



**Haringey** Council

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## Pensions Committee

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MONDAY, 15th December, 2014 at 19:00 HRS - CIVIC Centre, High Road, Wood Green, N22 8LE.

**MEMBERS:** Councillors Diakides (Chair), Bevan (Vice-Chair), Berryman, Doron, Marshall and Ross

**Non-voting Members:** Keith Brown, Michael Jones and Roger Melling

Quorum: 3 Councillors

### AGENDA

**1. APOLOGIES FOR ABSENCE (IF ANY)**

To receive any apologies for absence.

**2. 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 16 below).

**3. 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.

#### **NOTE FROM THE ASSISTANT DIRECTOR OF CORPORATE GOVERNANCE AND 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.

#### **4. MINUTES**

**(1) Minutes of the Meeting held on 18 September 2014 (Pages 1 - 6)**

To consider and confirm the minutes of the meeting held on 18 September 2014 as a correct record of the proceedings

**(2) Minutes of the Special Meeting held on 20 November 2014 (Pages 7 - 8)**

To consider and confirm the minutes of the special meeting held on 20 November 2014 as a correct record of the proceedings.

#### **5. ACTUARIAL VALUATIONS: 'LIKE-FOR-LIKE' RESULTS (PAGES 9 - 12)**

The report details a comparison of the results, presented by the Actuary, of the 2013 actuarial valuation with those reported by other LGPS and what this implies for the credibility of the plan to achieve full funding of liabilities.

#### **6. CURRENT AND FUTURE INVESTMENT POLICY (PAGES 13 - 16)**

The report from Mercer, the Committee's investment consultant, outlines the current investment policy (asset allocation) and proposes that opportunities be taken to diversify away from listed equities and increase the protection against changes in interest and inflation risks.

#### **7. REVIEW OF PASSIVE INVESTMENT MANAGER STRUCTURE (PAGES 17 - 20)**

The report sets out a proposal that management of equity and index linked investments be combined, resulting in fee and operational benefits, and proposes that the Council approach the existing managers for fee quotations.

#### **8. TRANSFERS OUT AND THE IMPLICATIONS OF THE NEW PENSION FREEDOMS (PAGES 21 - 26)**

The report sets out details concerning transfers of benefits out of the Haringey Local Government Pension Scheme, and the impact of the new pension freedoms effective from 1<sup>st</sup> April 2015.

**9. LOCAL GOVERNMENT PENSION SCHEME - ADMISSION OF NEW EMPLOYERS AS TRANSFEREE ADMISSION BODY (PAGES 27 - 30)**

The report sets out details relating to the admission of new eligible admission body employers into the Local Government Pension Scheme (LGPS).

**10. LOCAL GOVERNMENT PENSION SCHEME - DESIGNATED PERSON FOR THE INTERNAL DISPUTES RESOLUTION PROCEDURE (PAGES 31 - 32)**

The report relates to Local Government Pension Scheme Regulations which require the Administrating Authority (the Council) to appointment a Designated Person to adjudicate Stage 2 Appeals under the Internal Disputes Resolution Procedure (IDRP).

**11. LOCAL GOVERNMENT PENSION SCHEME - UPDATED COMMUNICATION POLICY (PAGES 33 - 38)**

The presents an updated version of the Communication Policy Statement, which has been prepared in accordance with the Local Government Pension Scheme regulations and has been updated to reflect current practice.

**12. ESTABLISHMENT OF A PENSION BOARD (PAGES 39 - 50)**

The report details draft regulations issued by the Department for Communities and Local Government (DCLG) that require each local government pension scheme to establish a pension board under the Public Sector Pensions Act 2013.

**13. PENSION FUND - WORK PLAN 2014-15 (PAGES 51 - 54)**

The report identifies topics that will come to the attention of the Committee during the next nine months and seeks the Committee's input into formulating its future agendas.

**14. PENSION FUND QUARTERLY UPDATE (PAGES 55 - 66)**

The Council is required to review investment performance on a quarterly basis, and the report details activity in the three months to 30<sup>th</sup> September 2014.

**15. ANY OTHER BUSINESS OF AN URGENT NATURE**

To consider any items admitted at item 2 above.

**16. EXCLUSION OF THE PUBLIC AND PRESS**

The following items are likely to be subject of 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; paragraphs 1, 2 and 3, information relating to any individual, information which is likely to reveal the identity of an individual and information relating to the financial or business affairs of any particular person

(including the authority holding that information).

**17. ACTUARIAL VALUATIONS: 'LIKE-FOR-LIKE' RESULTS - APPENDIX 1 (PAGES 67 - 76)**

To consider exempt information pertaining to agenda item 5.

**18. CURRENT AND FUTURE INVESTMENT POLICY - APPENDICES 1 AND 2 (PAGES 77 - 98)**

To consider exempt information pertaining to agenda item 6.

**19. REVIEW OF PASSIVE INVESTMENT MANAGER STRUCTURE - APPENDIX 1 (PAGES 99 - 108)**

To consider exempt information pertaining to agenda item 7.

**20. REVIEW OF PRIVATE EQUITY (PAGES 109 - 136)**

The report details a review of private equity allocation and proposes a transfer of funds, recommended by Mercer, to achieve the target allocation.

**21. ANY EXEMPT ITEMS OF URGENT BUSINESS**

To consider any items admitted under agenda item 2 above.

**22. DATE OF NEXT MEETING**

Thursday 26 March 2015 at 7.00pm.

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Friday, 05 December 2014

**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 18 SEPTEMBER 2014**

Councillors Berryman, Bevan (Vice-Chair), Diakides (Chair), Doron, and Ross

Also present: Keith Brown and Roger Melling (Non-voting members)

Apologies: Michael Jones (Non-voting member)

**LC13. APOLOGIES FOR ABSENCE (IF ANY)**

Apologies for absence were received from Michael Jones (Non-voting advisory member).

**LC14. URGENT BUSINESS**

There were no items of urgent business.

**LC15. DECLARATIONS OF INTEREST**

Councillor Viv Ross informed the Committee that he had money deposited in an equitable life scheme with whom Scheme members had invested AVCs, but he was advised that this fact did not require him to declare an interest.

**LC16. MINUTES**

**RESOLVED:**

That the minutes of the meeting held on Thursday 23 June 2014 be approved as a correct record, subject to the name Roger Melling being included in the list of those who had submitted apologies for absence.

**MATTERS ARISING**

The Chair referred to minute number 8, and the proposal referred to therein to have regular training sessions for members of the Committee.

**AGREED:**

1. That training sessions be held for members of the Pensions Committee prior to each meeting of the Committee commencing at 6.00pm and lasting for one hour.
2. That in addition to the training sessions referred to in 1 above, the Head of Finance – Treasury and pensions, be requested to identify two or three dates in the 2014/15 municipal year for further training.
3. That it be noted that on-line training materials were available on the internet, but that members of the Committee were at liberty to contact John Raisin (Independent Advisor), George Bruce (Head of Finance – Treasury and Pensions) or Kevin Bartle (Assistant Director – Finance) if they had any queries relating to pensions issues.

**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 18 SEPTEMBER 2014**

**LC17. PENSION FUND ANNUAL REPORT AND ACCOUNTS 2013/14 AND AUDIT REPORT**

The Committee considered a report on the audited Pension Fund Annual Report and Accounts for 2013/14 and the Annual Governance Report of the external auditors, Grant Thornton, which reported on their annual audit of the Pension Fund accounts. The report was presented by Emily Hill and Paul Jacklin of Grant Thornton.

The Committee noted that a revised version of pages 56 and 57 contained in Appendix 1 to the report had been circulated subsequent to publication of the agenda.

Emily Hill drew attention to the Executive Summary contained within the Audit Findings Report on page 131 of the agenda. She highlighted the fact that the key points arising from the audit of the Fund's financial statements were:

- a) The quality of the financial statements and supporting working papers were of a very good standard;
- b) Responses to audit queries were received in time for Grant Thornton to complete its fieldwork to its timetable;
- c) That Grant Thornton had identified a few minor presentational issues.

Emily Hill emphasised that the papers provided to Grant Thornton for audit purposes were of a very high standard and that Council officers had been helpful in the conducting of the process.

**RESOLVED:**

1. That the Pension Fund Annual Report and Accounts for 2013/14, together with the associated Letter of Representation, attached as Appendix 3 to the report, be approved.
2. That the Committee's satisfaction with the positive assessment by the Auditors be recorded, and that its thanks and congratulations be passed on to the Council officers involved in carrying out the annual audit process.
3. That the Head of Finance – Treasury and Pensions write to members of the Committee to inform them what the term 'Experience items' contained on page 31 of the report referred to.
4. That the Committee place on record its thanks to Grant Thornton for their help and support to Council officers in carrying out the annual audit of the Pension Fund and accounts.

**LC18. LOCAL GOVERNMENT PENSION SCHEME IT SYSTEM: CONTRACT RENEWAL**

The Committee noted that an updated version of the report, which contained revised legal implications, had been circulated subsequent to publication of the agenda.

The Committee were informed that at its meeting on 26 November 2013, the Council's Corporate Committee had approved the award of a contract for an IT system to

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THURSDAY, 18 SEPTEMBER 2014**

enable the Council to administer the Local Government Pension Scheme for its members and employers. The Committee were further informed that following the decision of the Corporate Committee negotiations with the supplier identified that the contract price was to be £14,288 higher than the original estimate.

In making its decision, the Committee gave consideration to the information contained in the exempt appendix to the report, which was included in the agenda under item 13.

**RESOLVED:**

That the Committee note the amendment to the value of the Heywood Contract which had increased by £14,288 to £244,046 for a period of three years, with the option to extend for a further two years, for the provision of a managed service, including support, maintenance, and required upgrade.

**LC19. LOCAL GOVERNMENT PENSION SCHEME - ADMISSION OF NEW EMPLOYERS AS TRANSFEREE ADMISSION BODY**

The Committee considered a report which set out details relating to the admission of new eligible admission body employers into the Local Government Pension Scheme.

**RESOLVED:**

1. That catering contractors, Lunchtime UK Limited, Caterlink Limited, ABM Catering Limited, ISS Mediclean Limited and cleaning contractor Superclean Services Limited be admitted to the Haringey Pension Fund as Transferee Admission Bodies.
2. That each of the admission agreements is entered into and that the agreement is a closed agreement such that no new members can be admitted.
3. That the Pension Committee using The Scheme of Delegation, delegate the authority to admit employers to the Local Government Pension Scheme to the Section 151 Officer.

**LC20. ESTABLISHMENT OF PENSION BOARD**

The Committee considered a report detailing draft regulations issued by the Department for Communities and Local Government (DCLG) that require each local government pension scheme to establish a pension board.

The Head of Finance – Treasury and Pensions emphasised that once established, the Pension Board would not take the place of the Pensions Committee, or take away any of its powers, but that it would effectively be a form of scrutiny panel relating to pensions and would scrutinise the processes used by the Committee and not its decisions.

The Committee were informed that the Board would operate separately from the Committee and have a different membership unless the Council specifically requested the Secretary of State to establish a dual function body.

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The Committee raised concerns regarding the establishment of a Pension Board, including its necessity, the fact that it may be unwieldy, and also in regard to its membership

**RESOLVED:**

1. To note the information provided in this report, and specifically that no final decisions are requested at this stage.
2. That a special briefing session for the Committee be arranged, prior to the next Committee meeting where decisions will be made, in order to explore the issues of establishing a Pension Board in more detail.
3. That prior to the briefing session referred to in 2 above, the Head of Finance – Treasury and Pensions be requested to obtain feedback on the matter from the Pension Fund's advisors and also appropriate trade unions, and for his findings to be reported at the briefing session.

**LC21. PENSION FUND QUARTERLY UPDATE**

The Committee were informed that since the quarter end on 30<sup>th</sup> June 2014 two new Fund Managers had been appointed, these being Allianz, who specialised in infrastructure debt and CQS who specialised in multi-sector credit.

**RESOLVED:**

1. That the information provided in respect of the activity in the three months to 30th June 2014 be noted.
2. That it be noted that the format of responsible investment reporting will be changed to face-to-face meetings with all the Fund Managers on an annual basis, to replace the existing current quarterly commentary.

**LC22. PENSION FUND - WORK PLAN 2014-15**

The Committee gave consideration to topics that would come to the attention of the Committee over the forthcoming months and noted arrangements for Member training, as had been discussed earlier in the meeting, referred to under paragraph 13 of the report. It was suggested that the Committee should give regular attention to its investment policy strategy and although it was noted that an investment update was included in the Pension Fund Quarterly Update report, it was proposed that this be a standing item on future agendas.

**RESOLVED:**

That a standing item under the heading 'Investment Strategy Update' be placed on the agenda of future meetings of the Pensions Committee, and that it be accompanied by a summary table setting out investments, as included in paragraph 13.1 of agenda item 9.



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THURSDAY, 18 SEPTEMBER 2014**

**LC23. ANY OTHER BUSINESS OF AN URGENT NATURE**

There were no items of an urgent nature.

**LC24. EXCLUSION OF THE PUBLIC AND PRESS**

It was not necessary to pass a resolution to exclude the public and press when consideration was given by the Committee to agenda item 13, as none were present at the meeting.

**LC25. LOCAL GOVERNMENT PENSION SCHEME IT SYSTEM: CONTRACT RENEWAL - APPENDIX A**

Consideration of this appendix was dealt with under agenda item 6 (minute 18 above refers).

**LC26. ANY ITEMS OF EXEMPT URGENT BUSINESS**

There were no exempt items of an urgent nature.

**LC27. DATE OF NEXT MEETING**

The Committee noted that its next meeting was scheduled for Monday 15<sup>th</sup> December 2014 at 7.00pm.

The meeting ended at 9.14pm.

Councillor Isidoros Diakides

**Chair**

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**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 20 NOVEMBER 2014**

Councillors: Diakides (Chair), Bevan (Vice-Chair), Berryman and Ross

Also present: Michael Jones and Roger Melling (Non-voting members)

Apologies: Councillors Doron and Marshall and Keith Brown (Non-voting member)

**LC28. APOLOGIES FOR ABSENCE (IF ANY)**

Apologies for absence were received from Councillors Doron and Marshall and from Keith Brown (Non-voting member).

**LC29. URGENT BUSINESS**

There was no urgent business.

**LC30. DECLARATIONS OF INTEREST**

None declared.

**LC31. PENSION FUND: LONDON COLLECTIVE INVESTMENT VEHICLE**

The Committee received a report setting out details of the costs of establishing a Collective Investment Vehicle ('CIV') for the London Local Government Pension Scheme (LGPS). It was noted that a further funding request towards the cost of establishing the London CIV had been received, and consequently authority was sought for the payment of an extra contribution of £50,000, in addition to the £25,000 previously agreed by the Corporate Committee at its meeting on September 2013.

The Committee was informed that the CIV would, if subsequently agreed by the Committee, assume responsibility for the appointment of fund managers, and that the establishment of the CIV was designed to both reduce investment management fees and to improve performance for those funds that select active fund management.

The Committee, supported by comments from its non-voting members and Independent Advisor, were of the opinion that any risks associated with making the additional payment were greatly outweighed by the possible benefits that could be gained from the creation of, and participation in, the CIV; however, the Chair stressed that the Committee did not want to commit the Council to long-term involvement in the CIV and wanted to be in a position whereby the Council could withdraw from the CIV at short notice if it considered it necessary.

During its consideration of the matter the Committee noted the comments of Keith Brown, a non-voting member of the Committee who was unable to be present, which were submitted via an email document that was tabled at the meeting.

**RESOLVED:**

That a payment of £50,000, in addition to the contribution of £25,000 agreed by the Corporate Committee at its meeting on 13 September 2013, be made towards the cost of establishing the London Collective Investment Vehicle (CIV).

**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 20 NOVEMBER 2014**

**LC32. ANY OTHER BUSINESS OF AN URGENT NATURE**

There were no exempt items of an urgent nature.

**LC33. DATE OF NEXT MEETING**

The Committee noted that its next meeting was scheduled for Monday 15<sup>th</sup> December 2014 at 7.00pm.

The meeting ended at 7.29pm.

Councillor Isidoros Diakides

**Chair**



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<b>Report for:</b>	Pensions Committee 15 <sup>th</sup> December 2014	<b>Item number</b>	
<b>Title:</b>	Actuarial Valuation 2013 – “Like-for-Like” results		
<b>Report authorised by :</b>	Kevin Bartle, Assistant Director – Finance (CFO)		
<b>Lead Officer:</b>	George Bruce, Head of Finance – Treasury & Pensions george.bruce@haringey.gov.uk 020 8489 3726		
<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>		

## 1. Describe the issue under consideration

- 1.1 The Actuary will present a comparison of the results of the 2013 actuarial valuation with those reported by other Local Government Pension Schemes (“LGPS”) and comment on the credibility of the Haringey plan to achieve full funding of liabilities.
- 1.2 The information contained in Appendix 1 is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act in that it contains information relating to the business or financial affairs of any particular person (including the Authority holding that information).

## 2. Cabinet Member Introduction

- 2.1 Not applicable.

## 3. Recommendations

- 3.1 The report is for noting.

## 4. Other options considered



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4.1 N/A

## **5. Background information**

- 5.1 The Committee has appointed Hymans Robertson as the Scheme Actuary, responsible for assisting the Committee to prepare the Funding Strategy Statement and to determine the level of contributions payable by each employer.
- 5.2 The Actuary performs a tri-annual review of the promised scheme benefits and investments using assumptions agreed with the Committee to determine the funding level and required future contributions. The last actuarial valuation was as at 31<sup>st</sup> March 2013, at which date the Scheme funding level was 70% and the deficit £369 million. Contribution levels were determined for each employer. For the Council, contributions will increase by 2% from 22.9% between 2014 & 2016.
- 5.3 Hymans have identified that a wide range of assumptions were used to determine individual LGPS funding levels in 2013 making comparison of results imprecise. They have recalculated all the results using common assumptions. The attached report highlights the impact of using common assumptions and compares Haringey's funding position with other LGPS. The report concludes that Haringey's like for like ranking improved between valuations and that our funding position is strong relative to other LGPS.
- 5.4 The Actuary will provide training in advance of the meeting on their role, the basis on which contributions are calculated and the linkage between the funding level, actuarial assumptions and investment strategy.

## **6. Comments of the Chief Financial Officer and financial Implications**

- 6.1 The Committee has a difficult role in balancing the need to ensure that investments are sufficient to pay the promised benefits and contributions rates remain affordable. The Hymans report demonstrates that a credible funding plan is in place.

## **7. Assistant Director for Corporate Governance and Legal Implications**

- 7.1 The Assistant Director for Corporate Governance has been consulted on the content of this report. The report raises no legal issues.

## **8. Comments by the Independent Advisor**



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8.1 The “Like for Like” study undertaken by the Fund Actuary is clearly positive for the London Borough of Haringey Pension Fund. Most notably this study indicates the robustness of the Fund’s plan to achieve 100% funding over the longer term.

8.2 It is also noteworthy that the Hymans’ analysis shows that on a “like for like” basis Haringey’s position in the funding level league table improves from 81 to 49 as at the 2013 Actuarial Valuation and that on a “like for like basis” Haringey’s funding level was slightly better than the average LGPS Fund. This is reflection of the fact that the Fund and its Actuary, wisely applied, prudent assumptions in undertaking the 2013 Actuarial Valuation.

## **9. Equalities and Community Cohesion Comments**

9.1 There are no equalities issues arising from this report.

## **10. Head of Procurement Comments**

10.1 Not applicable

## **11. Policy Implications**

11.1 None.

## **12. Use of Appendices**

12.1 Appendix 1: Hymans Robertson – 2013 Valuations “Like-for-Like” Results.

12.2 The information contained in Appendix 1 is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act in that it contains information relating to the business or financial affairs of any particular person (including the Authority holding that information).

## **13. Local Government (Access to Information) Act 1985**

13.1 Not applicable.

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<b>Report for:</b>	Pensions Committee 15 <sup>th</sup> December 2014	<b>Item number</b>	
<b>Title:</b>	Current and Future Investment Policy		
<b>Report authorised by :</b>	Kevin Bartle, Assistant Director – Finance (CFO)		
<b>Lead Officer:</b>	George Bruce, Head of Finance – Treasury & Pensions george.bruce@haringey.gov.uk 020 8489 3726		
<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>		

## 1. Describe the issue under consideration

- 1.1 The report from Mercer outlines the current investment policy (asset allocation) and proposes that opportunities be monitored to diversify asset allocation from listed equities and increase the protection against the impact on the funding level of changes in interest and inflation rates.

## 2. Cabinet Member Introduction

- 2.1 Not applicable.

## 3. Recommendations

- 3.1 That Members receive training on leveraged index linked gilts prior to discussing their use to increase the level of inflation protection.

## 4. Other options considered

- 4.1 The Mercer's paper (appendix 1) quantifies the changes in expected return and risk arising from the proposed investment policy. Following the recommended training the Committee will be able to consider



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whether the impact is sufficiently favourable to justify the change in policy.

## **5. Background information**

- 5.1 The Committee has appointed Mercer as their investment consultant. Mercer carried out a review of investment policy in 2013/14 following which the Corporate Committee agreed to reduce the equity allocation by 10% to 60% and awarded credit mandates to CQS and Allianz. The Corporate Committee also discussed increasing the inflation protection within the portfolio by switching the index linked gilts holdings into a leveraged fund that will enable both increased protection levels and a lower allocation of assets.
- 5.2 The Mercer report summarises the changes in investment policy implemented in 2014, including the expected impact on returns and risk, noting that part of the changes they recommended were deferred pending training on leveraged index linked gilts. The Corporate Committee received initial training but deferred any decision until a later date. In particular, the Committee sought confirmation that the leveraged portfolio will continue to deliver protection when interest rates increase.
- 5.3 The conclusions from the Mercer analysis is that the Committee should use improvements in funding levels to further diversify away from equities and to increase the levels of interest rate and inflation protection. They recommend that the optimum way to increase inflation protection is by using leveraged index linked bonds and future training on this is proposed.
- 5.4 The independent advisor has prepared a note (appendix 2) on the risk and gains from using leveraged index linked gilts and has concluded that in the present and foreseeable future (until the end of 2017) the use of leveraged index linked gilts would appear beneficial to the Fund.
- 5.5 The information contained in Appendix 2 is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act in that it contains information relating to the business or financial affairs of any particular person (including the Authority holding that information).

## **6. Comments of the Chief Financial Officer and financial Implications**



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- 6.1 The review of investment strategy completed in January 2014 sought to optimise the anticipated returns and the volatility (risk) of these returns. This paper proposes to build on the current strategy by re-examining the benefits of using leveraged index linked gilts to offer a better balance of return and risk.

## **7. Assistant Director of Corporate Governance comments and Legal Implications**

- 7.1 The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management and Investment Funds) Regulations 2009.
- 7.2 The report proposes greater attention is paid to interest and inflation risks and that training is provided on leveraged index linked gilts. Changes to investment policy must comply with the Pension Fund's Statement of Investment Principles and be in line with the Pension Fund's investment strategy

## **8. Comments from Independent Advisor**

- 8.1 Mercer have proposed that the Fund utilise Leveraged Index Linked Gilts primarily to achieve a higher level of liability protection, greater funding level stability and to reduce risk. I have prepared a note which is also generally supportive of Leveraged Index Linked Gilts.
- 8.2 The concept of Leveraged Index Linked Gilts is however complex and needs to be properly understood before the Committee makes any decision to utilise this approach in any form. Therefore the recommendation in this report that Members receive training on leveraged index linked gilts is both sensible and appropriate

## **9. Equalities and Community Cohesion Comments**

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

## **10. Head of Procurement Comments**

- 10.1 Not applicable

## **11. Policy Implications**

- 11.1 None.

## **12. Use of Appendices**



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12.1 Appendix 1: Mercer report – Current & Future Investment Policy

Appendix 2: Independent Advisors report – Potential Investment in Leveraged Index Linked Gilts

12.2 The information contained in Appendix 2 is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act in that it contains information relating to the business or financial affairs of any particular person (including the Authority holding that information).

### **13. Local Government (Access to Information) Act 1985**

13.1 Not applicable.



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<b>Report for:</b>	Pensions Committee 15 <sup>th</sup> December 2014	<b>Item number</b>	
<b>Title:</b>	Review of Passive Investment Manager Structure		
<b>Report authorised by :</b>	Kevin Bartle, Assistant Director – Finance (CFO)		
<b>Lead Officer:</b>	George Bruce, Head of Finance – Treasury & Pensions george.bruce@haringey.gov.uk 020 8489 3726		
<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>		

## 1. Describe the issue under consideration

- 1.1 The equity and index linked investments are managed by BlackRock and Legal & General. Mercer (appendix 1) advise that combining the mandates will offer fee and operational benefits and propose that we approach the existing managers for fee quotations.
- 1.2 The information contained in Appendix 1 is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act in that it contains information relating to the business or financial affairs of any particular person (including the Authority holding that information).

## 2. Cabinet Member Introduction

- 2.1 Not applicable.

## 3. Recommendations

- 3.1 That BlackRock and Legal & General are invited to quote for a combined equity and index linked index tracking portfolio, including the option of using leveraged index linked gilt funds.



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#### **4. Other options considered**

- 4.1 The Committee will have the opportunity to discuss at a later date whether the fee savings and operational gains are sufficient to justify the time and costs of merging the two index tracking portfolios. They will also have a basis for evaluating the impact on investing through the CIV.

#### **5. Background information**

- 5.1 The Committee currently use both Legal & General and BlackRock to manage passive equities and index linked bonds. Mercer indicates that this has two disadvantages; higher fees and the difficulty of operating automatic rebalancing. They recommend that consideration be given to seeking revised price quotations based on a single manager for all the passive mandates.
- 5.2 It is expected that the London CIV will be operational in Q2, 2015 and that the Committee will be invited to manage their passive assets through the CIV. In order to fairly consider the impact of using the CIV, it is necessary to obtain revised fee quotations from the current providers. The CIV platform is likely to propose only one passive manager.

#### **6. Comments of the Chief Financial Officer and financial Implications**

- 6.1 The proposal to seek a revised fee quotation from the existing passive managers during a period when investment managers are aware that the London CIV will offer an alternative investment route may enable a better financial and operational structure to be negotiated.

#### **7. Assistant Director of Corporate Governance comments and Legal Implications**

- 7.1 The Council on behalf of the Pension Fund has appointed investments managers to invest and manage funds belonging to the Pension Fund. The Council has a contractual relationship with Legal & General and BlackRock. The fund managers are managing the funds on a “passive management” as oppose to an “active management” basis. Passive management means accepting returns from assets classes in which the investor invest. This is accomplished by investing in vehicles that buy and hold stocks that meet certain criteria.
- 7.2 The Council as administering authority for the Pension Fund has the power to appoint investment managers and in doing so must meet all the criteria set in Local Government Pension Scheme (Management and



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Investment Funds) Regulations 2009 (“the 2009 Regulations”) in respect of such appointments.

- 7.3 The Council’s power to invest fund money is also set out in the 2009 Regulations. All investments must be made in accordance with the Council’s published investment policy.
- 7.4 The Council will be seeking quotes within the context of the present contracts with these fund managers. Should the Council wish to reappoint and therefore enter into a new contract with either Legal & General or BlackRock the Council must comply with the Public Contracts Regulations 2006 (the 2006 Regulations”) in carrying out this procurement (where the current threshold is £175,514 for part A Services) and Contract Standing Orders. Legal advice must be sought about whether or not it is possible to terminate the existing contracts early (if that is what the members are minded to do) and the consequences of termination.

## **8. Comments from Independent Advisor**

- 8.1 I concur with Mercers analysis that the existing arrangements whereby there are two Fund Managers responsible for managing the Fund’s passive listed assets appears unduly complex and that placing all passive assets with one manager should both simplify the governance of the Fund and potentially result in lower fees. Such an approach would also be preferable if the Fund were to utilise Leveraged Index Linked Gilts in the future.
- 8.2 Furthermore the present arrangements, whereby there are two managers for listed assets do not facilitate genuine passive management of listed assets. However I understand that genuine passive management of listed assets is the desired position of the Fund.
- 8.3 Given recent and potential continuing heightened activity in currency markets I would support the suggestion of Mercer that passive currency hedging be given further consideration. There is also, as Mercer state, evidence that low volatility equities, which can be managed on a passive basis, can provide downside protection in times of market stress and reduce the risk associated with equity investment.

## **9. Equalities and Community Cohesion Comments**

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

## **10. Head of Procurement Comments**



**Haringey** Council

10.1 Not applicable

## **11. Policy Implications**

11.1 None.

## **12. Use of Appendices**

12.1 Appendix 1: Mercer report – Review of passive investment manager structure

12.2 The information contained in Appendix 1 is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act in that it contains information relating to the business or financial affairs of any particular person (including the Authority holding that information).

## **13. Local Government (Access to Information) Act 1985**

13.1 Not applicable.





**Haringey** Council

<b>Report for:</b>	Pensions Committee 15 <sup>th</sup> December 2014	<b>Item number</b>	
<b>Title:</b>	Transfers Out and the Implications of the New Pension Freedoms		
<b>Report authorised by :</b>	Jacquie McGeachie - Interim Head of Human Resources and Organisational Development		
<b>Lead Officer:</b>	Janet Richards, Pensions Manager		
<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>		

### 1. Describe the issues under consideration

- 1.1 This is an information report concerning transfers of benefits out of the Haringey LGPS and the impact of the new pension freedoms effective from 1<sup>st</sup> April 2015.

### 2. Cabinet member Introduction

- 2.1 Not applicable.

### 3. Recommendations

- 3.1 The paper is for noting.

### 4. Other options considered

- 4.1 N/A.

### 5. Background information

- 5.1 The paper has been prepared at the request of the vice-Chair and provides information on the numbers of scheme members who transfer their benefits to other pension arrangements and the additional options that will be available when new regulations are introduced in 2015.



**Haringey** Council

5.2 Haringey Council is not able to give financial advice to scheme members comparing the LGPS and the proposed transfer. We do however provide guidance on the issues to be considered and possible pitfalls from leaving LGPS.

## **6. Comments of the Chief Financial Officer and financial Implications**

6.1 Transfer values are calculated by the Actuary on a cost neutral value. There may be cashflow implications if volumes of transfers increase under the new freedoms and also reputational issues if scheme members make decisions that are not in their long term interests.

## **7. Assistant Director for Corporate Governance and Legal Implications**

7.1 The Assistant Director for Corporate Governance has been consulted on the content of this report and there are legal issues raised.

## **8. Equalities and Community Cohesion Comments**

8.1 There are no equalities issues arising from this report.

## **9. Head of Procurement Comments**

9.1 Not applicable

## **10. Policy Implications**

10.1 None.

## **11. Use of Appendices**

11.1 None

## **12. Local Government (Access to Information) Act 1985**

12.1 Not applicable.

## **13. The current ability to transfer out of the LGPS.**

13.1 Currently where an individual has left the pension scheme and has entitlement to a deferred pension or a refund of pension contributions in the LGPS they may be able to transfer their pension benefits to another pension arrangement.



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13.2 The pension arrangement can include a new employer's pension scheme, a personal pension plan, a stakeholder pension scheme or a buy out insurance policy. It may be possible to transfer to an overseas arrangement that meets HM Revenue and Customs conditions. The cash value of the deferred benefits known as the Transfer value is calculated in accordance with the terms and conditions of the Local Government Pension Scheme Regulations 2013.

13.3 Once the cash value is calculated the new pension provider is able to advise members of the benefits the transfer will buy in their scheme.

#### **14. The numbers leaving and the basis on which they transfer benefits**

14.1 We have over 7,000 deferred members of the pension scheme of those 242 have become deferred beneficiaries since April, during which time we have finalised 28 transfer value payments, of these 20 have transferred to other local authorities, 5 have been transfer payments to occupational pension schemes and 3 have been paid to pension schemes which are overseas.

14.2 In tax year 2013/2014 we had 45 transfers payments out of the scheme 11 were transfers to non local government pension schemes.

#### **15. How the new regulations (freedoms) impact the LGPS and expected impact on numbers leaving.**

15.1 The regulations do not currently place any restrictions on LGPS transferring to Defined Contribution (DC) schemes. The LGPS is a funded public sector scheme and unlike unfunded Public Service Defined Benefit pension members under the new freedoms will still be able to transfer to a DC scheme and members if they elect to transfer to a DC scheme will be able to take advantage of the new flexibility.

15.2 From April 2015 if you are aged 55 or more you can take all your Defined Contribution (DC) pension benefits as a cash sum, subject to the pension scheme and tax rules. Another change is that the minimum age at which pension benefits can be taken will increase from age 55 to age 57 in 2028 and then it will be linked to 10 years before State Pension age after that.

15.3 The new rules will also mean that individuals wishing to transfer to a DC Scheme will have to prove they have consulted a professional financial adviser authorised by the Financial Conduct Authority (FCA).



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15.4 It is anticipated that there will be an increase in the number of members requesting a transfer value quote as well as an increase in those requesting an actual transfer payment. Some scheme members may transfer against the advice from their professional financial advisor.

## **16 Advice to Scheme Members**

16.1 The lure of gaining access to significant sums by cashing in pension benefits early will be attractive to many. The provision of advice is important to ensure that short term decisions do not jeopardise solvency during retirement.

16.2 Haringey Council is not authorised to give financial advice. In our transfer correspondence we tell scheme members that if they are considering whether to transfer benefits, to make sure that they have full information about the two pension arrangements i.e. details of what their benefits are worth in the LGPS and details of what the benefits would be worth in the new pension scheme, if transferred. We remind members that when they compare options not to forget that their LGPS benefits are guaranteed for cost of living increases

16.3 With the transfer quote we enclose a copy of the scorpion leaflet issued by the Pension Regulator which highlights pension scams which can be found on the website:

<http://www.thepensionsregulator.gov.uk/pension-scams>

16.4 As transferring pension rights is not always an easy decision to make we suggest when we send the transfer estimate that individuals may, therefore, wish to seek the help of an independent financial adviser before making a decision to transfer their deferred benefits to a personal pension plan, stakeholder pension scheme, buy-out insurance policy or to an employer's money purchase scheme, as they will be bearing all of the investment risk which could significantly affect future pension benefits. We also inform members that overseas schemes may not be obligated in any way by the law of the United Kingdom and consequently the receiving scheme or arrangement or its trustees or administrators may not be under any obligation to provide any particular level of pension or benefit for the transfer payment.



**Haringey** Council

16.5 We also ask members to consider the following when considering a transfer of pension rights:

- i. Ask what guarantees there are in the scheme to protect the value of your current entitlement.
- ii. Ask about Index Linked pension increases and how this might affect the amount of pensions you receive.
- iii. Check that the scheme provides the range of benefits appropriate to your family needs e.g. Ill Health/Early Retirement Benefits and Survivor Dependant's Pensions.
- iv. Check that any assumptions on future rates of inflation seem reasonable.
- v. Ask about the commission/administrative charge that will be recovered from your transfer payment.
- vi. Ask about transferring your pension rights back into an Occupational Scheme and how this might affect your pension rights and your service credit.

16.6 Deferred members are notified annually of the current value of their deferred benefits and we remind them of this information when we send the transfer estimate or if they are eligible for a refund of pension contributions the current refund value.

16.7 To date the number of scheme members making decisions that may not be in their best long term interests is small. The guidance provided is in line with the approach taken by other Council's and as far as we can go without being seen to give financial advice, for which we are not authorised.

16.8 It is proposed that the volume of requests are monitored and periodically reported to the Committee. If the new freedoms to release pension benefits through transfers to DC arrangements cause an increase in transfers, one possible approach will be to employ the services of a financial advisor to give more robust advice on the benefits of LGPS. Unfortunately, even if fully appraised of the implications of a transfer, there will be some members who place a greater weight on short-term considerations.

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**Haringey Council**

<b>Report for:</b>	<b>Pension Committee</b>	<b>Item Number:</b>	
<b>Title:</b>	Local Government Pension Scheme - Admission of New Employers as Transferee Admission Body		
<b>Report Authorised by:</b>	<b>Jacque McGeachie - Interim Head of Human Resources and Organisational Development</b>		
<b>Lead Officer:</b>	<b>Janet Richards Pensions Manager</b>		
<b>Ward(s) affected: None</b>	<b>Report for Key/Non Key Decisions:</b> <b>Non Key Decision</b>		

### 1. Describe the issue under consideration

The Local Government Pension Scheme Regulations allows an administering authority to enter into an admission agreement with an admission body. Under the TUPE regulations employees pensions should be protected when a service is outsourced.

Where a service is outsourced the new contractor can request that the transferred employees remain members of the Local Government Pension Scheme and the employer becomes part of the Local Government Pension Scheme as a Transferee Admission body.

### 2. Cabinet Member introduction

Not applicable

### 3. Recommendations

That catering contractors, Absolutely Catering Limited and Caterlink be admitted to the Haringey Pension Fund as Transferee Admission Bodies.

That the admission agreements are entered into and that the agreements are closed agreements such that no new members can be admitted.

### 4. Alternative options considered

n/a



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## 5. Background information

School	Contractor	Date of transfer	Employer contribution rate
Roksley School	Absolutely Catering Limited	01/01/2015	26.7% and £17000 bond
LDBS Schools i.e St Pauls and All Hallows	Caterlink	01/01/2015	St Pauls 25.6% and £42,000 bond
St Michaels			St Michaels 24.7% and £32,000 bond
St Anns			St Anns 21.9% and £14,000 bond
Holy Trinity			Holy Trinity to be advised

- 5.1 The above schools will be outsourcing their Kitchen catering functions to contractors. Staff will be TUPE transferred they are members of the Local Government Pension Scheme (LGPS).
- 5.2 The catering contracts are for three years with a possible two year extension. Staff are required to work not less then 50% of their time on the contract.
- 5.3 The contractor will pay an employer contribution rate set by the actuary. This is based on the contractor starting on a notional 100% fully funded basis. The admission agreement is closed and only the TUPE transferred staff can participate in the LGPS.
- 5.4 Where there is a bond valued by the fund actuary the contractor is required to provide a bond to protect the fund from commercial failure of the contractor. It covers the cost of capital cost payments if staff aged 55 and over were made redundant.
- 5.5 Costs arising from the exercise of employer discretions are payable by the contractor as provided for in Section 5 of the Admission Agreement.
- 5.6 The transferee admission body meets the requirements of regulation 54 of the Local Government Pension Scheme Regulations 2013 and the administering authority must admit the eligible employees of the transferee admission body to the fund.

## 7. Comments of the Chief Finance Officer and financial implications

- 7.1 For these five schools, the transferred liabilities represent a small proportion of the overall scheme. Although, each transferred pension liability is fully funded at commencement, three contractors are paying higher contribution rates than the Council, with one contractor (only one staff member) paying slightly less than the Council. In each case a bond is provided to protect the Council and the pension fund from future defaults by the contractor.

## 8. Assistant Director Corporate Governance and legal implications





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8.1 The Haringey Pension Fund is obliged to admit Absolutely Catering Limited and Cater Link Limited if they meet the requirements of Regulation 54 of the Local Government Pension Scheme Regulations 2013. The Admission Agreements are yet to be agreed and are to be closed agreement

**9. Equalities and Community Cohesion Comments**

N/A

**10. Head of Procurement Comments**

N/A

**11. Policy Implication**

N/A

**12 Reasons for Decision**

12.1The Council is obliged under the Local Government Pension Scheme Regulations 2013 to admit new eligible admission body employers into the pension scheme and to admit to the Scheme the eligible employees of that body.

**13 Use of Appendices**

None.

**14 Local Government (Access to Information) Act 1985**

Not applicable.

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**Haringey** Council

<b>Report for:</b>	<b>Pensions Committee</b>	<b>Item Number:</b>	
<b>Title:</b>	Local Government Pension Scheme - Designated Person for the Internal Disputes Resolution Procedure.		
<b>Report Authorised by:</b>	<b>Jacque McGeachie - Interim Head of Human Resources and Organisational Development</b>		
<b>Lead Officer:</b>	<b>Janet Richards Pensions Manager</b>		
<b>Ward(s) affected: None</b>	<b>Report for Key/Non Key Decisions: Non Key Decision</b>		

### 1. Describe the issue under consideration

The Local Government Pension Scheme Regulations requires the Adminstrating Authority to appointment a Designated Person to adjudicate Stage 2 Appeals under the Internal Disputes Resolution Procedure (IDRP).

### 2. Cabinet Member introduction

Not applicable

### 3. Recommendations

That approval is given to the appointment of Bhikhu Samat, Principal Lawyer of the Employment Education and Corporate team as the Designated Person for the Stage 2 Internal Disputes Resolution Procedure.

### 4. Alternative options considered

n/a

### 5. Background information



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The Pensions Act 1995 requires occupational pension schemes to make arrangements for the resolution of disputes between the managers of the scheme on the one hand and scheme members on the other. Regulations made under the LGPS Regulations 1997 and amended by LGPS amendment regulations 2004 and LGPS Regulations 2013 set out the regulatory framework for the LGPS appeals procedure.

The role of IDRPs Stage 2 designated person has normally been undertaken by the Principal Lawyer of the Employment Education and Corporate team which had been Dave Burn. After Dave Burn left the Council this Principal Lawyer of the Employment Education and Corporate team remained vacant for a period of time and there was no IDRPs Stage 2 designated person. In order to cover this IDRPs Stage 2 designated person function, Bernie Ryan the Head of Legal was nominated to undertake the IDRPs Stage 2 designated person role. Now that Bhikhu Samat has been appointed to the Principal Lawyer of the Employment Education and Corporate team it is recommended that he becomes the IDRPs Stage 2 designated person.

## **7. Comments of the Chief Finance Officer and financial implications**

7.1 There are no financial implications.

## **8. Assistant Director for Corporate Governance and legal implications**

8.1 The Assistant Director for Corporate Governance has been consulted on the content of this report and there are no legal issues raised.

## **9. Equalities and Community Cohesion Comments**

N/A

## **9. Head of Procurement Comments**

N/A

## **11. Policy Implication**

N/A

## **12 Reasons for Decision**

The role of Stage 2 Designated Person is awarded to the current Principal Lawyer of the Employment Education and Corporate Team, Bhikhu Samat.

## **13 Use of Appendices**

n/a

## **14 Local Government (Access to Information) Act 1985**



**Haringey** Council

<b>Report for:</b>	<b>Pensions Committee</b>	<b>Item Number:</b>	
<b>Title:</b>	Local Government Pension Scheme - Updated Communication Policy		
<b>Report Authorised by:</b>	<b>Jacque McGeachie - Interim Head of Human Resources and Organisational Development</b>		
<b>Lead Officer:</b>	<b>Janet Richards Pensions Manager</b>		
<b>Ward(s) affected: None</b>	<b>Report for Key/Non Key Decisions: Non Key Decision</b>		

### **1. Describe the issue under consideration**

The Local Government Pension Scheme Regulations requires the Administrating Authority to prepare and keep under review a number of policy statements. The Pension Committee is asked to approve an updated version of the Communication Policy Statement which has been prepared in accordance with the regulations and has been updated to reflect current practice.

### **2. Cabinet Member introduction**

Not applicable

### **3. Recommendations**

That the updated version of the Pension Fund Communication Policy Statement be approved.

### **4. Alternative options considered**

n/a

### **5. Background information**

The Local Government Pension Scheme Regulation 2013 requires the fund to publish and keep under review a number of policy statements. One of those is the Communication



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Policy Statement. The fund's current statement has not been reviewed for a number of years and some aspects no longer reflect current practice. The LGPS regulations set out what is to be included in the policy statement.

- Provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- Format, frequency and method of distributing such information or publicity; and
- Promotion of the Scheme to prospective members and their employers

The Communication Policy Statement (appendix 1) has been updated to reflect current practice.

**6 Comments of the Chief Finance Officer and financial implications**

6.1 The changes to the communication policy have no financial implications.

**7 Assistant Director for Corporate Governance and legal implications**

7.1 The Assistant Director for Corporate Governance has been consulted on the content of this report and there are no legal issues raised.

**8. Equalities and Community Cohesion Comments**

N/A

**9. Head of Procurement Comments**

N/A

**10. Policy Implication**

N/A

**11. Reasons for Decision**

The Council is obliged under the Local Government Pension Scheme Regulations 2013 to prepare, approve, publish and keep under review changes to the Council's pension scheme Communication Policy Statement.

**12. Use of Appendices**

Appendix 1 – Policy Statement on Communications with Scheme Members and Employers

**13. Local Government (Access to Information) Act 1985**

## **Local Government Pension Scheme Regulations 2013 Regulation 61**

### **Policy Statement on Communications with Scheme Members and Employers**

Effective communication between Haringey Council, the scheme members, and the employers within the fund is essential to the proper management of the LGPS on a transparent and accountable basis.

This document sets out a policy framework within which the Council will communicate with :-

- Members of the scheme and their family units.
- Representatives of members
- Employing bodies and
- Prospective members

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

#### **Members of the scheme:**

##### **A. Points of Contacts:**

- i. Pension Team for day-to-day contact and visits.
- ii. Ad hoc briefings and workshops
- iii. Harinet
- iv. Pensions Web Page

A pensions page is maintained on Harinet and on the Haringey Web Site which provides:-

- Guides to the LGPS including Pension Sharing on Divorce, Increasing Pension Benefits and the Appeals Process
- Forms which allow members to :-
  - Join or leave the scheme or opt to join the 50/50 scheme.
  - Indicate to the Council how any death grant should be disbursed.
- Policy Statements on the use of the Council's Discretionary Powers, Investment Principles. The Financial Strategy Statement and the Communications Strategy
- Annual Reports and Pensions Bulletins

- Notice of events
- Contact details for the Pensions Team
- Links to other useful sites including the scheme regulations and on-line to the Local Government Pension Scheme.

The information held on the Harinet and Pensions Web Pages is reviewed and updated on a regular basis. Although the web page mirrors the information held on Harinet, it extends to a wider audience and allows the family unit to access pensions information relevant to them.

## **B. Levels of Communication:**

- i. General day to day administration of the scheme
- ii. Annual payslips and annual newsletter to Pensioner Members
- iii. Statutory notices and statements e.g : individual notices regarding entry to the scheme or hours changes and Annual Benefits Statements .
- iv. Formal notice of significant proposals to change the scheme
- v. Life certificates to Pensioners living abroad.

## **C. Medium of communication**

- i. Telephone and e-mail
- ii. Hard copy dispatches
- iii. Workshops/ Employee Briefings
- iv. Face to face meetings

## **D. Timing**

- i. General policy is to issues statutory notifications and statements within the prescribed limits and to respond to written enquiries within 10 working days.
- ii. An Annual Report on the Fund is published annually.
- iii. Pension Bulletins on items of significance are issued as the need arises.
- iv. The Pensions Newsletter is published in April of each year to coincide with pensions increase awards.
- v. The Deferred Members Newsletter is published each year and coincides with the distribution of the Deferred Members Annual Benefits Statements

We are proposing to introduce a new online feature in 2015 called Member Self Service (MSS). Member Self Service will allow Local Government Pension Scheme members to access their pension records via a secure portal, update certain personal information and perform their own bespoke calculations.



## **Representatives of members**

### **A. Points of Contact**

- i. The Corporate Industrial Relations Group
- ii. Council and Staff Joint Consultative Committee
- iii. Pensions Committee and General Purposes Committee
- iv. Face to face meetings or issues raised in correspondence or by telephone.
- v. Ad hoc presentations to Trade Union Officers and work place representatives.

### **B. Levels of communication**

- i. Consultation on proposed scheme changes and significant policy issues on the use of employer discretions.
- ii. Joint meetings with staff affected by TUPE transfers
- iii. Response to employee complaints or queries via their representatives.
- iv. Semi- formal meetings to brief employee representatives on scheme changes or to explain existing scheme rules.

### **C. Medium of communication**

- i. Telephone and e-mail
- ii. Hard copy dispatches
- iii. Group meetings at Officer level
- iv. Committee meetings at Elected Member level
- v. Face to face meetings

### **D. Timing**

Formal meetings are dictated by pre determined dates. Informal meetings as an when required.

## **Employers**

### **A. Points of contact:**

Day to day contact falls into three categories:-

- i. Pensions Team for day to day administration
- ii. Pay Support (where the Council provides a payroll service)

iii. Finance for FRS 17 disclosure and funding issues.

**B. Levels of Communication:**

- i. General day to day administration of the scheme
- ii. Formal notification of discussion documents and consultation papers
- iii. Employer briefings on issues affecting the scheme including an Employers Guide to the LGPS
- iv. Pre and post fund valuation meetings.

**C. Medium of communication**

- i. Telephone and e-mail
- ii. Site visits
- iii. Hard copy dispatches

**D. Timing**

The general policy is to keep employers informed of issues as they arise or are expected to arise in good time for the appropriate action to be taken or comments considered.

We are proposing to improve the data quality from the employers through the implementation of iconnect which is a system to interface between employer payroll systems and the pension systems and should improve data quality at source.

**Prospective Members and promoting the LGPS**

- i. All new starters are issued with a leaflet Important Pensions Information as part of their new starter packs. This gives a brief outline of the scheme benefits and the alternative choices available.
- ii. An Annual Benefits Statement are issued yearly. This ensures that members appreciate the value of being a scheme member which they can share with colleagues.
- iii. Promotions of the Additional Voluntary Contributions Scheme are held in conjunction with the Council's AVC providers. These events are open to all staff and act to attract non members to the LGPS.



**Haringey Council**

<b>Report for:</b>	Pensions Committee 15 December 2014	<b>Item number</b>	
<b>Title:</b>	Establishment of Pension Board		
<b>Report authorised by :</b>	Kevin Bartle, Assistant Director – Finance (CFO)		
<b>Lead Officer:</b>	George Bruce Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726		
<b>Ward(s) affected:</b> N/A		<b>Report for Non Key Decision</b>	

## 1. Describe the issue under consideration

- 1.1 The Public Sector Pensions Act 2013 requires the establishment of Pension Boards to assist local authorities with the effective and efficient management of local pension funds. DCLG has issued draft regulations for consultation concerning the implementation of pension boards (“Boards”). Draft guidance on implementing these regulations has also been issued by the Shadow Advisory Board.
- 1.2 The Committee (once meeting informally) has discussed its approach to Pension Boards and expressed its preference to seek a combined Committee and Board. This note discussed actions taken since the November meeting. A verbal update will be given at the meeting on:
- The status of the draft regulations.
  - Discussions on a joint Board
  - Consultation with unions
- 1.3 As a fall back if a combined Committee and Board is not permitted, proposed terms of reference for a stand alone Board is included.

## 2. Cabinet Member Introduction

- 2.1 Not applicable.



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### **3. Recommendations**

3.1 The Committee is requested to:

- Approve the draft letter to the Secretary of State
- Delegate authority to the Chair to amend the draft letter to the Secretary of State in light of the final regulations and to sign the letter.
- Recommend to Full Council the Board's terms of reference if authority to combine is not received.

### **4. Other options considered**

4.1 The Members of the Committee during their briefing session have considered three options:

- Combined Pensions Committee and Board,
- Joint Board with other London Councils
- Stand alone Board for Haringey

4.2 Preference has been expressed at the briefing session for a Combined Board & Committee as the preferred outcome for Haringey.

### **5. Background information**

5.1 The Public Sector Pensions Act 2013 includes a requirement that local pension boards be established to assist administering authorities with the effective and efficient management and administration of the Scheme.

5.2 The requirements of the Act are to be implemented through The LGPS Regulations 2014. These regulations, which remain in draft, require Board's to be established by 1<sup>st</sup> April 2015.

#### Previous Discussions

5.3 The Committee has discussed the draft regulations, most recently on 20<sup>th</sup> November when the Members attended an informal briefing session and expressed the following preferences:

- The Secretary of State is asked to approve that the existing Pensions Committee take on the responsibilities of the Board.
- That if a separate Board is required, its role will not be extended beyond that required by regulations.
- The membership of the Board will be 2 or 3 employee and an identical number of employer representatives and one independent.



**Haringey Council**

- The unions will be invited to appoint active member representatives but that pensioners and deferred members should also have an opportunity to be represented.
- Remuneration may be required to attract membership of the Board, in particular for the Chair, who will be expected to have relevant experience.
- Operating a joint Board will mitigate the costs, enable comparisons across funds and reduce the difficulty of finding suitable Board members.

#### Actions since Briefing Session

- 5.4 Following the briefing session on 20<sup>th</sup> November, the Chief Financial Officer has written to his colleagues at other London Council's seeking a meeting with those who are interested in sharing a pension board. An update on responses will be given to the meeting.
- 5.5 The Council has received letters from Unison and GMB seeking information on the Council's approach to establishing pension boards. Responses have been sent outlining the conclusions reached and offering a meeting with both unions.
- 5.6 The draft regulations provide for approval by the Secretary of State for the Pension Committee and Board to be the same committee. A draft letter to the Secretary of State is attached. The letter may need amending after the regulations are finalised and authority is requested to enable the Chair to agree and amendments.

#### Terms of Reference

- 5.7 Should the Secretary of State not agree to combining the Committee and Board, the Council will be required to establish its own or a joint Pension Board. Either way the terms of reference (ToR) for a Board will need to be agreed. If the Board is stand alone for Haringey only, then the ToR will require to be approved by Full Council prior to 31<sup>st</sup> March 2014 and potentially even earlier by the Council and Employee Joint Consultative Committee. This meeting is the final opportunity for the Pensions Committee to amend the proposed ToR. See appendix 2. Should the Secretary of State agree to a combined Committee & Board, the ToR of the Pensions Committee will have to be amended to incorporate the responsibilities placed on the Board.
- 5.8 The next meeting of the Committee is after the March Full Council. It may be necessary to hold an additional meeting in February if the Committee wishes to discuss the response from the Secretary of State and comments from union and employer consultation.

## **6. Conclusions**



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6.1 We are fast approaching the deadline of 1<sup>st</sup> April 2015 to meet the expected statutory deadline of having a Pensions Board in place. The request to operate a merged Board will be sent as soon as the regulations are finalised. In the meantime, the Council should continue preparations for a stand alone or joint board should the Secretary of State not agree to our request.

## **7. Comments of the Chief Financial Officer and financial Implications**

7.1 The proposals are part of a process of tightening up oversight and governance standards in LGPS. The proposals will not alter the fundamental role of the Council in administering the Haringey fund or setting an investment strategy. While increased scrutiny of processes and controls is beneficial, there will be challenges to ensure an effective interaction between Committee, Board and Officers.

## **8. Assistant Director of Corporate Governance comments and Legal Implications**

8.1 The Assistant Director of Corporate Governance has been consulted on the contents of this report. Section 5 of the Public Service Pensions Act 2013 requires the establishment through regulations of a local pension board with responsibility of assisting the scheme manager in (a) securing compliance with legislations relating to the governance and administration of the fund, (b) securing compliance with requirements imposed by the Pensions Regulator and (c) such other matters as pension scheme regulations may specify.

8.2 The Department for Communities and Local Government has now published a further draft of what, subject to the outcome of further consultation, is to become the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014. When these regulations come into effect the local pension boards must be established by 1 April 2015. Further statutory consultation will now end on 21 November 2014.

8.3 The terms of reference of the Board must comply with these Regulations.

## **9. Comments from the Independent advisor**

9.1 The draft Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 allow an Administering Authority to make application to the Secretary of State for a combined Pension Committee and Pension Board. Whether to grant such an application



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and the terms of any such approval is a matter for the Secretary of State.

9.2 The statutory role of a standalone Pension Board, under the Public Service Pensions Act 2013 is to “assist” not replace or assume the role of the Pensions Committee.

9.3 The Pension Board, if a standalone body, may need to seek specialist advice. This advice should be independent. I suggest that the Pensions Committee consider very carefully whether any of the existing advisors should be asked to provide support or advice (as opposed to merely providing information) to the Pension Board. Indeed the draft guidance of October 2014 from the national Shadow Scheme Advisory Board (paragraphs 7.38 and 7.39) appears to counsel against the use by Pension Boards of existing advisors to the Pensions Committee

## **10. Equalities and Community Cohesion Comments**

10.1 There are no equalities issues arising from this report.

## **11. Head of Procurement Comments**

11.1 Not applicable

## **12. Policy Implications**

12.1 None.

## **13. Use of Appendices**

13.1 Appendix 1: Draft letter to the Secretary of State (to follow)  
Appendix 2: Pension Board Terms of Reference

## **14. Local Government (Access to Information) Act 1985**

14.1 Not applicable.

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## **Terms of reference for the Pension Board of LB Haringey**

### **1) Introduction**

The purpose of this document is to set out the terms of reference for the Pension Board of the London Borough of Haringey Pension Fund (“the Fund”) as required by the Public Service Pensions Act 2013.

The Scheme Manager for the purposes of the Public Sector Pensions Act 2013 is London Borough of Haringey (“LB Haringey”). Its functions are discharged in accordance with the Council’s scheme of delegation by the Pensions Committee.

### **2) Responsibilities of the Pension Board**

The role of the Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to assist LB Haringey in ensuring the effective and efficient governance and administration of the Fund including; –

- i) to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS,
- ii) to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator, and
- iii) in such other matters as the LGPS regulations may specify.

The Council retains ultimate responsibility for the administration and governance of the Fund and has delegated its functions as scheme manager & administering authority of the Fund to the Pensions Committee. The role of the Pension Board is to support the Pensions Committee to fulfil that responsibility and secure compliance with any requirements imposed by the Pensions Regulator.

The principle functions of the Pension Board shall include:

- (i) Seeking assurance that due process is followed with regard to Pensions Committee decisions.
- (ii) Considering the integrity and soundness of Pensions Committee decision making processes.

### **3) Membership**

The Pension Board shall consist of 5 members and be constituted as follows:

- i) 2 employer representatives, being 1 from LB Haringey and 1 from other scheduled and admitted employers;
- ii) 2 scheme member representatives, being 1 active and 1 pensioner & deferred members; and

- iii) 1 independent member, who will also act as Independent Advisor to the Board.

The Chair of the Pension Board will be the Council representative. In the absence of the Council representative, the meeting will appoint a chair.

All members of the Board will have equal voting rights.

The Board may, with the approval of the Pensions Committee, co-opt no more than two persons to advise and support them. Co-optees are not Board members and do not have voting rights.

#### **4) Appointment of Board Members**

The Council representative will be appointed by Full Council and may be either a Councillor who is not a member of the Pensions Committee or an officer of the Council.

The Admitted and Schedules bodies representatives will be nominated by employers other than the Council. If there is more than one nomination a panel consisting of the Chair of the Pensions Committee, Chair of the Pension Board and CFO to the Council will select a candidate.

The active scheme member representatives will be appointed jointly by trade unions who represent working scheme members.

The pensioner and deferred member representative will be selected through an open invitation to apply. If there is more than one nomination a panel consisting of the Chair of the Pensions Committee, Chair of the Pension Board and CFO to the Council will select a candidate.

The Independent member who will also be Independent Advisor to the Board will be appointed by a panel consisting of the Chair of the Pensions Committee, Chair of the Pension Board and CFO to the Council. The Independent member will be required to be a person with good proven knowledge, experience and understanding of the LGPS and a clear understanding of the scrutiny function.

Each member of the Board will serve for a period of four years and will be eligible to be re-appointed in accordance with the above processes, subject to compliance with the conditions of appointment.

Each Board member should endeavour to attend all Board meetings during the year. No substitutes shall be permitted. Should a Board member miss two consecutive meetings then the tenure of that membership will be reviewed by the other Board members and may be terminated, in which case a new appointment process will commence for the remainder of the term.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all

of the other members. The removal of the independent member or Council representative requires the consent of the Chair of the Pensions Committee.

Should a member of the Board resign, a replacement will be appointed using the appropriate process outlined above.

### **5) Quorum & Voting**

The Board shall have a formal quorum of three comprising at least one employer and one employee representative. Advisers and co-opted persons do not count towards the quorum. All decisions will be by majority of votes unless stated otherwise in these terms, although it is expected that the Board will, as far as possible, reach a consensus.

### **6) Meetings**

The Board shall meet sufficiently regularly to discharge its duties and responsibilities. There will be a least two meetings a year, with additional meetings if the Board so agrees.

The Council shall give notice to all Pension Board members of every meeting of the Pension Board. The Council shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board or Board committee, they shall be circulated to all members.

### **7) Standards of Conduct and Conflicts of Interest**

All members of the Board are expected to act in accordance with the Code of Conduct for Councillors where applicable. In accordance with s5(5) Public Service Pension Act 2013 Board members must not have a financial or other interest that could prejudice them in carrying out their Board duties. This does not include a financial or other interest arising merely by virtue of membership of the LGPS.

### **8) Budget and Business Plan**

The Board will prepare a Business Plan and Budget each year to be approved by the Pensions Committee.

### **9) Board Review Process**

The Board will undertake each year a formal review process to assess how well it and its sub-committees (if any), and the members are performing with a view to seeking continuous improvement in the Board's performance.

### **10) Advisers to the Board**

The Board may be supported in its role and responsibilities through the appointment of advisers, in addition to the Independent member and shall, subject to any

applicable regulation and legislation from time to time in force, consult with such advisers on such terms as it shall see fit to help better perform its duties including:

- Officers from the Council's Finance, HR, Legal and other teams as needed;  
The Fund's Actuary;
- T The Fund's Investment Managers and Custodian;
- The Fund's Investment Consultant; and
- Other advisers, so approved by the Scheme Manager.

The Board shall ensure that the performances of the advisers to the Board are reviewed on a regular basis.

### **11) Knowledge and Skills**

Every member of the Pension Board must be conversant with –

- 1 The legislation and associated guidance of the LGPS.
- 2 Any document recording policy about the administration of the LGPS which is for the time being adopted by the LB Haringey Pension Fund.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

Pension Board members are required to be able to demonstrate their knowledge and understanding and to keep these up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

The Council will provide a training programme, which all Board members must attend.

### **12) Accountability**

The Pension Board will refer all relevant recommendations and decisions to the Pensions Committee.

### **13) Expense Reimbursement, remuneration and allowances**

Remuneration for Board members will be limited to a refund of actual expenses incurred in attending Board meetings and training. Remuneration for the Chair and Independent member, who will also act as Independent Advisor to the Board, will be agreed on appointment and approved by the Pensions Committee.

### **14) Publication of Pension Board information**

The Council will publish up to date information on the Council's website including:

- The names and information of the Pension Board members.
- The Board's terms of reference.
- Papers, agendas and minutes of meetings.

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**Haringey Council**

<b>Report for:</b>	Pensions Committee 15 <sup>th</sup> December 2014	<b>Item number</b>	
<b>Title:</b>	Pension Fund – Work Plan 2014-15		
<b>Report authorised by :</b>	Assistant Director – Finance (CFO)		
<b>Lead Officer:</b>	George Bruce, Head of Finance – Treasury & Pensions <a href="mailto:George.bruce@haringey.gov.uk">George.bruce@haringey.gov.uk</a> 020 8489 8621		
<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>		

**1. Describe the issue under consideration**

- 1.1 The purpose of the paper is to identify topics that will come to the attention of the Committee in the next nine months and to seek Members input into futures agenda's.

**2. Cabinet Member Introduction**

- 2.1 Not applicable.

**3. Recommendations**

- 3.1 The Committee is invited to identify additional issues for inclusion within the work plan.

**4. Other options considered**

- 4.1 None.

**5. Background information**

- 5.1 It is best practice for a Pension Fund to maintain a work plan. This plan sets out the key activities anticipated in the coming twelve months in the areas of governance, members / employers, investment and accounting. The



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Committee is invited to consider whether it wishes to add / delete agenda items.

- 5.2 A possible additional meeting as been added to the schedule, February 2015. Should a Pension Board be required, the Committee will be required to consider consultation feedback on its terms of reference in advance of the March Full Council.

**6. Comments of the Chief Finance Officer & financial implications**

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

**7. Assistant Director of Corporate Governance comments and Legal Implications**

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

**8. Equalities and Community Cohesion Comments**

- 8.1 Not applicable.

**9. Head of Procurement Comments**

- 9.1 Not applicable.

**10. Policy Implications**

- 10.1 None.

**11. Use of Appendices**

Appendix 1- future agenda's

**12 Local Government (Access to Information) Act 1985**

- 12.1 Not applicable.



**Pension Committee - Meeting Plan**

	Dec-14	Feb-15	Mar-15	Jun-15	Sep-15
<b>Governance</b>	Work plan Pensions Board developments & ToR	Pension Board - terms of reference & update	Work Plan Pensions Board developments  Collective Investment Vehicle (developments)	Audit Plan Work Plan	Accounts & Auditors report Work Plan  Report from Pension Board
<b>Investment</b>	Quarterly Report - val & perf Current & future investment policy  Review of current equity portfolio  Private equity proposal		Quarterly Report - val & perf CIV developments - transfer of investments Merger of passive mandates & leveraged index linked gilts  Investment Strategy Update	Quarterly Report - val & perf CIV developments - transfer of investments  Investment Strategy Update  Inflation Protection	Quarterly Report - val & perf   Investment Strategy Update
<b>Funding</b>	Actuarial Valuation like for like comparison		Annual Valuation Update		
<b>Administration</b>	Internal disputes resolution delegation Transfers out Communications Policy Admittance of new employers		Pension Regulator Code of Practice		
<b>Training</b>	Actuarial Valuations	Corporate Engagement (LAPFF)	Leveraged index linked gilts	Corporate Engagement (L&G)	Corporate Engagement (BlackRock)

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**Haringey Council**

<b>Report for:</b>	<b>Pensions Committee</b> 15 December 2014	<b>Item number</b>	
<b>Title:</b>	<b>Pension Fund Quarterly Update</b>		
<b>Report authorised by :</b>	<b>Assistant Director – Finance (CFO)</b>		
<b>Lead Officer:</b>	George Bruce, Head of Finance – Treasury & Pensions george.bruce@haringey.gov.uk 020 8489 3726		
<b>Ward(s) affected: N/A</b>	<b>Report for Non Key Decision</b>		

## 1. Describe the issue under consideration

- 1.1 To report the following in respect of the three months to 30<sup>th</sup> September 2014:
- Investment asset allocation
  - Investment performance
  - Responsible investment activity
  - Budget management
  - Late payment of contributions
  - Communications

## 2. Cabinet Member Introduction

- 2.1 Not applicable.

## 3. Recommendations

- 3.1 That the information provided in respect of the activity in the three months to 30th September 2014 is noted.

## 4. Other options considered

- 4.1 None.



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## **5. Background information**

- 5.1 This update report is produced on a quarterly basis. The Local Government Pension Scheme Regulations require the Committee to review investment performance on a quarterly basis and sections 13 and 14 provide the information for this. Appendix 1 shows the targets which have been agreed with the fund managers. The report covers various issues on which the Committee or its predecessor body have requested they receive regular updates.
- 5.2 Information on communication with stakeholders has been provided by officers in Human Resources and included in section 18.

## **6. Comments of the Chief Financial Officer and Financial Implications**

- 6.1 The investment performance figures in section 14 show the impact of the introduction of passive fund managers in that generally the variance from target has reduced. The negative performance over three and five years reflects the underperformance of the private equity portfolio that has a demanding public equity plus benchmark. Over all reported time periods, the fund has achieved a return significantly in excess of the average local authority.

## **7. Assistant Director of Corporate Governance comments and Legal Implications**

- 7.1 The Council as administering authority for the Haringey Pension Fund ("Fund") has an obligation to keep the performance of its investment managers under review. In this respect the Council must, at least every three months review the investments made by investment managers for the Fund and any other actions taken by them in relation to it;
- 7.2 Periodically the Council must consider whether or not to retain the investment managers. In particular members should note the continuing negative performance compared with the target benchmarks and the reason stated in this report as to why this is the case;
- 7.3 In carrying out its review proper advice must be obtained about the variety of investments that have been made and the suitability and types of investment;
- 7.4 All monies must be invested in accordance with the Council's investment policy and members of the Committee should keep this duty in mind when considering this report and have regard to advice given to them.



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## **8. Comments from Independent Advisor**

- 8.1 The total value of the Fund at 31 October 2014 was £962m compared £947m at 30 September 2014 and £910m at 30 June 2014.
- 8.2 The overall performance of the Fund over the last Quarter, Year and Three Years is close to benchmark (see section 14.1) primarily due to the fact that the Fund is primarily managed on a passive basis.
- 8.3 The Fund is currently overweight Listed Equities by 8%. This is primarily a reflection of the fact that Infrastructure Debt is an investment class that can only be invested in when the appointed manager secures access to suitable investments. Therefore given the illiquid nature of Infrastructure Debt it will take time to reallocate the 5% allocation from Listed Equities to this new asset class.

## **9. Equalities and Community Cohesion Comments**

- 9.1 The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Local Authority to participate. There are no impacts in terms of equality from the recommendations contained within this report.

## **10. Head of Procurement Comments**

- 10.1 Not applicable

## **11. Policy Implications**

- 11.1 None.

## **12. Use of Appendices**

- 12.1 Appendix 1: Investment Managers' mandates, benchmarks and targets.

## **13. Local Government (Access to Information) Act 1985**

- 13.1 Not applicable



**Haringey Council**

**Total Portfolio Allocation by Manager & Asset Class**

**30/09/2014 & 31/10/2014**

	<b>Value</b> <b>30.06.14</b> <b>£'000</b>	<b>Value</b> <b>30.09.14</b> <b>£'000</b>	<b>Value</b> <b>31.10.14</b> <b>£'000</b>	<b>Allocation</b> <b>31.10.2014</b> <b>%</b>	<b>Strategic</b> <b>Allocation</b> <b>%</b>
<b>Equities</b>					
UK	175,275	160,603	159,512	16.59%	15.00%
North America	258,463	248,084	256,552	26.67%	21.70%
Europe	77,520	73,770	72,696	7.56%	7.40%
Japan	30,899	30,933	30,919	3.21%	3.50%
Asia Pacific	34,643	31,879	33,062	3.44%	3.40%
Emerging Markets	93,093	95,957	99,246	10.32%	9.00%
<b>Total Equities</b>	<b>669,893</b>	<b>641,225</b>	<b>651,987</b>	<b>67.79%</b>	<b>60.00%</b>
<b>Bonds</b>					
Index Linked	123,607	<b>130,936</b>	<b>133,455</b>	13.88%	<b>15.00%</b>
<b>Property</b>					
CBRE	79,639	<b>91,014</b>	<b>88,268</b>	9.18%	<b>10.00%</b>
<b>Private equity</b>					
Pantheon	34,879	<b>36,480</b>	<b>36,522</b>	3.80%	<b>5.00%</b>
<b>Multi sector credit</b>					
CQS	-	<b>45,000</b>	<b>44,819</b>	4.66%	<b>5.00%</b>
<b>Infrastructure</b>					
Allianz	-	-	-	<b>0.00%</b>	<b>5.00%</b>
<b>Cash &amp; NCA</b>					
	1,781	<b>2,463</b>	<b>6,722</b>	0.70%	<b>0.00%</b>
<b>Total Assets</b>	<b>909,800</b>	<b>947,118</b>	<b>961,774</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Fund Managers</b>					
Legal & General	256,425	262,306	267,202	<b>27.78%</b>	<b>27.80%</b>
BlackRock	537,076	509,858	518,243	<b>53.88%</b>	<b>47.20%</b>



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The value of the fund increased by £37.3 million between June 2014 and September 2014. Equity gains were the main contributor to the market movements partially due to the positive impact of the strength of the US\$.

The CQS multi sector credit mandate was fully funded on 1<sup>st</sup> September 2014. The value declined slightly during its first month. The first drawdown on the Allianz infrastructure debt fund (£17 million) took place on 25<sup>th</sup> November.

The equity allocation exceeds target by 8%. This is mostly the unfunded Allianz mandate (5%). In addition, property, private equity and index linked (IL) are all around 1% below their benchmark weighting. Action has been taken to increase the allocation to property and there is a proposal on the agenda to further invest in private equity. The IL allocation is discussed in the Mercer papers with training proposed on switching exposure into leveraged IL gilts.

### 14. Investment Performance Update: to 30th September 2014

Appendix 1 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter July to September 2014 and for the 1, 3 and 5 years.

#### 14.1 Whole Fund

	Return	Benchmark	(Under)/Out	WM LA average
Jul-Sep 2014	3.35%	3.23%	0.12%	1.9%
One Year	10.88%	11.41%	(0.53%)	8.6%
Three Years	12.74%	13.09%	(0.35%)	11.8%
Five Years	9.49%	10.07%	(0.58%)	8.9%

<b>One year</b>	Return(%)	Benchmark(%)	Under/out(%)	WM LA Average
Equities				
UK	6.04	6.09	-0.05	5.9%
Developed				
Europe	6.16	6.41	-0.25	5.4%
North				
America	18.88	18.71	0.17	17.9%
Japan	0.81	1.22	-0.41	2.5%
Asia ex Japan	1.23	1.16	0.07	3.6%
Emerging	6.66	6.74	-0.08	7.1%
IL gilts	9.96	9.89	0.07	9.5%
Property	14.83	16.87	-2.04	15.5%
Private equity	18.33	18.25	0.08	12.0%
<b>Total</b>	<b>10.88</b>	<b>11.41</b>	<b>-0.53</b>	<b>8.6%</b>



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<b>Five years</b>	Return(%)	Benchmark(%)	Under/out(%)	WM LA Average
Equities				
UK	9.58	9.74	-0.16	10.6%
Developed				
Europe	7.10	6.27	0.83	7.65
North				
America	14.47	14.67	-0.20	14.5%
Japan	7.09	5.37	1.72	7.3%
Asia ex Japan	6.50	7.08	-0.58	7.5%
Emerging	6.33	4.72	1.61	6.0%
Index linked				
gilts	9.50	8.88	0.62	8.6%
Property	7.45	11.24	-3.79	9.8%
Private equity	11.36	16.68	-5.32	9.5%
<b>Total</b>	<b>9.49</b>	<b>10.07</b>	<b>-0.58</b>	<b>8.9%</b>

- The three longer periods indicate under performance compared with the benchmarks of around 0.5%.
- Equity and index linked gilts, which are passively managed, show some variability compared to the benchmarks, but not significant differences.
- The main detractor from performance is property and private equity over 3 & 5 years. Individual manager's performance is discussed below.

#### 14.2 BlackRock Investment Management

	Return	Benchmark	(Under)/Out
Jul-Sep 2014	3.23%	3.19%	0.04%
One Year	11.58%	11.54%	0.04%
Since inception (May 2012)	14.64%	14.34%	0.31%

- Total Value at 30/09/14: £509.8 million
- BlackRock manages equities and index linked passively.
- Performance from individual markets varied between +0.05% and – 0.31% over the previous 12 months.

#### 14.3 Legal & General Investment Management





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	Return	Benchmark	Variance
Jul-Sep 2014	2.28%	2.56%	(0.28%)
One Year	7.20%	7.84%	(0.64%)
Since inception (May 2012)	10.86%	11.50%	(0.64%)

- Total Value at 30/09/14: £262.3 million
- Variances at regional level are minimal, varying between +0.11% and -0.11% over the last year.
- The underperformance is due to the allocation of assets between markets being out of balance with the benchmark.

#### 14.4 CBRE Global Investors

	Return	Benchmark	(Under)/Out
Jul-Sep 2014	4.31%	4.00%	0.31%
One Year	14.83%	16.87%	(2.04%)
Three Years	7.29%	8.52%	(1.22%)
Five Years	7.45%	11.24%	(3.78%)

- Total Value at 30/09/14: £92.1 million
- The performance of the property has been poor driven by two European holdings that have suffered significant capital loss. The UK element of the portfolio has generally exceeded benchmark.
- The two European funds have been disastrous. With an aggregate cost of £9.7 million, they are now valued at £0.2 million, a virtual total loss. Both funds are invested in highly leverage non prime property (German residential and Italian office / retain). The underlying holdings have suffered during the Euro crisis and the impact has been magnified on unit holders by the high levels of debt in each fund. Both funds are being rationalised which may offer an exit opportunity, but with little recovered value.
- The portfolio will lag the benchmark for many years until the impact of the two European funds passes through.

#### 14.5 Pantheon

	Return	Benchmark	(Under)/Out	Distributions Less drawdowns
Jul-Sep 2014	8.98%	4.56%	4.42%	£1.46m
One Year	18.33%	18.25%	0.08%	£3.59m
Three Years	11.59%	22.81%	-11.22%	£1.56m
Five Years	11.36%	16.68%	-5.32%	£-10.99m

- Total Value at 30/09/14: £37.6 million
- Distributions have exceeded drawdowns during the quarter and the prior year years as the funds moved into the distribution phase of their cycles.
- The performance target is the MCSI Worlds plus 5%. The funds are still relatively young for long term returns to emerge. As yet only 75% of the



## Haringey Council

committed funds have been invested and only a quarter of funds invested have been realised. Private equity valuations tend to underestimate exit prices. It is only when the fund is substantially realised will a more accurate picture of performance emerge.

- Compared with the WM local government average, Haringey's private equity portfolio has out-performed the average e.g. by 1.9% p.a. over 5 years.

### 14.6 In house cash

	Value	Average Credit Rating	Average Maturity (days)	Return
At 30/09/14	£1.25m	AA	1	0.35%
At 30/06/14	£8.93m	AA	1	0.35%
At 31/03/14	£1.74m	AAA	1	0.25%
At 31/12/13	£0.92m	AAA	1	0.22%



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### 16. Budget Management – 6 months to 30<sup>th</sup> September 2014

	Prior year 2013-14 £'000	Current year 2014-15 £'000	Change in expenditure £'000
<b>Contributions &amp; Benefit related expenditure</b>			
Income			
Employee Contributions	4,300	4,345	45
Employer Contributions	15,200	16,569	1,369
Transfer Values in	1,200	1,184	(16)
<b>Total Income</b>	<b>20,700</b>	<b>22,098</b>	<b>1,398</b>
Expenditure			
Pensions & Benefits	(20,200)	(22,269)	(2,069)
Transfer Values Paid	(1,650)	(790)	860
Administrative Expenses	(400)	(306)	94
<b>Total Expenditure</b>	<b>(22,250)</b>	<b>(23,365)</b>	<b>(1,115)</b>
<b>Net of Contributions &amp; Benefits</b>	<b>(1,550)</b>	<b>(1,267)</b>	<b>283</b>
<b>Returns on investment</b>			
Net Investment Income	1,250	1,973	723
Investment Management Expenses	(800)	(584)	216
<b>Net Return on Investment</b>	<b>450</b>	<b>1,389</b>	<b>939</b>
<b>Total</b>	<b>(1,100)</b>	<b>122</b>	<b>1,222</b>

The fund has moved into a position in which expenditure at member level exceeds income as active membership fall and numbers of pensioners' increases. Member and employer contribution increases in 2014-15 has mitigated this trend.

The income shown is virtually all from property as income from other asset classes is automatically re-invested and shown within the change in market value.



**Haringey Council**

## 17. Late Payment of Contributions

17.1 The table below provides details of the employers who have made late payments during the last quarter. These employers have been contacted and reminded of their obligations to remit contributions on time.

Employer	Occasions late	Average Number of days late	Average monthly contributions(£)
Brook House Primary School	1	30	2,600
TLC	1	1	4,500

## 18. Communication Policy

18.1 Two sets of regulations govern pension communications in the LGPS: The Disclosure of Information Regulations 1996 (as amended) and Regulation 67 of the Local Government Pensions Scheme (Administration) Regulations 2008 as amended.

18.2 In March 2011, the Council approved the Pensions Administration Strategy Statement (PASS). The PASS sets out time scales and procedures which are compliant with the requirements of the Disclosure of Information Regulations. The PASS is a framework within which the Council as the Administering Authority for the Fund can work together with its employing bodies to ensure that the necessary statutory requirements are being met.

18.3 In June 2008 the Council approved the Policy Statement on Communications with scheme members and employing bodies. The Policy Statement identifies the means by which the Council communicates with the Fund members, the employing bodies, elected members, and other stakeholders. These cover a wide range of activities which include meetings, workshops, individual correspondence and use of the internet. In recent times, the Pensions web page has been developed to provide a wide range of employee guides, forms and policy documents. Where possible, Newsletters and individual notices are sent by email to reduce printing and postage costs.

18.4 The requirement to publish a Communications Policy Statement recognises the importance that transparent effective communication has on the proper management of the LGPS.



**Appendix 1 – Investment Managers mandates, benchmarks and targets**

<b>Manager</b>	<b>% of Total Portfolio</b>	<b>Mandate</b>	<b>Benchmark</b>	<b>Performance Target</b>
BlackRock Investment Management	45.7%	Global Equities & Bonds	See overleaf	Index (passively managed)
Legal & General Investment Management	29.3%	Global Equities & Bonds	See overleaf	Index (passively managed)
CBRE Global Investors	10%	Property	IPD UK Pooled Property Funds All Balanced Index	+1% gross of fees p.a. over a rolling 5 yr period
Pantheon Private Equity	5%	Private Equity	MSCI World Index plus 5%	+ 0.75% gross of fees p.a.
CQS	5%	Multi Sector Credit	3 month GBP Libor + 5.5% p.a.	As benchmark
Allianz	5%	Infrastructure Debt	5.5% p.a	As benchmark
<b>Total</b>	<b>100%</b>			



<b>Asset Class</b>	<b>Benchmark</b>	<b>BlackRock Investment Management</b>	<b>Legal &amp; General Investment Management</b>	<b>Total</b>
UK Equities	FTSE All Share	12.4%	2.6%	15.0%
Overseas Equities		22.8%	22.2%	45.0%
North America	FT World Developed North America GBP Unhedged	17.9%	3.8%	21.7%
Europe ex UK	FT World Developed Europe X UK GBP Unhedged	3.1%	4.3%	7.4%
Pacific ex Japan	FT World Developed Pacific X Japan GBP Unhedged	1.4%	2.0%	3.4%
Japan	FT World Developed Japan GBP Unhedged	0.4%	3.1%	3.5%
Emerging Markets	FT World Global Emerging Markets GBP Unhedged	0.0%	9.0%	9.0%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	12.0%	3.0%	15.0%
		47.2%	27.8%	75.0%

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