version of the new General Code is expected to be issued later this year.

John Raisin

27 June 2023

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Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Local Authority Pension Fund Forum (LAPFF) Update

Report

authorised by: Josephine Lyseight, 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 Pension 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

3.1. The Pensions Committee and Board is requested to note the content of this report.

4. Reason for Decision

4.1. Not applicable

5. Other options considered

5.1. Not applicable.

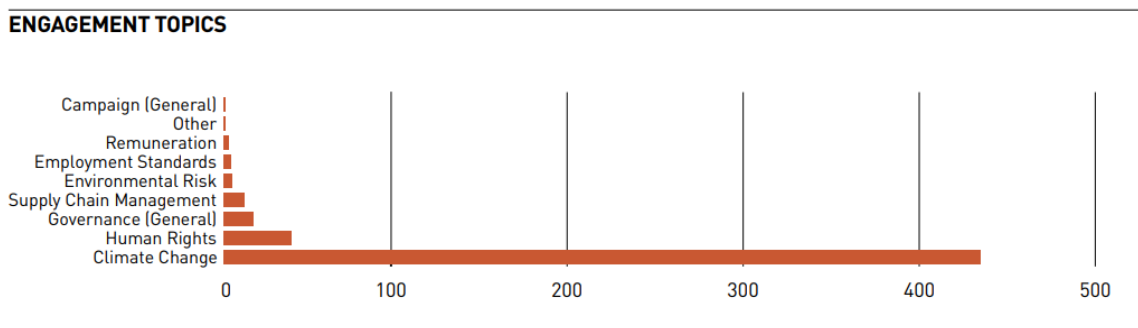
6. Background information

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 ending on 31 March 2023, LAPFF engaged with 397 companies domiciled across more than 20 jurisdictions. The majority of this engagement consisted of over 350 letters which were sent to the FTSE All Share constituents, requesting that a climate transition plan be presented to shareholders for approval at their upcoming Annual General Meetings (AGMs).

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



Voting Alerts

6.4. During the quarter, LAPFF issued only one voting alert. The table below provides details on the outcome of the vote, as well as how Legal and General Investment Management (LGIM), the Pension Fund’s listed equity manager, voted.

Table 1 – Quarterly Voting Summary

Company	Description	LAPFF Recommendation	LGIM Vote	AGM Vote Outcome
Rio Tinto	Management Resolution requesting shareholder acceptance of the 2022 Annual Report.	Against	For	For (99.72%)

6.5. Shareholders voted overwhelmingly in support of the management resolution, with the outcome of the vote resulting in over 99% of shareholders voting in favour of accepting the 2022 Annual Report.

6.6. LAPFF’s voting alert expressed concerns about the significant omission of important information related to progress made towards the company’s climate transition plans. This was the reason for the recommendation to vote against the Management Resolution.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, 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 (Monitoring Officer) 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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Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Haringey Pension Fund Risk Register

Report

authorised by: Josephine Lyseight, 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 Pension 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 this meeting will be Governance-related risks.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Pensions Regulator requires that the Pension Committee and Board (PCB) establish and implement internal controls for the Pension Fund. These internal controls must be sufficient to ensure that the scheme is administered and managed in accordance with the scheme rules and legal requirements.

6.2. The PCB initially approved a full version of the risk register in September 2016. Since then, different areas of the risk register have been reviewed at each subsequent meeting, with any changes agreed upon to ensure that the Pension Fund's strategic risk monitoring 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 governance-related risks that have been reviewed and updated for the PCB to provide feedback on at the meeting. Other areas of risk will be presented to the PCB for a detailed review in upcoming meetings.

Risk Scoring

- 6.4. The Pension Fund's risk scoring system evaluates the impact and likelihood of identified risks occurring. Each risk is assigned a score ranging from 1 (low impact, unlikely to occur) to 5 (high impact, very likely to occur). The RAG (Red-Amber-Green) rating system categorises the overall score for each risk,

RAG Rating	Scoring Range
	25 - 16
	15 - 10
	Less than 10

Key identified risks

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

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
INV13 – High inflation		<p>Inflation remains elevated for longer than initially anticipated, increasing both investment and funding risk for the Pension Fund.</p> <p>The current Consumer Price Index (CPI) inflation rate is 8.7%.</p>	<p>The Pension Fund has several investment mandates in inflation linked strategies which should provide some level of inflation protection.</p> <p>The Pension Fund is conducting a thorough review of its investment strategy following the actuarial valuation exercise. This includes an assessment of the impact of inflation on the Pension Fund's cashflows and asset specific expected returns.</p>
ACC1 – Delay of publication of Statement of Accounts		<p>The Council continues to experience significant delays to the completion of the external audit of its Statement of Accounts.</p> <p>Although the Council has published the draft accounts for 2021/22 and 2022/23, the external audit for both financial years remains outstanding.</p>	<p>Since the last update provided to the PCB by the Fund's external auditors, very little progress has been made in completing the outstanding audits.</p> <p>Officers have been actively engaging with the external auditors to complete this activity as soon as possible. The issue has also been</p>

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
		This means that the Pension Fund's has not had audited Annual Report for two years, resulting in failure to publish the audited reports in accordance with the statutory requirements.	brought to the attention of the Public Sector Audit Appointments Limited (PSAA), the body responsible for auditor appointment for local government and police bodies.
INV2 – Increasing risk of a market downturn		<p>The Bank of England's Monetary Policy Committee (MPC) has stated that it will take the necessary actions to return inflation to the 2% target.</p> <p>In June 2023, the MPC voted to increase the bank rate to 5%, reaching the highest levels since the Great Financial Crisis. Due to inflation in the UK proving to be stickier than initially anticipated, the MPC is widely expected to continue increasing interest rates. However, this action is expected to increase the risk of a recession in the UK in 2024.</p>	<p>Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors were necessary, and making the appropriate recommendations to the Pensions Committee and Board.</p> <p>The Pension Fund is currently conducting a thorough review of its investment strategy following the actuarial valuation exercise which will consider the investment risks and opportunities given the prevailing macroeconomic environment.</p>

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 Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. There are no direct 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. Members should refer to the matters referred to in paragraph 6.5 of this

report and the risks that these poses to the Pension Fund. Actions taken must not only manage but also mitigate the risk.

- 8.3. Section 70 of the Pensions Act 2004 imposes a reporting requirement on the administering authority where there is reasonable cause to believe that a duty which is relevant to the administration of the scheme and imposed by legislation has not been complied with and the failure is one which is of “material significance” then a report must be made to the Pension Regulator.

Equalities

- 8.4. Not applicable.

9. Use of Appendices

- 9.1. Appendix 1: Haringey Pension Fund Risk Register Review – Governance Risks
- 9.2. Appendix 2: Haringey Pension Fund Summary Risk Register

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

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
GOV4	Governance	Lack of engagement from employers and members means that communicating decisions becomes a "tick box" exercise resulting in a lack of accountability.	5	3	15	1) The Pensions Fund's approach to communicating with all stakeholders is set out in the Communications Strategy. 2) There is employee and employer representation on the Pension Fund's Committee and Board with full voting rights.	Treat 1) The remains a notable lack of engagement with employers particularly related to consultations and attendance to employer forums. Officers are working a on plan to increase engagement with employers and employees which includes site visits, on-line webinars and regular newsletter updates.	2	10	30/06/2023
GOV2	Governance	Members have insufficient knowledge of regulations, guidance and best practice to make good and informed decisions.	4	2	8	1) A Training Needs Analysis is undertaken annually to identify any knowledge gaps and the training programme adapted as required. 2) All new members joining the Pensions Committee and Board are required to undertake induction training. A comprehensive training programme is developed in line with the CIPFA guidances and regularly reviewed and updated. 3) Training is frequently provided prior to a meeting where the Pensions Committee and Board is required to make a key decision. 4) Members are encouraged to undertake self-directed training. A report of training undertaken by members during the year is included in the Pension Fund's Annual Report.	Treat 1) Officers will keep member training activity and the Training Needs Analysis under constant review. 2) Officers, in consultation with the Chair, will explore possible solutions for members to undertake structured self-directed training programmes.	2	8	30/06/2023
GOV3	Governance	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	4	2	8	1) Officer roles and responsibilities identify the relevant knowledge and skills required to undertake their duties effectively. 2) The Pension Fund's administration and investments team is diverse with a mixture of experience across the team. 3) Training and development plans are in place for all officers as part of the Council's performance appraisal programme.	Treat 1) Officers in leadership positions will continue to assess the knowledge and development requirements of the Pension Fund's administration and investments team.	2	8	30/06/2023
GOV8	Governance	The Pensions Committee and Board's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	5	2	10	1) The Pensions Committee and Board is scheduled to meet five times during the financial year 2022/23. 2) Where urgent decisions are required, an additional meeting can be arranged outside the scheduled meetings. 3) Delegation of necessary authority can be granted to relevant officers for extremely time critical matters. 4) An Investment and Governance Working Group has been set up to enable the effective identification of arising issues with the intention of acting quickly to mitigate risks and take advantage of opportunities.	Tolerate 1) Current governance arrangements remain in place. 2) Officers will continue to run regular working group sessions to ensure the effective risk management and monitoring for the Pension Fund based on the prevailing economic and regulatory environment.	1	5	30/06/2023

Appendix 1 Governance Risks Review

GOV5	Governance	Weak procurement processes lead to legal challenge or failure to secure the best value for money when procuring new services.	5	1	5	1) All procurement activity is carried out in line with the Council's procurement rules and guidance. Expert legal and procurement advice sought where appropriate.	Tolerate 1) Current governance arrangements remain in place.	1	5	30/06/2023
GOV6	Governance	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5	1	5	1) Officers maintain knowledge of legal framework for routine decisions. 2) The Council's legal team reviews all Pensions Committee and Board papers, and any other legal documents relevant to the Pension Fund 3) The Pension Fund has engaged a team of experts which include an Independent Advisor, Actuary and Investment Consultants. These are highly experienced individuals with in depth knowledge of the various aspects of administering the Local Government Pension Scheme.	Tolerate 1) Current governance arrangements remain in place.	1	5	30/06/2023
GOV1	Governance	The nature of appointments to the Pensions Committee and Board leads to frequent and/or extensive turnover of members resulting in a loss of technical and operational knowledge about the Pension Fund and therefore, an inexperienced Pensions Committee and Board.	4	2	8	1) The Pensions Committee and Board's membership is comprised of a diverse representation which include elected members, employer representatives and employee representatives. 2) The current membership of the Pensions Committee and Board includes former Chairs and several members who have served on the Committee and Board for over 3 years. In the past 12 months, there has only been one change to the Pension Committee and Board's membership. 3) All new members joining the Pensions Committee and Board are required to undertake induction training. A comprehensive training programme is developed in line with the CIPFA guidances and regularly reviewed and updated.	Treat 1) Officers will continue to monitor membership turnover and arrange for the relevant training to be provided to members as required to ensure that their knowledge and skills remain current.	1	4	30/06/2023
GOV9	Governance	Known risks not monitored leading to adverse financial, reputational or resource impact.	4	2	8	1) The Pensions Committee and Board receives an updated version of the risk register as an agenda item for all meetings. This includes a review of all high risk items and a periodic review of risks by category of risk. 2) Members of the Pensions Committee and Board are invited to provide comment on any current and/or emerging risks. 3) An Investment and Governance Working Group has been set up to enable the effective identification of arising issues with the intention of acting quickly to mitigate risks and take advantage of opportunities.	Tolerate 1) Officers will keep the Pension Fund's risk register under regular review and provide an update to the Pensions Committee and Board at each regular meeting. 2) Officers will continue to run regular working group sessions to ensure the effective risk management and monitoring for the Pension Fund based on the prevailing economic and regulatory environment.	1	4	30/06/2023

Appendix 1 Governance Risks Review

GOV7	Governance	Pension Fund objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	4	1	4	<p>1) The Fund's objectives are clearly defined in the Funding Strategy Statement and the Investment Strategy Statement. The reports are regularly reviewed and approved by the Pensions Committee and Board.</p> <p>2) An Investment and Governance Working Group has been set up to enable effective objective setting for the Pension Fund. The Working Group runs regular workshops led by officers and the Fund's advisors.</p>	<p>Tolerate</p> <p>1) Officers will ensure Fund strategy statements are kept up to date and reviewed by the Pensions Committee and Board regularly.</p> <p>2) Officers will continue to run regular working group sessions to ensure the Pension Fund's objectives are clearly defined and remain current based on the prevailing economic and regulatory environment.</p>	1	4	30/06/2023
GOV10	Governance	Failure to review existing contracts means that opportunities are not exploited.	3	2	6	<p>1) The Pension Fund regularly reviews existing contracts to ensure that they provide good value.</p> <p>2) Several of the Pension Fund's contracts are re-tendered at least once every five years.</p>	<p>Treat</p> <p>1) Officers will continue to review existing contracts and service requirements to ensure the best value is achieved for scheme members.</p>	1	3	30/06/2023
GOV11	Governance	Pensions Committee and Board members have undisclosed conflicts of interest.	3	1	3	<p>1) Declaration of conflict of interest is a standing item on the agenda.</p> <p>2) All members of the Committee are required to complete an annual declaration of interest form.</p>	<p>Tolerate</p> <p>1) The requirement for Pensions Committee and Board members to disclose any conflicts of interest remains in place.</p>	1	3	30/06/2023

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London Borough of Haringey Pension Fund Risk Register			
Governance			
Risk Ref	Risk Group	Risk Description	Risk Score
GOV1	Governance	The nature of appointments to the Pensions Committee and Board leads to frequent and/or extensive turnover of members resulting in a loss of technical and operational knowledge about the Pension Fund and therefore, an inexperienced Pensions Committee and Board.	8
GOV2	Governance	Members have insufficient knowledge of regulations, guidance and best practice to make good and informed decisions.	8
GOV3	Governance	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	8
GOV4	Governance	Lack of engagement from employers and members means that communicating decisions becomes a "tick box" exercise resulting in a lack of accountability.	15
GOV5	Governance	Weak procurement processes lead to legal challenge or failure to secure the best value for money when procuring new services.	5
GOV6	Governance	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
GOV7	Governance	Pension Fund objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	4
GOV8	Governance	The Pensions Committee and Board's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	10
GOV9	Governance	Known risks not monitored leading to adverse financial, reputational or resource impact.	8
GOV10	Governance	Failure to review existing contracts means that opportunities are not exploited.	6
GOV11	Governance	Pensions Committee and Board members have undisclosed conflicts of interest.	3

London Borough of Haringey Pension Fund Risk Register			
Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV1	Investments	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty including the ongoing crisis between Russia and Ukraine.	16
INV2	Investments	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates.	20
INV3	Investments	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 climate-related risks.	12
INV4	Investments	Economic uncertainty caused by the implementation of some of the post-Brexit agreements	4
INV5	Investments	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	12
INV6	Investments	The Fund has insufficient cash available to meet pension payments when they fall due, especially if inflation remains at sustained higher levels and contributions reduce as a result of the actuarial valuation outcome	15
INV7	Investments	The Pension Fund's actual asset allocations move away from the strategic benchmark.	12
INV8	Investments	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.	15
INV9	Investments	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	6
INV10	Investments	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	9

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV11	Investments	Strategic investment advice received from the investment consultants is inappropriate for the Fund	9
INV12	Investments	Financial failure of an investment manager leads to negative financial impact on the fund	8
INV13	Investments	High inflation is sustained over the long term leading to investment underperformance and higher costs for the Fund. The current Consumer Prices Index (CPI) inflation rate is 8.7%. Inflation has remained elevated for longer than initially anticipated.	25

London Borough of Haringey Pension Fund Risk Register			
Accounting			
Risk Ref	Risk Group	Risk Description	Risk Score
ACC1	Accounting	Risk of the Pension Fund's statement of accounts being delayed beyond statutory deadlines due to impacts of coronavirus pandemic. A delay beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline.	20
ACC2	Accounting	Internal controls are not in place to protect against fraud/mismanagement	10
ACC3	Accounting	The Pension Fund's Statement of Accounts do not represent a true and fair view of the Pension Fund's financing and assets.	15
ACC4	Accounting	Risk of misstatement of figures in the Pension Fund's accounts and potential audit qualification due to material uncertainty over year end valuations	12
ACC5	Accounting	The Pension Fund does not have robust internal monitoring and reconciliation process in place, leading to incorrect figures in the accounts	8

London Borough of Haringey Pension Fund Risk Register			
Accounting			
Risk Ref	Risk Group	Risk Description	Risk Score
ACC6	Accounting	Contributions received from employers participating in the Pension Fund are not in line with what is specified in actuarial reports and adjustment certificates, potentially leading to an increased funding deficit or surplus.	8
ACC7	Accounting	The market value of assets recorded in the Statement of Accounts figures are incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
ACC8	Accounting	Inadequate monitoring of contributions and investment income leads to cash flow issues for the Pension Fund.	8

London Borough of Haringey Pension Fund Risk Register			
Funding/Liability			
Risk Ref	Risk Group	Risk Description	Risk Score
FL1	Funding / Liability	There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments. LGPS benefits are uplifted by CPI inflation report in September preceeding the new financial year (1 April). This figure came in at 10.1% in September 2022.	15
FL2	Funding / Liability	Impact of economic and political decisions on the Pension Fund's employer workforce. Government funding level affecting the Council's spending decisions	15
FL3	Funding / Liability	Impact of increases to employer contributions following the actuarial valuation. The next actuarial valuation is to take place as at 31 March 2022	10

London Borough of Haringey Pension Fund Risk Register			
Funding/Liability			
Risk Ref	Risk Group	Risk Description	Risk Score
FL4	Funding / Liability	Employee salary increases are significantly more than anticipated for employers participating in the Pension Fund. Persistently high inflation could potentially lead to unexpectedly high pay awards.	12
FL5	Funding / Liability	Failure of an admitted body or scheduled body leads to unpaid liabilities being left in the Pension Fund to be met by other participating employers. Current economic conditions could potentially cause strain on smaller employers.	12
FL6	Funding / Liability	Scheme members live longer than expected leading to higher than expected liabilities.	12
FL7	Funding / Liability	Funding strategy and investment strategy are considered in isolation by the Pension Fund's decisionmakers and advisors	10
FL8	Funding / Liability	Inappropriate Funding Strategy is set at the Fund and employer level despite being considered in conjunction with the investment strategy.	10

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Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Forward Plan

Report

authorised by: Josephine Lyseight, 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 and agree upon the key priorities for the Pensions Committee and Board over the upcoming months, as well as seek members' input into future agendas.
- 1.2. An overview of the planned investment strategy review work that will follow the completion of the actuarial valuation exercise has also been included for members' consideration.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the progress made towards the agreed key priorities outlined in section 6 of this report, specifically in relation to the investment strategy review work.
- 3.2. To identify additional matters and training requirements for inclusion within the Pensions Committee and Board's forward plan.

4. Reason for Decision

- 4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required to keep its investment strategy under regular review and revised from time to time, and at least once every three years.
- 4.2. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Local Government Pension Scheme (LGPS) Regulations require that those responsible for the governance, decision making, and operational functions of the pension fund must acquire and maintain the necessary knowledge and skills to appropriately carry out of their duties.

6.2. To support this requirement, it is best practice for a pension fund to maintain a work plan. The plan, which set out the key activities anticipated over the upcoming months in the areas of governance, members/employers, investments, and accounting, has been included as Appendix 1 to this paper.

Overview of Investment Strategy Review Process

6.3. According to the LGPS Regulations, administering authorities are required to formulate, publish, and maintain an Investment Strategy Statement (ISS). The ISS must be kept under regular review and revised from to time, and at least once every three years.

6.4. Following the conclusion of the actuarial valuation exercise, it is prudent for the Fund to conduct an extensive review its existing investment strategy. This will ensure it is aligned with the expected increase in Fund's long-term obligations, as well as expected future investment return requirements

6.5. A high-level overview of the investment strategy review process is detailed in the table below.

Activity	Objective
Review of current investment strategy	To identify key sources of risk and return in the current investment strategy. This includes an assessment of current income levels, inflation-linkage, liquidity, and sustainable investment integration.
Setting investment objectives	To review and agree the Fund's investment objectives including a thorough review of the Fund's approach to responsible investment.
Agree and publish a revised ISS	To investment strategy is in accordance with LGPS regulations.
Explore investment opportunities	To identify investment opportunities that align with the agreed investment objectives and are consistent with the current macroeconomic environment.
Implementation and ongoing performance monitoring	To identify the appropriate investment managers through manager selection and ongoing performance review and monitoring.

Key Priorities Identified

- 6.6. The Fund has undertaken a high-level investment strategy review with the support of its officers and investment advisors. The outcome of this work has resulted in the following key priorities being identified and a proposed work plan for the next 9-12 months has been detailed below.

Activity	Objective	Key Dates	Progress Update
Review of the Fund's cashflow requirement	<p>The Fund's cashflow requirements to meet benefit payments as they fall due are likely to have increased due to sustained higher levels of inflation and changes to contribution rates effective from 1 April 2023.</p> <p>The Fund should consider reviewing the cash flow requirements and agreeing an effective strategy for managing any potential mismatch.</p>	July 2023	Under review at this meeting
Setting investment objectives	<p>The Fund should consider reviewing its investment objectives and responsible investment goals/criteria.</p> <p>This work will involve setting a target benchmark return for the next 3 – 5 years and agreeing a common set of responsible investment criteria for manager selection.</p>	September 2023 – November 2023	On track for completion
Agree any changes to ISS and explore investment opportunities	<p>Following the completion of process of setting investment objectives, the Fund should consider investment opportunities that are consistent with the agreed-upon investment objectives.</p> <p>This may involve a review of the role of fixed income investments in the portfolio, evaluating the Fund's listed equities allocation and conducting a thorough review of the Fund's private markets allocation. This work would be expected to continue throughout 2024.</p>	September 2023 – January 2024	On track for completion

- 6.7. The PCB is invited to provide comments on the proposed work plan above and suggest any necessary amendments. This will enable officers to ensure that members receive the necessary support to inform their decisions.

Knowledge and Skills

- 6.8. 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.
- 6.9. 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 Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, 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

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

Appendix 1 - Forward Plan

July 2023	September 2023	November 2023	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	LAPFF Voting update	LAPFF Voting update
LAPFF Voting update	LAPFF Voting update	LAPFF Voting update		
Administration & Governance				
	Annual Pension Fund Accounts 22/23 and Annual Report (including various statutory documents)	External Audit Plan	Administration Strategy	
	Draft Statement of Accounts 22/23		Business Plan and Annual Budget	
Investment & Funding Strategy				
Cashflow Requirement Review	Investment Strategy Statement	Investment Opportunities Review	Investment Opportunities Review	Investment Opportunities Review
	Investment Objectives Setting			
Knowledge & Skills Development				
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Pensions Committee and Board Induction Training				

Appendix 2 Training Plan Conferences

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

Report for: Pensions Committee and Board – 13 July 2023

Item number:

Title: Investment Strategy Review: Cashflow Requirements Review

Report

authorised by: Josephine Lyseight, 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 with a review of the Pensions Fund's cashflow requirement over the short to medium term.
- 1.2. Haringey Council is the designated statutory Administering Authority for the Haringey Local Government Pension Scheme (LGPS). Administering Authorities are responsible for operating the scheme in accordance with the LGPS regulations, which includes the investment of Pension Fund assets and paying pension benefits.
- 1.3. This report aims to ensure that the Pension Fund has an appropriate strategy in place to fulfil its obligation of paying member pension benefits.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended to:

- 3.1. To note Hymans Robertson's Cashflow Projections paper, appended as Confidential Appendix 1 to this report, and the advice contained therein.
- 3.2. To note Mercer's Income Considerations paper, appended as Confidential Appendix 1 to this report, and the advice contained therein.
- 3.3. To approve a change to the income distribution policy for the applicable global listed equities strategies managed by Legal and General Investment Management within the investment portfolio.
- 3.4. To delegate the authority to the Head of Pensions & Treasury to implement the above changes (if approved), after consultation with the Chair of the Pensions Committee and Board.

4. Reason for Decision

- 4.1. The Pension Fund is currently considered to be “cashflow negative”. This means that the amount paid out in pension benefits exceeds the total contributions received from employers and employees who are currently paying into the scheme.
- 4.2. If the cashflow negative position is not monitored and managed effectively, it can pose a liquidity risk, potentially making it challenging for the Pension Fund to fulfil its obligation of paying member pension benefits.

5. Other options considered

- 5.1. All the options under consideration have been outlined in both Confidential Appendix 1 and Confidential Appendix 2.
- 5.2. To meet its short-term cashflow needs, the Pension Fund can, under delegated authority to the Head of Pensions and Treasury, receive income from current assets in the investment portfolio or selling liquid assets such as equities and fixed income.

6. Background information

- 6.1. The Pensions Committee and Board (PCB) has previously agreed to a review of its cashflow requirements as part of the investment strategy review. This has been included as part of the PCB’s Forward Plan.
- 6.2. The Pension Fund receives income from contributions made by employers and current employees and uses it to pay out pension benefits to retired members.
- 6.3. Employer contribution rates are set by the Fund Actuary every three years as part of the actuarial valuation process. Employee contribution rates are set by Central Government. Following the outcome of the actuarial valuation exercise as at 31 March 2022, the Pension Fund’s contributions were slightly reduced across the employer base.
- 6.4. LGPS pension benefits are uplifted annually based on the Consumer Price Inflation (CPI) report in September prior to the start of the new financial year in April. For the financial year 2023/24, pensions benefits were uplifted by 10.1%.
- 6.5. Sustained higher levels of inflation and reductions in contribution rates can increase the Pension Fund’s cashflow requirements and pose a risk to its ability to effectively meet benefit payments when they fall due.
- 6.6. The Fund Actuary, Hymans Robertson has prepared a Cashflow Projections paper which considers different future projections of the Fund’s cashflows under a range of different scenarios. The analysis and projections will help the Fund better understand its current and potential future cashflow position which is a key part of its management of risk. This paper has been included as Confidential Appendix 1 to this paper.
- 6.7. The Pension Fund’s investment consultants, Mercer, have prepared an Income Considerations paper. This paper summarises the current income distribution policy arrangements as well as considering several options for increasing the Pension Fund’s income in the future. This paper has been included as Confidential Appendix 2 to this paper.

- 6.8. On the basis of the considerations included in both the fund actuary paper and the investment consultation paper, the Pension Fund can change the distribution policy on some of its current investments. This change would increase the income received by the Pension Fund from its investments, thereby reducing the cashflow requirement in the short-term.
- 6.9. However, in the long-term, the Pension Fund will need to consider its strategic asset allocation to ensure it remains appropriate given the Pension Fund's expected future cashflows.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities) Finance and Procurement

- 8.1. There are no direct financial implications arising from this report. However, establishing a good control environment may result in future cost reductions for administering the scheme.

Head of Legal and Governance (Monitoring Officer)

- 8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report.
- 8.3. 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 appropriately managed and are consistent with its overall investment strategy.
- 8.4. 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 PCB should keep this duty in mind when considering this report and take proper advice on the matter which is the subject of the recommendation.

Equalities

- 8.5. There are no equalities issues arising from this report.

9. Use of Appendices

- 9.1. Confidential Appendix 1: Cashflow Projections
- 9.2. Confidential Appendix 2: Income Considerations

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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