NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Monday, 30th September, 2024, 7.00 pm - (watch the live meeting here, watch the recording here)

Councillors: George Dunstall (Chair), John Bevan, Nick da Costa, Tammy Hymas (Vice Chair), Thayahlan Iyngkaran 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 13 below).

4. DECLARATIONS OF INTEREST

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

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

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

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

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

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

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

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

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

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Head of Legal and Governance (Monitoring Officer)
When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

7. MINUTES (PAGES 1 - 8)

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 25 07 2024 as a correct record.

8. LGPS UPDATE (PAGES 9 - 26)

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

a. Update on the Consultation outcome of November 2023
b. The Ministerial Letter of 15 May 2024
c. New Government Ministers
d. The new Government and the LGPS
e. Annual Pension Fund Report
f. LGPS Accounts and Audit

Review of 2022 Actuarial Valuations by the Government Actuary

9. HARINGEY PENSION FUND DRAFT ANNUAL REPORT 2023/24 (PAGES 27 - 78)

This report presents the Haringey Pension Fund Annual Report and unaudited accounts for 2023/24 to the Pensions Committee and Board for approval, subject to the successful completion of the external audit exercise.

10. PENSIONS ADMINISTRATION UPDATE (PAGES 79 - 82)

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 Service Level Agreement (SLA) statistics
d. Update on Annual Benefit Statement exercise
e. Update on Scheme Member engagement

11. RESPONSIBLE INVESTMENT UPDATE (PAGES 83 - 86)

This report updates the Pensions Committee and Board on the Fund's ongoing Responsible Investment development and implementation work. It also provides an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities conducted on behalf of the Fund.

12. HARINGEY PENSION FUND RISK REGISTER (PAGES 87 - 100)

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

13. FORWARD PLAN (PAGES 101 - 106)

This paper has been prepared to identify and agree upon the key priorities for the Pensions Committee and Board (PCB) over the upcoming months, as well as seek the PCB's input into future agendas.

14. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 107 - 116)

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 2024:

a. Overview of fund performance including funding position update
b. Independent advisor's market commentary
c. Investment manager performance
d. Asset allocation

15. NEW ITEMS OF URGENT BUSINESS

16. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

2ND DECEMBER 2024

20TH MARCH 2025

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 - PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 117 - 128)

As per item 9.

19. EXEMPT MINUTES (PAGES 129 - 130)

To confirm and sign the exempt minutes of the Pensions Committee and Board meeting on 25 07 24 as a correct record.

20. NEW ITEMS OF EXEMPT URGENT BUSINESS

Kodi Sprott, Principal Committee Coordinator
Tel – 020 8489 5343
Fax – 020 8881 5218
Email: kodi.sprott@haringey.gov.uk

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

Friday, 20 September 2024

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 Agenda Item 7

MINUTES OF THE MEETING Pensions Committee and Board HELD ON Thursday, 25th July, 2024, 7:00 – 8:54pm

PRESENT:

Councillors: George Dunstall (Chair), John Bevan, Nick da Costa, Tammy Hymas (Vice Chair), Thayahlan Iyngkaran, Matt White, Ishmael Owarish, Keith Brown, John Raisin (Advisor) and Steve Turner (Advisor)

ALSO ATTENDING: Kodi Sprott, Tim Mpofu, Jamie Abbott, Taryn Eves, Patrick Uzize

1. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

2. APOLOGIES

Apologies for absence were received from Randy Plowright.

3. URGENT BUSINESS

There were no items of urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

Representatives of Haringey Unison attended the meeting. Haringey Unison believed that members' pensions should be invested in areas which they felt provided social value.

Cllr Dunstall thanked the deputation party for attending the meeting, he explained the committee would discuss a work plan for the development of the fund's Responsible Investment Policy. Through this policy, the aim was to establish a framework for addressing social, environmental and governance issues across all investments. Alongside this there was also a plan to develop a governance framework for making sure appointed investment managers were accountable based on a set of criteria and in line with the fund's objectives. It was noted that the Pension Fund operated in a complex regulatory environment and assessing what was possible and in the best interests of members, would take time and could present significant challenges.

The following was noted in response to questions and comments made by the Committee and Board to the deputation group:

- Cllr Hymas asked the deputation party if there were specific beliefs they thought the committee should consider. They explained that the companies listed within their deputation should be investigated.

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr Bevan had undertaken the following training:

MARCH

- INFORMA CONNECT ISSB Standards, TCFD & Climate Risk Reporting 2024
- TIKEHAU INVESTMENT MANAGEMENT Capital Energy Transition & Decarbonisation
- MALLOW STREET Fixed Income Spotlight
- PFIF Investing in UK Assets - Does it make sense?

APRIL

- SPS Alternative & Real Asset Investments Conference
- PENSIONS AGE Spring Conference
- PARTNERS GROUP London Investor Conference 2024

MAY

- PREQIN Benchmarking Private Markets
- LBH Climate Action Training
- LOMBARD ODIER Transition Investment Summit 2024
- LOCAL AUTHORITY PENSION FUND FORUM & IndustriALL Webinar: Social protection for garment workers in Bangladesh: the Employment Injury Scheme
- PROFESSIONAL PENSIONS LIVE 2024
- SWFI Global Wealth Conference London

JUNE

- Room 151s LGPS Private Markets Forum
- MÀLLOW STREET Private Markets Investment Focus
- MALLOW STREET Fixed Income Indaba
- PROFESSIONAL PENSIONS Defined Contributions Conference
- MALLOW STREET Renewable Energy Infrastructure
- EPFIF Managing the Transition to Net Zero & Making an Impact

JULY

- CIO INVESTMENT CLUB Fixed Income How to make Impact
- PORTFOLIA INTERNATIONAL ESG Club Conference Sustainable Growth For a New Era
- MALLOW STREET The Evolving Role of Securitised Credit
- EPFIF Asset Allocations Implications, Election and Geopolitical Implications
- AXA Biodiversity and Nature: The why and how of rescuing the planet

Cllr Dunstall had undertaken Chair's training.

7. MINUTES

RESOLVED:

That the minutes of the meeting held on 3rd March 2024 be confirmed and signed as a correct record.

Keith Brown requested to note a change specific to the item regarding the deputation. He noted a correction that the goal would be to create an index which could then be invested in.

8. PENSION FUND EXTERNAL AUDIT PLAN - YEAR TO 31ST MARCH 2024

Tim Mpofu, Head of Pensions and Treasury introduced the report. This report presented the draft audit plan prepared by the Pension Fund's external auditors, KPMG, for the audit of the Pension Fund's Annual Accounts.

KPMG discussed the audit plan. They explained that they would perform normal audit procedures as mentioned in the report to check if the valuation of assets remained appropriate. The auditors confirmed that a risk assessment of contributions and benefit payments had taken place in preparing for this audit. This was more from the point of view that this remained the first-year audit, but this would be reassessed again at year end once all evidence had been obtained.

The following was noted in response to questions and comments from the Committee and Board:

- Cllr Hymas queried on segregation of duties. KPMG explained they wanted to refer a segregation of duty from the perspective of preparer and a reviewer of the journal. Journals are the way that officers enter the financial information into the accounting system. The auditors would be looking for whether there were separate roles and responsibilities for this. It was noted that there was a process in place which officers would be sharing with KPMG as part of the audit. The outcome of this audit test could result in auditor recommendations on how this could be made more robust.
- Cllr Hymas raised a query regarding the financial accounts which had not yet been audited and what the process would be if an issue was identified. Taryn Eves explained that officers were waiting still for the previous auditors (BDO) and the Government to confirm what needed to be done from the new auditor on those accounts. It was noted that until that consultation was published, it would be difficult to state how this process would work in practice. Haringey was not the only authority whose accounts were still awaiting an audit opinion; however, officers were in direct contact with BDO and would update the committee as and when further information was available.

RESOLVED

This report was noted.

9. PENSIONS ADMINISTRATION STRATEGY

Jamie Abbott, Pensions Manager introduced the report. This report provided the Pensions Committee and Board with a draft version of the Pension Fund's revised Administration Strategy.

The following was noted in response to questions and comments from the Committee and Board:

- Cllr Bevan queried how many external employers were members of the scheme and whether any had been fined in the past for delays in providing information to the Pensions Administration team. Jamie Abbott confirmed that there were 60 external employers, none of whom had received a fine.
- Regarding the consultation process, it was confirmed that this had been circulated to all employers participating in the scheme and the team had received no challenge from any of the employers. It was further noted that it was not the intention of officer to punish employers by imposing fines. The intention was to seek to run the scheme more effectively.
- Cllr Hymas requested that the annual newsletter on the self-service portal be provided to the committee. Jamie Abbott would provide this to members.

RESOLVED

This report was approved by the committee following a vote of 9 for.

10. PENSIONS ADMINISTRATION UPDATE

Jamie Abbott, Pensions Manager introduced the report. This report provided the Pensions Committee and Board with updates regarding Pension Fund's administration activities for the quarter ending 31 March 2024.

The following was noted in response to questions and comments from the Committee and Board:

- Cllr Iyngkaran questioned whether there was a target of what proportion of active members were registered on the portal. Jamie Abbott explained there was no specific target but officers would be happy to continue seeing an increase in registered users. Frequent communications were going out to scheme members regarding this. Officers would continue working to ensure member numbers continued to rise, although it was likely that this was starting to plateau.
- Cllr Bevan queried about performance stats against KPI's. Jamie Abbott explained that across the board performance was good. However, the processing of transfers was identified as a key issue at the moment. It was noted that the team had recruited two new apprentices and the team were collectively going to re-prioritise the transfer backlog which they had at the start of the year following an internal training programme.

RESOLVED

This report was noted and approved following a vote of 9 for.

11. HARINGEY PENSION FUND RISK REGISTER

Jamie Abbott, Pensions Manager introduced the report. This paper was prepared to update the Pensions Committee and Board on the Pension Fund's risk register.

The following was noted in response to questions and comments from the Committee and Board:

- Craig Pattison queried the cyber risk being rated as green. Tim Mpofu explained that this risk needed to be reviewed again and would likely be changed to amber, at a minimum. It was further noted that internal controls report were received from all investment managers and there was a good level of assurance in terms of cyber security.
- Cllr Dunstall noted that it would be helpful to have a column to note where a risk was subject to change. Tim Mpofu confirmed that the team would seek to reflect this request in future iterations of the risk register.
- Cllr Hymas sought clarification on the backstop date of the outstanding audits. Taryn Eves explained that essentially the consultation under way was setting that backstop date of the 30th of September, however this was not yet agreed. The backstop date would mean that any work on previous years accounts would stop at that point.

RESOLVED

This report was noted.

12. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) UPDATE

Tim Mpofu, Head of Pensions and Treasury introduced the report. This paper provided an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities on behalf of the Fund.

There were no questions from members on this item.

RESOLVED

This report was noted.

13. RESPONSIBLE INVESTMENT POLICY DEVELOPMENT PLAN

Tim Mpofu, Head of Pensions and Treasury introduced the report. This report presented the Responsible Investment (RI) Policy development plan for the Pensions Committee and Board's consideration.

The following was noted in response to questions and comments from the Committee and Board:

- Cllr White noted that he thought it would be useful for officers to talk to other authorities who may have similar plans in place. Tim Mpofu confirmed that representatives from Waltham Forest Council and Haringey Counciil sat on the London CIV's, sustainable investment working group. It was noted that the key objective of the RI policy development programme would be to get a clearer understanding of the Pensions Fund's responsible investment implementation framework. Tim Mpofu added that the approved RI policy would have to be investable.
- Steve Turner noted that the most important issue in members consideration was to be aware of the legal position and whether members would be in a sound position to be able to make divestments based on ethical decisions. He also noted that he was aware that the CIV were looking into this issue and were potentially working on making some changes to an existing index tracking fund that might address some of these

concerns in terms of disinvestment from owners. Another potential solution was with consider inviting Legal and General, this fund's equity investment manager to provide an update on their approach to responsible investing. LGIM offered a vast array of different investment strategies, they also had an index tracking fund.

- Patrick Uzice advised that the statutory requirement was for the fund to invest in a wide variety of matters in accordance with the investment strategy and on the face of it would not prevent the fund in deciding not to invest in a specific kind of company. However, the wider impact of such a decision would have to be assessed and as a result the decision may breach the statutory requirement.
- Tim Mpofu explained that for the committee to reach a decision on strategy implementation, it would be helpful to officers if they received a clear steer from the committee regarding their investment beliefs and responsible investment priorities. Some of the planned workshops such as the ESG educational sessions, would touch on the general points related to responsible investing. It was highlighted that an anonymous questionnaire would also be produced, to provide
- officers and advisors with insights into the committee's priorities. Despite concerns around the tight timelines included in the development plan, officers were committed to complete this process as set out in the document and it was confirmed that an external advisor had been appointed to support the committee with this work.
- Cllr Bevan noted that it would be useful for LGIM to attend a future committee.

RESOLVED

This report was noted.

14. FORWARD PLAN

Tim Mpofu, Head of Pensions and Treasury introduced the report. This paper had been prepared to identify and agree upon the key priorities for the Pensions Committee and Board (PCB) over the upcoming months, as well as seek the PCB's input into future agendas.

The following was noted in response to questions and comments from the Committee and Board:

- Tim Mpofu confirmed that he would share the dates of relevant future training courses to members. Members were reminded and encouraged to undertake any training available, more specifically LOLA the self-directed training programme.

RESOLVED

This report was noted.

15. PENSION FUND QUARTERLY AND INVESTMENT PERFORMANCE UPDATE

Tim Mpofu, Head of Pensions and Treasury introduced the report. This report provided the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 31 March 2024.

- This item was to be discussed in depth under the exempt agenda item 19 as it contained some commercial sensitive items.

RESOLVED

This report was noted.

16. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

17. DATES OF FUTURE MEETINGS

30TH SEPTEMBER 2024

2ND DECEMBER 2024

20TH MARCH 2025

18. EXCLUSION OF THE PRESS AND PUBLIC

Items 19-21 are likely to be subject to a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3 – namely information relating to the financial or business affairs of any particular person (including the authority holding that information) and para 5 – information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

19. EXEMPT - PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE

The exempt information was considered.

20. EXEMPT MINUTES

RESOLVED.

The exempt minutes were approved.

21. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor George Dunstall

Signed by Chair ………………………………..

Date …………………………………

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Agenda Item 8

Report for: Pensions Committee and Board – 30 September 2024

Item number:

Title: LGPS Update

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

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

a. Update on the Consultation outcome of November 2023
b. The Ministerial Letter of 15 May 2024
c. New Government Ministers
d. The new Government and the LGPS
e. Annual Pension Fund Report
f. LGPS Accounts and Audit
g. Review of 2022 Actuarial Valuations by the Government Actuary

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

3.1. The Pensions Committee and Board is recommended to note the Independent Advisor's, LGPS Update, September 2024 paper, appended as Appendix 1 to this report.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

Haringey LONDON

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

Update on the Consultation outcome of November 2023

6.2. On November 22, 2023, the Government issued its Consultation Outcome response, outlining its intended course of action. Haringey Council submitted a response to this consultation.

6.3. Implementation of the changes outlined in the Consultation outcome requires updates to LGPS regulations or new Statutory Guidance. At the time of the General Election, these necessary regulatory updates had not been issued.

6.4. Further details of the implications of the Consultation outcome are set out on pages 1-2 of Appendix 1 to this paper.

Ministerial Letter of 15 May 2024

6.5. On May 15, 2024, the then Local Government Minister, Simon Hoare MP, sent a letter to all Chief Executives and Chief Finance Officers of LGPS administering authorities in England. The letter requested information on LGPS fund and asset pool efficiency measures. Responses were due by 19 July 2024. Haringey Council submitted a response to this letter.

6.6. Further details related to this letter are set out on page 2 of Appendix 1 to this paper.

New Government Ministers

6.7. Following the July 2024 General Election, the Department for Levelling Up, Housing and Communities (DLUHC) has reverted to its former name: the Ministry of Housing, Communities and Local Government (MHCLG).

6.8. The most significant change, in addition to the new ministerial appointments, was the creation of a joint ministerial role between the Treasury and the Department for Work and Pensions (DWP) for the first time ever. This appointment signals a clear desire by the new Government to coordinate pensions policy more closely.

6.9. Further details related to the new ministerial appointments are set out on page 3 of Appendix 1 to this paper.

The new Government and the LGPS

6.10. The new Labour Government introduced a Pension Schemes Bill as part of the King's Speech on 17 July 2024. Subsequently, on July 20, 2024, the Chancellor issued a Government Press Release, announcing a landmark review aimed at boosting investment, increasing pension pots, and tackling waste in the pensions system.

6.11. The first phase of the Pensions Review will focus on developing policy in four key areas, as outlined on page 4 of Appendix 1. As part of this initial phase, the government has published a Call for Evidence, open until 25 September 2024.

6.12. This call seeks responses on two main topics: LGPS asset pooling and investment in UK assets.

Haringey LONDON

6.13. Further details on the implications of this pensions review are set out on pages 3-5 of Appendix 1 to this paper.

Annual Pension Fund Report – Updated Guidance

6.14. The updated Statutory Guidance for LGPS Fund Annual Reports was issued on 28 March 2024, replacing the previous 2019 CIPFA guidance. The new guidance applies to 2023/24 annual reports and later years, with some flexibility in terms of its application for the 2023/24 reporting period.

6.15. Further details on the key changes and implications of this updated guidance are set out on pages 5-7 of Appendix 1 to this paper.

LGPS Accounts and Audit

6.16. The LGPS Pension Fund Accounts in England are currently part of the overall Statement of Accounts of their Administering Authorities. This integration is causing widespread delays across England in the approval of Pension Fund Accounts. This is because the Pension Fund Accounts can only receive formal approval after the External Auditor approves the main Council Accounts.

6.17. The Scheme Advisory Board (SAB) has recommended separating Pension Fund Annual Accounts in England from those of their Administering Authority, as already implemented in Wales and Scotland. In February 2023, the Minister responsible for LGPS indicated that the Government was actively considering this recommendation. However, as of March 2024, no progress had been made on separating the accounts.

6.18. Further details on the implications of the delays related to LGPS Accounts and Audit are set out on pages 7-9 of Appendix 1 to this paper.

Review of the 2022 Actuarial Valuations by the Government Actuary

6.19. The Government Actuary's Department (GAD) published its review of the 2022 LGPS Actuarial Valuations, assessing compliance, consistency, solvency, and long-term cost efficiency. The review showed that the overall LGPS funding position has improved since 2019, with the aggregate funding level increasing from 98% to 106%.

6.20. Further details on the key findings and recommendations are set out on pages 9-13 of Appendix 1 to this paper.

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)

<u>Finance and Procurement</u>

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

Assistant Director for Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. The Assistant Director for Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. This report deals with a number of updates which members should note and may have implications for the administration of the Pension Fund.

Equalities

9.3. Not applicable.

10. Use of Appendices

10.1. Appendix 1: Independent Advisor's LGPS Update

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.

JOHN RAISIN FINANCIAL SERVICES LIMITED

Haringey Pension Fund

LGPS Update

A paper by the Independent Advisor

September 2024

Introduction

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

1. Update on the Consultation outcome of November 2023.
2. The Ministerial Letter of 15 May 2024.
3. New Government Ministers.
4. The new Government and the LGPS.
5. Annual Pension Fund Report – Updated Guidance.
6. LGPS Accounts and Audit.
7. Review of 2022 Actuarial Valuations by the Government Actuary.

It is hoped this paper will be informative to all Members of the Pensions Committee and Board and will contribute to their knowledge and understanding of the LGPS.

1. Update on the Consultation outcome of November 2023

The meeting of the Pensions Committee and Board held on 30 January 2024 received a report (Agenda Item 9) ***"DLUHC Consultation Outcome: LGPS – Next steps on investments"*** the Appendix to which was a paper by the Independent Advisor updating the PCB on the main outcomes. This paper included a commentary on both the Consultation of July 2023 **"Local Government Pension Scheme (England and Wales): Next steps on Investments"** and the **Consultation outcome** issued by the Government on 22 November 2023 which stated how the Government intended to proceed.

In order for the changes to the LGPS covered in the **Consultation outcome** to come into effect it is necessary for appropriate changes to be made to the LGPS Regulations and/or new Statutory Guidance to be issued. As at the time the General Election was called, however, no such Regulations or Statutory Guidance had been issued in respect of most of the issues covered in the **Consultation outcome -** including Investment Pooling (very clearly the principal issue within the Consultation), Levelling Up, Private Equity, objectives for Investment Consultants, and to correct the definition of investment in the 2016 Investment Regulations. Therefore, most of the proposals, including the most important ones relating to the further development and implementation of Pooling have not (yet) come into effect.

In respect of the proposals relating to reporting on Investment Performance and on Pooling activity/outcomes these have, however, been implemented through the new Statutory Guidance on the Pension Fund Annual Report issued in March 2024. The new reporting requirements are significant and are covered in more detail in Section 5 of this LGPS Update.

2. The Ministerial Letter of 15 May 2024.

On 15 May 2024, the then Local Government Minister (Simon Hoare MP) issued a letter to all LGPS Funds in England (but not those in Wales even though the LGPS in Wales fell within his remit). This letter sought information on *"…your approach to efficiencies in the management, governance and administration of your LGPS fund and asset pool…"*

The letter asked for responses in respect two themes. Firstly, *"How your fund will complete the process of pension asset pooling to deliver the benefits of scale"* There were a number of specific questions on this theme including the extent of pooling so far and barriers to completion, levels of expenditure on investment consultancy services, views on the effectiveness of pool governance arrangements. Secondly, "*How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale."* This included the question *"Would you be likely to achieve long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority?"*

Responses to the Minister's letter were required by 19 July 2024. Notwithstanding that a General Election was called by the (then) Prime Minister on 22 May 2024 the LGPS Scheme Advisory Board issued a statement on 25 June 2024 encouraging Funds to still respond to the letter. It is understood that there was a high level of response to the letter and therefore the new Government has information from across the LGPS in England as sought in the Ministerial letter of 15 May 2024. This may be of clear value to the **Pensions Review** that the new Government has commissioned, and which is considered further in Section 4 of this LGPS Update.

3. New Government Ministers

Following the General Election of July 2024 the Department for Levelling Up, Housing and Communities (DLUHC) has returned to its former name of the Ministry of Housing, Communities and Local Government (MHCLG). The new Secretary of State for MHCLG and therefore for the LGPS is Rt Hon Angela Rayner MP. The Minister of State at the MHCLG for Local Government, and who is therefore now the Minister with direct responsibility for the LGPS is Jim McMahon OBE MP.

In addition, it is clear that the Treasury under the Chancellor of the Exchequer Rt Hon Rachel Reeves MP has a clear focus on pensions issues generally which includes not only private sector pension provision but also the LGPS (which will be considered further in Section 4 of this LGPS Update). For the first time ever, a joint ministerial role has been created between the Treasury and the Department for Work and Pensions (DWP) which is responsible for private sector pension issues. Emma Reynolds MP has been appointed to this role as Parliamentary Secretary at HM Treasury and the Department of Work and Pensions. This appointment signals a clear desire by the new Government to more closely co-ordinate pensions policy.

4. The new Government and the LGPS

The new Labour Government is clearly very interested in pensions across both the private sector and the LGPS. The King's Speech of 17 July 2024 included a **Pension Schemes Bill** which (according to the Briefing Notes which accompanied the Speech) *"…will support over 15 million people who save in private-sector pension schemes…and support the Government's mission to deliver growth."*

On 20 July 2024 the Government issued a Press Release "***"Chancellor vows 'big bang on growth' to boost investment and savings"*** This included the statements *"Chancellor launches landmark review to boost investment, increase pension pots and tackle waste in the pensions system"* and *"Action will be taken to unleash the full investment might of the £360 billion Local Government Pension Scheme to make it an engine for UK growth."*

With regard to the **Pensions Review** the 20 July 2024 Press Release also included the statement *"The Review will also, working closely with the Minister of State at MHCLG Jim McMahon, look at how to unlock the investment potential of the £360 billion Local Government Pensions Scheme,…as well as how to tackle the £2 billion that is being spent on fees."*

On 7 August 2024, the Government issued a Press Release ***"Chancellor Reeves: Pension funds can fire up the UK economy."*** This included the statement *"The Chancellor Rachel Reeves has called on pension funds to "learn lessons from the Canadian model and fire up the UK economy"…"*

On 16 August 2024, the **Terms of Reference** of the **Pensions Review** were issued jointly by HM Treasury, DWP and MHCLG. These stated that the Chancellor had appointed Emma Reynolds MP (Parliamentary Secretary at HM Treasury and the Department of Work and Pensions) to lead the review which *"will focus on defined contribution workplace schemes and the Local Government Pension Scheme".*

The **Terms of Reference** also stated, *"The review will also work closely with the Minister of State at MHCLG Jim McMahon to look at how tackling fragmentation and inefficiency can unlock the investment potential of the £360 billion Local Government Pension Scheme in England and Wales…including through further consolidation."*

The **Pensions Review** will have (at least) two phases. The **Terms of Reference** state *"The first phase of the review will focus on developing policy in four areas:*

1. *Driving scale and consolidation of defined contribution workplace schemes;*
2. *Tackling fragmentation and inefficiency in the Local Government Pension Scheme through consolidation and improved governance;*
3. *The structure of the pensions ecosystem and achieving a greater focus on value to deliver better outcomes for future pensioners, rather than cost; and*
4. *Encouraging further pension investment into UK assets to boost growth across the country."*

The second policy area of the review will focus specifically on the structural and governance arrangements of the LGPS. The fourth policy area is also clearly potentially relevant to the LGPS given the Government Press Releases of 20 July and 7 August 2024.

On 4 September 2024 the Government published a Call For Evidence in respect of the **Pensions Review** which is called "**Pensions Investment Review: Call for Evidence"** which is open to *"interested parties"* (which is any organisation or individual) who wishes to respond. The Call for Evidence is only open for three weeks and closes at 11.59pm on Wednesday 25 September 2024. The Call for Evidence asks for responses to five questions under the heading ***"Scale and consolidation"*** of which four relate to the private sector defined contribution (DC) schemes and one to the LGPS. The question relating to the LGPS is *"To what extent has LGPS asset pooling been successful, including specific models of pooling, with respect to delivering improved long-term risk-adjusted returns and capacity to invest in a wider range of asset classes?"* The two questions in the ***"Costs vs Value"*** heading relate to the private sector DC schemes. The heading ***"Investing in the UK"*** consists of three questions which are relevant to both DC schemes and the LGPS which are:

1. What is the potential for a more consolidated LGPS and workplace DC market, combined with an increased focus on net investment returns (rather than costs), to increase net investment in UK asset classes such as unlisted and listed equity and infrastructure, and the potential impacts of such an increase on UK growth?

2. What are the main factors behind changing patterns of UK pension fund investment in UK asset classes (including UK-listed equities), such as past and predicted asset price performance and cost factors?

3. Is there a case for establishing additional incentives or requirements aimed at raising the portfolio allocations of DC and LGPS funds to UK assets or particular UK asset classes, taking into account the priorities of the review to improve saver outcomes and boost UK growth? In addition, for the LGPS, there are options to support and incentivise investment in local communities contributing to local and regional growth. What are the options for those incentives and requirements and what are their relative merits and predicted effectiveness?

Clearly the **Pensions Review** may have major, and even fundamental, implications for the future of the LGPS. Therefore individual LGPS Funds (Administering Authorities) absolutely should submit responses to the Call for Evidence as it is the Administering Authorities who are responsible under the LGPS Regulations 2013 (Regulation 53) *"…for managing and administering the Scheme…"* Indeed given the status of the Administering Authorities in the context of the LGPS they are surely the most relevant interested party in relation to the Call for Evidence as it applies to the LGPS. The Scheme Advisory Board has explicitly encouraged LGPS Funds to respond to the Call for Evidence.

The Call for Evidence also states that *"The review intends to engage extensively with stakeholders via meetings and workshops…"* These had commenced by the week commencing 16 September 2024 including a LGPS Officer workshop involving London LGPS Officer representation. These meetings will consider questions beyond those in the Call for Evidence of 4 September 2024.

The timing of the completion of Phase 1 of the Pensions Review has not been officially announced but it is clear that the Government is working at pace. It is however anticipated that Phase 1 will be completed by the end of the 2024 calendar year at latest and that an announcement of the outcome could be made as early as the Budget on 30 October 2024 or shortly after in November.

5. Annual Pension Fund Report – Updated Guidance

On 28 March 2024 updated Statutory Guidance in respect of the preparation of LGPS Fund Annual Reports was issued. This replaces the previous guidance issued by CIPFA in March 2019. The new Guidance is called ***"Preparing the Pension Fund Annual Report, Guidance for Local Government Pension Scheme Funds, April 2024."***

This new guidance places significant new responsibilities on LGPS Funds including in the areas of reporting in relation to Investment activity. Crucially it implements the Investment Performance and Pooling activity/outcomes proposals contained in the **Consultation outcome** of November 2023. The new Statutory Guidance also places significant new reporting responsibilities on LGPS Funds in respect of Pensions Administration.

This guidance is the first publication to have been reviewed and jointly approved by the Compliance and Reporting Committee (CRC) of the LGPS Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (DLUHC, which since the General Election is now the MHCLG). Previously the (now disbanded) CIPFA Pensions Panel was, for many years, responsible for the preparation of Annual Report Guidance.

Paragraph 10 of the new Guidance of 2024 confirms that it has the status in England and Wales of *"statutory guidance."* Therefore, in accordance with Regulation 57(3) of the LGPS Regulations 2013 "*In preparing and publishing the pension fund annual report"* each Administering Authority (in this case the London Borough of Haringey) *"must have regard"* to this Guidance. Paragraph 2 of the new Guidance states *"This guidance applies to 2023/24 annual reports and later years."*

However, Paragraph 2 of the new Statutory Guidance goes on to state *"For annual reports covering 2023/24, funds should use their best endeavours to comply fully with this guidance, but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. Where significant variation from this guidance is considered appropriate, funds should provide an explanation."* A reason for this approach is provided in the report ***"ANNUAL REPORT GUIDANCE"*** to the 12 February 2024 meeting of the Scheme Advisory Board Compliance and Reporting Committee (CRC) which states at paragraph 7 that *"…it is acknowledged that it may be a challenge for funds to report on all the new requirements for the 2023/24 reporting year, as changes to the recording and reporting of data may take time to implement."*

This new Statutory Guidance clearly and very significantly increases the reporting requirements for LGPS Funds relating to **Investments** as is clear from a comparison of the contents of the 2019 Statutory Guidance with the 2024 Statutory Guidance. Paragraph 30 of the new Statutory Guidance implements as a ***"must"*** the reporting of *"Investment performance net of fees"* for *"each fund manager or asset class"* together with *"an appropriate benchmark chosen by the authority…"* which implements the proposal regarding reporting in the **Consultation outcome** of 22 November 2023. Paragraphs 35 to 41 set out a broad range of reporting requirements relating to Pooling which implement the proposal in the **Consultation outcome** to *"require greater clarity on the progress of pooling…"* Therefore, the requirements of the 2024 Annual Report Guidance will further highlight the extent of Investment Pooling both by each individual LGPS Fund, and across the LGPS in England and Wales as a whole.

Paragraph 42 of the 2024 Statutory Guidance introduces a new requirement whereby *“The annual report **must** also include data…to provide additional information on investment in the UK…”* This reflects the previous Government’s interest in Pension Fund investment in the UK, which is shared by the present Government.

The 2024 Statutory Guidance (paragraph 31) enhances the reporting of environmental, social and governance (ESG) activity as it states that LGPS Funds ***“should ”*** provide details of ESG activities. In contrast the 2019 Statutory Guidance merely stated that LGPS Funds ***“may** also wish to provide details”* of any ESG activities.

The new Statutory Guidance also clearly and very significantly increases the reporting requirements for LGPS Funds relating to **Administration** as is clear from a comparison of the contents of the 2019 Statutory Guidance with the 2024 Statutory Guidance. In particular the new Guidance at Paragraph 55 states that *“Pension Funds **must** report on the outcomes of administration KPIs set out in Annex 1 and **should** provide an appropriate commentary such that readers can understand and put the data into context”*

The KPIs at Annex 1 (which is called Annex A elsewhere in the 2024 Guidance) are extensive and cover Casework, Communication and Engagement, Resources, and Data Quality. To seek to facilitate consistency of KPI reporting across LGPS Funds Definitions and Guidance Notes have also been provided.

Doubtlessly to reflect the delays that have been encountered in recent years by some LGPS Funds in obtaining an **External Audit Opinion** a commentary has been added to address this situation. Paragraph 67 states “*Where the audit opinion has not been issued on or before 1st December, the pension fund administering authority is still under a statutory obligation to publish the annual report by the due date. Funds in this position must publish the annual report without an audit opinion making it clear that this is the case and then re-publish the report when the audit opinion is finally issued.”*

Overall, there can be no doubt that the new Guidance ***“Preparing the Pension Fund Annual Report, Guidance for Local Government Pension Scheme Funds, April 2024”*** places further demands and resourcing requirements on LGPS Funds across their Investment, Administration, and Accounting functions. It will also, in due course, provide the Government with much information about both the LGPS as a whole and also about each of the existing 86 LGPS Funds in England and Wales.

6. LGPS Accounts and Audit

Regulation 53(1) of the LGPS Regulations 2013 (as Amended) requires Administering Authorities (including the London Borough of Haringey) to *“maintain a pension fund…”* However, at present in England the Pension Fund Account form part of the overall Accounts of the Administering Authority.

Due to delays in the preparation and publication of Administering Authority main accounts delays are consequently occurring, across England, in the approval of the Pension Fund Accounts as these can only be formally approved when the External Auditor also approves the main Council Accounts.

Consequently, on 3 August 2022 the Chair of the Scheme Advisory Board (SAB) wrote to the (then) Minister Responsible for the LGPS Paul Scully MP. The SAB letter urged the Government to support the separation of the Pension Fund Annual Accounts in England from those of their Administering Authority as has already happened in both Wales and Scotland. The SAB letter to Government included the following:

"The issues behind delays in the external audit of local authority accounts are much wider and not related to the preparation of pension fund annual accounts. The Board is firmly of the view that, so long as pension fund accounts remain part of the main local authority accounts, problems unrelated to pension fund accounts will continue to impact on the timely publication of the pension fund accounts…"

On 15 February 2023 the Minister then responsible for the LGPS, Lee Rowley MP sent a response to the SAB which indicated that the DLUHC was actively considering the SAB recommendation to completely separate the Pension Fund Annual Accounts of English LGPS Funds

"I recognise the scope and complexity of issues affecting external local audit, and the impact that this is having on reporting by local authorities and LGPS funds.…"

"I welcome the Board's advice and recommendation to consider the separation of main authority accounts and the pension fund accounts,.. I have asked my officials to consider the scope for developing this further."

As at March 2024 there had however been no progress in respect of the separating of Pension Fund Accounts from those of their Administering Authority. On 6 March 2024 SAB therefore again raised this issue by issuing a formal response to the DLUHC Consultation ***"Addressing the local audit backlog in England."*** This Consultation which was issued on 8th February 2024 and closed on 7 March 2024 was concerned with clearing the backlog in the publication of audited accounts of major local bodies in England which in the words of the Consultation *"has grown to an unacceptable level."* In its response SAB included the following:

"…The consistent delays in the completion of the audit of the administering authority's main accounts has had the effect of delaying the issuing of an audit opinion on the pension fund annual accounts."

"…so long as pension fund accounts remain part of the main local authority accounts, problems unrelated to the issuing of audit opinions on the pension fund will continue to impact on the timely publication of finalised pension fund accounts, along with the pension fund audit opinion."

"All LGPS pension funds are multi-employer schemes, with a typical single fund having over 200 different employers participating in the LGPS. Over 18,000 separate employers participate in the LGPS, and an increasing feature of the scheme is the extent to which almost two thirds of these employing bodies are commercial companies, not for-profit entities and academy schools/Multi-academy trusts, rather than local authorities. These employing bodies are subject to a wide range of different financial reporting frameworks which all require that LGPS pension liabilities should be recognized."

"Where the pension fund audit has not been signed off simply due to the delay in clearing the administering authority's audit, then the auditor of the scheme employers' accounts will need to do additional work to gain assurance that the pension liability figures that have been provided by the pension fund to the employer can be relied on. Any uncertainty over the value of the pension liabilities may be material to a scheme employer, depending on a range of factors particular to that employer. This is avoidable and unnecessary additional cost for the employer as well as being a significant additional administrative burden for the pension fund in responding to queries and requests for information from the scheme employer's auditor."

"Partly because of this ongoing problem, the Board wrote over a year ago to the then Minister to recommend the separation of the pension fund annual accounts in England from the administering authorities' own accounts, as is already the case for the LGPS in Scotland and Wales."

"We understand that the Minister has agreed in principle to the separation of pension fund accounts and has asked officials to find a suitable legislative vehicle to achieve this. It is a well understood problem and the solution for the LGPS is clear – we are just waiting for it to be delivered."

As at the time that the General Election was called (22 May 2024) DLUHC had made no announcement regarding the separation of Pension Fund Accounts in England from those of their Administering Authority. As at the date of this LGPS Update the new Government has made no statement on this issue.

In conclusion, there can be no doubt that until the Accounts of LGPS Funds in England are separated entirely from those of their Administering Authority there is an ongoing risk that there may be delays and additional work and expenditure for both LGPS Funds and LGPS Employers because of issues with the Administering Authority main Accounts.

7. Review of 2022 Actuarial Valuations by the Government Actuary

On 14 August 2024, the Government Actuary's Department (GAD) published its review of the 2022 LGPS Actuarial Valuations. The main report is 56 pages long. There is also an Appendices paper of 64 pages and a 21 page Funding Analysis report.

The GAD was appointed by the Government to report under Section 13 of the Public Service Pensions Act 2013 in respect of the 2022 Actuarial Valuations of the Funds in the Local Government Pension Scheme in England and Wales (LGPS). They had previously undertaken this role in respect of the 2016 and 2019 LGPS Valuations.

The Executive Summary (pages 3 to 8 of the main report) includes the comments (on page 4) *"In aggregate, the funding position of the LGPS has improved since 31 March 2019 and the scheme appears to be in a strong financial position…"* and specifically that since the 2019 Valuation across the LGPS in England and Wales as a whole *"The aggregate funding level on… prudent local bases has improved from 98% (at 2019) to 106% (at 2022)"* and that *"The improved aggregate funding level is due in large part to strong asset returns over the 3 year period to March 2022…"*

Section 13 requires GAD to report on whether the following aims were achieved:

- **Compliance:** whether a Fund's Valuation is in accordance with the Scheme Regulations

- **Consistency:** whether the Fund's Valuation has been carried out in a way which is not inconsistent with other Fund Valuations within the LGPS

- **Solvency:** whether the rate of Employer Contributions is set at an appropriate level to ensure the solvency of the Fund

- **Long term cost efficiency:** whether the rate of Employer Contributions is set at an appropriate level to ensure the long-term cost efficiency of the Scheme, as measured on an individual Fund basis

The first two issues are concerned primarily with the methods of the four Actuarial firms (Aon, Barnett Waddingham, Hymans Robertson, and Mercer) who undertake Actuarial Valuations for LGPS Funds.

The issues of Solvency and Long Term Cost Efficiency are Fund specific. In respect of **Solvency** and **Long term cost efficiency** GAD looked at a range of metrics (12 in all, with 7 for Solvency and 5 for Long term cost efficiency) and then assigned a *"colour coded flag"* to each LGPS Fund in England and Wales for each metric. These range from Red to Amber to White to Green and are explained on page 11 of the main report. A Red flag indicated *"A material issue that may result in the aims of section 13 not being met..."* It is extremely pleasing to note that there were no red flags assigned to any LGPS Fund in England and Wales. An Amber flag indicates *"A potential issue that we would expect funds to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency."* Only three Funds across England and Wales (one English County and two in London) were Amber flagged This compared to four in 2019 (one English County and three in London). A White flag is *"An advisory flag that highlights a general issue* *but one which does not require an action in isolation..."* A Green flag indicates that *"There are no material issues…"* The total lack of red flags and the fact that out of over 80 Funds examined only three were Amber flagged clearly indicates the overall robustness, based on the GAD analysis, of the approach to funding issues of the LGPS across England and Wales. Based on GAD analysis all LGPS Funds in England and Wales met the aims of **Solvency** and **Long term cost efficiency.**

The Haringey Fund received a Green flag in respect of all 12 metrics for Solvency and Long term cost efficiency.

In summary, the main findings of the GAD report on the 2022 Valuations were:

- **Compliance -** Fund valuations were compliant with relevant regulations.

- **Consistency –** GAD were content that presentational consistency was *"evident"* in the 2022 valuations. GAD however also state *"… even given consistency in presentation…differences in underlying methodology and assumptions (which we call evidential inconsistency) mean that it is not possible to make a like for like comparison between funds"* and *"There is no indication of significant improvement in evidential consistency since the previous review. Local variations may merit different assumptions and the approaches and assumptions adopted appear compliant with the relevant requirements."* Therefore, GAD are not questioning the validity of the approach of any of the four Actuarial firms in relation to the Consistency requirement. However, they go on to state "*these differences will lead to different outcomes, for example in ongoing contribution rates. The Scheme Advisory Board (SAB) are facilitating a review of the Funding Strategy Statement Guidance…"* and GAD therefore **Recommend** that *"the Scheme Advisory Board consider whether greater consistency could and should be achieved to allow easier comparison between funds and better understanding of risks."* GAD also recognised *"the significant progress made by funds and actuarial advisors in the presentation of climate risk analysis as part of the actuarial valuation process. We strongly promote the further development of climate risk analysis…"* and that "*The landscape in which the scheme operates is continually changing such that the scheme will face different challenges over time…"* GAD therefore **Recommended** that SAB *"continue to consider emerging issues and, where appropriate, whether guidance would be helpful to support greater consistency"* and *"As part of greater consistency on climate risk, we recommend that work continues to refine the climate change principles document in advance of the 2025 fund valuations."*

- **Solvency –** Local Funding levels had continued to improve since the 2019 Valuation to an average level of 106% which "*reduces the current solvency concerns but we note future solvency risk remains an important consideration."* GAD have, however, raised no red or amber flags in relation to solvency. GAD indicate that solvency is more likely to be a potential issue for Funds that are in deficit. GAD also state that *"risks* *clearly remain particularly in the context of competing pressures on employer's budgets and noting the sensitivity of funding levels to future experience (especially investment market conditions").* GAD also raise the issue of the transfer of property assets by some Councils to their pension funds stating *"we note these are complex… care needs to be taken to ensure they are suitable investments for a pension fund…The governance around any such asset transfer arrangements requires careful consideration…"* Therefore, GAD **Recommended** *"that these arrangements are considered as part of the Funding Strategy Statement guidance review"* which SAB is undertaking.

- **Long term cost efficiency (LTCE) –** Fundamentally long term cost efficiency is concerned with whether the rate of Employer Contributions is set at an appropriate level to ensure the long-term cost efficiency of the Scheme, as measured on an individual Fund basis and as GAD state on page 41 of the main report *"relates to making sufficient provision to meet the cost of benefit accruals with an appropriate adjustment to reflect the funding position of the fund."* GAD further comment that *"The LTCE part of the 2019 section 13 review focused on deficits, and not deferring deficit payments too far into the future so that they affect future generations of taxpayers disproportionately. This reflected the aggregate funding position of the scheme at that time. Whilst this remains a key consideration, as more funds have moved into surplus at the 2022 valuations, the use of surpluses has been given greater consideration at this review. Our focus is on intergenerational fairness, and whether the current generation of taxpayers is benefiting from any surplus appropriately relative to future taxpayers."* In the 2022 report GAD have issued amber flags to two Funds *"in relation to deficit recovery periods"* and to one Fund where *"we are concerned that employer contribution rates are decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery is being extended into the future (increasing the burden on future taxpayers)."* Given the number of LGPS Funds in surplus (at the 2022 valuation, 61 funds, over 70% of funds by number, were in surplus on a local basis, an increase from 24 at the 2019 valuation) the main GAD report on the 2022 Valuations gives considerable attention to the issue of surpluses and makes a **recommendation** in relation to both surpluses and deficits. GAD accepts that there are *"a range of reasonable uses of fund surpluses, with strategies varying by fund to manage their specific risks and circumstances."* However, GAD also state *"inconsistencies in outcomes across funds can arise where funds place different weights on the options for use of surplus. We support the SAB in facilitating a review of the guidance on Funding Strategy Statements with relevant stakeholders. We recommend that the treatment of surpluses and deficits, together with the governance on asset transfers, should be included as part of this review."* At pages 49 and 50 of the main report GAD has set out the approach it intends to use to assess how Funds have utilised surpluses at future valuations. This approach covers both *"Funds utilising surpluses too quickly"* and *"Funds retaining "large" surpluses."*

The Appendices document includes detailed results and GAD analysis covering all LGPS Funds in England and Wales.

The **Recommendations** as stated by GAD are:

Recommendation 1

We recommend that the Scheme Advisory Board consider whether greater consistency could and should be achieved to allow easier comparison between funds and better understanding of risks.

Recommendation 2

We recommend that the Scheme Advisory Board continue to consider emerging issues and, where appropriate, whether guidance would be helpful to support greater consistency.

As part of greater consistency on climate risk, we recommend that work continues to refine the climate change principles document in advance of the 2025 fund valuations.

Recommendation 3

We recommend that the Scheme Advisory Board consider the following:

• Where funds are in surplus, whether additional guidance can be provided to support funds in balancing different considerations.

• Where deficits exist, how can all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan.

• Whether additional guidance is required in relation to the treatment of asset transfers from local authorities.

John Raisin

19 September 2024

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Report for: Pensions Committee and Board – 30 September 2024

Title: Haringey Pension Fund Draft Annual Report 2023/24

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 2023/24 to the Pensions Committee and Board 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 unaudited Haringey Pension Fund Annual Report for 2023/24 appended as Appendix 1 to this report.

3.2. To approve the upload of the draft version of the Haringey Pension Fund Annual Report to the Haringey Pension Fund's website by 1 December 2024.

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. The annual report is a key component of communication between the pension fund and its stakeholders. This report must be published by the 1st of December, following the end of the financial year.

Overview of the Annual Report

6.2. The Fund's Annual Report is divided into several sections, each containing specific information:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well a summary of the overall financial position and Fund's approach to risk management.
- **The Pension Fund's Annual Statement of Accounts** for the year ended 31 March 2024 which have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').
- **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.

6.3. The draft Annual Report, attached as Appendix 1, provides comprehensive information on the Fund's activities during the 2023/24 period.

External audit opinion

6.4. It is a statutory requirement for the annual report to include the external auditor's opinion on the Fund's annual accounts. Although the pension fund accounts are audited separately, they are part of the Council's main statement of accounts. Therefore, an audit opinion on the Fund's annual accounts cannot be issued independently from the Council's statement of accounts.

6.5. According to the Scheme Advisory Board's guidance issued in April 2024, the Fund's administering authority must still publish the annual report by the statutory deadline, even if an audit opinion has not been issued by the 1st of December.

6.6. Following the completion of the external audit exercise, the Fund will update the report and re-publish the audited version on its website.

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 2023/24 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 2024. 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.

Assistant Director for 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 2023/24 (unaudited)

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 2024

Haringey LONDON

Contents

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 adminstration 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 2024 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 adminstration 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 2023/24 are shown below.

Member	Member Representation	Meeting Attendance
Cllr Ahmed Mahbub (Chair)	Elected member	4/4
Cllr John Bevan (Vice Chair)	Elected member	4/4
Cllr Tammy Hymas	Elected member	4/4
Cllr Thayahlan Iyngkaran	Elected member	4/4
Cllr Matt White	Elected member	3/4
Cllr Nick da Costa	Elected member	3/4
Keith Brown	Employer representative	3/4
Craig Pattinson	Employer representative	2/4
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 (S151 Officer)	Jon Warlow (until March 2024)
Assistant Director of Finance	Josephine Lyseight
Assistant Director for 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	London CIV
Infrastructure	BlackRock
	CIP
Private Equity	Pantheon
Infrastructure Debt	Allianz

Other service providers

The Fund has procured other services from external providers to support with the adminstration 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	KPMG (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.

At 31 March 2024, 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 **6,299** active contributors at 31 March 2024.
- **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 **10,973** deferred membership records at 31 March 2024.
- **Pensioners** are individuals who have already reached retirement age and are receiving their pension benefits, paid out by the Fund. There were **8,906** pensioner members at 31 March 2024.

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.

Net Asset Statement	2021/22 £m	2022/23 £m	2023/24 £m
Pooled investment vehicles	1,758	1,667	1,841
Cash and other balances	45	43	32
Total net assets	**1,803**	**1,710**	**1,873**

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

Fund Account	2021/22 £000	2022/23 £000	2023/24 £000
Fund value at start of the year	**1,638,253**	**1,803,329**	**1,708,178**
Contributions received	49,872	56,043	57,692
Benefits paid	(54,106)	(56,232)	(65,047)
Net transfers	458	321	(3,405)
Net investment income	7,663	10,507	14,618
Net Revenue	**3,887**	**10,639**	**3,858**
Change in market value	161,189	(105,790)	159,023
Net increase (decrease)	**165,076**	**(95,151)**	**162,881**
Fund value at end of the year	**1,803,329**	**1,708,178**	**1,871,059**

The Fund's contributions have increased at a slower rate than benefits paid out due to the increasing maturity of the Fund's membership profile. Benefits paid have been higher than contributions received for some years now, the resulting gap being more than covered by investment income.

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 £10.6m in 2022/23 to £14.6m in 2023/24. The Fund's asset allocation is structured to include income generating assets such as Fixed Income, Property, and Infrastructure.

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

Administration and Governance Costs	2021/22 £000	2022/23 £000	2023/24 £000
Administration			
Employee related costs	819	865	832
Administration software	195	670	148
Ill health liability insurance	421	-	-
Other administration costs	198	312	38
Total administration expenses	**1,633**	**1,847**	**1,018**
Oversight and governance			
London CIV pooling costs	123	106	94
Actuarial fees	106	201	142
Investment consultancy and advice	71	89	92
Audit fees	14	-	-
Other governance costs	18	26	28
Total oversight and governance expenses	**332**	**422**	**356**
Total administration and governance costs	**1,965**	**2,269**	**1,374**

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.

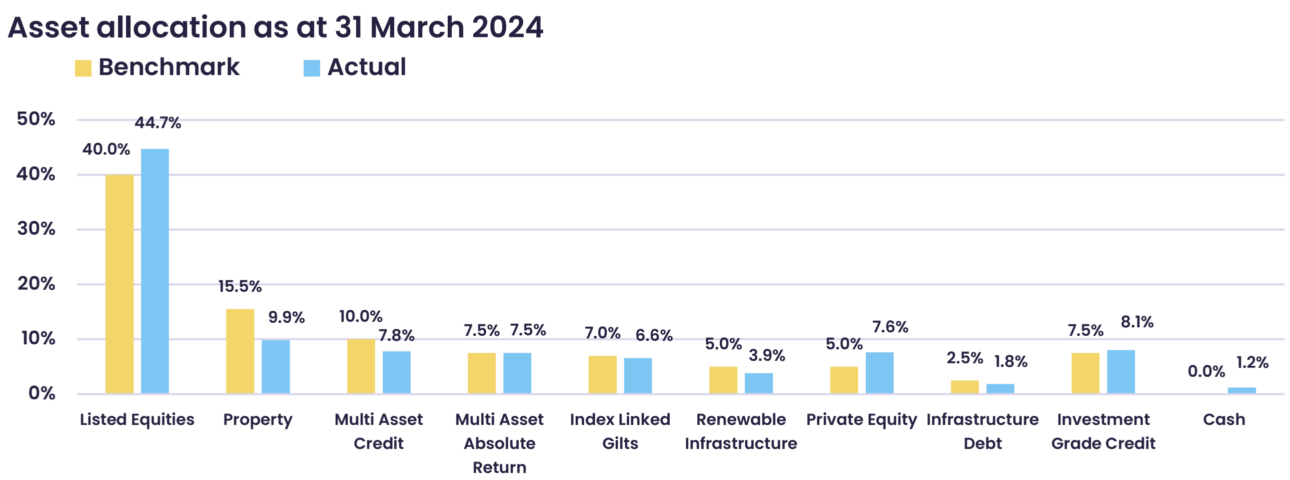
The table below shows the Fund's strategic asset allocation as at 31 March 2024.

Asset Class	Target Allocation %
Listed Equities	40.0%
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%
Investment Grade Credit	7.5%
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 78% 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 2024.



The current benchmark strategic asset allocation was set towards the end of the year and as time progresses, investment decisions will be made to move the current actual allocation towards the target allocation. The time taken to fund strategies as well as movements in investment performance can also result in a variance between the benchmark strategic asset allocation and the actual asset allocation.

Fund value

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

Since 1 April 2019, the Fund's assets have increased by 41%. 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.

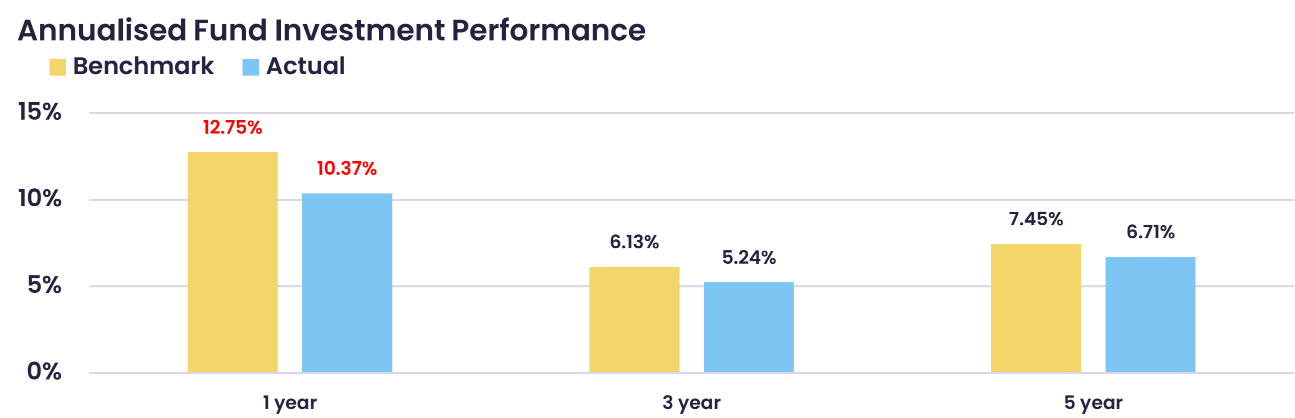
Investment Performance

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.

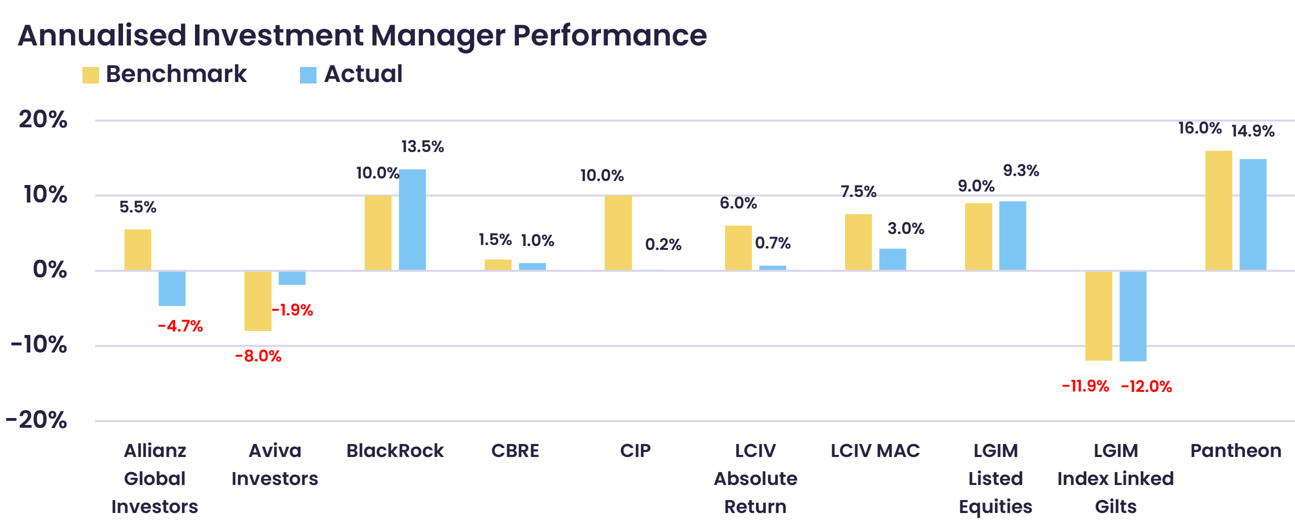
Annualised Investment Performance

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



Investment manager performance

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



Figures have been excluded for the LCIV Renewable Infrastructure Fund and the London Fund who were still in their funding period during the financial year, as well as for the LCIV Buy and Maintain Long Duration Credit Fund in which investing commenced from March 2024.

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 were 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 £1.455bn or 78% of assets as at 31 March 2024. 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	838
LCIV Absolute Return Fund	Multi Asset	141
LCIV MAC Multi Asset Credit	Multi Asset Credit	147
Legal & General Investment Management	Index Linked Gilts	123
LCIV Long Duration Buy & Maintain Credit	Investment Grade Credit	151
LCIV Renewable Infrastructure	Renewable Infrastructure	37
London Fund	Property/infrastructure	18
Total		**1,455**

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 2023/24 was £76k.

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

Adminstration 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 is 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 adminstering authority, Haringey Council, to undertake an independent review which is conduced 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 **Pensions Manager** **Pensions Team**	7th Floor Alexandra House 10 Station Road Wood Green London, N22 7LR Email: pensions.mailbox@haringey.gov.uk Telephone: 020 8489 5916 Website: www.haringeypensionfund.co.uk

Adminstration Management Performance

Adminstration 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
Adminstration FTEs	7.6	9.0	9.0
LGPS members per FTE staff	3,209	2,868	2,909

The adminstration costs included in the analysis above consist of staffing costs and adminstration contract costs. Following the retirement of a few staff in the pensions adminstration 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 2023/24 requires Adminstering 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 2024 £m	31 March 2023 £m
Active members	577	526
Pensioner members	430	430
Deferred members	718	729
Total (£m)	**1,725**	**1,685**

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2023. 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 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £58m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £10m.

	31 March 2024	31 March 2023
Pension Increase Rate (CPI)	2.80%	2.95%
Salary Increase Rate	3.80%	3.95%
Discount Rate	4.80%	4.75%

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 2022 model, with a 25% weighting of 2022 data, 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 below:

	Males	Females
Current pensioners	21.2 years	24.0 years
Future pensions (assumed to be aged 45 at the latest formal valuation)	22.5 years	25.6 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 at 31 March 2024	Approximate % increase to promised retirement benefits	Approximate monetary amount £m
0.1% p.a. decrease in the Discount Rate	2%	29
1 year increase in member Life Expectancy	4%	69
0.1% p.a. decrease in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Rate of CPI inflation	2%	28

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2024' 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:

Adrian Loughlin FFA

17 May 2024

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 2024.

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 2024.

Taryn Eves, CPFA
Director of Finance (S151 Officer)

Pension Fund Accounts

Fund Account for the year ended 31 March 2024

2023/24 £000		Notes	2022/23 £000
	Dealings with members, employers and others directly involved in the Fund		
57,692	Contributions	7	56,043
8,923	Transfers in from other pension funds	8	5,938
66,615			61,981
(65,047)	Benefits	9	(56,232)
(12,328)	Payments to and on account of leavers	10	(5,617)
(77,375)			(61,849)
(10,760)	**Net withdrawals from dealings with members**		**132**
(6,931)	Management expenses	11	(8,722)
(17,691)	**Net withdrawals including fund management expenses**		**(8,590)**
	Returns on Investments:		
21,549	Investment Income	12	19,232
-	Taxes on income		(3)
159,023	Profit and losses on disposal of investments and changes in market value of investments	13	(105,790)
180,572	**Net return on investments**		**(86,561)**
162,881	**Net increase/(decrease) in the net assets available for benefits during the year**		**(95,151)**
1,708,178	**Opening net assets of the scheme**		**1,803,329**
1,871,059	**Closing net assets of the scheme**		**1,708,178**

Net Asset Statement for the year ended 31 March 2024

2023/24 £000		Note	2022/23 £000
150	Long term investments	13	150
1,878,532	Investment assets	13	1,709,824
(4,800)	Investment liabilities	13	-
1,873,882	**Net Investment Assets**		**1,709,974**
1,657	Current assets	19	1,389
(4,480)	Current liabilities	20	(3,185)
1,871,059	**Net assets available to fund benefits at the period end**		**1,708,178**

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 bodes 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 2024	31 March 2023
Number of employers	62	69
Number of employees in scheme		
Haringey Council	5,206	5,373
Other employers	1,093	977
Total	**6,299**	**6,350**
Number of pensioners		
Haringey Council	7,919	7,687
Other employers	987	946
Total	**8,906**	**8,633**
Deferred pensioners		
Haringey Council	9,172	9,392
Other employers	1,801	1,802
Total	**10,973**	**11,194**
Total number of members in pension scheme	**26,178**	**26,177**

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	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. The Pension Fund's actuary, Hymans Robertson has been appointed to provide the fund with expert advice about assumptions to be applied. .	For instance: • 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

Item	Uncertainties	Effect if actual results differ from assumptions
		Increase Rate (CPI) would increase the value of liabilities by approximately £67m (4%)
Private equity investments	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. For the purposes of estimation, private equity investments include infrastructure and private debt.	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.

6. Events after the reporting date

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

7. Contributions receivable

2023/24		2022/23
£000	**By category**	**£000**
13,305	Employee contributions	12,483
	Employer contributions	
43,850	- Normal contributions	33,411
0	- Deficit recovery contributions	9,644
537	- Augmentation contributions	505
44,387	**Total employers' contributions**	**43,560**
57,692	**Total contributions receivable**	**56,043**

2023/24		2022/23
£000	**By type of employer**	**£000**
51,489	Administering authority	50,128
5,553	Scheduled bodies	4,900
650	Admitted bodies	1,015
57,693	**Total contributions receivable**	**56,043**

8. Transfers in from other pension funds

During 2023/24, there were transfers of £8.9 million into the Pension Fund, an increase compared to £5.9 million in 2022/23. These transfers all related to individuals.

9. Benefits payable

2023/24		2022/23
£000	**By category**	**£000**
52,380	Pensions	46,445
10,721	Commutation and lump sum retirement benefits	8,154
1,946	Lump sum death benefits	1,633
65,047	**Total benefits payable**	**56,232**

2023/24		2022/23
£000	**By type of employer**	**£000**
57,747	Administering authority	51,176
5,143	Scheduled bodies	3,708
2,157	Admitted bodies	1,348
65,047	**Total benefits payable**	**56,232**

10. Payments to and on account of leavers

2023/24		2022/23
£000		**£000**
215	Refunds to members leaving service	116
12,114	Individual transfers	5,502
12,329	**Total**	**5,617**

11. Management Expenses

2023/24		2022/23
£000		**£000**
1,018	Administrative costs	1,847
5,651	Investment management expenses	6,559
262	Oversight and governance costs	316
6,931	**Total management expenses**	**8,722**

11a. Investment Management Expenses

2023/24		2022/23
£000		£000
4,738	Management Fees	5,722
529	Performance Related Fees	383
92	Custody fees	61
292	Transaction Fees	393
5,651	**Total**	**6,559**

12. Investment income

2023/24		2022/23
£000		£000
21,207	Pooled investments - unit trusts and other managed funds	19,084
342	Interest on cash deposits	148
21,549	**Total**	**19,232**

13. Investments

Market Value 31 March 2024		Market Value 31 March 2023
£000	**Investment assets**	**£000**
	Pooled funds	
837,719	Global equity	843,501
420,823	Fixed income unit trusts	240,878
141,154	Multi-asset absolute return fund	150,173
72,148	Infrastructure funds	61,542
1,471,844		**1,296,094**
	Other investments	
192,182	Pooled property investments	201,890
142,615	Private equity funds	134,535
34,478	Infrastructure debt funds	34,500
369,275		**370,925**
37,126	Cash deposits	42,639
287	Accrued Income	166
1,878,532	**Total investment assets**	**1,709,824**
	Long-term investments	
	UK unquoted equities	
150	Shares in London CIV	150
	Investment liabilities	
(4,800)	Payables for purchases	-
1,873,882	**Total net investment assets**	**1,709,974**

13a. Reconciliation of movements in investments and derivatives

2023/24	Value at 31st March 2023	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2024
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,667,019	192,902	(177,877)	159,075	1,841,119
Cash deposits	42,639	70,457	(75,920)	(50)	37,126
Other investment assets/ liabilities*	166	136	(4,813)	(2)	(4,513)
Total	**1,709,824**	**263,495**	**(258,610)**	**159,023**	**1,873,732**

2022/23	Value at 31st March 2022	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2023
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,758,620	74,042	(59,102)	(106,541)	1,667,019
Cash deposits	45,927	62,173	(66,200)	739	42,639
Other investment assets/ liabilities*	(616)	787	(17)	12	166
Total	**1,803,931**	**137,002**	**(125,319)**	**(105,790)**	**1,709,824**

13b. Investments analysed by fund manager

Market Value 31 March 2024 £000	%		Market Value 31 March 2023 £000	%
		Investments managed by London CIV asset pool:		
960,774	51.3	Legal & General Investment Management	943,001	55.2
141,154	7.5	LCIV Absolute Return	150,173	8.8
146,779	7.8	LCIV Multi-Asset Credit	141,379	8.3
36,819	2.0	LCIV Renewable Infrastructure	29,082	1.7
17,927	1.0	London Fund	18,190	1.1
150,998	8.1	LCIV Long Duration Buy and Maintain Credit Fund	-	0.0
1,454,451	**77.6**		**1,281,825**	**75.0**
		Investments managed outside of London CIV asset pool:		
142,615	7.6	Pantheon	134,535	7.9
99,824	5.3	CBRE Global Investors	103,110	6.0
84,887	4.5	Aviva Investors	90,536	5.3
34,478	1.8	Allianz Global Investors	34,500	2.0
20,053	1.1	BlackRock	20,377	1.2
15,276	0.8	CIP	12,084	0.7
22,148	1.2	In-house cash deposits*	32,857	1.9
419,281	**22.4**		**427,999**	**25.0**
1,873,732	**100.0**	**Total**	**1,709,824**	**100.0**

*In-house cash excludes non-discretionary cash managed by external managers. Any such cash is allocated to the respective asset manager.

The following investments represent over 5% of net assets of the fund.

Market Value 31 March 2024 £000	%		Market Value 31 March 2023 £000	%
358,473	19.1	IM MSCI World Low Carbon Index Fund	368,021	21.5
356,725	19.0	IM RAFI Multi Factor Climate Transition Fund	372,312	21.8
150,998	8.1	IV Long Duration Buy and Maintain Credit Fund	-	0.0
146,779	7.8	IV Multi-Asset Credit	141,379	8.3
141,154	7.5	IV Absolute Return Fund (Ruffer LLP)	150,173	8.8
123,056	6.6	IM Index Linked Gilts (Over 5 year) Fund	143,026	8.4
122,519	6.5	IM Bespoke Low Carbon Emerging Markets Fund	124,152	7.3
1,399,704	**74.7**	**tal**	**1,299,063**	**76.0**

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.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds, and unit trusts.

Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Quoted equities and pooled fund investments	The published bid market price on the final day of the accounting period	Not required	Not Required
Quoted fixed income bond and unit trusts	Quoted market value based on current yields	Not required	Not Required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not Required
Amounts receivable from investment sales	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1 (cont’d)			
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Level 2			
Pooled property funds where regular trading takes place	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required
Unquoted fixed income bonds and unit trusts	Average broker prices	Evaluated price feeds	Not required
Level 3			
Pooled property funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Not required
Shares in London CIV asset pool	Based on the historical cost at acquisition of shares	Not required	Not required
Other unquoted and private equities	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 changed 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 expected to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Potential variation in fair value	Valuation as at 31 March 2024	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled property investments	2%	102,802	104,858	100,746
Private equity and joint venture funds	5%	142,615	149,746	135,484
Infrastructure funds	5%	72,148	75,755	68,541
Total		317,565	330,359	304,771

14a. 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.

Values as at 31 March 2024	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss				
Pooled investments	1,399,696	34,478	72,148	1,506,322
Pooled property investments	-	89,380	102,802	192,182
Private equity	-	-	142,615	142,615
Cash deposits	37,126	-	-	37,126
Accrued income	287	-	-	287
Payables for investment purchases	(4,800)	-	-	(4,800)
Total	**1,432,309**	**123,858**	**317,565**	**1,873,732**

Values as at 31 March 2023	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
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	-	93,165	108,725	202,012
Private equity	-		134,535	134,535
Cash deposits	42,639		-	42,683
Accrued income	166			
Payables for investment purchases	-	-	-	-
Total	**1,277,357**	**127,665**	**304,802**	**1,709,824**

14b. Transfers between Levels 1 and 2

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

14c. Reconciliation of fair value measurements within level 3

2023/24	Value at 1st April 2023	Purchases at cost	Sales proceeds	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2024
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	108,726	4,162	(4,903)	(5,183)	-	102,802
Private Equity	134,535	10,771	(7,109)	(1,047)	5,465	142,615
Infrastructure	61,542	16,464	(3,703)	(2,439)	284	72,148
Total	304,803	31,397	(15,715)	(8,669)	5,749	317,565

15. Classification of financial instruments

			31 March 2024
	Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**
	£000	**£000**	**£000**
Financial assets			
Pooled investments	1,506,332		
Pooled property investments	192,182		
Private equity	142,615		
Equities		150	
Cash	31,295	5,321	
Debtors		1,656	
Other investment balances		287	
Total financial assets	**1,872,414**	**7,924**	**-**
Financial liabilities			
Other investment balances			(4,800)
Creditors			(4,480)
Total financial liabilities	**-**	**-**	**(9,280)**
Grand total	**1,872,414**	**7,924**	**(9,280)**

			31 March 2023
	Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**
	£000	**£000**	**£000**
Financial assets			
Pooled investments	1,330,594		
Pooled property investments	201,890		
Private equity	134,535		
Equities		150	
Cash	30,431	12,208	
Debtors		1,389	
Other investment balances		166	
Total financial assets	**1,697,450**	**13,913**	**-**
Financial liabilities			
Other investment balances			
Creditors			(3,185)
Total financial liabilities	**-**	**-**	**(3,185)**
Grand total	**1,697,450**	**13,913**	**(3,185)**

15a. 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.

2023/24		2022/23
£000		**£000**
	Financial Assets	
159,075	Fair value through profit or loss	(106,541)
(52)	Financial assets and liabilities at amortised cost	751
159,023		(105,790)

16. Nature and extent of risks arising from Financial Instruments

Risk and risk management

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. In addition, 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 risks 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 overall 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.

As at 31 March 2024	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	960,774	12.0	1,076,067	845,481
Fixed Income	438,931	11.9	491,164	386,698
Property	187,631	6.3	199,452	175,810
Alternatives	249,241	16.5	290,366	208,116
Cash	37,155	0.0	37,155	37,155
Total Assets	**1,873,732**		**2,094,203**	**1,653,261**

As at 31 March 2023	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	993,675	26.4	1,255,510	731,840
Fixed Income	240,878	12.2	270,203	211,553
Property	202,012	4.1	210,346	193,678
Alternatives	230,578	10.3	254,421	206,735
Cash	42,681	0.0	42,681	42,681
Total Assets	**1,709,824**		**2,033,160**	**1,386,488**

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:

	Interest earned 2023/24	Interest rate if 1% higher	Interest rate if 1% lower
	£000	**£000**	**£000**
Cash deposits	342	407	233
Total	**342**	**407**	**233**

	Interest earned 2022/23	Interest rate if 1% higher	Interest rate if 1% lower
	£000	**£000**	**£000**
Cash deposits	148	220	76
Total	**148**	**220**	**76**

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 2024	Value	% change	Value on increase	Value on decrease
	£000	**%**	**£000**	**£000**
Overseas equities		10.0		
Fixed Income	146,779	10.0	161,457	132,101
Private equity	142,615	10.0	156,877	128,354
Infrastructure	35,329	10.0	38,862	31,796
Cash	5,416	10.0	5,958	4,874
Total Assets	**330,139**	**10.0**	**363,154**	**297,125**

As at 31 March 2023	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	482,112	10.0	546,671	447,277
Fixed Income	141,379	10.0	168,697	138,025
Private equity	134,535	10.0	135,403	110,785
Infrastructure	32,461	10.0	38,475	31,480
Cash	14,610	10.0	21,856	17,883
Total Assets	**805,097**	**10.0**	**911,102**	**745,450**

b) Credit 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 2024 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.

Summary	Credit Rating	Balances at 31 March 2024	Balances at 31 March 2023
		£000	£000
Money Market Funds			
Blackrock institutional sterling liquidity fund	AAA	780	5,000
Invesco liquidity fund	AAA	5,000	5,000
Bank current accounts			
Northern Trust	A+	31,295	30,473
Barclays Bank plc	A+	(51)	2,208
Total		**37,126**	**42,681**

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 Regulations 2013 the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The pensions fund accounts for the period were based on the most recent valuation which took place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, using a long-term prudent view i.e., that sufficient funds are available to meet all members'/dependants' as they fall due for payment.
- to ensure that employer contribution rates are reasonably stable where appropriate.
- 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 it is reasonable to do so.
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its 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 2022 actuarial valuation, the fund was assessed as 113% funded (100% at the March 2019 valuation). Contribution increases will be phased in over the three-year period ending 31 March 2026 for both scheme employers and admitted bodies.

The whole-fund primary contribution rate was due to decrease over a three-year period from 18.6% to 17.5% of pensionable pay. However, each employer will be different, and the primary contribution rate will reflect the membership and experiences of each employer.

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 2022 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

Future assumed rates	**31-Mar-22 %**	**31-Mar-19 %**
Discount rate (annual nominal return rate)	4.3	4.2
Pay increase (annual change)*	3.7	3.3
Benefit increase (CPI)	2.7	2.3

Demographic assumptions

The assumed life expectancy from 65 is as follows:

Life expectancy from age 65		31-Mar-24	31-Mar-23
Retiring today	Males	21.2	21.3
	Females	24.0	24.0
Retiring in 20 years	Males	22.5	22.6
	Females	25.6	25.3

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 valued ill health and death benefits in line with IAS 19.

31 Mar 24		31 Mar 23
£000		**£000**
(1,725,000)	Present Value of promised retirement benefits	(1,685,000)
1,871,058	Fair Value of scheme assets	1,708,178
146,058	**Net (liability)/asset**	**23,178**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 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-Mar-24	31-Mar-23
	%	%
Pension increase rate (CPI)	2.8	2.95
Salary increase rate	3.8	3.95
Discount rate	4.8	4.75

19. Current assets

31/03/2024		31/03/2023
£000		£000
94	Contributions due - employees	128
1,081	Contributions due - employers	908
482	Sundry debtors	353
1,657		**1,389**

20. Current liabilities

31/03/2024		31/03/2023
£000		£000
2,924	Sundry creditors	2,382
1,556	Benefits payable	803
4,480		**3,185**

21. Additional Voluntary Contributions ("AVCs")

	Contributions Paid 2023/24	Market Value 31 March 2024
	£000	£000
Utmost life and pensions	-	188
Prudential assurance	269	1,182
Clerical and medical	-	17

	Contributions Paid 2022/23	Market Value 31 March 2023
	£000	£000
Utmost life and pensions	83	195
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 £0.835m (2022/23 £0.885m) 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 2024, an amount of £0.305m was due from the fund to the Council.

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:

31/03/2024	Key Management Personnel	31/03/2023
£000		£000
28	Short - term benefits	25
6	Post-employment benefits	6
34		31

24. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2024 were £105.4m. These commitments relate to outstanding capital call payments due on limited partnership funds held within the private equity and infrastructure portion of the portfolio. The 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.

31 Mar 24		31 Mar 23
£000		£000
33,756	Pantheon Ventures	43,906
33,975	LCIV Renewable Fud	42,852
22,295	LCIV London Fund	26,452
13,562	Copenhagen Infrastructure Partners	15,669
1,776	Blackrock	2,410
105,364	**Total**	**131,289**

Independent Auditor's Report

To follow, subject to the completion of the external audit exercise for 2023/24.

Report for: Pensions Committee and Board – 30 September 2024

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 Service Level Agreement (SLA) statistics
d. Update on Annual Benefit Statement exercise
e. Update on Scheme Member engagement

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note this report and the information provided regarding the Pension Fund's administration activities for the quarter ending 30 Jun 2024.

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. Table 1 provides a breakdown of Haringey Pension Fund's ("the Fund") membership on 30 June 2024.

Table 1: Pension Fund Membership

Member status	30 Sep 23	31 Dec 23	31 Mar 24	30 Jun 24
Active members	6,188	6,223	6,300	6,360
Pensioner members	8,742	8,860	8,906	8,974
Deferred members	11,306	11,137	10,973	10,872
Total scheme members	**26,085**	**26,236**	**26,179**	**26,206**

Online Member Self Service Portal Update

6.3. The Haringey Member Self Service (MSS) portal is a website where members can register an account to view/edit their personal information as well as run their own retirement estimates.

6.4. Table 2 provides a breakdown of the number of active members registered for the Haringey Pension Fund's MSS as at 30 June 2024.

Table 2: Proportion of Active Members Registered on Member Self Service Portal

Member Self Service	30 Sep 23	31 Dec 23	31 Mar 24	30 Jun 24
Total active scheme members	6,188	6,223	6,300	6,360
Total active member registrations on MSS	1,232	1,311	1,459	1,606
Proportion of registered active members	**19.91%**	**21.06%**	**23.16%**	**25.25%**

6.5. Table 3 provides a breakdown of the number of members who have accessed the MSS portal over the past 7 days, 30 days, 2 months, and 3 months periods. This table is provided for information purposes only. The frequency at which members access the MSS depends on individual circumstances. Individuals will have different reasons for needing access to their pension information.

Table 3: Member Self Service Access

Period last accessed	No. of Members*
Last 7 days	165
Last 30 days	477
Last 2 months	554
Last 3 months	621

* The above figures are shown on a cumulative basis

Update on Service Level Agreement (SLA) statistics

6.6. The Pension Fund's Service Level Agreement (SLA) sets out the agreed timeframes for the pensions administration team to process the various case work related to the pension scheme. This includes activities related to processing member retirement benefits, and transfers in and out of Haringey LGPS.

6.7. The agreed turnaround time varies depending on the type of case and these targets can be found in the Fund's Administration Strategy document which was recently updated to align with the CIPFA standard Key Performance Indicators (KPIs).

6.8. Table 4 includes the current SLA statistics for the period ending 30 June 2024.

Table 4: Key Performance Indicators

Process	Cases completed	SLA Days to complete	% Completed within SLA	Change
Deaths notifying amount of dependents benefits	102	10	95%	▲2%
Estimates	106	15	84%	▼4%
Retirement quote	147	15	89%	▼3%
Retirement Actual	135	10	99%	▲2%
Deferment of records	204	30	94%	▼4%
Refund quote	78	30	85%	▼2%
Refund actual	32	10	94%	◀▶ 0%
Transfer in Quote	99	20	81%	▲12%
Transfer in Actual	71	20	79%	▲ 2%
Transfer Out Quote	164	20	77%	▲ 5%
Transfer Out Actual	112	20	66%	▼2%
Divorce Quote	8	30	100%	▲10%
Actual payment of retirement lump sum	119	10	95%	▲ 8%

Update on Annual Benefit Exercise

6.9. Regulation 89 of the LGPS Regulations 2013 requires that administering authorities (AA) issue an annual benefit statement (ABS) to all active, deferred and pension members. It specifies that the AA must issue these statements within five months of the end of the Scheme year – by 31 August.

6.10. As part of the 2024 ABS exercise, the Pensions Team redesigned the template used for deferred members to make the statement easier to understand whilst also creating in depth notes to compliment the active statements.

6.11. After cleansing the data held for the scheme members, the Pensions Team produced and distributed the annual statements for active members (via the member self-service portal) and deferred members (via post).

Update on Scheme Member engagement

6.12. In September 2024, the Pensions Team delivered a workshop to scheme members as part of Pension Awareness Week. Pension Awareness Week is an initiative in the UK that runs from September 9th to 15th. It aims to help people better understand their pensions and prepare for a more secure retirement.

6.13. The workshop, which was delivered online on 11 September 2024, was part of the Fund's objective to improve member engagement and help scheme members better understand their LGPS benefits, including how their pensions are calculated.

6.14. Approximately 100 members of staff attended the session which was well received based on the positive feedback received during and after the session.

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.

Assistant Director for Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. Assistant Director for Legal and Governance (Monitoring Officer) has been consulted on the content of this report and there are no legal implications.

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.

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Agenda Item 11

Report for: Pensions Committee and Board – 30 September 2024

Item number:

Title: Responsible Investment 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 report updates the Pensions Committee and Board on the Fund's ongoing Responsible Investment development and implementation work. It also provides an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities conducted on behalf of the Fund.

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. A key outcome of the most recent investment strategy review was for the Pensions Committee and Board (PCB) to develop a standalone Responsible Investment (RI) Policy. This policy aims to establish the Pension Fund's approach to integrating environmental, social and governance considerations into the investment process.

6.2. The following outcomes have been identified for this work

- To establish the Fund's responsible investment beliefs

- To develop a framework and approach to addressing ESG issues across asset classes
- To ensure that the RI policy is implementable and practical, considering regulations and the impact on stakeholders
- To develop a governance framework for holding appointed investment managers accountable based on set ESG criteria and objectives

6.3. Table 1 shows the progress of this development programme's implementation.

Table 1: Responsible Investment Policy Development Timeline

Activity	Description	Key Dates	Progress Update
Introductory session	An outline of the project plan and expected outcomes	July 2024	Completed
Workshop 1 – Educational Session on ESG	An introduction to ESG including a responsible investment beliefs questionnaire	September 2024	Completed
Workshop 2 – Outcomes of Questionnaire	A session on the outcomes of the beliefs questionnaire to agree RI priorities for the fund.	October 2024	In progress
Workshop 3 – Fund "Health Check" Session	A session to assess the RI credentials of the current portfolio including advice on suggested ESG KPIs and engagement framework.	January 2025	Initial stages of development
Drafting of RI Policy	Officers, with the support of advisors to draft RI policy based on output from workshops	February 2025	Initial stages of development
Approval of RI Policy	PCB to approve RI policy including an action plan to achieve the identified goals and targets	March 2025	Initial stages of development

Local Authority Pension Fund Forum (LAPFF) Voting Alerts

6.4. Haringey Pension Fund (the 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.

6.5. During the quarter, LAPFF issued over 20 voting alerts primarily related to emissions disclosures, particularly Scope 3 greenhouse gas emissions. Details of these voting alerts are issued to all LAPFF members and are available upon request.

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.

Assistant Director for Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. The Assistant Director for 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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Agenda Item 12

Report for: Pensions Committee and Board – 30 September 2024

Item number:

Title: Haringey Pension Fund Risk Register

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

Lead Officers: Tim Mpofu, Head of Pensions and Treasury
Tim.Mpofu@haringey.gov.uk
Jamie Abbott, Pensions Manager
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 paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Pensions 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 Fund's risk register. The area of focus for review at this meeting will be investment-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 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

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subsequent meeting. Any changes are agreed upon to ensure that the Fund's strategic risk monitoring remains current.

6.3. The 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 investment-related risks that have been reviewed and updated by Senior Fund Officers for the PCB's feedback during the meeting. Future PCB meetings will include a focus on other areas of risk and the actions in place to manage them.

Risk Scoring

6.4. The risk scoring system applied by the 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

6.5. The risk register includes directional indicators for each risk, comparing them to the previous assessment. These indicators show whether a risk is improving or worsening based on relevant factors. The following symbols represent these changes:

The risk is getting worse – the total risk score has increased.

The risk score has remained the same

The risk is improving – total risk score has decreased

Key identified risks

6.6. The Fund has identified several key risks of particular concern in the short to medium term. These have been summarised in Table 1.

Table 1: Key Risks

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
ACC1 – Delay of publication of Statement of Accounts		Haringey Council has published unaudited accounts for the years 2020/21 – 2023/24. The deadline to publish the 2023/24 unaudited accounts was 31 May 2024 with the deadline of 30 September 2024 for the completion of the audit. The draft accounts were published on 28	This issue has been identified as a national issue. The deadline for Audited accounts for 2023/24 has been pushed back to 28 February 2025

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
		June 2024 and the external audit carried out by KPMG is currently taking place.	
INV1 – Significant volatility in financial markets		Over the past quarter, financial markets have grown increasingly volatile due to geopolitical and economic uncertainty. Market participants are beginning to anticipate that global central bank will start easing monetary policy in response to lower inflation rates and slowing economies.	The Fund maintains a diverse investment portfolio which is expected to provide broad diversification benefits over the long term. Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors were necessary, and making the appropriate recommendations to the PCB.
INV3 – ESG Risk		The Fund has faced increasing calls from various groups urging the PCB to review its responsible investment policies. Failure to do so could result in poor investment performance as well as reputational damage.	The PCB is currently undertaking a thorough review of its responsible investment approach with the intention of establishing a framework for managing responsible investment issues. The first of a series of workshops was conducted in September 2024.

6.7. Officers continue to keep the Fund's risk register under constant review.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Carbon and Climate Change

8.1. The 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 incorporates 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.

Assistant Director for Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. The Assistant Director for Legal and Governance has been consulted on the content of this report. Members should refer to the matters referred to in paragraph 6.6 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". The current position is that the external audit is now underway which should mitigate the risk.

Equalities

9.4. Not applicable.

10. Use of Appendices

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

10.2. Appendix 2: Haringey Pension Fund Summary Risk Register

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.

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London Borough of Haringey Pension Fund Risk Register											
Risk Ref	**Risk Group**	**Risk Description**	**Impact**	**Likelihood**	**Risk Score**	**Controls and Mitigations In Place**	**Further Actions**	**Revised Likelihood**	**Total Risk Score**	**Reviewed on**	**Change**
INV1	Investment Risk	Significant volatitility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainity.	4	4	16	1) Officers are actively engaging with the Fund's investment managers and advisors on an ongoing basis to assess the implications of the responses to the various geopolitical risks 2) The Pension Fund's investment consultant regularly provides advice to the Pensions Committee and Board on the Fund's investment strategy.	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.	3	12	30/08/2024	
INV3	Investment Risk	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. It is widely anticipated that legislation and guidance will be issued on reporting and managing climated-related risks.	4	4	16	1) The Fund's entire listed equity allocation is invested in low carbon strategies. The RAFI Climate Transition Fund aims to reduces carbon emissions by 7% annually in line with the Paris-Agreement. 2) The Fund also has several investments in renewable energy infrastructure funds.	**Treat** 1) Officers and the Fund's investment consultants will continue to monitor developments in legislation, investment products and reporting requires, and where necessary, making the appropriate recommendations to the Pensions Committee and Board. 2) The PCB is currently undertaking a thorough review of its responsible investment approach with the intention of establishing a framework for managing responsible investment issues.	3	12	30/08/2024	
INV8	Investment Risk	Investment managers fail to achieve benchmark/outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.9m.	5	3	15	1) The Fund conducts a rigorious selection process to ensure that it appoints the most suitable investment managers based on available information during the tendering process of a new mandate. 2) Expert professional advice is provided by the Fund's investment consultant supporting manager selection and ongoing monitoring of performance. 3)The Fund's Custodian provides a manager monitoring service which is reported to the PCB on a quarterly basis. Recent performance shows that the Fund has outperformed the benchmark over the last year.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.	2	10	30/08/2024	
INV6	Investment Risk	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	5	3	15	1) The Fund reguarly reviews it cashflow management strategy to ensure that increases in benefit payments are matched with contributions and income received from investments. 2) The Fund currently receives income from its private equity, multi-asset credit and property funds and has the option to increase income from existing investments in listed equities and multi-asset strategies.	**Treat** 1) Officers regularly monitor the Fund's cashflow position. 2) An annual cashflow review at fund level is undertaken by the Head of Pensions and utilised to inform the Fund's investment strategy.	2	10	30/08/2024	

INV11	Investment Risk	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 2.2%. Inflation has remained elevated for longer than initially anticipated.	4	3	12	1) The Pension Fund's liability increases at the rate of CPI inflation. Officers regularly discuss the implications of inflation the Fund's actuary which helps inform the Fund's investment strategy. 2) Several of the Pension Fund's investment mandates are in inflation linked strategies such as property and renewable infrastruture. 3) The Pension Fund's investment consultant regularly provides advice to the Pensions Committee and Board on investment strategy including the impact of inflation on the Fund's investment performance.	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board. 2) As part of the investment strategy review, the PCB will assess the impact of sustained higher levels of inflation on the investment portfolio's asset specific expected returns.	3	12	30/08/2024	
INV2	Investment Risk	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates.	4	3	12	1) The Pension Fund holds a well-diversified investment portfolio that includes a mixture of growth and defensive assets. The factors that drive the expected returns of these assets differ under various economic conditions. 2) The PCB regularly reviews investment performance and the Pensions Fund's investment consultant regularly provides investment strategy advice.	**Treat** 1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.	3	12	30/08/2024	
INV5	Investment Risk	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	4	3	12	**Tolerate** 1) The LCIV has to reach consensus among its 32 member funds, meaning there is a persistent risk that the full completement of mandates in the Fund many not be replicated by the LCIV, particularly the illiquid mandates. 2) The LCIV is currently making changes to its operating model which will be monitored by officers. Any significant implications will be brought to the attention of the PCB.	**Treat** 1) Officers regularly participate and contribute to various LCIV working groups.	2	8	30/08/2024	
INV7	Investment Risk	The Pension Fund's actual asset allocations move away from the strategic benchmark.	4	3	12	1) The Fund continually reviews its asset allocation and rebalances the portfolio in line with the Investment Strateguy Statement. The Fund's asset allocation is included as part of the PCB's quarterly update report. 2) The Pension Fund's passive equity investments are rebalanced by the investment manager based on pre-agreed thresholds.	**Treat** 1) Officers will regularly monitor the strategic asset allocation and make recommendations for any necessary adjustments.	2	8	30/08/2024	
INV9	Investment Risk	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	4	3	12	1) The Department for Levelling Up, Housing and Communities (DLUHC) is expected to issue its consultation on the pooling guidance before the end of the year.	**Tolerate** 1) Officers to consult and engage with the MHCLG, LGPS Scheme Advisory Board, advisors and consultations once the consultation has been issued	3	12	30/08/2024	

INV4	Investment Risk	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	3	3	9	1) The Pension Fund's investment and funding strategy statements are regularly reviewed and discussed at the Pensions Committee and Board meetings. As at the last funding update, the Pension Fund is well funded. 2) The Pension Fund has appointed actuarial and investment consultants to provide advice on matters relating to investment and funding. 3) The PCB is presented with the Pension Fund's Annual report each year.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise. 2) Further training on investment strategy will be provided in the upcoming months	2	6	30/08/2024	
INV10	Investment Risk	Strategic investment advice received from the investment consultants is inappropriate for the Fund	3	3	9	1) The Fund has appointed Mercer, one of the largest global investment consultants, to provide strategic investment advice to the PCB. In addition to this, the fund has also engaged an experienced independent advisor to challenge/confirm investment strategy decisions. This ensures that the advice provided is subject to peer review to ensure that it is fit for purpose.	**Treat** 1) The investment consultant's objectives are set on a regular basis, and performance reviewed annually.	2	6	30/08/2024	
INV12	Investment Risk	Financial failure of an investment manager leads to negative financial impact on the fund	4	2	8	1) Officers receive and review internal control reports from investment managers on an annual basis. 2) The Pension Fund's investment consultants regularly reviews and assigns ratings to the Fund's investment strategies.	**Treat** 1) Officers to continue to work closely with the investment consultants and independent advisor to monitor the financial and operational performance of investments managers.	1	4	30/08/2024	

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Appendix 2 Summary of Haringey Pension Risk Register

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.	10
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.	12
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

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV1	Investments	Significant volatitility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainity.	16
INV2	Investments	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates.	12
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 climated-related risks.	16
INV4	Investments	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	9
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 £1.9m.	15
INV9	Investments	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	12
INV10	Investments	Strategic investment advice received from the investment consultants is inappropriate for the Fund	9

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV11	Investments	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 2.2%. Inflation has remained elevated for longer than initially anticipated.	12
INV12	Investments	Financial failure of an investment manager leads to negative financial impact on the fund	8
ACC1	Accounting	Risk of the Pension Fund's statement of accounts being delayed beyond the statutory deadline. A delay beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline. The Scheme Advisory Board has revised the Statutory Guidance to allow for unaudited reports to be uploaded on the Fund's website.	16
ACC2	Accounting	Internal controls are not in place to protect against fraud/misamanagement	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 montoring and reconciliation process in place, leading to incorrect figures in the accounts	8
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

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Funding/Liabilitity			
Risk Ref	Risk Group	Risk Description	Risk Score
FL1	Funding / Liability	There is insuffiencient 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 6.7% in September 2023.	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 2025	10
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

Appendix 2 Summary of Haringey Pension Risk Register

London Borough of Haringey Pension Fund Risk Register			
Administrative			
Risk Ref	Risk Group	Risk Description	Risk Score
AD1	Administrative	Structural changes in an employer's membership, including transfers out of the pension fund, closures to new membership, and situations where an employer ceases to exist with insufficient funding or bond placement	15
AD2	Administrative	Failure of cyber security measures, including information technology systems and processes, leading to loss, disruption or damage to the scheme or its members.	12
AD3	Administrative	Concentration of knowledge in a small number of officers and risk of departure of key staff.	9
AD4	Administrative	Failure of securely sent sensitive data and any unidentified data flows being sent insecurely.	8
AD5	Administrative	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	12
AD6	Administrative	Failure of financial system leading to benefits to scheme members and supplier payments not being made and Fund accounting not being possible.	6

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Agenda Item 13

Report for: Pensions Committee and Board – 30 September 2024

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 (PCB) over the upcoming months, as well as seek the PCB's input into future agendas.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

3.1. To note and provide any comments on the progress made towards the agreed key priorities outlined in section 6 of this report, specifically in regarding the responsible investment policy development and fund governance review.

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. Not applicable.

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.

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6.2. To support this requirement, it is best practice for a pension fund to maintain a work plan. The high-level plan, which outlines the anticipated key activities in the areas of governance, scheme administration, investments, and accounting over the next few months, is included as Appendix 1 of this paper.

Key Priorities Identified

6.3. One of the key priority areas identified during the most recent investment strategy review was the Fund's approach to integrating Environmental, Social and Governance considerations as part of the investment process. In addition to this, a review of the Fund's governance has also been identified as a key priority area.

6.4. Table 1 outlines the key priorities added to the proposed work plan for the next 9–12 months.

Table 1: Key Fund Priorities

Activity	Objective	Key Dates	Progress Update
Setting responsible investment objectives	The PCB is currently developing the Fund's responsible investment policy. This work will include establishing medium to long-term goals and defining the criteria for investment selection.	February 2024 – March 2025	In progress
Fund governance review	Following the publication of the revised Code of Practice issued by the Pensions Regulator, the Fund plans to undertake a fund governance review.	June 2024 – December 2024	In progress
Investment opportunities review	Upcoming areas of review will include, evaluating the Fund's listed equities allocation and conducting a thorough review of the Fund's private markets allocation in preparation for the upcoming triennial valuation.	Sep 2024 – March 2025	Initial stages of development

6.5. The PCB is requested to consider whether it wishes to amend any future agenda items as set out in Appendix 1 to this paper.

Knowledge and Skills

6.6. The PCB has adopted the revised CIPFA 2021 Code of Practice on Local Government Pension Scheme (LGPS) Knowledge and Skills which was issued in June 2021. This policy outlines various training resources and methods available to the PCB and Senior Fund Officers.

6.7. Members are encouraged to complete their self-directed training through the LGPS Online Learning Academy (LOLA) , which is facilitated by Hymans Robertson.

6.8. Table 2 lists the upcoming training opportunities available over the next few months.

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Table 2: Upcoming Training Opportunities

Training Opportunity	Training Organiser	Description	Key Dates
LGPS Fundamentals Training 2024	Local Government Association	Fundamentals is a three-day training course predominantly aimed at councillors and others who attend pension committees and local pension boards. The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS.	Various
Responsible Investment Workshop: (Investment Beliefs)	Haringey Pension Fund	As part of the Responsible Investment Policy development, this workshop will cover the Investment Beliefs survey results. The aim is to establish Responsible Investment priorities for the Fund.	21 October 2024

6.9. Table 3 lists the upcoming conferences available over the next few months.

Table 3: Upcoming Conferences

Training Opportunity	Training Organiser	Description	Key Dates
LAPFF Annual Conference	Local Authority Pension Fund Forum	The LAPFF Annual Conference will be taking place from Wednesday 4th to Friday 6th December 2024 in Bournemouth. As a member of LAPFF, the Fund has two complimentary delegate passes.	4th – 6th December 2024
LGA Annual Conference	Local Government Association	The LGA Annual Conference will be taking place from 30th – 31st January 2025 in Bournemouth. More details to follow.	30th – 31st January 2025

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 ESG issues.

8.2. The PCB is currently developing the Fund's responsible investment policy, which will establish a framework for addressing ESG issues across asset classes. This will include the 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.

Assistant Director for Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. The Assistant Director for Legal and 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

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.

Appendix 1 - Forward Plan

September 2024	December 2024	March 2025	June 2025
Standing Items			
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)
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
Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
LAPFF Voting update	LAPFF Voting update	LAPFF Voting update	LAPFF Voting update
Adminstration & Governance			
Annual Pension Fund Accounts 23/24 and Annual Report (including various statutory documents)	Governance Review Outcome Report	Business Plan and Annual Budget	Business Plan and Annual Budget
	Audit Progress Report	Audit Progress Report	Audit Progress Report
		Communications Strategy	
Investment & Funding Strategy			
RI Policy Development Plan	RI Policy Development Plan	RI Policy Development Plan	RI Policy Development Plan
	Private Markets Review	Actuarial Valuation	Actuarial Valuation
Knowledge & Skills Development			
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update

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Report for: Pensions Committee and Board – 30 September 2024

Item number:

Title: Pension Fund Quarterly Investment and Performance Update

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 30 June 2024:

a. Overview of fund performance including funding position update
b. Independent advisor's market commentary
c. Investment manager performance
d. Asset allocation

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

3.1. The Pensions Committee and Board is recommended to note the information provided in section 6 of this report regarding the Fund's investment performance and activity for the quarter ended 30 June 2024.

4. Reason for Decision

4.1. Not applicable.

5. Alternative options considered

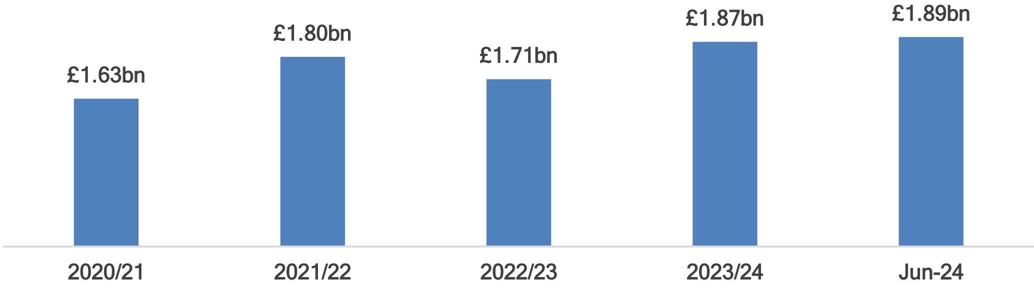
5.1. Not applicable.

6. Background information

Overview of Fund Performance

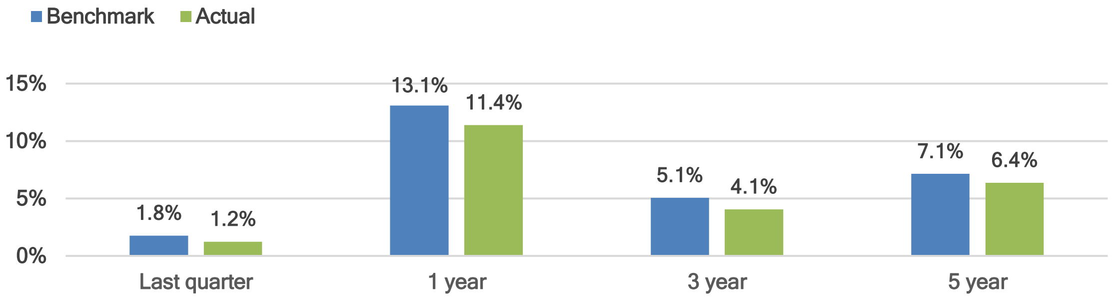
6.1. The Fund's investment portfolio on 30 June 2024 was £1.89bn, representing a 1.24% increase over the quarter. Chart 1 shows the growth in investment assets over the past 5 years.

Chart 1: Fund assets over the past 5 years



6.2. Chart 2 shows the Fund's investment performance over various time periods relative to its overall strategic benchmark.

Chart 2: Fund Investment Performance



Source: Northern Trust, Haringey Pension Fund Strategy Report, 30 June 2024

6.3. The Fund slightly underperformed the strategic benchmark over the quarter. Despite achieving consistent positive returns, it has also underperformed the strategic benchmark over longer time periods.

Funding position update

6.4. The Fund monitors its funding level each quarter. This is the ratio of the market value of assets to the projected future benefit payments, also known as fund liabilities.

6.5. The funding level as at 31 March 2022 was 113%, based on a discount rate of 4.3%. This indicated that the Fund's investment assets were more than sufficient to cover all the pension benefits accrued by that date, based on the underlying actuarial assumptions.

6.6. Hymans Robertson, the Fund Actuary, regularly calculates an indicative funding position update using the latest actuarial assumptions. A detailed breakdown of the Fund's funding position has been included as Confidential Appendix 2 to this report.

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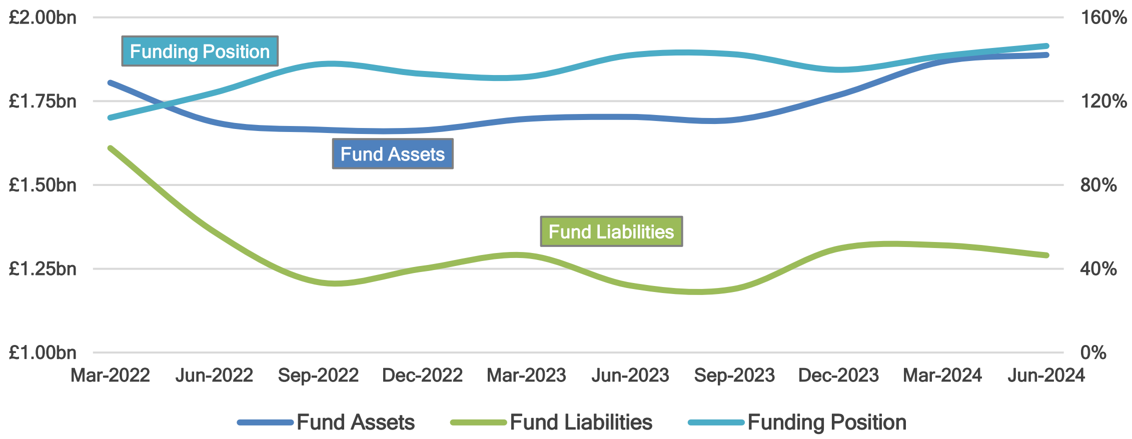
6.7. On 30 June 2024, the updated estimated funding level position was 146%. Chart 3 shows the assets and liabilities that comprise the funding level since 31 March 2022.

Chart 3: Funding Position



6.8. Fund assets have remained relatively stable since the last valuation. However, the present value of future liabilities has decreased significantly, resulting in a notable improvement in the funding level. This decrease is largely due to a significant increase in the (real) discount rates since 2022, which have raised the expected return of assets included in the Fund's strategic asset allocation.

Market Commentary

6.9. Global equities rose for the third consecutive quarter, with Emerging Markets leading the regions. This growth was primarily fuelled by anticipated interest rate cuts and ongoing optimism about the future of artificial intelligence, which propelled both Information Technology and the broader equity markets higher. The MSCI World Index climbed 3%, while the S&P 500 advanced over 4%.

6.10. Despite inflation concerns, central banks in the US and UK maintained interest rates during the quarter but hinted at future cuts. Since then, the central banks have started to cut rates.

- Federal Reserve Target Range – 4.75%-5.00% (reduced by 0.50% in September 2024)
- Bank of England Bank Rate – 5.00% (reduced by 0.25% in August 2024)

6.11. There remains considerable uncertainty regarding the pace of future interest rate cuts. However, in the latest officials' forecasts, most expected the policy rate to fall by another half-point before year-end. This is a significantly larger reduction than the quarter-point cut projected by most officials in June.

6.12. A detailed market commentary for the quarter ending 30 June 2024, has been prepared by the Fund's Independent Advisor and is included as Appendix 1 to this paper.

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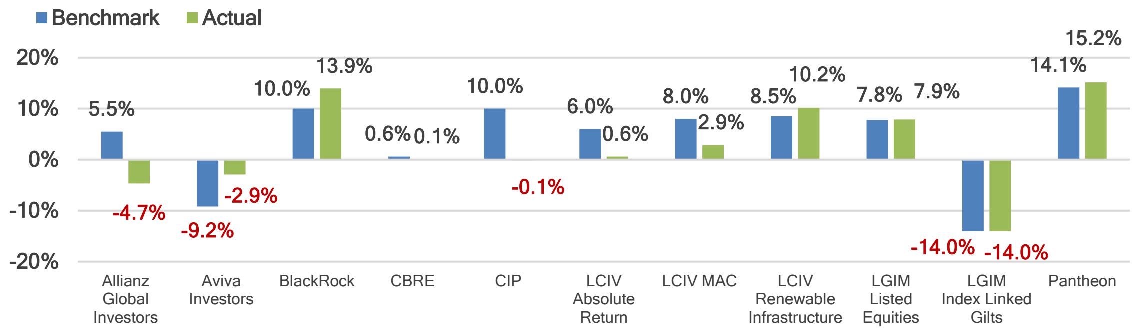
Investment Performance

6.13. The Fund's investment assets are managed to meet its liabilities over the medium to long term. Therefore, the performance of the appointed investment managers is assessed over these time periods.

6.14. Chart 4 shows the individual investment performance for each investment manager measured over the rolling three-year period.

Chart 4: Investment Manager Performance Over Rolling 3yr Period



Source: Northern Trust, Haringey Pension Fund Strategy Report, 30 June 2024

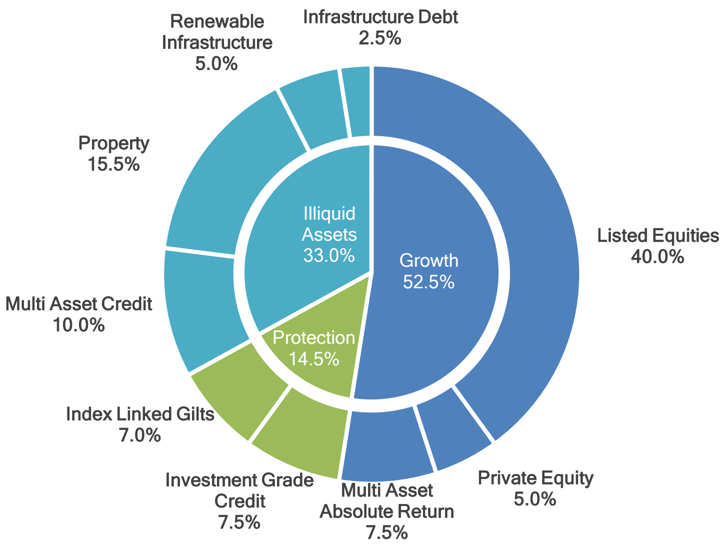
6.15. The following funds have not been included in Chart 4 as the Fund has been invested in them for less than 3 years:

- London Fund
- LCIV Buy and Maintain

Asset Allocation

6.16. The Fund has set a strategic asset allocation benchmark aimed at balancing long-term returns with risk, considering the nature of the Fund's liabilities and prevailing market factors. The Fund's strategic asset allocation is shown in Chart 5.

Chart 5: Strategic Asset Allocation



6.17. The Fund's current asset allocation, compared to the strategic asset allocation is shown in Table 1.

Table 1: Current strategic asset allocation

Asset	Jun-24 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equity	867	40.0%	45.8%	5.8%	+/- 5.0%
Diversified alternatives	533	30.0%	28.3%	(1.7%)	+/- 10.0%
Property	205	15.5%	10.8%	(4.7%)	+/- 10.0%
Defensive	265	14.5%	14.0%	(0.5%)	+/- 5.0%
Cash	12	0.0%	0.6%	1.0%	
Total	**1,868**				

6.18. As of 30 June 2024, the allocation to listed equities was slightly exceeded the acceptable range. Rebalancing decisions will be addressed at the next PCB meeting.

Investments with the pool

6.19. Haringey Pension Fund, along with all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the asset pools that were established following the government guidance issued in November 2015. As of 30 June 2024, the Fund had approximately 78% of its assets invested with the pool, with approximately 25% invested in funds managed directly by the London CIV.

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 current investment strategy includes allocations to renewable infrastructure funds and low-carbon equity index funds. One such fund is the RAFI-Multi Factor Climate Transition Fund, which aims to reduce the Pension Fund's carbon intensity accordance with the Paris Agreement.

8.3. The Fund is continually reviewing the ESG performance of existing investment strategies while also seeking out sustainable investment opportunities that align with the Fund's overall investment objectives.

9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

Finance

9.1. The report contains the financial performance of the Haringey Pension Fund and its investments. Proper monitoring and management of these investments increases the likelihood of the Fund achieving its objectives. This, in turn, helps

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

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

Equality

9.5. 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: Independent Advisor's Market Commentary Jan-Mar 24

10.2. Confidential Appendix 2: Funding Position Update June 2024

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 2024

For the third Quarter in a row Global Equities advanced with the MSCI World Index advancing by approaching 3% (in US $ terms). This followed the gains of 11% and 9% achieved in the two previous Quarters. Having lagged in the last two Quarters both Asian (ex Japan) and Emerging Markets outperformed Developed markets as a whole in the April to June Quarter with the MSCI Asia (ex Japan) Index gaining over 7% (in US $ terms) and the MSCI Emerging Markets Index 5%. Once again, however, the US Equity market clearly advanced with the S&P 500 gaining over 4% following its increases of over 10% and over 11% in the previous two Quarters. Across world Equity markets there was continued positivity regarding Artificial Intelligence (AI) which again drove both the Information Technology sector and Equities overall clearly higher.

In terms of monetary policy markets continued to anticipate reductions in interest rates by the three major western central banks. Indeed, in June the European Central Bank reduced rates by 0.25% from 4.00% to 3.75% while the Bank of England and US Federal Reserve both indicated probable but not certain rate reductions later in the year. Despite inflation approaching/around the 2% target continuing concerns regarding inflation were a significant factor in the decision of both the Federal Reserve and Bank of England to hold rates during the April to June Quarter.

Based both on projections by the Federal Reserve and statements by senior Federal Reserve Officials including Chair Jay Powell markets have, since 2023, expected and continue to expect interest rate deductions at some point during 2024. At the meetings of the US Federal Reserve Federal Open Markets Committee (FOMC) held on 30 April-1 May and on 11-12 June 2024 the target range for the Federal Funds Rate (the benchmark interest rate) was held at 5.25-5.5%. Indeed, the Press Release issued after the meeting which concluded on 1 May included a new sentence – *“In recent months, there has been a lack of further progress toward the Committee’s 2 percent inflation objective”* - which appeared to indicate further caution regarding the timing of interest rate reductions. While this sentence was replaced in the press release issued after the June meeting by a less cautious one which stated *“In recent months, there has been modest further progress toward the Committee’s 2 percent inflation objective”* the projections issued at the end of the June meeting indicated that FOMC participants anticipated probably one or at best possibly two rate cuts in 2024 compared with three in the projections issued after the December 2023 and March 2024 meetings.

In the context of continuing expectations of interest rate cuts in 2024, inflation further (slowly) reducing, and ongoing market enthusiasm for Artificial Intelligence the S&P 500 advanced over 4% during the Quarter. Yet again, however, the upward move in US Equities was heavily influenced by the gains of the Information Technology and Communication Services sectors. On 28 June, the Federal Reserve announced that all 23 large banks tested had passed the annual *“stress test”* with the Vice Chair for Supervision Michael Barr stating, *"Today's results confirm that the banking system remains strong and resilient."*

After posting clearly positive gains (of around 8% and 10%) in the two previous Quarters European Equities as measured by the MSCI EMU Index retreated slightly losing approaching 2% (in Euro terms). This was despite a positive Quarter for Information Technology stocks, indications of (in April) and then (in June) a reduction in interest rates by the European Central Bank. June was a clearly negative month with the Index losing nearly 4% with market commentators suggesting that political developments – the success of the far right in the European Elections and President Macron’s subsequent decision to call a surprise election in France - had caused uncertainty in markets. The French CAC 40 Index retreated by over 6% during June.

The meeting of the Governing Council of the European Central Bank (ECB) held on 11 April 2024 again as in October and December 2023, January, and March 2024 kept interest rates *“unchanged.”* However the Monetary Policy Statement issued after the April meeting included a new sentence which stated *“If the Governing Council’s updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission were to further increase its confidence that inflation is converging to the target in a sustained manner, it would be appropriate to reduce the current level of monetary policy restriction.”* This sentence, which was also highlighted at the Press Conference following the 11 April meeting by the Governing Council President Christine Lagarde together with her comment that *“a few members”* had been supportive of a rate cut at this meeting clearly increased further expectations of an interest rate cut at the next meeting.

At the meeting of the Governing Council held on 6 June 2024 the ECB cut interest rates for the first time since September 2019 when it reduced its three major interest rates by 0.25%. This resulted in the headline *“deposit”* rate falling from 4% to 3.75%. The Monetary Policy Statement issued after the meeting stated *“The Governing Council today decided to lower the three key ECB interest rates by 25 basis points. Based on our updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission, it is now appropriate to moderate the degree of monetary policy restriction after nine months of holding rates steady. Since our meeting in September 2023, inflation has fallen by more than 2.5 percentage points and the inflation outlook has improved markedly. Underlying inflation has also eased, reinforcing the signs that price pressures have weakened, and inflation expectations have declined at all horizons.”* However the Monetary Policy Statement also appeared to caution against further quick rate reductions stating *“At the same time, despite the progress over recent quarters… inflation is likely to stay above target well into next year…”* and *“We are determined to ensure that inflation returns to our two per cent medium-term target in a timely manner. We will keep policy rates sufficiently restrictive for as long as necessary to achieve this aim…”*

This reduction in rates by the ECB, even if not repeated quickly, clearly may potentially encourage business and consumer spending. Additionally, it may and also support the Eurozone housing market.

UK CPI inflation continued to positively trend downwards and hit the Bank of England target of 2%. Having been 8.7% in May 2023 it had fallen to 3.4% by February 2024. In March 2024 it reduced to 3.2% and in April to 2.3% (announced on 22 May). On 19 June 2024, the Office for National Statistics (ONS) announced that CPI for May had been 2.0%. This (target) level of 2% CPI was maintained in June.

On 22 May 2024 Prime Minister Rishi Sunak announced that a General Election would be held on Thursday 4 July 2024. The Minutes of the Bank of England Monetary Policy Committee of 19 June 2024, however, clearly stated *"The Committee noted that the timing of the general election on 4 July was not relevant to its decision at this meeting…"*

At the meetings of the Bank of England Monetary Policy Committee (MPC) which ended on 8 May 2024 and 19 June 2024 Bank Rate was maintained at 5.25%. The Monetary Policy Summary and Minutes issued after the May and June meetings referred to "*considerable uncertainty around statistics derived from the ONS Labour Force Survey"* which made it more difficult for the MPC to judge inflationary pressures as a whole. At both meetings, the Committee voted 7-2 to maintain Bank Rate with two votes for a 0.25% reduction. Overall, the MPC (as stated in the May and June Minutes) recognised the ongoing reduction in CPI, and that Monetary Policy was restrictive and *"bearing down on inflationary pressures."* However, there still appear to have been clear concerns regarding the persistence of diminishing inflation/achieving the 2% CPI target as reflected in the MPC Minutes and statements made by Governor Andrew Bailey following both meetings. The Minutes of the June meeting indicate the decision not to reduce rates in June to have been closer than in May as (paragraph 50) of the Minutes states that for some of the seven members who voted not to reduce rates *"the policy decision at this meeting was finely balanced."*

The FTSE All Share and the FTSE 100 both advanced by approaching 4% over the Quarter with continuing clear (downward) improvements in the rate of UK inflation surely a positive contributory factor. Another factor is likely the clear "cheapness" of the FTSE 100 Index of mega cap companies, and also the fact that some asset managers, including for example BlackRock and UBS, have clearly upgraded their assessment of the UK Equity market.

Following on from the previous Quarter when Japanese Equities (as measured by the Nikkei 225 Index) gained over 20% the April to June Quarter was muted (despite clearly positive returns from the Financial Services sector) with the Nikkei 225 declining slightly by approaching 2%. Japanese Inflation which had exceeded 2% since April 2022 had been 2.7% in March 2024. In April 2024 it fell to 2.5% before rising to 2.8% in May, at which level it remained in June.

The Monetary Policy Meeting (MPM) of the Policy Board of the Bank of Japan which concluded on 26 April 2024 maintained the short term interest rate (*"at around 0 to 0.1 percent"*) and bond purchase policy "*in accordance with the decisions made at the March 2024 MPM."* However the Statement on Monetary Policy issued after the MPM which concluded on 14 June 2024 announced that while maintaining the existing bond purchase policy for the moment a review to reduce Government bond purchases would be undertaken stating that *"Regarding purchases of Japanese government bonds (JGBs)… for the intermeeting period, the Bank will conduct the purchases in accordance with the decisions made at the March 2024 MPM. The Bank decided, by an 8-1 majority vote, that it would reduce its purchase amount of JGBs thereafter to ensure that long-term interest rates would be formed more freely in financial markets. It will collect views from market participants and, at the next MPM, will decide on a detailed plan for the reduction of its purchase amount during the next one to two years or so."* This announcement is a clear statement of intent by the Bank of Japan to further scale back its ultra loose approach to monetary policy following the historic and symbolic changes (the ending of negative interest rates and yield curve control) announced at the March 2024 Monetary Policy Meeting.

Asian (excluding Japan) and Emerging Markets enjoyed a successful Quarter with the MSCI AC Asia (ex Japan) and the MSCI Emerging Markets Index gaining 7% and 5% respectively (in US $ terms). Continued enthusiasm for Information Technology and in particular Artificial Intelligence clearly aided markets with the (technology heavy) Taiwanese market the best performing Asian market over the Quarter. Indian Equities and South African Equities both advanced following the formation of coalition Government's in both India and South Africa following General Election results announced in June 2024.

Questions remained during the Quarter over the Chinese economy. Although exports clearly rose (as demonstrated by data released by the Chinese National Bureau of Statistics) weak consumer (internal) demand and issues in the property sector continued. Official Consumer price inflation was anaemic at 0.3% in April and May, and 0.2% in June. The Chinese economy grew 4.7% in the April to June Quarter (as officially announced on 15 July) compared with 5.3% in the first three months of 2024.

Overall, the benchmark Government Bonds (US, UK, and Germany) had a negative Quarter due to adverse movements in April which were mitigated but not reversed by (smaller) gains in both May and June. For example, the yield on the 10 year US Treasury rose from 4.20% to 4.40%, that on the 10 year Gilt from 3.93% to 4.17%, and that on the 10 year Bund from 2.30% to 2.50%. Market commentators suggested that the poor performance in April was clearly influenced by heightened market perception that the US Federal reserve would reduce interest rates in 2024 less than previously anticipated. The US CPI and Core CPI figures announced on 10 April were commented on adversely by President Biden and also former US Treasury Secretary Larry Summers and caused traders to half their predictions of a July rate cut. However, market sentiment was improved later in the Quarter by more positive market interpretations regarding US inflation (for example following the US CPI announcements on 16 May and 12 June) and UK inflation, and the decisions of the ECB and the Bank of Canada to reduce rates.

Over the Quarter US Investment Grade Bonds performed positively. High Yield outperformed both Government and Investment Grade credit.

30 July 2024

Agenda Item 18

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

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Agenda Item 19

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

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