

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Wednesday, 6th September, 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 lyngkaran and Matt White

Co-optees/Non Voting Members: Ishmael Owarish, Keith Brown, Randy Plowright, Pattinson, Raisin (Independent Adviser) (Advisor), Alex Goddard (Mercer) (Advisor) and Steve Turner (Mercer) (Advisor)

Quorum: 3

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 below).

4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

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

- i) Has a responsibility or duty in relation to the management of, or provision of advice to, the LBHPF, and
- ii) At the same time, has:
 - a separate personal interest (financial or otherwise) or
 - another responsibility in relation to that matter,

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

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

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Head of Legal and Governance (Monitoring Officer)

When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to

their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

7. MINUTES

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 13th July 2023 as a correct record.

To follow.

8. PENSION ADMINISTRATION UPDATE (PAGES 1 - 4)

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 McCloud project
- d. Update on Annual Benefit Statements

9. QUARTERLY INVESTMENT PERFORMANCE (PAGES 5 - 8)

This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 30 June 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. HARINGEY PENSION FUND ANNUAL REPORT (PAGES 9 - 58)

This report presents the Haringey Pension Fund Annual Report and unaudited accounts for 2022/23 to the Pensions Committee and Board (PCB) for approval, subject to the successful completion of the external audit exercise.

11. INVESTMENT CONSULTATION (PAGES 59 - 62)

This report provides the Pensions Committee and Board (PCB) with an overview of the government's consultation on *Local Government Pension Scheme (LGPS): Next steps on investments*, ("the Consultation") which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023.

12. RISK REGISTER UPDATE (PAGES 63 - 74)

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. LAPFF UPDATE REPORT (PAGES 75 - 78)

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.

14. FORWARD PLAN (PAGES 79 - 84)

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 follows the completion of the actuarial valuation exercise has also been included for members' consideration.

15. NEW ITEMS OF URGENT BUSINESS

16. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

4th December 2023
30th January 2024
5th March 2024

17. EXCLUSION OF THE PRESS AND PUBLIC

Items 18-20 are likely to be subject to a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3 – namely information relating to the financial or business affairs of any particular person (including the authority holding that information) 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 13th July 2023 as a correct record.

To follow.

19. EXEMPT – QUARTERLY INVESTMENT PERFORMANCE (PAGES 85 - 136)

20. NEW ITEMS OF EXEMPT URGENT BUSINESS

Kodi Sprott, Principal Committee Coordinator
Tel – 020 8489 5343
Email: kodi.sprott@haringey.gov.uk

Tuesday, 29 August 2023

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Report for: Pensions Committee and Board – 6 September 2023

Item number:

Title: Pensions Administration Update

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

Lead Officers: Tim Mpofu, 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 McCloud project
 - d. Update on Annual Benefit Statements

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended to note this report and the information provided regarding the Pension Fund's administration activities for the quarter ending 30 June 2023.

4. Reason for Decision

- 4.1. Not applicable.

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 30 June 2023.

Member status	30 Sep 22	31 Dec 22	31 Mar 23	30 Jun 23
Active members	6,301	6,271	6,350	6,244
Pensioner members	8,240	8,578	8,633	8,684
Deferred members	10,660	10,509	11,194	11,157
Total scheme members	25,381	25,358	26,177	26,085

Online Member Self Service Portal Update

- 6.3. The Member Self Service (MSS) 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 MSS as at 30 June 2023.

Member Self Service	30 Sep 22	31 Dec 22	31 Mar 23	30 Jun 23
Total active scheme members	6,301	6,271	6,350	6,244
Total active member registrations on MSS	953	1,028	1,057	1,087
Proportion of registered active members	15.12%	16.39	16.65%	17.4%

- 6.5. The table on the below 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 pension's information.

Period last accessed	No. of Members
Last 7 days	38
Last 30 days	98
Last 2 months	79
Last 3 months	59

Update on McCloud Remedy Implementation Project

- 6.6. 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.

- 6.7. On 17 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent and became law. In mid-July 2022, the Department for Levelling Up Housing and Communities (DLUHC) provided an update on its work to rectify the “McCloud” age discrimination across all affected public service pension schemes, including the LGPS. In relation to the LGPS, the Government’s consultation closed at the end of June, with the Government hoping to finalise the regulations in early September, before their coming into force on 1 October 2023. It plans to ‘establish a guidance working group’ with the LGPS Scheme Advisory Board (SAB) to consider what guidance is required.
- 6.8. Starting from 1 October 2023, the LGPS McCloud remedy regulations will be implemented. After this date, the scheme will be required to begin recalculating benefits for affected members according to the McCloud guidelines. The scheme will contact these members directly.
- 6.9. Officers have undertaken some preliminary work to identify the affected members ahead of the implementation date. To date, approximately 60% of employers had responded as part of the data gathering exercise. The guidance sets out the available options administering authorities may consider if they are unable to collect the necessary data to implement the McCloud remedy.
- 6.10. It is anticipated that the implementation of the proposed remedial regulations will be both complex and time consuming. Additional resources are likely to be required to undertake this work.
- 6.11. Officers will continue to keep the Pensions Committee and Board informed of developments related to the McCloud remedy activities and update on any additional resource requirements when identified.

Update on Annual Benefit Statements (ABS)

- 6.12. Administering Authorities of the Local Government Pension Scheme (LGPS) are required to provide all scheme members with a yearly benefit statement which shows the current value of pension benefits accrued as at 31 March of the previous financial year. The ABS includes a projection of future benefits members can expect to accrue until they reach their Normal Pension Age (NPA). This allows scheme members to better plan for their retirement.
- 6.13. According to regulations, these statements must be made available to members by 31 August each year.
- 6.14. Statements for all members have been produced and made available to members via Member Self Service portal or through the post. Internal communication has been produced and circulated to inform members that their statement is ready and provide information on how to obtain it.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Carbon and Climate Change

8.1. Not applicable

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

Finance and Procurement

9.1. Not applicable.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. Members should note that the regulations relating to the “McCloud remedy” are still pending and further legal advice will be given when the regulations are published.

Equalities

9.3. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. The report’s content has no direct impact on equality issues.

10. Use of Appendices

10.1. None

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.

JOHN RAISIN FINANCIAL SERVICES LIMITED**Independent Advisors Report****Market Commentary April to June 2023**

For the third Quarter in a row Global Equities advanced. The April to June 2023 Quarter saw the MSCI World Index increase by almost 7% (in \$ terms). For Global Equities as a whole April was mildly positive, May negative and June clearly positive. Over the Quarter as a whole Developed market Equities, and in particular those listed in the United States and Japan, were clearly positive.

A number of factors, in general, favoured Global Equity markets during June. Firstly concerns, which had hung over markets in May, over whether the United States Congress would raise the Debt Ceiling and therefore avoid a default on government debt (on 5 June), which would likely have been disastrous for both the United States and globally, was avoided when on 1 June the Senate approved a bill to suspend the debt ceiling (which is the limit on the total the government can borrow) until 1 January 2025. Also, in June the latest available headline inflation figures (for May) moderated in both the United States and Europe and the US Federal Reserve did not raise its benchmark interest rate at the meeting of the policy setting Federal Open Markets Committee after having done so at each of its previous ten meetings from March 2022.

Headline inflation in the United States clearly declined over the Quarter. CPI (Consumer Price Index) inflation which had been 5.0% in March 2023 fell to 4.0% in May and 3.0% in June. However, the Core PCE (Personal Consumption Expenditures) Index which is closely observed by the Federal Reserve when determining monetary policy remained well above its target of 2% inflation although this measure also showed indications of mitigating. Core CPE was 4.6 in March 2023 and maintained this level in both April and May 2023. June saw a fall to 4.1%, but this was not (of course) known until July 2023. Unemployment remained very low registering 3.6% as at June 2023

At the monetary policy setting Federal Open Markets Committee (FOMC) meeting which concluded on 3 May 2023 the US Federal Reserve again increased interest rates by setting its benchmark interest rate, the Federal Funds Rate, at a target range of 5 to 5 ¼%. This was the tenth successive meeting at which the FOMC had increased the Federal Funds Rate. However, the increase was only 0.25% the same as at the February and March 2023 meetings and in clear contrast to the four 0.75% increases and the two 0.5% increases imposed between May and December 2022. Furthermore, while the Press Release issued after the March 2023 FOMC meeting had included the statement *“The Committee anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time”* this was not included in the Press Release issued after the May meeting. Rather a softer, more dovish, statement was made that *“In determining the extent to which additional policy firming may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.”*

At his press conference following the May 2023 FOMC meeting Chair Jay Powell confirmed that the softened wording regarding future interest rate rises made in the May press release represented a clear change in approach stating that *“... we’re no longer saying that we anticipate. And so we’ll be driven by incoming data meeting by meeting. And, you know, we’ll approach that question at the June meeting...”* [quote extracted from official Transcript of Chair Powell’s Press Conference May 3, 2023].

At the FOMC meeting that concluded on 14 June the committee determined not to increase the Federal Funds Rate. This represented the first pause in monetary tightening since March 2022. At his 14 June press conference Chair Jay Powell stated *“...In light of how far we’ve come in tightening policy, the uncertain lags with which monetary policy affects the economy, and potential headwinds from credit tightening, today we decided to leave our policy interest rate unchanged...”* However, Chair Powell was also clear that some further monetary tightening was likely stating *“Looking ahead, nearly all Committee participants view it as likely that some further rate increases will be appropriate this year to bring inflation down to 2 percent over time.”* [quotes extracted from official Transcript of Chair Powell’s Press Conference June 14, 2023].

US Equities clearly had a positive quarter with the S&P 500 index posting gains approaching 9%. While most markets posted a loss in May the S&P 500 posted a small advance. This was despite serious market concerns over the government debt ceiling situation which remained unresolved in the US Congress and the failure of another significant US regional bank. At the beginning of May the Californian regulators in liaison with the Federal Deposit Insurance Corporation closed the Californian Bank First Republic and sold most of its assets to JP Morgan. This was the third failure of a significant US regional bank in 2023 and the second largest bank failure in US history but again, as in March 2023, the actions of the US authorities avoided a full scale banking crisis. June saw an increase of well over 6% in the S&P 500 Index. Over the Quarter US company earnings results, the lifting by Congress of the US government debt ceiling, a softer approach to monetary policy tightening by the US Federal Reserve, less negative news regarding inflation, and positive sentiment regarding the development of Artificial Intelligence were all positives for US Equity markets.

Eurozone Equities also experienced a positive Quarter with the MSCI EMU Index advancing by over 3%. The Eurozone experienced positive company earnings results and falling inflation which were both positives for markets. However, in June both past and forecast economic data indicated concerns regarding the Eurozone economy. Data released by Eurostat on 8 June 2023 showed that the Eurozone GDP had declined by 0.1% in both the last Quarter of 2022 and the first Quarter of 2023 and that therefore the Eurozone had technically experienced a recession. On 23 June it was reported that the PMI (Purchasing Managers Index), an indicator of manufacturing and services activity had fallen to a five month low. Eurozone equity markets reacted negatively to this news.

Eurozone inflation as measured by the Harmonised Index of Consumer Prices (HICP) continued to fall but remained clearly above the European Central Bank (ECB) target of 2%. HICP had been 9.2% in December 2022 falling to 6.9% by March 2023. By May it had fallen to 6.1% and at June was 5.5%. Core inflation which had been 5.7% in March 2023 fell marginally over the Quarter to 5.5% in June. Despite ongoing monetary tightening (interest rate rises) by the ECB and not so positive economic news revised figures issued by Eurostat on 31 July indicated that Eurozone unemployment in each of April, May and June 2023 was 6.4% an all time low in the history of the Eurozone.

In the context of inflation clearly above the ECB target of 2% the ECB raised interest rates by 0.25% at both its May and June monetary policy meetings. The June increase was the eighth successive interest rate increase imposed by the ECB as it sought, in the words of its Monetary Policy Decisions statement issued after the June meeting, *“to ensure that inflation returns to its 2% medium-term target in a timely manner.”* Following the June 2023 policy meeting the benchmark ECB interest rate (*“the deposit facility”*) stood at 3.5% and ECB interest rates reached their highest since 2001. These two rate rises of 0.25% represented, however, a slowing of the pace of monetary policy tightening by the ECB as between July 2022 and March 2023 interest rates were increased by 0.75% on two occasions and by 0.5% on four occasions.

Although there was a clear decline in United Kingdom CPI inflation during the April to June Quarter it still remained well in excess of the Bank of England policy target of 2%. CPI which had been just over 10% throughout the January to March 2023 Quarter fell to 8.7% in both April and May and to 7.9% in June (although this was only reported after the end of the Quarter, on 19 July). Core inflation, however, increased from 6.2% in February and March to 6.8% in April and 7.1% in May, which was its highest level for 31 years, before falling marginally to 6.9% in June 2023.

In the context of this continuing inflationary environment the Bank of England Monetary Policy Committee (MPC) increased Bank Rate (interest rates) by a further 0.25% at its May meeting and then, in contrast to the June monetary policy decisions of both the US Federal Reserve and European Central Bank, by a further 0.5% at its June 2023 meeting. In relation to this 0.5% increase the Monetary Policy Summary issued after the June MPC meeting referred to *“...recent data that indicates more persistence in the inflation process, against the background of a tight labour market and continued resilience in demand.”* Following this meeting Base Rate stood at 5%.

In contrast to other major developed markets UK equities declined in value during the April to June 2023 Quarter with both the FTSE All Share and FTSE 100 (mega cap index) losing value. Possible contributors to this relative poor performance include higher inflation/ more persistent inflation than other major developed markets, and the strength of sterling (GB £) which undermined the performance of large UK listed companies which account/report earnings in United States Dollars (US \$). Compared to other developed markets (particularly the United States) the FTSE has a light allocation to Technology which performed well during the Quarter and a heavy allocation to Mining and Energy which performed less well in the April to June 2023 period.

The year 2022-2023 (April 2022 to March 2023) finally saw Japanese CPI inflation exceeding the Bank of Japan's 2% target throughout the whole year averaging 3.2%. During the whole April to June 2023 Quarter Japanese CPI inflation again exceeded the 2% target recording 3.5% in April, 3.2% in May and 3.3% in June.

Japanese Equities enjoyed a hugely successful Quarter with the Nikkei 225 Index increasing by over 18% (in Yen terms) during the April to June 2023 period. In May the Nikkei 225 exceeded 31,000 for the first time in over 30 years and the Index was 33,189 on 30 June. The seeming end of low inflation/deflation and the return of moderate inflation, the call by the Tokyo Stock Exchange for Japanese companies to review their financial/reporting approaches, the fact that Japanese equities look attractively valued (which resulted in significant foreign investment in Japanese shares during the Quarter) and the continuation of the Bank of Japan's ultra loose approach to monetary policy were all surely clear positives for Japanese Equities.

April 2023 saw the retirement as Governor of the Bank of Japan of Haruhiko Kuroda who had served as Governor since 2013 and had resolutely maintained the Bank's ultra loose approach to monetary policy until the end of his term of office. Kazuo Ueda, an academic economist, became the 32nd Governor of the Bank of Japan on 9 April 2023.

At the policy meetings which concluded on 28 April 2023 and 16 June 2023 the Bank of Japan maintained short term interest rates at -0.1% and the 10 Year Japanese Government Bond Yield target of 0% with a plus or minus 0.5% tolerance. Therefore, the Bank of Japan continued to maintain its ultra loose monetary policy approach and to be the only major Central Bank to retain negative interest rates.

There were however some indications in the "Statement on Monetary Policy" issued by the Bank of Japan following its April 2023 policy meeting that there could be changes to monetary policy going forward. Firstly, the comment that had appeared in the March "Statement on Monetary Policy" (the last while Haruhiko Kuroda was Governor) that the Bank *"expects short-and long-term policy interest rates to remain at their present or lower levels"* was omitted from the April Statement which suggested less ongoing commitment to the present ultra loose monetary policy approach. Additionally, the April Statement announced a longer term comprehensive review of monetary policy stating *"...the Bank has decided to conduct a broad-perspective review of monetary policy, with a planned time frame of around one to one and a half years."*

Asian Markets (excluding Japan) and Emerging Markets again underperformed Developed Markets. The MSCI Emerging Markets Index advanced by only 1% over the Quarter while the MSCI Asia (excluding Japan) Index lost over 1%. There were however wide disparities in returns between different countries.

Chinese Equities had a difficult Quarter in the context of a weakening Chinese economy and weak export demand and tensions with the United States regarding Taiwan. Weak export demand also adversely affected Asian (excluding Japan) Equities more generally, but Taiwan benefitted from the gains seen by technology stocks including positive sentiment in the context of Artificial intelligence. The performance of emerging markets overall was positively supported by Latin American (and in particular Brazilian) Equities which enjoyed a clearly successful Quarter.

The benchmark Government Bonds (US, UK, and Germany) all experienced a negative Quarter with yields rising and prices therefore falling. UK Gilts in particular suffered a negative Quarter with the United Kingdom's higher/more sticky inflation compared to the United States and other G7 countries surely a material factor. Over the Quarter the 10 Year Gilt yield increased from 3.49% to 4.39%. US and European Corporate Bonds, and in particular High Yield, outperformed the benchmark Government Bonds over the April to June 2023 Quarter.

18 August 2023

John Raisin Financial Services Limited
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VAT Registration Number 990 8211 06

"Strategic and Operational Support for Pension Funds and their Stakeholders

Report for: Pensions Committee and Board – 6 September 2023

Title: Haringey Pension Fund Draft Annual Report 2022/23

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 presents the Haringey Pension Fund Annual Report and unaudited accounts for 2022/23 to the Pensions Committee and Board (PCB) for approval, subject to the successful completion of the external audit exercise.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the draft Haringey Pension Fund Annual Accounts and unaudited accounts for 2022/23 appended as Appendix 1 to this report.
- 3.2. To approve that the draft version of the Pension Fund's Annual Report be uploaded on to the Haringey Pension Fund's website by 1 December 2023.

4. Reason for Decision

- 4.1. As the Administering Authority for the Haringey Pension Fund, Haringey Council is required by law to approve the Pension Fund Accounts and Annual Report before publishing a final version.
- 4.2. The Council, in its Constitution, 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

- 6.1. According to the Local Government Pension Scheme (LGPS) Regulations 2013, LGPS funds must produce an annual report each year. This report must be published by December 1st, following the end of the financial year.
- 6.2. One of the main components of the annual report is the audited pension fund accounts for the financial year. Although the pension fund accounts must be audited separately, they are also required to be included in the Council's main statement of accounts. Therefore, an audit opinion on the pension fund's Statement of Accounts cannot be issued separately from that of the Council's main statement of accounts.
- 6.3. In response to the COVID-19 pandemic, the timescales for preparation and certification of the accounts were relaxed. However, in 2022, the draft accounts deadline of 31 May was reinstated, and the audit completion deadline was set for 30 September.
- 6.4. Despite the delays associated with the external audit process, the Pension Fund intends on publishing its Annual Report by 1 December. However, it should be noted that this report is likely to be unaudited. Over the past few years, the Scheme Advisory Board has requested for funds to publish their unaudited Annual Reports. This will assist in the preparation of the Scheme Annual Report.
- 6.5. Following the completion of the external audit exercise is completed, the Pension Fund will update the report and re-publish the audited version on its website.

Overview of the Annual Report

- 6.6. The Pension Fund's Annual Report includes information on the following sections:
 - **Management and Financial Performance** which explains the governance and management arrangements for the pension fund, as well a summary of the overall financial position and Fund's approach to risk management.
 - **Investment Policy and Performance** which details the Fund's investment strategy, arrangements, and performance.
 - **Scheme administration** which sets out how the scheme is administered including a summary of some key administration statistics.
 - **Actuary's report** which provides an update on the Fund's Funding Position including a statement from the Fund Actuary.
 - **The Pension Fund's Annual Statement of Accounts** for the year ended 31 March 2023 which have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').
- 6.7. Additional information regarding the activities of the Pension Fund during 2022/23 is included in the draft Annual Report, which is appended to this report as Appendix 1.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Carbon and Climate Change

8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

8.2. The fund's progress towards achieving its responsible investment goals during 2022/23 has been included in the Investments section of the annual report.

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

Finance

9.1. The Haringey Pension Fund Draft Annual Report contains a detailed summary of the performance of the Pension Fund and its investments during the financial year ending 31 March 2023. Effective investment management and administration of the pension fund are essential to ensuring the protection of member retirement benefits and improving the likelihood of maintaining stable employer contribution rates.

Procurement

9.2. There are no immediate procurement implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

9.3. As the report confirms the Authority is required under Regulation 57 of the Local Government Pension Scheme Regulations 2013 to publish a pension fund annual report in a specific format annually on or before 1 December of the year following the year end to which the annual report relates. The Regulation also sets out the information that should be contained within the report.

Equalities

9.4. The Local Government Pension Scheme is a defined benefit open scheme that allows all Council employees to participate. The report's contents have no direct impact on equality issues.

10. Use of Appendices

10.1. Appendix 1: Haringey Pension Fund: Draft Annual Report 2022/23

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.

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Haringey Pension Fund DRAFT Annual Report

For the year ended 31 March 2023



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Introduction and overview

About the Local Government Pension Scheme (LGPS)

Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS).

The LGPS is a defined benefit pension scheme for employees of local government and related organisations within the United Kingdom. During their employment, scheme members can build up their pension benefits based on a fixed formula as set out in the LGPS Regulations.

The LGPS is a national scheme, administered locally by councils nominated as “administering authorities”. Haringey Council is the administering authority for Haringey Pension Fund. It is responsible for running the pension scheme to provide pension benefits to current and former employees of Haringey Council and other employers participating in the pension scheme.

More information about the LGPS works can be found at www.lgpsmember.org.

This annual report includes information on the following sections:

- **Management and Financial Performance** which explains the governance and management arrangements for the pension fund, as well a summary of the overall financial position and Fund’s approach to risk management.
- **Investment Policy and Performance** which details the Fund’s investment strategy, arrangements, and performance.
- **Scheme administration** which sets out how the scheme is administered including a summary of some key administration statistics.
- **Actuary’s report** which provides an update on the Fund’s Funding Position including a statement from the Fund Actuary.
- **The Pension Fund’s Annual Statement of Accounts** for the year ended 31 March 2022 which have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (‘the Code’).

Governance Arrangements

Pensions Committee and Board

Haringey Council, in its role as the Administering Authority, has delegated responsibility for administering the Haringey Local Government Pension Scheme (LGPS) to the Pensions Committee and Board. The terms of reference for Pensions Committee and Board are set out in the Council's constitution.

The Committee and Board is responsible for setting the investment strategy, appointing investment managers and monitoring the ongoing performance of investments. In doing so, the Committee and Board considers advice from officers and the Fund's appointed advisors.

The Committee and Board has dual responsibility over the decision-making functions and oversight of the administration of the Fund. This arrangement fulfils the duties required by LGPS regulations for the Council to operate a Pensions Board.

The Committee and Board consists of elected councillors, and employer and employee representatives, all with equal voting rights. Councillors are selected by their respective political groups and their appointments are confirmed at an annual meeting of the full Council. They are not appointed for a fixed term, but their membership is regularly reviewed by their respective political groups. The other representatives are appointed through a separate selection process for a fixed term.

Details of the individuals who served on the Committee and Board during 2022/23 are shown below.

Member	Member Representation	Meeting Attendance
Cllr Yvonne Say (Chair)	Elected member	4/4
Cllr John Bevan (Vice Chair)	Elected member	4/4
Cllr Tammy Hymas	Elected member	3/4
Cllr Thayahlan Iyngkaran	Elected member	4/4
Cllr Matt White	Elected member	4/4
Cllr Nick da Costa	Elected member	3/4
Keith Brown	Employer representative	4/4
Craig Pattinson	Employer representative	3/4
Ishmael Owarish	Employee representative	3/4
Randy Plowright	Employee representative	2/4

Members of the Committee and Board can be contacted at 7th Floor, Alexandra House, London, N22 7TR.

Governance Compliance Statement

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement, and to assess the governance arrangements in place against a set of best practice principles.

The most recent version of the Fund's Governance Compliance Statement is available on the Pension Fund's website.

Service Delivery

Haringey Pension Fund is administered by officers working within Haringey Council's finance department. These officers provide the pensions service on behalf of the Council.

The service is responsible for accounting, investment management, and pensions administration activities for the Fund. In addition to this, the pension service is supported by other departments within the Council including legal, human resources, procurement, and democratic services.

The key responsibilities for the Investments and Accounting team include:

- Supporting the Pensions Committee and Board in setting the investment strategy, as well as monitoring investment performance on an ongoing basis
- Producing the Pension Fund's Annual Report and Accounts
- Managing contractual relationships with the Fund's appointed advisors
- Maintaining the key governance statements the Fund is required to publish

The key responsibilities for the Pensions Administration service are included in the Scheme Administration section of this report.

The table below lists the key officers supporting the Fund.

Role	Officer
Director of Finance (\$151 Officer)	Jon Warlow
Assistant Director of Finance	Josephine Lyseight
Head of Legal & Governance	Fiona Alderman
Head of Pensions & Treasury	Tim Mpofu

Pension Fund Advisors

The LGPS regulations require members of the Pensions Committee and Board to receive proper advice to support the effective undertaking of their duties. The table below lists the Fund's appointed advisors.

Role	Appointed Advisor
Fund Actuary	Hymans Robertson
Investment Consultants	Mercer
Independent Advisor	John Raisin Financial Services Ltd

Investment Managers

The Fund has appointed several external investment managers to undertake the day-to-day management of its investment portfolio. Each investment manager is appointed with a mandate to cover a specific asset class or strategy.

The table below provides a list of the Fund's current external investment managers and the mandates that they are responsible for.

Mandate	Investment Manager
Listed Equities	LGIM
Property	CBRE Aviva Investors London CIV, LPPI
Multi Asset Credit	London CIV CQS, PIMCO
Multi Asset	London CIV Ruffer
Index Linked Gilts	LGIM
Renewable Infrastructure	London CIV BlackRock CIP
Private Equity	Pantheon
Infrastructure Debt	Allianz

Other service providers

The Fund has procured other services from external providers to support with the administration of the Fund.

The table below lists other service providers and the services they provide to the Pension Fund.

Service	Organisation
Custodian	Northern Trust
Bankers	Barclays Bank Aviva Investors
Auditors	BDO (external) Mazars (internal)
Administration Software Provider	Heywood
Additional Voluntary Contributions (AVCs) Providers	Equitable Life Clerical & Medical Prudential

Risk Management

The Pensions Committee and Board is responsible for the Fund's risk management strategy.

Risk Register

The Fund maintains a risk register that is reviewed quarterly and discussed at the Committee and Board's meetings.

The risk register identifies the key risks that affect the Fund and outlines the planned actions to mitigate and/or reduce the impact of each identified risk.

The full risk register is made available in the public section of the meetings and published online.

Funding risks

The Funding Strategy Statement (FSS) outlines the key risks related to changing demographics, regulatory risks, employer related risks, and the measures in place to manage these risks. The FSS is reviewed regularly.

Operational risks

Haringey Council's internal audit team conducts risk based audits on the management risk of the Pension Fund. These audits are carried at least once every two years.

Investment risks

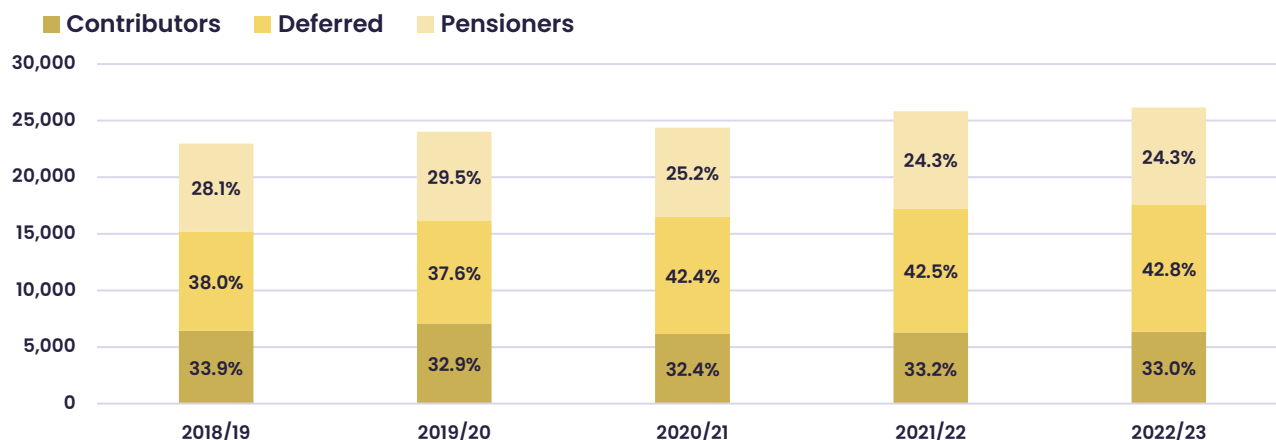
Further details of the Fund's policy regarding the management of investment risk are outlined in the Fund's Investment Strategy Statement (ISS).

Investment managers and other relevant service providers provide assurance over their internal controls annually through the disclosure of ISAE 3402 reports.

Fund Membership

The chart below shows the breakdown of the Fund's membership over the past 5 years.

Fund Membership



At 31 March 2023, the Fund had approximately 26,000 in total scheme members. This has been broken down into the following categories:

- **Contributors** (also referred to as active members) are employees who are currently contributing to the Fund. There were **6,350** active contributors at 31 March 2023.
- **Deferred members** are members who have left Haringey LGPS but are not yet entitled to their accrued benefits. Some individuals may have multiple memberships due to having had multiple contracts of employment with different employers participating in the scheme. There were **11,194** deferred membership records at 31 March 2023.
- **Pensioners** are individuals who have already reached retirement age and are receiving their pension benefits, paid out by the Fund. There were **8,633** pensioner members at 31 March 2023.

Financial Performance

The Fund's net asset value decreased by over £95m during the financial year. This was largely due to the impact of rising interest rates and uncertainty in the economic environment, which negatively impacted the performance of various asset classes.

The table below provides a summary of the Fund's net investment trends over the past three years.

	2020/21	2021/22	2022/23
Net Asset Statement	£m	£m	£m
Pooled investment vehicles	1,616	1,758	1,668
Cash and other balances	22	45	40
Total net assets	1,638	1,803	1,708

The table below provides a summary of the Fund's income and expenditure trends over the past three years.

Fund Account	2020/21 £000	2021/22 £000	2022/23 £000
Fund value at start of the year	1,326,583	1,638,253	1,803,329
Contributions received	47,954	49,872	56,043
Benefits paid	(51,291)	(54,106)	(56,232)
Net transfers	(2,635)	458	321
Net investment income	6,845	7,663	10,507
Net Revenue	873	3,887	10,639
Change in market value	310,797	161,189	(105,790)
Net increase (decrease)	311,670	165,076	(95,151)
Fund value at end of the year	1,638,263	1,803,329	1,708,178

The Fund's contributions received have increased over the past three years. On 31 May 2022, Haringey Council (administering authority) completed the bulk transfer of Homes for Haringey (scheduled body) members, following the decision to bring services back under the Council's control. This resulted in an increase in the total employer contributions during 2022/23 as Homes for Haringey previously paid a lower contribution rate than Haringey Council. The full implications of this bulk transfer on the administering authority's primary contribution rate will be accounted for in the actuarial funding valuation as at 31 March 2022.

The amount of benefits paid to pensioners is uplifted annually by Consumer Price Index (CPI) inflation rate. This increase also depends on the number of individuals retiring in any given year.

Investment income increased from £6.8m in 2020/21 to £10.6m in 2022/23. This increase was largely due to changes made to the Fund's asset allocation, to invest into more income generating assets such as Fixed Income, Property, and Infrastructure. The Fund uses the income generated from these investments to pay retirement benefits to its members.

The table below provides a summary of the Fund's operational expenses, which are the costs of administering the Fund.

	2020/21	2021/22	2022/23
Administration and Governance Costs	£000	£000	£000
Administration			
Employee related costs	656	819	865
Administration software	214	195	670
Ill health liability insurance	(513)	421	-
Other administration costs	111	198	312
Total administration expenses	468	1,633	1,847
Oversight and governance			
London CIV pooling costs	155	123	106
Actuarial fees	95	106	201
Investment consultancy and advice	140	71	89
Audit fees	16	14	-
Other governance costs	18	18	26
Total oversight and governance expenses	424	332	422
Total administration and governance costs	892	1,965	2,269

Investments

Investment Strategy

The Pensions Committee and Board is responsible for setting the Pension Fund's investment strategy. This strategy is formulated in accordance with the Local Government Pension Scheme (Management and Investment of Fund) Regulations 2016.

The strategy is outlined in detail in the Investment Strategy Statement (ISS) which can be found on Haringey Pension Fund's website. The ISS outlines the responsibilities relating to the overall investment policy of the Fund which includes:

- strategic asset allocation
- methods of investment management
- performance monitoring

The ISS also outlines the Fund's approach to responsible investment and demonstrates compliance with the "Myners Principles". These principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in the early 2000s. These were subsequently endorsed by the UK Government and cover the following areas:

- Effective decision-making
- Clear objectives
- Risk & Liabilities
- Performance measurement
- Responsible ownership
- Transparency and report

Asset Allocation

The strategic asset allocation is agreed by the Pensions Committee and Board, considering the advice of the Fund's advisers.

The table below shows the Fund's strategic asset allocation as at 31 March 2023.

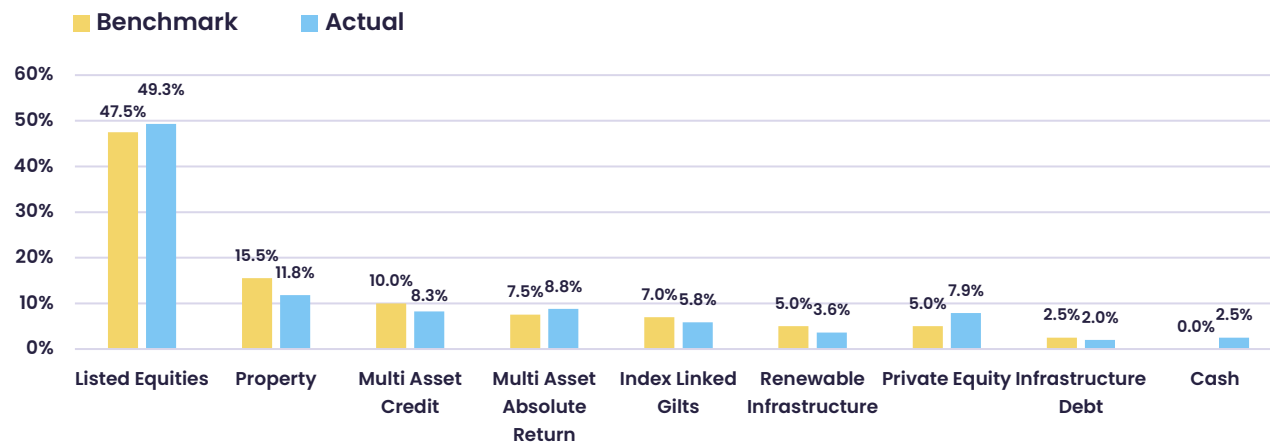
Asset Class	Target Allocation %
Listed Equities	47.5%
Property	15.5%
Multi Asset Credit	10.0%
Multi Asset – Absolute Return	7.5%
Index Linked Gilts	7.0%
Renewable Infrastructure	5.0%
Private Equity	5.0%
Infrastructure Debt	2.5%
Total	100.0%

Haringey Pension Fund is a member of the London Collective Investment Vehicle (LCIV), one of the 8 asset pools that was set up after the government guidance issued in November 2015. At the reporting date, the Pension Fund had approximately 75% of assets invested with the pool.

Portfolio distribution

The chart below shows a comparison of the Fund's benchmark asset allocation to the actual asset allocation at 31 March 2023.

Asset allocation as at 31 March 2023



Several of the Fund's investment strategies are funded over several years. This can result in a wider variance between the benchmark strategic asset allocation and the actual asset allocation. This is particularly the case for the Renewable Infrastructure mandate, for which the Pension Fund committed an additional £65m to, in 2021/22.

Fund value

The chart below shows the growth in Fund Assets over the past 5 years.

Fund assets

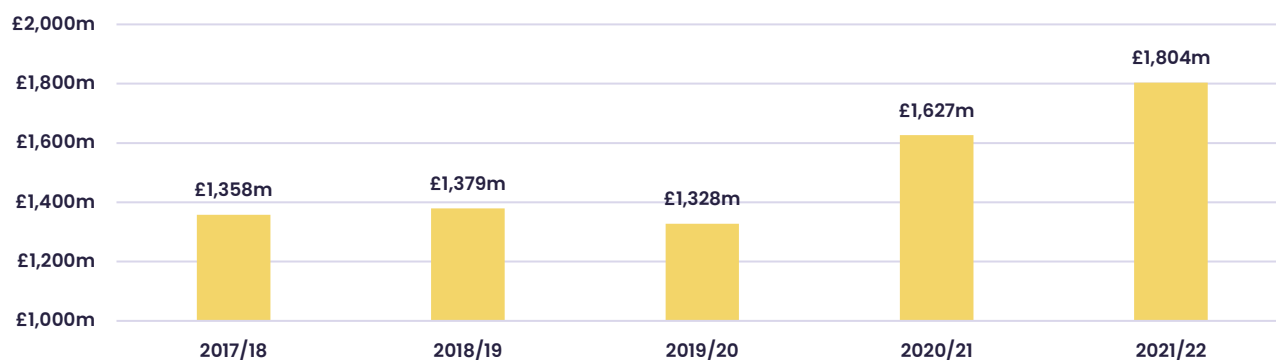
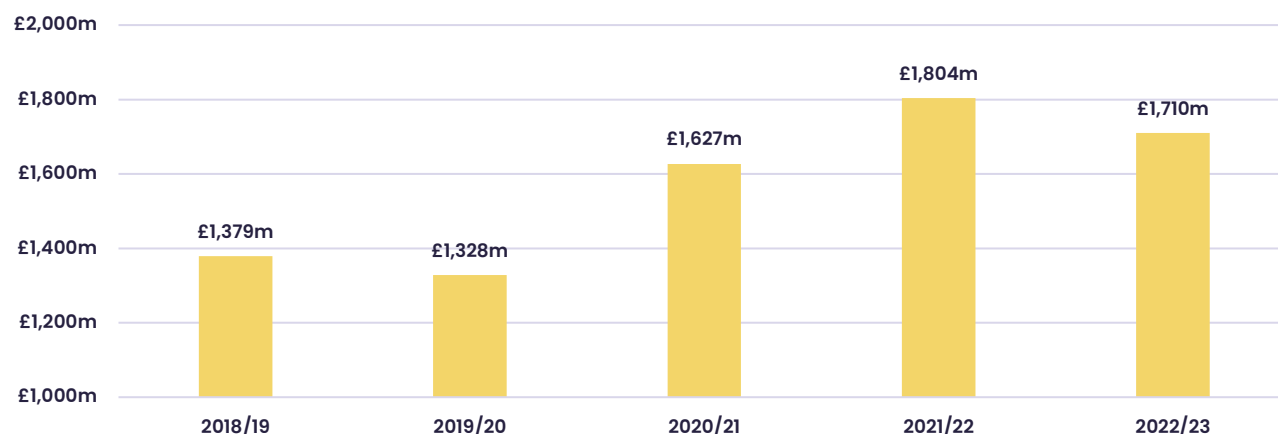


Chart Title



Since 1 April 2018, the Fund's assets have increased by 24%. During this period, several significant events which include the COVID-19 pandemic, heightened geopolitical uncertainty and inflationary pressures have all had an impact on the financial markets. Despite these challenges, the Fund's investment strategy has been resilient.

Investment Performance

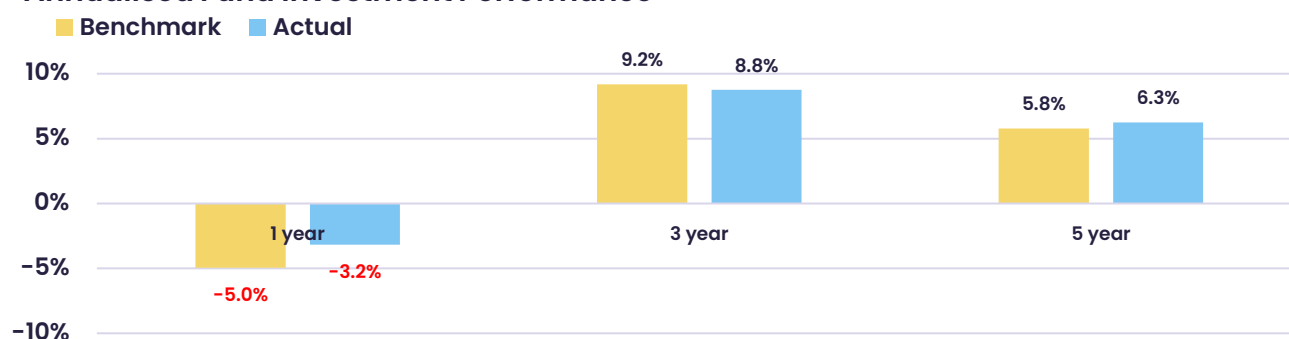
The Fund's investment assets are invested to meet the Fund's liabilities over the medium to long term, and therefore its performance is assessed over the corresponding periods. Annual investment performance can be volatile and does not necessarily indicate the underlying long-term sustainability of the Fund.

The performance of the Fund's investment managers, and overall investment performance is reported on a quarterly basis to the Pensions Committee and Board. The Fund's investment performance is compared against the target strategic benchmark, based on the individual performance targets assigned to each investment manager.

Annualised Investment Performance

The chart below shows the Fund's annualised investment performance over several time periods.

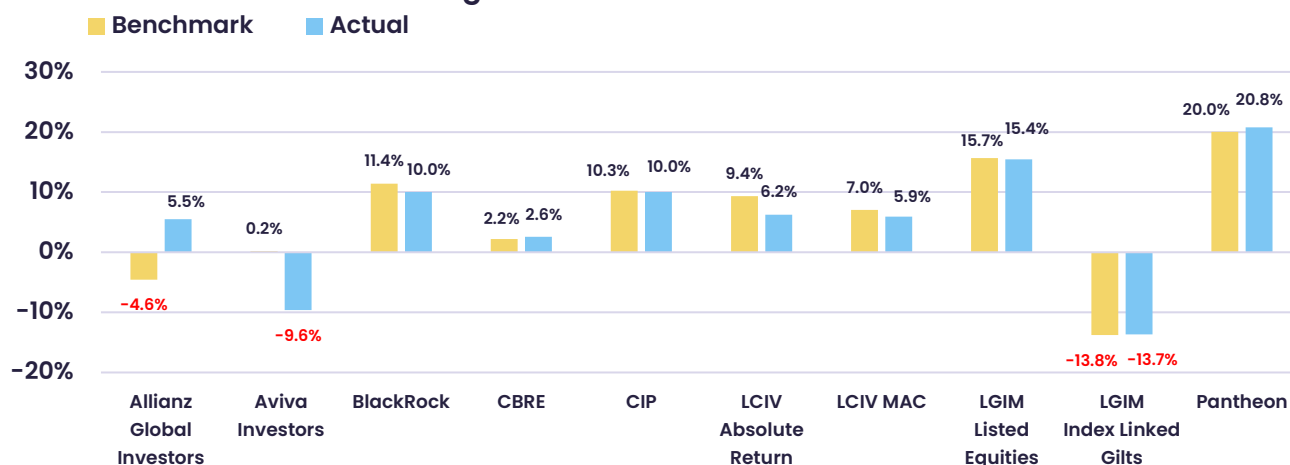
Annualised Fund Investment Performance



Investment manager performance

The chart below shows the individual investment performance for each investment manager measured over the rolling three-year period.

Annualised Investment Manager Performance



In March 2021, the Pensions Committee and Board agreed to make commitments to invest in the LCIV Renewable Infrastructure Fund and the London Fund. These investments were still in their funding period during the financial year and have therefore not been included in the annualised investment manager performance.

Asset Pooling

In 2015, the Government issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out the Government's expectations for LGPS funds to establish asset pooling arrangements. The Fund recognises the Government's requirement for LGPS funds to pool their investments and has over the years committed to supporting the pool and transitioning assets where possible.

The Fund is a member of the London Collective Investment Vehicle (London CIV), an asset pool comprised of the 32 local authorities within London and has £26.8bn of assets under management, including £14.3bn under direct management.

The Fund has transitioned assets into the London CIV with a value of £1.282bn or 75% of assets as at 31 March 2023. The table below provides a summary of the Fund's investment in the pool.

Investment Manager	Asset Class	Valuation £m
Legal & General Investment Management	Listed Equities	844
LCIV Absolute Return Fund	Multi Asset	150
LCIV MAC Multi Asset Credit	Multi Asset Credit	141
Legal & General Investment Management	Index Linked Gilts	100
LCIV Renewable Infrastructure	Renewable Infrastructure	29
London Fund	Property/infrastructure	18
Total		1,282

As shareholders in the London CIV, the Fund contributed £150k of shareholder capital alongside other London Borough funds. This amount is present on the Net Asset Statement in the Fund's Statement of Account. In addition to this, there is an annual service charge of £25k and the Development Funding Charge for 2022/23 was £85k.

The Fund estimates that asset pooling has generated net savings since inception, thereby offsetting the London CIV's costs due to savings achieved on the assets under the London CIV's oversight.

Responsible Investment

The Pension Fund has a fiduciary duty to protect its members' pensions through its investments. The Fund recognises that managing Environmental, Social and Governance (ESG) risks that may have a financially material impact on future investment returns is consistent with this duty. Therefore, the Fund expects those responsible for managing its investments to demonstrate their ability to successfully integrate ESG factors into their investment decision-making process.

As part of its commitment to being a responsible investor, the Fund takes an engagement approach. This approach aims to engage with and encourage companies to take positive action on social, environmental and governance issues, rather than divesting from any specific companies. Research has shown that engagement achieves better outcomes than broad divestment.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an organisation comprised of several other local authorities across England and Wales. LAPFF engages directly with companies on behalf of its member funds and often issues voting recommendations to investment managers. Additionally, LAPFF meets with company boards and management to effect positive change. The Pension Committee and Board receive an update report at each meeting which reports on LAPFF's most recent engagement activity.

Over the past few years, the Fund has made several decisions to transition its listed equity investments into low carbon index funds. It was also one of the first London Borough pension funds to include an allocation to renewable energy infrastructure as part of its strategic asset allocation. In 2021, the allocation to renewable energy infrastructure was increased by an additional £65m.

Furthermore, the Fund completed its transition to the RAFI Multifactor Climate Transition Fund. The goal of this strategy is to reduce the fund's carbon intensity by 7% annually in line with the Paris Agreement. As a result of this decision, all of the Fund's listed equity investments have been invested in low carbon index funds since 2022.

The Fund remains committed to identifying and pursuing investment opportunities where its investment objectives align with alternative sustainable funds. More information regarding the Fund's approaching to responsible investing is available in the Fund's Investment Strategy Statement.

Scheme Administration

Administration Service Delivery

The Local Government Pension Scheme (LGPS) is a national scheme, administered locally by the 85 Administering Authorities.

Haringey Council is the administering authority for the Haringey Pension scheme and therefore responsible for operating the Fund's pension administration service. The service interprets and implements the LGPS regulations and related legislation for administering the scheme. This includes maintaining a database of scheme members, including their employment service details. Additionally, the Pensions Administration service calculates and processes pension benefit payments.

Communications Policy

Proper management and administration of the pension scheme requires effective communication between the administering authority, scheme members, and participating employers.

According to The LGPS Regulations 2013, pension funds must create, publish, and maintain a communication policy statement. Haringey Pension Fund's website provides the Fund's current communication policy, which has been prepared in accordance with the LGPS regulatory requirements.

The policy sets out the framework which defines the format, frequency, and method of

distributing information and publicity. Additionally, it outlines the processes for promoting the scheme to prospective members and scheme employers.

The policy also includes the provision for a Member Self Service portal on Haringey Pension Fund's website. This is a useful resource for members to view and amend details related to their pension benefits.

Internal Dispute Resolution Procedure (IDRP)

Scheme members have statutory rights to ensure that complaints, queries, and problems concerning rights to pensions are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure policy has been established.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. If the scheme member is not satisfied with the actions taken at Stage 1, the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, Haringey Council, to undertake an independent review which is conducted by the Head of Pensions.

IDRP Stage 3 is a referral of the complaint to the Pensions Ombudsman.

For more information about the scheme generally, or to get in touch with the Pensions Team, please see contact details in the table below.

Contact	Details
Head of Pensions	7 th Floor
Pensions Manager	Alexandra House
Pensions Team	10 Station Road Wood Green London, N22 7LR Email: pensions.mailbox@haringey.gov.uk Telephone: 020 8489 5916 Website: www.haringeypensionfund.co.uk

Administration Management Performance

Administration statistics

The table below provides a summary of some of the key activities undertaken by the Pensions Administration service during the financial year.

Type of case	Target	% Completed within SLA
Letter detailing transfer in quote	30 days	19%
Letter detailing transfer out quote	30 days	82%
Calculation and notification of deferred benefits	30 days	74%
Letter notifying of estimate retirement benefits	5 days	89%
Letter notifying of actual retirement benefits	5 days	75%
Letter notifying of dependant's benefits	5 days	75%
Processing of refunds	14 days	51%

Key performance indicators

The Fund aims to provide value for money for its members and employers participating in the scheme. The Fund participates in a benchmarking exercise which compares its costs and staff numbers against other similar pension funds.

The table below provides an analysis of the administration costs per fund member over the past 3 years.

Type of administration cost	2020/21	2021/22	2022/23
Administration costs per member	£35.45	£39.28	£44.03
Administration FTEs	7.6	9.0	9.0
LGPS members per FTE staff	3,209	2,868	2,909

The administration costs included in the analysis above consist of staffing costs and administration contract costs. Following the retirement of a few staff in the pensions administration team, a restructuring was undertaken, which resulted in an increase in full-time equivalents (FTEs) in the team in 2021/22. Additionally, in 2022/23, the Fund procured a new pensions administration software contract.

Actuary's Report

Statement of Fund Actuary

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds to prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

	31 March 2023	31 March 2022
	£m	£m
Active members	526	915
Pensioner members	430	629
Deferred members	729	716
Total (£m)	1,685	2,260

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e., comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £801m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £3m.

	31 March 2023	31 March 2022
Pension Increase Rate	2.95%	3.20%
Salary Increase Rate	3.95%	4.20%
Discount Rate	4.75%	2.70%

Longevity assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised on the next page:

	Males	Females
Current pensioners	21.3 years	24.0 years
Future pensions (assumed to be aged 45 at the latest formal valuation)	22.6 years	25.3 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumption to 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount £m
0.1% p.a. decrease in the Discount Rate	2%	28
1 year increase in member Life Expectancy	4%	67
0.1% p.a. decrease in the Salary Increase Rate	0%	2
0.1% p.a. decrease in the Real Discount Rate	2%	26

Professional notes

This paper accompanies my covering report titled 'Actuarial Covering Report – 31 March 2023 which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:



Douglas Green FFA

22 June 2022

For and on behalf of Hymans Robertson LLP

Financial Statements

Statement of Responsibilities for the Statement of Accounts

Haringey Council's Responsibilities

The Council is required to:

- make arrangement for the proper administration of its affairs and ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance (Section 151 Officer)
- to manage its affairs to secure economic, efficient, and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, which include the Pension Fund's Statement of Accounts.

These accounts must be prepared in accordance with the proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') which require that the Statement of Accounts give a true and fair view of the financial position of the Council at the accounting date and

its income and expenditure for the year ended 31 March 2023.

In preparing these Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies, and then applied them consistently
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Section 151 Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2023.

Jon Warlow, CPFA
Director of Finance (S151 Officer)

Pension Fund Accounts

Fund Account for the year ended 31 March 2023

2022/23 £000		Notes	2021/22 £000
	Dealings with members, employers and others directly involved in the Fund		
56,043	Contributions	7	49,872
5,938	Transfers in from other pension funds	8	6,593
61,981			56,465
(56,232)	Benefits	9	(54,106)
(5,617)	Payments to and on account of leavers	10	(6,136)
(61,849)			(60,242)
132	Net withdrawals from dealings with members		(3,776)
(8,722)	Management expenses	11	(9,559)
(8,590)	Net withdrawals including fund management expenses		(13,335)
	Returns on Investments:		
19,232	Investment Income	12	17,256
(3)	Taxes on income		(34)
(105,790)	Profit and losses on disposal of investments and changes in market value of investments	13	161,189
(86,561)	Net return on investments		178,411
(95,151)	Net increase/(decrease) in the net assets available for benefits during the year		165,076
1,803,329	Opening net assets of the scheme		1,638,253
1,708,178	Closing net assets of the scheme		1,803,329

Net Asset Statement for the year ended 31 March 2023

2022/23 £000		Note	2021/22 £000
1,667,335	Investment assets	13	1,758,154
42,639	Cash deposits	13	45,927
1,709,974	Net Investment Assets		1,803,931
1,389	Current assets	20	1,779
(3,185)	Current liabilities	21	(2,531)
1,708,178	Net assets available to fund benefits at the period end		1,803,329

Notes to the Pension Fund Accounts

1. Description of the Fund

Introduction

The Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Haringey Council.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation.

- The [Local Government Pension Scheme Regulations 2013](#) (as amended)
- The [Local Government Pension Scheme \(Transitional Provisions, Savings and Amendment\) Regulations 2014](#) (as amended)
- The [Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016](#)

It is a contributory defined benefit pension scheme administered by Haringey Council to provide pensions and other benefits for pensionable employees of Haringey Council, a range of other scheduled bodies and admitted bodies within the London Borough of Haringey area. Teachers, police officers and firefighters are not included as they are covered by other national pension schemes. The fund is overseen by the Haringey Pension Fund's Combined Pensions Committee and Board, which is a committee of Haringey Council.

b) Fund administration and membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Haringey Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admission bodies, which participate under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

Haringey Pension Fund	31 March 2023	31 March 2022
Number of employers	69	60
Number of employees in scheme		
Haringey Council	5,373	4,029
Other employers	977	2,248
Total	6,350	6,277
Number of pensioners		
Haringey Council	7,687	7,593
Other employers	946	976
Total	8,633	6,277
Deferred pensioners		
Haringey Council	9,392	9,056
Other employers	1,802	1,914
Total	11,194	10,970
Total number of members in pension scheme	26,177	25,816

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the [Local Government Pension Scheme Regulations 2013](#) and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The valuation for the period to 31 March 2023 was carried out as at 31 March 2019. The employer contribution rate for the whole fund was 18.6%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uplifted annually in line with the Consumer Prices Index inflation rate. The table below provides a summary of the pension benefits under the LGPS.

	Service pre-April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable pay	1/49 x career average revalued salary
Lump sum	Automatic lump sum 3/80 x final pensionable salary	No automatic lump sum	No automatic lump sum

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website – see www.lgpsmember.org.

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2022/23* (the Code), which is based upon International Financial Reporting Standard (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 18.

3. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event rose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years would be classed as long-term financial assets.

b) Transfer to and from other schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Changes in value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – revenue recognition**d) Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Management expenses

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

The fund discloses its managements expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses* (2016), as show in the following table. All items of expenditure are charged to the fund on an accrual basis as follows:

Type of expense	Accounting policy
Administrative expenses	All staff costs relating to the pensions administration team are charged directly to the fund. The Council recharges for management and legal costs which are also accounted for as administrative expenses of the fund.
Oversight and governance	All costs associated with the governance and oversight of the fund are separately identified, apportioned to this activity, and charged as expenses to the fund.
Investment management expenses	Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted from, the reported return on investments. Where fees are netted off returns by investment managers, these are grossed up to increase the change in value of investments. Fees charged by external investment managers and the custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market

value of the investments under management and therefore increase or reduce as the value of the investments change. In addition, the fund has negotiated with Pantheon Ventures and BlackRock that an element of their fee be performance related.

f) Taxation

The fund is a registered public service scheme under Section 1 (1) of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Net assets statement

g) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13. Any gains or losses on investment sales arising from changes in the fair value of the net asset are recognised in the fund account.

The values of investments as show in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Foreign currency transactions

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

j) Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

k) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investments trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 18).

m) Additional voluntary contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4 (1) (b) of the [Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016](#) but are disclosed for information in Note 21.

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event prior to the end of the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

The Council has not applied any critical judgements in applying accounting policies in the preparation of the statement of accounts.

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends, and future expectations. However, actual outcomes could be different from assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of promised retirement benefits	<p>Estimation of the liability to pay pensions depends on several complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, Pension increase and expected returns on pension fund assets.</p> <p>The Pension Fund's actuary, Hymans Robertson has been appointed to provide the fund with expert advice about assumptions to be applied.</p>	<p>For instance:</p> <ul style="list-style-type: none"> 0.1% p.a. decrease in the Discount Rate would result in an increase in the pension liability of £28m (2%) 0.1% increase in assumed salary earnings would increase the value of the liabilities by approximately £2m (0%) 0.5% increase in assumed Pension Increase Rate (CPI) would increase the value of liabilities by approximately £67m (4%)
Private equity investments	<p>Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>Private equity investments are valued at £196m in the financial statements. There is a risk that this investment may be under- or overstated in the accounts by up to 5% i.e., an increase or decrease of approximately £10m.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
	For the purposes of estimation, private equity investments include infrastructure and private debt.	

6. Events after the reporting date

There were no significant events which occurred after the reporting date.

7. Contributions receivable

2022/23 £000	By category	2021/22 £000
12,483	Employee contributions	11,529
33,411	Normal employer contributions	26,675
9,644	Deficit recovery contributions	7,959
505	Augmentation contributions	709
43,560	Total employers' contributions	38,343
56,043	Total contributions receivable	49,872

2022/23 £000	By employer	2021/22 £000
50,128	Administering authority	38,774
4,900	Scheduled bodies	10,007
1,015	Admitted bodies	1,091
56,043	Total contributions receivable	49,872

On 31 May 2022, Haringey Council (administering authority) completed the bulk transfer of Homes for Haringey (scheduled body) members, following the decision to bring services back under the Council's control. This resulted in an increase in employer contributions during 2022/23 as Homes for Haringey previously paid a lower contribution rate than Haringey Council. The full implications of this bulk transfer on the administering authority's primary contribution rate will be accounted for in the actuarial funding valuation as at 31 March 2022.

8. Transfers in from other pension funds

During 2021/22, there were transfers into the Pension Fund of £5.9 million (£6.6 million in 2020/21). All these transfers were related to individuals transferring in their benefits from other LGPS schemes.

9. Benefits payable

2023/23 £000	By category	2021/22 £000
46,445	Pension benefits	44,433
8,154	Commutation and lump sum payments benefits	8,143
1,633	Lump sum death benefits	1,530
56,232	Total benefits payable	54,106

2022/23 £000	By employer	2021/22 £000
50,367	Administering authority	48,385
4,310	Scheduled bodies	4,226
1,55	Admitted bodies	1,495
56,232	Total benefits payable	54,106

10. Payments to and on account of leavers

2022/23 £000		2021/22 £000
5,502	Individual transfers	5,927
116	Refunds to members leaving service	209
5,617	Total payments to and on account of leavers	5,617

11. Management expenses

2022/23 £000	By management expense	2021/22 £000
1,847	Investment management expenses	7,621
6,559	Administrative costs	1,633
316	Oversight and governance costs	305
8,722	Total management expenses	9,559

2022/23 £000	Breakdown of investment management expenses	2020/21 £000
5,722	Management fees	5,701
383	Performance related fees	1,113
393	Transaction fees	750
61	Custody fees	57
6,559	Total investment management expenses	7,621

12. Investment income

2022/23 £000		2021/22 £000
19,084	Income from pooled investments	17,254
148	Interest on cash deposits	2
19,232	Total investment income	17,256

13. Investments

31 March 2023 £000		31 March 2022 £000
	Pooled funds	
843,501	Global equity	864,484
240,878	Fixed income unit trusts	296,387
150,173	Multi-asset absolute return fund	178,788
61,542	Infrastructure funds	52,961
1,296,094	Total pooled funds	1,392,620
	Other investments	
202,014	Pooled property investments	200,618
134,535	Private equity and joint venture funds	123,094
34,500	Infrastructure debt funds	42,288
371,049	Total other investments	366,000
42,681	Cash deposits	45,927
1,709,824	Total investments	1,804,547
	Long-term investments	
150	Share in London CIV asset pool	150
	Investment liabilities	
-	Amounts payable for purchases	(616)
1,709,974	Total net investment assets	1,804,081

Reconciliation of movements in investment assets and liabilities

	Value at 31 March 2022	Purchases at cost	Sales proceeds	Changes in market value	Value at 31 March 2023
Pooled investment vehicles	1,758,620	74,041	(59,102)	(106,541)	1,667,019
Cash deposits	45,927	62,173	(66,200)	739	42,639
Other investment assets/liabilities	(616)	787	(16)	12	166
Total	1,803,931	137,001	(125,318)	(105,790)	1,709,824

	Value at 31 March 2021	Purchases at cost	Sales proceeds	Changes in market value	Value at 31 March 2022
Pooled investment vehicles	1,616,504	95,187	(113,956)	160,885	1,758,620
Cash deposits	22,209	78,230	(54,827)	315	45,927
Other investment assets/liabilities	(413)	54	(246)	(11)	(616)
Total	1,638,300	173,471	(169,029)	161,189	1,803,931

Investments analysed by fund manager

2022/23 £000	%	By investment manager	2021/22 £000	%
Investments managed by London CIV asset pool:				
943,001	55.2	Legal & General	1,007,510	55.9
150,173	8.8	LCIV Absolute Return	178,788	9.9
141,379	8.3	LCIV Multi-Asset Credit	153,361	8.5
29,082	1.7	LCIV Renewable Infrastructure	17,983	1.0
18,190	1.1	London Fund	5,600	0.3
1,281,825	75.0		1,363,242	75.6
Investments managed outside of London CIV asset pool:				
134,535	7.9	Pantheon	123,094	6.8
93,286	5.5	CBRE Global Investors	113,770	6.3
90,536	5.3	Aviva Investors	80,632	4.5
34,500	2.0	Allianz Global Investors	42,288	2.3
20,377	1.2	BlackRock	20,017	1.1
12,084	0.7	CIP	14,961	0.8
42,681	2.5	In house cash deposits	45,927	2.5
427,999	25.0		440,689	24.4
1,709,824	100.0	Total investments	1,803,931	100.0

The following investments represent more than 5% of the investment assets of the scheme.

2022/23 £000	%	Name of holding	2021/22 £000	%
352,431	20.6	MSCI Low Carbon Index	368,021	20.4
371,973	21.8	RAFI Multi Factor Climate Transition	372,312	20.6
150,173	8.8	LCIV Absolute Return	178,788	9.9
119,097	7.0	Low Carbon Emerging Equities	124,152	6.9
99,499	7.9	Index Linked Gilts	143,026	7.9
1,093,173	63.9	Total	1,186,299	65.8

Legal and General Investment Management (LGIM) manages the following investments on behalf of the Pension Fund: MSCI Low Carbon Index, RAFI Multi Factor Climate Transition, Index Linked Gilts, Low Carbon Emerging Equities.

14. Fair value – basis of valuation

All investment assets are valued using fair value techniques based in the characteristics of each instrument where possible, using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine their fair values.

Level 1

Financial instruments classified as Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise of listed equities, listed fixed income securities, exchange traded listed index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where the quoted market prices are not available. For example, this can be in cases where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (also referred to as private equity) and infrastructure investments, which are valued using various valuation techniques that require significant judgement in determining the appropriate assumptions.

The valuation basis for each category of investment is set out below:

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted equities and pooled fund investments	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Quoted fixed income bonds and unit trusts	Level 1	Quoted market value based on current yields	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of short-term nature of these financial instruments	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of short-term nature of these financial instruments	Not required	Not required
Pooled property funds where regular trading takes place	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price is published	NAV-based pricing set on a forward pricing basis.	Not required
Unquoted fixed income bonds and unit trusts	Level 2	Average broker prices	Evaluated price feeds	Not required
Pooled property funds where regular	Level 3	Valued by investment managers on a fair	NAV-based pricing set on a forward basis	Not required

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
trading does not take place		value basis each year using PRAG guidance		
Shares in London CIV asset pool	Level 3	Based on the historical cost at acquisition of shares	Not required	Not required
Other unquoted and private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

Asset	Assessed Valuation Range +/-	Valuation at 31/03/2023 £000	Value on Increase £000	Value on Decrease £000
Pooled UK property unit trusts	2%	202,014	206,054	197,974
Private Equity	5%	134,535	141,262	127,808
Infrastructure	5%	61,542	64,619	58,465
		398,091	411,935	384,247

Fair value hierarchy

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted Market Price Level 1 £000	Using Observable Inputs £000	With significant unobservable inputs £000	Total £000
Values as at 31/03/2023				
Financial assets / liabilities at fair value through profit and loss				
Pooled investments	1,234,552	34,500	61,542	1,330,594
Pooled property investments	-	93,286	108,726	202,012
Private equity	-	-	134,535	134,535
Cash deposits	42,683	-	-	42,683
	1,277,235	127,786	304,803	1,709,824

Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

Reconciliation of fair value measurements within Level 3

	Value at 31 March 2022 £000	Purchases at cost £000	Sales proceeds £000	Changes in market value £000	Value at 31 March 2023 £000
Pooled UK property unit trusts	86,232	41,583	(288)	(18,861)	108,726
Private Equity	123,094	16,695	(9,153)	3,899	134,535
Infrastructure	61,542	11,033	(12,256)	1,223	61,542
Total	376,057	69,311	(21,637)	(13,739)	304,803

15. Financial instruments

	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Values as at 31 March 2023			
Financial assets			
Pooled investments	1,330,594		
Pooled property investments	202,014		
Private equity	134,535		
Equities		150	
Cash		42,681	
Debtors		1,389	
Total financial assets	1,667,143	44,220	-
Financial liabilities			
Other investment balances			
Creditors			(3,185)
Total financial liabilities	-	-	(3,185)
Grand total	1,667,143	44,220	(3,185)

	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Values as at 31 March 2023			
Financial assets			
Pooled investments	1,434,908		
Pooled property investments	200,618		
Private equity	123,094		
Equities		150	
Cash		45,927	
Debtors		1,779	
Total financial assets	1,758,620	47,856	-
Financial liabilities			
Other investment balances			(616)
Creditors			(2,155)
Total financial liabilities	-	-	(2,771)
Grand total	1,758,620	47,856	(2,771)

Net gains and losses on financial instruments

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

2022/23 £000	Financial Assets	2021/22 £000
(106,541)	Fair value through profit or loss	160,885
751	Financial assets and liabilities at amortised cost	304
(105,790)	Net assets	161,189

16. Nature and extent of risks arising from Financial Instruments

Management of Risk

The fund's primary long-term risk is that its assets will fall short of its liabilities (i.e., promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. Additionally, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risk as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund's Combined Committee and Board. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio's strategic asset allocation across different asset classes, industry sectors, and jurisdictions. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis on a regular basis. The strategic asset allocation is reviewed each quarter and any significant deviations from this are rebalanced as appropriate.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affect all such instruments in the market.

The fund is exposed to share price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

A significant portion of the pension fund's assets are invested in pooled investment vehicles with underlying assets which can fluctuate daily as market prices change. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The assessment of the potential volatilities is consistent with a one standard deviation movement in the change in value of assets over the last three years.

	Value £000	Change %	Value on Increase £000	Value on Decrease £000
As at 31 March 2023				
Overseas equities	993,675	12.0	1,112,916	874,434
Fixed Income	240,878	11.9	269,542	212,214
Property	202,012	6.3	214,739	189,285
Alternatives	230,578	16.5	268,623	192,533
Cash	42,681	0.0	42,681	42,681
Total	1,709,824		1,908,502	1,468,465

	Value £000	Change %	Value on Increase £000	Value on Decrease £000
As at 31 March 2022				
Overseas equities	864,484	26.2	1,090,979	637,989
Fixed Income	296,387	5.6	312,985	279,789
Property	200,002	2.9	205,802	194,202
Alternatives	397,131	7.4	426,519	367,743
Cash	45,927	0	45,927	45,927
Total	1,803,931		2,082,211	1,479,724

Interest rate risk

The fund recognises that interest rates can vary and can affect both income into the fund and the carrying value of fund assets, both of which affect the value of net assets available to pay benefits. A 100-basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/– 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

As at 31 March 2023	Interest earned £000	Interest rate if 1% higher	Interest rate if 1% lower
Cash	148	220	76
Total	148	220	76

As at 31 March 2022	Interest earned £000	Interest rate if 1% higher	Interest rate if 1% lower
Cash	2	31	(27)
Total	2	31	(27)

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The table below demonstrates how a 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Currency risk – sensitivity analysis

As at 31 March 2023	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas equities	482,112	10.0	530,323	433,901
Fixed Income	141,379	10.0	155,517	127,241
Private Equity	134,535	10.0	147,989	121,082
Infrastructure	32,461	10.0	35,707	29,215
Cash	14,610	10.0	16,071	13,149
Total	805,097	10.0	885,608	724,587

As at 31 March 2022	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas equities	496,974	10.0	546,671	447,277
Fixed Income	153,361	10.0	168,697	138,025
Private Equity	123,094	10.0	135,403	110,785
Infrastructure	34,978	10.0	38,475	31,480
Cash	19,869	10.0	21,856	17,883
Total	828,276	10.0	911,104	745,448

b) Credit risk and counterparty risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2023 were received within the first two months of the financial year.

Money market funds and bank accounts all have AAA rating from a leading ratings agency, and the pension fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

	Credit Rating	Balances at 31 March 2023	Balances at 31 March 2022
Money market funds			
BlackRock Institutional Sterling Liquidity Fund	AAA	5,000	5,000
Invesco Liquidity Fund	AAA	5,000	1,215
Bank current accounts			
Northern Trust	A+	30,473	39,704
Barclays Bank plc	A+	2,208	8
Total		42,681	45,927

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The fund's policy is to maintain a minimum balance of £5m immediately available in the current accounts or Money Market Funds.

The fund also has access to an overdraft facility for short-term cash needs (up to seven days), in order to cover any timing differences on pension payments. The fund has not used this facility since 2015.

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

17. Funding arrangements

In line with the Local Government Pension Scheme (LGPS) Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three years. The pension fund accounts for the period were based on the valuation that took place as at 31 March 2019. The most recent valuation took place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the pension fund, i.e., that there are sufficient funds available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering body considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but, in some cases, a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

At the 2019 actuarial valuation, the fund was assessed as 100% funded (79% at the March 2016 valuation). Contribution increases will be phased in over the three-year period ending 31 March 2023 for both scheme employers and admitted bodies.

The primary contribution rate (i.e., the rate which all employers in the fund) was due to decrease over a three-year period from 26.4% to 24.9% of pensionable pay.

In addition to the primary contribution rate, most employers also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement, or withdrawal from service. The principal assumptions were as follows:

Financial assumptions

	31 March 2016	31 March 2019
Future assumed rates	%	%
Discount rate (annual nominal return rate)	4.0	4.2
Pay increase (annual change)	2.8	3.3
Pay increase – Pension (annual change)	2.1	2.3
Retail Price Index (RPI)	3.2	3.3

Demographic assumptions

The assumed life expectancy from 65 is as follows:

Future assumed rates	31 March 2023	31 March 2022
Retiring today		
Males	21.3	21.5
Females	24.0	24.0
Retiring in 20 years		
Males	22.6	22.9
Females	25.3	25.8

18. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 17). The actuary has also used valued ill health and death benefits in line with IAS 19.

2022/23 £000		2021/22 £000
(1,680,000)	Present value of promised retirement benefits	(2,260,000)
1,708,178	Fair value of scheme assets	1,803,329
23,178	Net Liability	(456,671)

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Other key assumptions used are:

	31 March 2023	31 March 2022
	%	%
Inflation/pension increase rate	2.95	3.20
Salary increase rate	3.95	4.20
Discount rate	4.75	2.70

19. Current assets

2022/23 £000	Debtors	2021/22 £000
128	Contributions due - employees	155
908	Contributions due - employers	1,447
353	Sundry debtors	177
1,389	Total current assets	1,779

20. Current liabilities

2022/23 £000	Creditors	2021/22 £000
2,382	Sundry creditors	2,155
803	Benefits payable	376
2,531	Total current liabilities	2,531

21. Additional Voluntary Contributions ("AVCs")

Separately invested Additional Voluntary Contributions are held with the Equitable Life Assurance Society, Prudential Assurance, and Clerical Medical in a combination of With Profits, Unit Linked and Building Society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Movements by provider are summarised below:

	Contributions paid during 2022/23 £000	Market value at 31 March 2023 £000
Utmost life and pensions	83	195
Prudential assurance	262	1,053
Clerical and medical	1	17

	Contributions paid during 2021/22 £000	Market value at 31 March 2022 £000
Prudential assurance	262	1,053
Clerical and medical	1	17

22. Related party transactions

Haringey Council

The Haringey Pension Fund is administered by Haringey Council. During the reporting period, the council incurred costs of £0.885m (2021/22 £0.827m) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses.

The council is also the single largest employer of members of the pension fund. As at 31 March 2023, an amount £0.365m was due from the Council to the fund.

Each member of the pension fund's Combined Pensions Committee and Board is required to declare their interests at each meeting. Two members of the Combined Pensions Committee and Board were scheme members in the Haringey Pension Fund.

23. Key management personnel

Key management personnel are the Section 151 Officer and the head of pensions. Their remuneration is set out below:

2021/22 £000	Key management personnel	2021/22 £000
26	Short-term benefits	25
7	Post-employment benefits	6
33	Total	31

24. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2023 were £131.3m. These commitments relate to outstanding call payments due on unquoted limited partnership funds held within the private equity and infrastructure part of the portfolio. These amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

2022/23 £000	Contingent liabilities and contractual commitments	2021/22 £000
43,906	Pantheon Ventures	73,821
42,852	LCIV Renewable Fund	47,017
26,452	LCIV London Fund	39,235
15,669	Copenhagen Infrastructure Partners	23,054
2,410	Blackrock	3,191
131,289	Total	186,318

Independent Auditor's Report

To follow, subject to the completion of the external audit exercise for 2022/23.

Report for: Pensions Committee and Board – 6 September 2023

Item number:

Title: DLUHC Open Consultation: LGPS – Next steps on investments

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 overview of the government's consultation on *Local Government Pension Scheme (LGPS): Next steps on investments*, ("the Consultation") which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023.
- 1.2. The purpose of this report is to seek the views of the Pensions Committee and Board (PCB) on the matters raised in the Consultation. The Consultation will close for responses on 2 October 2023.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the summary of the policy proposals included in the Consultation, included in section 6 of this report, and to provide any initial comments and feedback to assist officers in drafting a response to the Consultation.
- 3.2. To delegate authority to the Head of Pensions and Treasury to draft and submit the Consultation response on behalf of the Haringey Pension Fund, in consultation with the Independent Advisor and the Chair of Pensions Committee and Board. A copy of the final response will be circulated to members before submitting it to DLUHC.

4. Reason for Decision

- 4.1. The proposed policy changes included in the Consultation, if implemented, will have an impact on the existing investment and governance requirements for LGPS administering authorities.

4.2. The Council has delegated the responsibility for exercising all its functions as the Pension Fund's Administering Authority to the Pensions Committee and Board. Therefore, the Pensions Committee and Board must consider the implications of the proposed policy changes.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Department for Levelling Up, Housing and Communities (DLUHC) published its highly anticipated consultation on the next steps for investments on 11 July 2023.

6.2. The Consultation seeks views on the government's proposals relating to the investments of Local Government Pension Scheme (LGPS). It covers areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

6.3. In summary, the government proposes the following:

- to accelerate and expand pooling by increasing scale to deliver savings and efficiencies
- to require funds to invest up to 5% of assets to support levelling up in the UK
- increase investment into high growth companies
- to make amendments to the LGPS regulations (particularly on the definition of investments)

Considerations for the Pensions Committee and Board (PCB)

6.4. The proposed policy changes, if implemented, will have an impact on the roles, responsibilities, and requirements of LGPS administering authorities and their asset pools. The table provides a summary of the key proposals.

Summary of key proposals

Asset pooling in the LGPS	<p>The government proposes accelerating the pace of transition of liquid assets from funds into pools to achieve greater scale. This may eventually lead to a reduction in the number of pools.</p> <p>The current guidance for LGPS assets requires funds to set out the proportion of assets to be pooled and provide a rationale for assets not pooled. The government seeks views on setting a deadline for funds to transition all listed assets to their pool by March 2025 and to provide a rationale for assets remaining outside the pool.</p>
Governance and decision making	<p>Setting the investment strategy and asset allocation is a key responsibility for administering authorities. The government proposes to further strengthen existing guidance on delegation of manager selection and strategy implementation.</p>

	<p>Asset pools will be required to operate as a single entity for the benefit of partner funds, as well as actively advise their funds on investment decisions.</p> <p>Additionally, the government proposes for administering authorities to set a training policy for committee members and report regularly on their training to ensure members are equipped to make informed decisions.</p>
LGPS investments and levelling up	<p>The government proposes to amend regulations to require funds to publish a plan on how they will invest up to 5% of their assets under management in projects that support levelling up across the UK.</p>
Investment opportunities in private equity	<p>The government wishes to see LGPS funds and pools doubling their current allocation into private equity, with a total ambition of 10% investment allocation. The government proposes that LGPS funds consider private equity opportunities as part of the regular review of their investment strategy statement (ISS). This will be set out as a new requirement in the revised guidance on the ISS.</p> <p>However, the Consultation reiterates that the fiduciary duty to set the asset allocation will remain with the administering authorities.</p>

Next steps

- 6.5. The Consultation will last for 12 weeks from 11 July 2023 to 2 October 2023.
- 6.6. Officers, in consultation with the Chair of the PCB and the Pension Fund's Independent Advisor, will draft a response to the Consultation on behalf of the London Borough of Haringey. A copy of the final response will be circulated to members before submitting it to DLUHC.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Carbon and Climate Change

- 8.1. The Consultation does not have any direct implications on carbon and climate change risk management. However, the investment strategy statement requires LGPS fund to set out their approach to responsible investment.

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

Finance and Procurement

- 9.1. There are no immediate financial implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. As mentioned in this report the consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the five areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services, and the definition of investments.
- 9.3. Members should note that the administering authority will be required to comply with any new requirements as a result of the consultation.

Equalities

- 9.4. Not applicable.

10. Use of Appendices

- 10.1. None

11. Local Government (Access to Information) Act 1985

- 11.1. Not applicable.

Report for: Pensions Committee and Board – 6 September 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 Accounting-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 (tPR) 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 approved a complete version of the risk register in September 2016. Since then, different areas of the risk register have been reviewed at each subsequent meeting. Any changes are agreed upon to ensure that the Pension Fund's strategic risk monitoring remains current.

- 6.3. The Pension Fund's risk register covers several areas, including administration, governance, investment, accounting, funding, and legislation risks. Appendix 1 of this paper provides an assessment of the governance-related risks that have been reviewed and updated for the PCB's feedback during the meeting. Other areas of risk will be presented to the PCB for detailed review in upcoming meetings.

Risk Scoring

- 6.4. The risk scoring system used by the Pension Fund assesses the potential impact and likelihood of identified risks. 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 6.8%.</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</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
		years remains outstanding. 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 external auditor appointments 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 where 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. Carbon and Climate Change

8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

8.2. The Pension Fund incorporate ESG risks into its investment selection process. Additional efforts to identify and monitor these risks are currently underway, which will involve establishing responsible investment goals and criteria.

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

Finance and Procurement

9.1. There are no direct financial or procurement implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. 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.

9.3. 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. In particular, there should be an assessment as to whether or not the delay in the publication of Statement of Accounts caused by the auditors is one that is of “material significance”

Equalities

9.4. Not applicable.

10. Use of Appendices

10.1. Appendix 1: Haringey Pension Fund Risk Register Review – Accounting Risks

10.2. Appendix 2: Haringey Pension Fund Summary Risk Register

11. Local Government (Access to Information) Act 1985

11.1. 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
ACC1	Accounting Risk	Risk of the Pension Fund's statement of accounts being delayed beyond statutory deadlines. A delay beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline. The Council continues to experience delays to the completion of the external audit of its Statement of Accounts.	4	4	16	<p>1) The Pensions Committee and Board have received progress updates from the external auditors regarding the issues associated with the delays, and the steps being taken to complete this outstanding work.</p> <p>2) Officers continue to actively engage with the external auditors to complete this activity as soon as possible.</p> <p>3) The issue has been brought to the attention of the Public Sector Audit Appointments Ltd (PSAA), the body responsible for external auditor appointments for local government bodies.</p>	<p>Treat</p> <p>1) The timely completion of the external audit of the Pension Fund's Statement of Accounts remains a national issues across the public sector audits.</p> <p>2) The Department for Levelling-Up, Housing and Communities is considering an approach to address the significant backlog of local audits in England.</p> <p>3) Officers will continue to engage with the Pension Fund's external auditors to provide them with the relevant information to assist in the timely completion of the audit.</p>	4	16	31/07/2023
ACC3	Accounting Risk	The Pension Fund's Statement of Accounts do not represent a true and fair view of the Pension Fund's financing and assets.	5	3	15	<p>1) The Fund's accounts are prepared by a team of qualified accountants using the most up to date CIPFA Financial Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials and publications.</p> <p>2) The Draft Statement of Accounts and working papers are reviewed by the Head of Pensions and Treasury and the Council's Corporate Accounting team.</p> <p>3) The Pension Fund Statement of Accounts are subject to an annual audit by Haringey Council's appointed external auditors.</p>	<p>Treat</p> <p>1) Officers will continue to attend accounting management and reporting workshops, collaborating and sharing ideas with peers on the latest best practice in accounting methods.</p> <p>2) Officers will continue to engage with the Pension Fund's external auditors to provide them with the relevant information to assist in the timely completion of external audits.</p>	2	10	31/07/2023
ACC4	Accounting Risk	Risk of misstatement of figures in the Pension Fund's accounts and potential audit qualification due to material uncertainty over year end valuations	4	3	12	<p>1) Several of the Pension Fund's illiquid (Level 3) investment valuations require significant estimates to be placed on their values. This has been noted in the Pension Fund's draft Statement of Accounts and will likely be a focus during the external audit exercise.</p> <p>2) Level 3 valuation estimates and assumptions impact all Local Government Pension Scheme (LGPS) funds who invest in similar investment strategies.</p>	<p>Treat</p> <p>1) Officers will assist the auditors in obtaining the required assurances from investment managers and where necessary, restate the balances provided in the draft statement of accounts.</p>	2	8	31/07/2023
ACC5	Accounting Risk	The Pension Fund does not have robust internal monitoring and reconciliation process in place, leading to incorrect figures in the accounts	4	2	8	<p>1) The Pensions Team maintains a checklist of all daily, weekly, monthly and quarterly reconciliations to ensure that all tasks are completed in a timely manner. All reconciliations are independently reviewed and signed off by a second officer.</p>	<p>Treat</p> <p>1) Officers will continued to monitor current reconciliations and where possible, identify areas of future improvement in reconciliation activities.</p>	2	8	31/07/2023

ACC6	Accounting Risk	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.	4	2	8	<p>1) Fund employers receive a contribution form at the start of each financial year which confirms the correct rates they are required to pay.</p> <p>2) A contributions reconciliation is monitored monthly and where there are discrepancies, enquiries will be made the employer, and where necessary the necessary corrections will be made.</p> <p>3) Employers making late payments are reported to the Pensions Committee and Board on a quarterly basis.</p>	<p>Treat</p> <p>1) Officers will continue to monitor the contributions paid by Fund employers and alert the Pensions Committee and Board where relevant issues arise.</p>	2	8	31/07/2023
ACC2	Accounting Risk	Internal controls are not in place to protect against fraud/mismanagement	5	2	10	<p>1) The Council's Internal Audit Plan includes dedicated hours for the review of internal controls related to the management and accounting of the Pension Fund.</p> <p>2) The Pensions Team is audited annually, with investments and administration covered on alternate years. The most recent internal audit of the Pension Fund's administration processes took place in November 2022 and received an overall rating of Adequate Assurance.</p>	<p>Treat</p> <p>1) Officers will continue to work closely with the internal audit team to identify areas of improvement and implement the required processes and controls in a timely manner to minimise and mitigate against any identified risks.</p>	1	5	31/07/2023
ACC7	Accounting Risk	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.	5	2	10	<p>1) The Pensions Team undertakes a quarterly reconciliation exercise between the market values reported by the investment managers and the market values provided by the custodian's financial accounting team.</p> <p>2) All adjustments (including unrealised profits) are posted into the Pension Fund's general ledger so that the accounts can be reported and created directly for the Council's accounting system, SAP.</p>	<p>Treat</p> <p>1) Officers will continue to reconcile investment market values and transactions regularly.</p>	1	5	31/07/2023
ACC8	Accounting Risk	Inadequate monitoring of contributions and investment income leads to cash flow issues for the Pension Fund.	4	2	8	<p>1) The Pensions Team regularly monitors employer contributions and payments on a monthly basis, include a full reconciliation between the expected receipt and actual receipt. Late payers are identified and chased for payment as soon as possible.</p> <p>2) The Pensions Team regularly monitors the Pension Fund's cash flow requirements including daily dealing and monthly and quarterly forecast updates.</p> <p>3) The Pension Fund holds a small amount of cash to pay pensions and fund any outstanding investment commitments. Several of the Pension Fund's investments have weekly dealing arrangements in place.</p>	<p>Treat</p> <p>1) Officers will continue to monitor the Pension Fund's cash flow requirements, and where necessary recommend changes to investments that are currently reinvesting income rather than distributing it to the Fund.</p>	1	4	31/07/2023

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

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 6.8%. Inflation has remained elevated for longer than initially anticipated.	20

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. A delay beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline. The Council continues to experience delays to the completion of the external audit of its Statement of Accounts.	16
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

Appendix 2 Summary of Haringey Pension Risk Register

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 – 6 September 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.

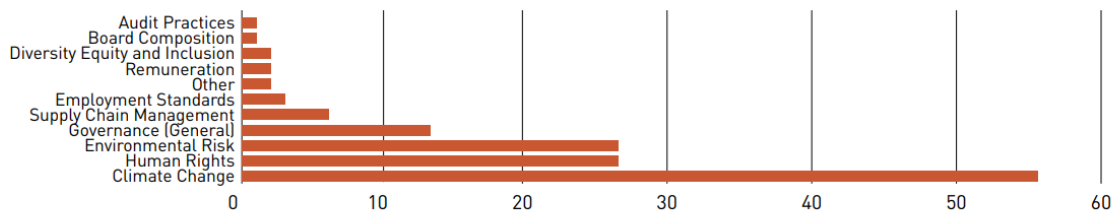
6. Background information

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 30 June 2023, LAPFF engaged with 84 companies domiciled across more than 10 jurisdictions. Most of this engagement was related to alerts issued during the quarter.
- 6.3. The chart below shows the breakdown of engagement topics during the quarter.

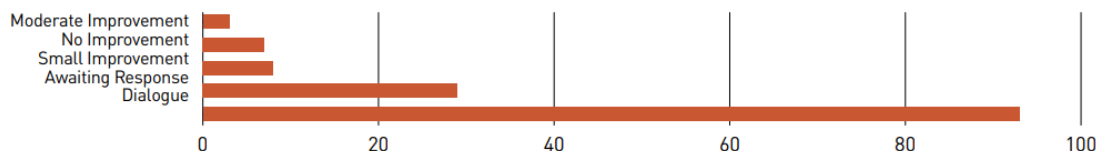
ENGAGEMENT TOPICS



Voting Alerts

- 6.4. During the quarter, LAPFF issued over 40 voting alerts. Although, the outcomes of these votes were mixed, LAPFF continued to engage in dialogue with several companies regarding their climate transition strategies.
- 6.5. The chart below shows the breakdown of meeting engagement outcomes over the quarter.

MEETING ENGAGEMENT OUTCOMES



7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Carbon and Climate Change

- 8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.
- 8.2. Through its membership in LAPFF, the fund can pool its resources with other LGPS funds to influence companies to adopt best practices in their business models. This includes request that they develop detailed climate transition plans.

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

Finance and Procurement

- 9.1. There are no financial implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. 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

- 9.3. Not applicable.

10. Use of Appendices

- 10.1. None.

11. Local Government (Access to Information) Act 1985

- 11.1. Not applicable.

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Report for: Pensions Committee and Board – 6 September 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 follows 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 scheme 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 outlines the anticipated key activities in the areas of governance, scheme members/employers, investments, and accounting over the next few months, 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 Pension Fund to conduct a thorough review of its existing investment strategy. This review will ensure that the strategy is aligned with the expected increase in the Pension Fund's long-term obligations and 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 Pension 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 Pension Fund's cashflow requirements to meet benefit payments as they fall due were anticipated to have increased due to sustained higher levels of inflation and changes to contribution rates effective from 1 April 2023.</p> <p>After completing the review of the Pension Fund's cashflow requirement, the Pensions Committee and Board agreed to change the income distribution policy on the applicable global listed equities strategies.</p>	July 2023	Completed
Setting investment objectives	<p>The Pension 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>	December 2023 – January 2024	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 align 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>	November 2023 - March 2024	On track for completion

- 6.7. The Pensions Committee and Board (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 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. Carbon and climate change

- 8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.
- 8.2. As part of the planned investment strategy review, the Pensions Committee and Board will assess the Pension Fund's responsible investment goals and criteria for investment selection. This includes an approach to managing and monitoring risks related to climate change.

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

Finance and Procurement

- 9.1. There are no financial implications arising from this report.

Head of Legal and Governance (Monitoring Officer)

- 9.2. 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

- 9.3. Not applicable.

10. Use of Appendices

- 10.1. Appendix 1: Forward Plan
- 10.2. Appendix 2: Training Plan

11. Local Government (Access to Information) Act 1985

- 11.1. Not applicable.

Appendix 1 - Forward Plan

September 2023	November 2023	January 2024	March 2024	July 2024
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	LAPFF Voting 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
Adminstration & Governance				
Annual Pension Fund Accounts 22/23 and Annual Report (including various statutory documents)	External Audit Plan	Adminstration Strategy	Business Plan and Annual Budget	
Investment & Funding Strategy				
DLUHC Investment Consultation	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

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

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