

---

## Pensions Committee

---

TUESDAY, 24th March, 2015 at 19.45 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

### AGENDA

**1. APOLOGIES (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.

**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 OF THE PREVIOUS MEETING (PAGES 1 - 6)**

To confirm and sign the minutes of the meeting held on 15 December 2014 as a correct record.

### **5. PENSION FUND EXTERNAL AUDIT PLAN 2014/15 (PAGES 7 - 24)**

This report presents the audit plan prepared by the external auditors, Grant Thornton, for the audit of the Pension Fund accounts 2014/15 for the Committee's consideration.

### **6. ESTABLISHMENT OF A PENSION BOARD (PAGES 25 - 48)**

The report provides an update on the final Regulations relating to the establishment of Pension Boards and the status of the application to the Secretary of State made by the Council to operate a combined Committee and Board.

### **7. PENSION FUND QUARTERLY PERFORMANCE UPDATE - QUARTER 3 (PAGES 49 - 62)**

The Council is required to review investment performance on a quarterly basis, and the report details activity in the three months to 31<sup>st</sup> December 2014.

### **8. LOCAL GOVERNMENT PENSION SCHEME - ADMISSION OF NEW EMPLOYERS AS TRANSFEREE ADMISSION BODY (PAGES 63 - 66)**

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

### **9. LOCAL GOVERNMENT PENSION SCHEME - GUARANTEED MINIMUM PENSION RECONCILIATION (PAGES 67 - 70)**

The report details arrangements to reconcile the pensions records held by the Council, against those held by HMRC, to ensure the correct benefits are being paid to pensioners and transfer values will correctly reflect the benefits due, following the Government's abolition of contracting out from 6 April 2016.

### **10. PENSION FUND - WORK PLAN 2015/16 (PAGES 71 - 74)**

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.

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

To consider any items admitted at item 2 above.

**12. 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; paragraph 3; information relating to any individual and information relating to the business or financial affairs of any particular person (including the Authority holding that information).

**13. MERGER OF PASSIVE INVESTMENT MANDATES (PAGES 75 - 78)**

The report sets out details of a recent review of the Pension Fund's passive investment manager structure.

**14. APPOINTMENT OF INDEPENDENT ADVISOR (PAGES 79 - 82)**

The report sets out proposals regarding the appointment of an Independent Advisor to the Pensions Committee for the next three years.

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

To consider any items admitted at item 2 above.

**16. DATE OF NEXT MEETING**

Monday 13 July 2015 at 7.00pm.

Bernie Ryan  
Assistant Director – Corporate Governance and  
Monitoring Officer  
Level 5  
River Park House  
225 High Road  
Wood Green  
London N22 8HQ

Oliver Craxton  
Principal Committee Coordinator  
Level 5  
River Park House  
225 High Road  
Wood Green  
London N22 8HQ

Tel: 020 8489 2615  
Email: [oliver.craxton@haringey.gov.uk](mailto:oliver.craxton@haringey.gov.uk)  
Monday, 16 March 2015

This page is intentionally left blank

**MINUTES OF THE PENSIONS COMMITTEE  
MONDAY, 15 DECEMBER 2014**

Councillors Diakides (Chair), Doron, Ross, Brown (Non-voting), Jones (Non-voting), Melling (Non-voting) and Peacock

Also Present Keith Brown, Michael Jones and Roger Melling (Non-voting members)

Apologies Councillor Bevan, Berryman and Marshall

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

Apologies for absence were received from Councillor Bevan, for whom Councillor Peacock was substituting, and Councillors Berryman and Marshall.

**LC29. URGENT BUSINESS**

There were no items of urgent business.

**LC30. DECLARATIONS OF INTEREST**

None declared.

**LC31. MINUTES**

**31.1 Minutes of the Meeting held on 18 September 2014**

**RESOLVED:**

That the minutes of the meeting held on 18 September 2014 be approved as a correct record of the proceedings, and the Chair be authorised to sign them.

**31.2 Minutes of the Special Meeting held on 20 November 2014**

**RESOLVED:**

That the minutes of the special meeting held on 20 November 2014 be approved as a correct record of the proceedings, and the Chair be authorised to sign them.

**LC32. ACTUARIAL VALUATIONS: 'LIKE-FOR-LIKE' RESULTS**

The Committee considered a report which detailed a comparison of the results of the 2013 actuarial valuation with those reported by other local government pension schemes, and what this implied for the credibility of Haringey Council's pension plan to achieve full funding of liabilities.

The report was introduced by Douglas Green of Hymans Robertson, who drew attention to the fact that Haringey's pension fund was in a good position in relation to other pension funds included in the 'like for like' study which had been carried out.

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 17.

**MINUTES OF THE PENSIONS COMMITTEE  
MONDAY, 15 DECEMBER 2014**

**RESOLVED:**

That the contents of the report and the accompanying exempt appendix be noted.

**LC33. CURRENT AND FUTURE INVESTMENT POLICY**

The Committee received a report from Mercer, the Committee's investment consultant, which outlined the current and future investment policy for the pension fund.

The report was introduced by Steve Turner and Mark Devereux from Mercer who highlighted key points contained within it, including the proposal 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.

When considering this matter the Committee took into consideration the information contained in the exempt appendices to the report which were included in the agenda under item 18.

**RESOLVED:**

1. That the contents of the report and the accompanying exempt appendices be noted.
2. That members of the Committee receive training on leveraged index linked gilts prior to discussing their use to increase the level of inflation protection, and that this training take place at 7.00pm, immediately prior to the commencement of the next meeting of the Committee at 7.45pm on 26 March 2015.

**LC34. REVIEW OF PASSIVE INVESTMENT MANAGER STRUCTURE**

The Committee considered a report which set out a proposal that management of equity and index linked investments be combined, resulting in fee and operational benefits, and which proposed that the Council approach the existing managers for fee quotations. The report was introduced by Steve Turner from Mercer.

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 19.

**RESOLVED:**

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

**MINUTES OF THE PENSIONS COMMITTEE  
MONDAY, 15 DECEMBER 2014**

**LC35. TRANSFERS OUT AND THE IMPLICATIONS OF THE NEW PENSION FREEDOMS**

The Committee considered a report regarding transfers of benefits out of the Haringey Local Government Pension Scheme and the impact of the new pension freedoms effective from 1 April 2015.

The report was introduced by Janet Richards, Pensions Manager, who, in response to a question, stated that the advantages provided by the Haringey LGPS were explained to any member who was considering withdrawing from the scheme.

**RESOLVED:**

1. That the report be noted.
2. That the information given out to members at the time they were considering transferring their benefits to other pension arrangements, be reviewed, to ensure that they were made aware of all the benefits of belonging to the LGPS.

**LC36. LOCAL GOVERNMENT PENSION SCHEME - ADMISSION OF NEW EMPLOYERS AS TRANSFEREE ADMISSION BODY**

The Committee considered a report, introduced by Janet Richards, Pensions Manager, relating to the admission of new eligible admission body employers into the Local Government Pension Scheme (LGPS).

**RESOLVED:**

1. That catering contractors, Absolutely Catering Limited and Caterlink be admitted to the Haringey Pension Fund as Transferee Admission Bodies.
2. That in regard to resolution 1 above, the admission agreements are entered into and that the arrangements are closed agreements such that no new members can be admitted.

**LC37. LOCAL GOVERNMENT PENSION SCHEME - DESIGNATED PERSON FOR THE INTERNAL DISPUTES RESOLUTION PROCEDURE**

The Committee considered a report, introduced by Janet Richards, Pensions Manager, relating to Local Government Pension Scheme (LGPS) Regulations which require the Administering Authority (the Council) to appoint a Designated Person to adjudicate Stage 2 Appeals under the Internal Disputes Resolution Procedure (IDRP).

The Committee was of the opinion that only the designation of the officer appointed as the Designated Person, and not a particular named individual, as was indicated in the report, be stated in association with the appointment.

**RESOLVED:**

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

**MINUTES OF THE PENSIONS COMMITTEE  
MONDAY, 15 DECEMBER 2014**

**LC38. LOCAL GOVERNMENT PENSION SCHEME - UPDATED COMMUNICATION POLICY**

The Committee considered a report, introduced by Janet Richards, Pensions Manager, which presented an updated version of the Communication Policy Statement, which had been prepared in accordance with the Local Government Pension Scheme regulations and had been updated to reflect current practice.

**RESOLVED:**

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

**LC39. ESTABLISHMENT OF A PENSION BOARD**

The Committee considered a report, introduced by George Bruce, Head of Finance – Treasury and Pensions, detailing draft regulations issued by the Department for Communities and Local Government (DCLG) which require each local government pension scheme to establish a pension board under the Public Sector Pensions Act 2013.

The Committee were informed that the establishment of the Board, including its composition, had been discussed recently with the trade unions, but that certain issues had yet to be resolved. It was consequently suggested that the matter be referred to the next meeting of the Council and Employees Joint Consultative Committee with a view to seeking resolution of the outstanding issues.

**RESOLVED:**

1. That the draft letter to the Secretary of State, attached as Appendix 1 to the report, be approved, subject to amendments requested by the Committee relating to:
  - a) The fact that Islington Council were keen to set up a joint Board with Haringey Council.
  - b) That it made clearer what Haringey's first and second choices were in regard to the establishment of a Board.
2. That authority be delegated to the Chair to amend the draft letter to the Secretary of State, in light of the final regulations and to sign the letter on behalf of the Committee.
3. That the Board's terms of reference be recommended to Full Council for approval, if authority for a combined Board and Committee was not received from the Secretary of State.
4. That an item be placed on the agenda for the next meeting of the Council and Employees Joint Consultative Committee (CEJCC), scheduled for 22<sup>nd</sup> January 2015, in order to seek agreement on the outstanding issues regarding the establishment of a Pension Board.



**MINUTES OF THE PENSIONS COMMITTEE  
MONDAY, 15 DECEMBER 2014**

**LC40. PENSION FUND - WORK PLAN 2014-15**

The Committee considered a report which identified topics that will come to the attention of the Committee during the next nine months.

**RESOLVED:**

1. That the forthcoming work plan for the Committee, as detailed in the report, be noted.
2. That it be noted that if necessary, and with the agreement of the Chair, a special meeting of the Committee would be held in February 2015 in order to receive an update on the establishment of a Pension Board and to consider the Board's terms of reference.
3. That in regard to 2 above, it be noted that if necessary a training session for members of the Committee could be held on issues relating to the Pension Board, immediately prior to the commencement of the special meeting.

**LC41. PENSION FUND QUARTERLY UPDATE**

The Committee considered a report which reviewed investment performance activity in the three months to 30 September 2014.

**RESOLVED:**

That the information provided in respect of the activity in the three months to 30 September 2014 be noted.

**LC42. ANY OTHER BUSINESS OF AN URGENT NATURE**

There were no new items of urgent business.

**LC43. EXCLUSION OF THE PUBLIC AND PRESS**

**RESOLVED:**

That the press and public be excluded from the meeting for the following items as they contain exempt information as detailed in Section 100a of the Local Government Act 1972; paragraphs 1 and 3, information relating to any individual and information relating to the business or financial affairs of any particular person (including the Authority holding that information).

**LC44. ACTUARIAL VALUATIONS: 'LIKE-FOR-LIKE' RESULTS - APPENDIX 1**

Consideration of this appendix was dealt with under agenda item 5 (minute number 32 refers).

**LC45. CURRENT AND FUTURE INVESTMENT POLICY - APPENDICES 1 AND 2**

Consideration of these appendices was dealt with under agenda item 6 (minute number 33 refers).

**MINUTES OF THE PENSIONS COMMITTEE  
MONDAY, 15 DECEMBER 2014**

**LC46. REVIEW OF PASSIVE INVESTMENT MANAGER STRUCTURE - APPENDIX 1**

Consideration of this appendix was dealt with under agenda item 7 (minute number 34 refers).

**LC47. REVIEW OF PRIVATE EQUITY ALLOCATION**

The Committee considered a report, introduced by Mark Devereux from Mercer, which detailed a review of private equity allocation and proposed a transfer of funds to two Pantheon funds to achieve the target allocation.

**RESOLVED:**

1. That the Committee commit £30m to the Pantheon Select 2014 fund and £20m to the Pantheon Global Secondary Fund V.
2. That authority be delegated to the Chief Finance Officer and/or Assistant Director of Corporate Governance to complete all required documentation.
3. That the private equity benchmark is amended to 3.5% p.a. above the MSCI World Index.

**LC48. ANY EXEMPT ITEMS OF URGENT BUSINESS**

There were no exempt items of an urgent nature.

**LC49. DATE OF NEXT MEETING**

The Committee noted that its next meeting was scheduled for Thursday 26 March 2015 at 7.45pm, and that the later than usual start time was to accommodate a training session for members of the Committee at 7.00pm immediately prior to the commencement of the meeting.

The meeting ended at 9.04pm.

Councillor Isidoros Diakides

**Chair**



**Haringey Council**

<b>Report for:</b>	Pensions Committee 24 <sup>th</sup> March 2015	<b>Item number</b>	
<b>Title:</b>	Pension Fund External Audit Plan 2014/15		
<b>Report authorised by :</b>	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 This report presents the audit plan prepared by the external auditors, Grant Thornton, for the audit of the Pension Fund accounts 2014/15 for the Committee's consideration.

### 2. Cabinet Member Introduction

- 2.1 Not applicable.

### 3. Recommendations

- 3.1 That the 2014/15 Audit Plan prepared by Grant Thornton be agreed.

### 4. Other options considered

- 4.1 None.

### 5. Background information

- 5.1 The audit plan will be presented by Paul Jacklin, the Audit Manager from Grant Thornton.



**Haringey Council**

5.2 The plan sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit. The key pages are:

Pages 4 & 5 – overview of LGPS developments.

Page 6 – summary of the audit approach

Pages 7-9 – identification of the main risks relating to the misstatement of the annual accounts and the audit procedures that will be applied.

Page 12 – the auditor's reporting framework

5.3 Officers will provide the auditors with all necessary information during the audit which will take place during July & August. Grant Thornton will then report back to the Pension Committee in September on their findings and any recommendations.

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

6.1 Grant Thornton is proposing a fee of £21,000 for the 2014/15 audit, which is same as the prior year fee.

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

7.1 The Assistant Director of Corporate Governance has been consulted on the content of this report. The audit is in line with the Council's duty as administering authority for the Haringey Pension Fund.

## **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**



**Haringey** Council

11.1 Appendix 1: Grant Thornton – The Audit Plan for London Borough of Haringey Pension Fund for year ended 31<sup>st</sup> March 2015

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

12.1 Not applicable.

This page is intentionally left blank



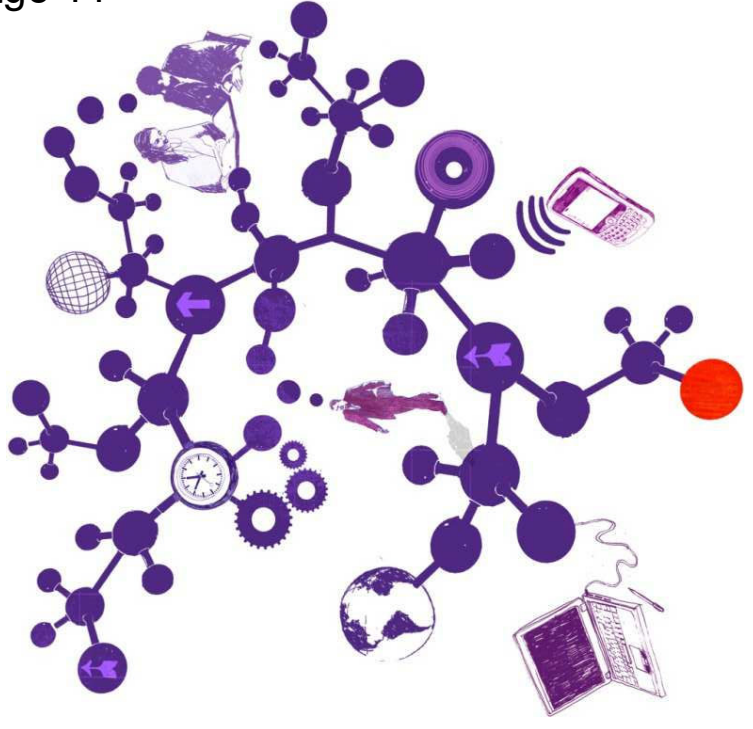
# The Audit Plan for London Borough of Haringey Pension Fund

**Year ended 31 March 2015**

March 2015

**Emily Hill**  
Engagement Lead  
T 020 7728 3259  
E [emily.hill@uk.gt.com](mailto:emily.hill@uk.gt.com)

**Paul Jacklin**  
Manager  
T 020 7728 3263  
E [paul.jacklin@uk.gt.com](mailto:paul.jacklin@uk.gt.com)



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



---

# Contents

## **Section**

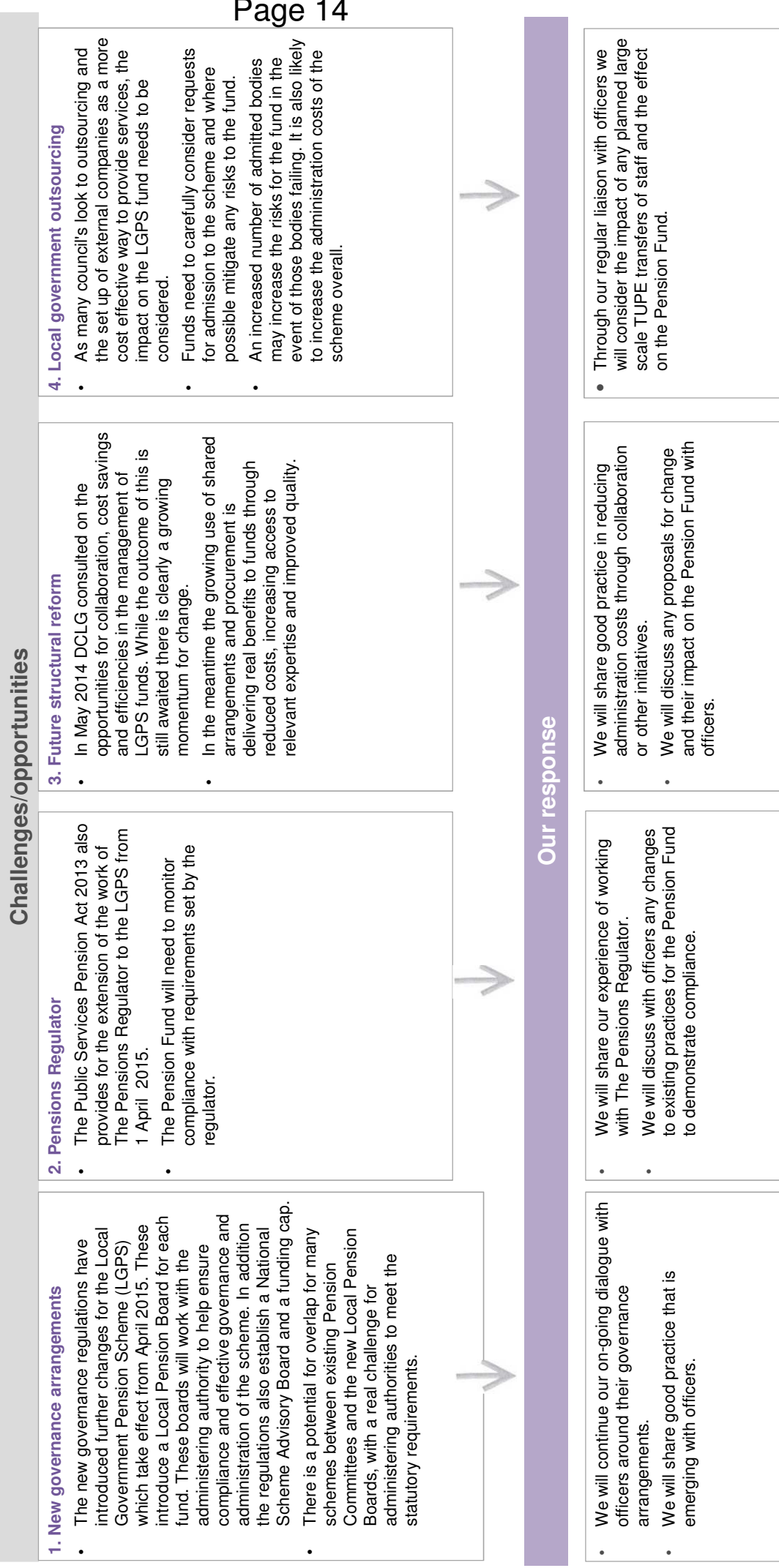
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks
6. Results of interim work
7. Key dates
8. Fees and independence
9. Communication of audit matters with those charged with governance

## **Appendices**

- A. Action plan

# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.



# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

## Developments and other requirements

### 1. LGPS 2014

- During 2013/14 funds have implemented LGPS 2014. This has moved LGPS from a final salary scheme to a career average scheme one year ahead of other public sector schemes.
- Under this new scheme, the calculations of benefits are likely to be more complex, as are the arrangements for ensuring the correct payment of contributions.
- LGPS 2014 has put a greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

### 2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2015, however the Pension Fund needs to ensure on-going compliance with the Code.

### 3. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets.

### 4. Accounting for Fund management costs

- The Code's only requirement for the disclosure of the costs of managing the pension fund is that management costs in relation to a retirement benefit plan are disclosed on the face of the fund account.
- CIPFA have recently produced guidance aimed at improving the transparency of management cost data and have suggested that funds should include in the notes to the accounts a breakdown of those management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.

## Our response

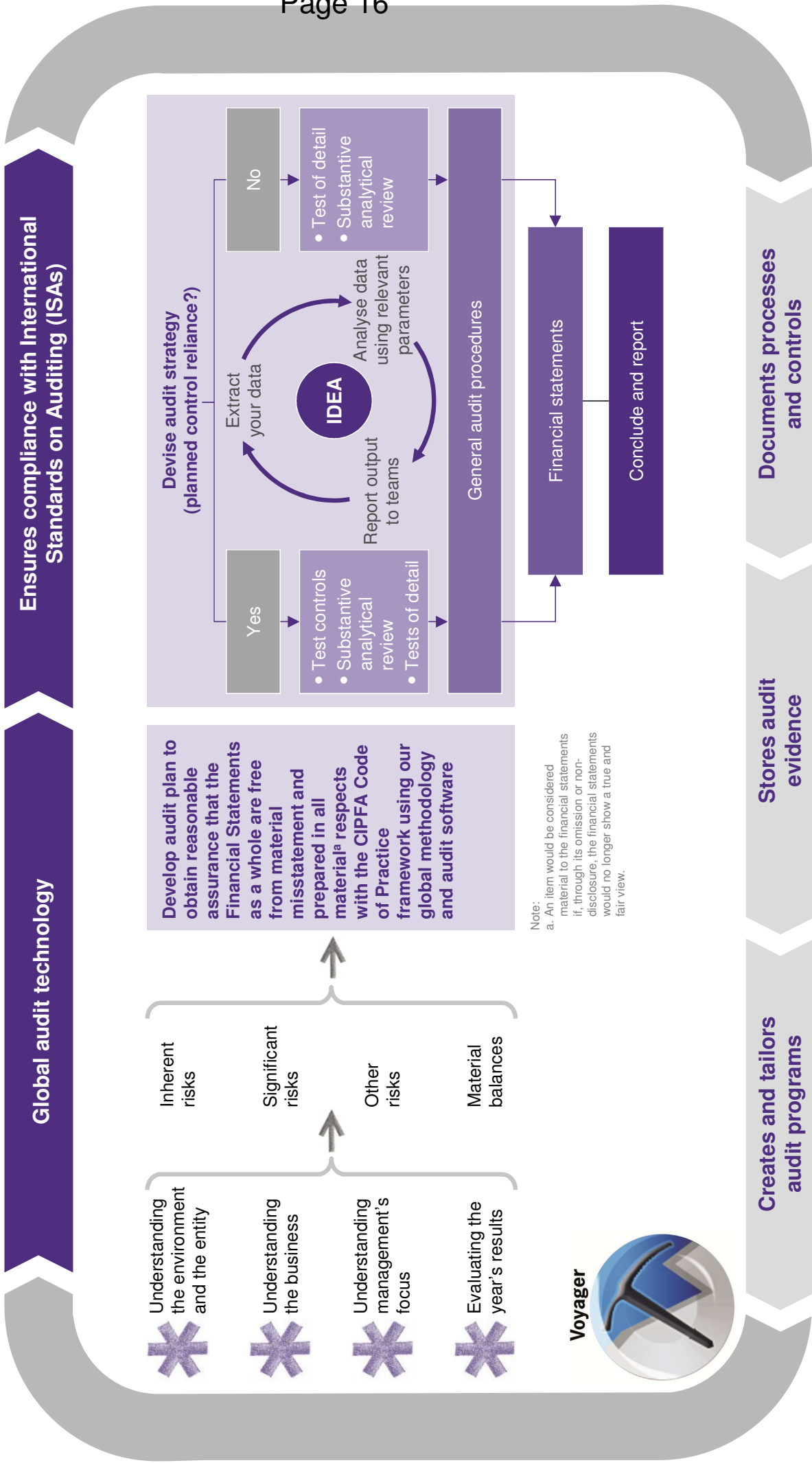
- We will consider changes made to the pensions administration control environment in response to LGPS data requirements.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

- We will discuss with officers any planned changes to the financial statements in response to this guidance.

# Our audit approach



# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA(UK&I)315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under International Standards on Auditing (ISA(UK&I)s) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA(UK&amp;I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&amp;I)240 and the nature of the revenue streams at London Borough of Haringey Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including London Borough of Haringey Council who act as the administrators of the pension fund, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	<p>Under ISA(UK&amp;I)240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>
Level 3 Investments – Valuation is incorrect	<p>Under ISA(UK&amp;I)315 significant risks often relate to significant non-routine transactions and judgmental matters. Level 3 investments by their very nature are subject to a significant degree of estimation uncertainty.</p>	<ul style="list-style-type: none"> <li>• We will gain an understanding of management controls over the valuation of hard to value investments</li> <li>• Test valuations by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March with reference to known movements in the intervening period.</li> <li>• To review the nature and basis of estimated values.</li> </ul>

## Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA(UK&I) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

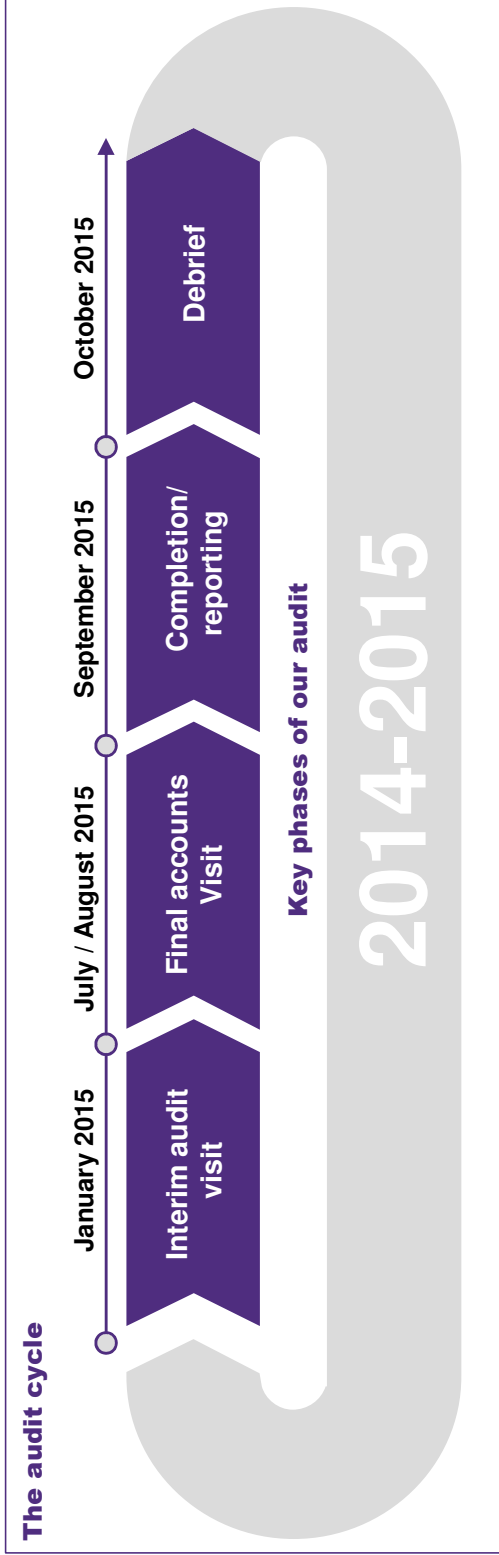
Other risks	Description	Audit Approach
Investment values – Level 2 investments	Valuation is incorrect.	<ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.</li> </ul>
Contributions	Recorded contributions not correct	<ul style="list-style-type: none"> <li>We will test a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.</li> </ul>
Benefits payable	Benefits improperly computed/claims liability understated	<ul style="list-style-type: none"> <li>We will test a sample of individual pensions in payment by reference to member files.</li> <li>We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.</li> </ul>
Member Data	Member data not correct.	<ul style="list-style-type: none"> <li>We will test controls over verifications with individual members</li> <li>We will testing a sample of changes to member data made during the year to source documentation</li> </ul>

## Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	<b>Work performed and findings</b>	<b>Conclusion</b>
<b>Internal audit</b>	We have reviewed internal audit's work on the Pension Fund's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
<b>Walkthrough testing</b>	We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. We will complete our walkthrough of investments at the year end. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements.	Our work has identified no material weaknesses which are likely to adversely impact on the Pension Fund's financial statements

# Key dates



Date	Activity
December 2014	Planning
January 2015	Interim site visit
26 March 2014	Presentation of audit plan to Pensions Committee
July 2015	Year end fieldwork
August 2015	Audit findings clearance meeting with Assistant Director of Finance
September 2015	Report audit findings to Pensions Committee
By 30 September 2015	Sign financial statements opinion



# Fees and independence

## Fees

	£
Pension Fund Scale Fee	21,000
<b>Total fees (excluding VAT)</b>	<b>21,000</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, the Pension Fund, and its activities, have not changed significantly
- The Pension Fund will make available management and accounting staff to help us locate information and to provide explanations

## Fees for other services

	£
None	Nil

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA(UK&I)) 260, as well as other ISA(UK&I)s, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Pension Fund Committee.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Pension Funds independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Pension Funds key risks when reaching our conclusions under the Code of Audit Practice.

It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**

This page is intentionally left blank



**Haringey** Council

<b>Report for:</b>	Pensions Committee 24 March 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 To update the Pensions Committee on the final Regulations relating to the establishment of Pension Boards and the status of the application made to operate a combined Committee and Board.
- 1.2 The position may change between the date of writing the report and the meeting.

**2. Cabinet Member Introduction**

- 2.1 Not applicable.

**3. Recommendations**

- 3.1 The Committee is requested to note the current position that Full Council has been asked to approve the establishment, and terms of reference, of a stand-alone Pension Board as the Secretary of State has not confirmed approval to operate a combined Committee and Board.

**4. Other options considered**

- 4.1 The Committee has previously considered three options:

- Combined Pensions Committee and Board,



**Haringey Council**

- Joint Board with other London Councils
- Stand alone Board for Haringey

4.2 Preference has been expressed for a Combined Board & Committee and approval for this arrangement has been sought from the Secretary of State. The final Regulations have effectively ruled out a board shared with other Councils.

4.3 The reasons for preferring a combined Board and Committee include:

- a) All relevant discussions & decisions on pension matters should take place at one committee.
- b) The proposed Board has a scrutiny rather than decision making role that the Committee already performs.
- c) The Pension Fund governance is strong as reflected in recent internal and external audit reports.
- d) The Pensions Committee membership includes directly appointed representatives of the employees and other employers, representation being a key aspect of the regulations. The Committee is willing to increase this representation and extend voting rights to employee and employer representatives.
- e) Establishing a separate Board will incur additional costs with no clear benefits.

## **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. The requirements of the Act are implemented through the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (“the Regulations”) (appendix 1). These regulations require Board’s to be established by 1<sup>st</sup> April 2015.

5.2 The final regulations were issued in January 2015. There are no substantial changed. As a reminder, the functions of the Board are to:

- a) Assist LB Haringey as Scheme Manager:
  - To secure compliance with the LGPS Regulations 2013 and any other legislation relating to the governance and administration of the LGPS,



**Haringey Council**

- To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator, and
  - b) To ensure the effective and efficient governance and administration of the LGPS and any connected Scheme.
- 5.3 The role of the Board is to assist the Pensions Committee not replace it.
- 5.4 As agreed at the December Committee the Chair wrote to the Secretary of State seeking approval to combine the functions of the Board, with the existing Pensions Committee in accordance with section 106(2) of the regulations.
- 5.5 Initially the DCLG offered a meeting, and then on 23<sup>rd</sup> February emailed – “we are still firming up the criteria that we would ask applicants for combined boards to submit to us for consideration. We will do our level best to get something to you within the next few days. Hopefully, we will be able to avoid the need for any meeting, but if that does become necessary, I think we would be looking at early March.”
- 5.6 No further communication has been received.
- 5.7 In the light of the non substantive response to our request and the looming 1<sup>st</sup> April 2015 deadline to have established the Board, we have had no option but to establish a stand alone Board and to submit the terms of reference for a stand alone Board for approval by Full Council on 23<sup>rd</sup> March. If Secretary of State approval is subsequently given the composition of the Board can be reviewed. A copy of the Terms of Reference submitted to Full Council are attached (appendix 2)
- 5.8 The current position is both uncertain and far from ideal. We will continue to pursue the Committee’s preferred option with the DCLG.

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

- 6.1 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.

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



**Haringey Council**

- 7.1 The Assistant Director of Corporate Governance has been consulted on the contents of this report.
- 7.2 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 the Local Government Pension Scheme Regulations 2013 and any legislation relating to the governance and administration of the LGPS (b) securing compliance with requirements imposed by the Pensions Regulator, and (c) ensuring the effective and efficient governance and administration of the LGPS and any connected scheme.
- 7.3 The role of scheme manager is delegated to the Council's Pensions Committee and the Local Government Pension Scheme Regulations 2013 require the establishment of local pension boards by 1 April 2015.
- 7.4 The Board will be a free standing body and Section 101 of the Local Government Act 1972 (arrangements for discharge of functions by local authorities) and section 102 of the 1972 Act (appointment of committees) do not apply to the Board. The Members Code of Conduct will therefore not apply and it is advisable for the Council to have a Pension Board Code of Conduct and a Conflict of Interests policy.
- 7.5 In accordance with Regulation 106(6) the Council may determine the procedures applicable to its Board, save that no member of the Board shall have a right to vote on any question unless they are an employer or member representative.
- 7.6 The terms of reference of the Board at Appendix 2 comply with the Regulations.
- 7.7 Whilst Secretary of State approval has been sought for a combined Pensions Committee and Board, this would present both legal and practical difficulties that would have to be addressed if this option was to be taken forward at some future date. Secretary of State approval can also be subject to conditions and these conditions would have to be acceptable to the Council.

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

- 8.1 The preference of the London Borough of Haringey as an Administering Authority within the Local Government Pension Scheme is to establish a joint Pensions Committee and Board which is permitted under Regulation 106(2) of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 subject to written approval from the Secretary of State. However as this report has





**Haringey Council**

previously indicated the DCLG has not yet responded to the Council's application for a joint arrangement.

8.2 As no clear response has yet been received from the DCLG and there is a requirement under Regulation 106(1) of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to establish a Pension Board by 1 April 2015 the Council effectively has no option at this stage than to establish a stand alone Pension Board.

8.3 The establishment of a standalone Pension Board is not the Council's preferred option and given a joint Pension Committee and Board is permissible, with the Secretary of State's approval, the Council should continue to actively seek a full response to the proposal for a joint arrangement it has submitted to the DCLG.

## **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: Final Regulations

Appendix 2: Pension Board Terms of Reference

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

13.1 Not applicable.

This page is intentionally left blank

---

STATUTORY INSTRUMENTS

---

**2015 No. 57**

**PUBLIC SERVICE PENSIONS, ENGLAND AND WALES**

**The Local Government Pension Scheme (Amendment)  
(Governance) Regulations 2015**

*Made* - - - - - *26th January 2015*

*Laid before Parliament* *28th January 2015*

*Coming into force in accordance with regulation 1(3)*

These Regulations are made in exercise of the powers conferred by sections 1, 3, 5(7), 7(2), 12(6) and 12(7) of, and Schedule 3 to, the Public Service Pensions Act 2013(a).

In accordance with section 21 of that Act, the Secretary of State has consulted the representatives of such persons as appeared to the Secretary of State to be likely to be affected by these Regulations.

In accordance with section 3(5) of that Act, these Regulations are made with the consent of the Treasury.

The Secretary of State makes the following Regulations:

**Citation, interpretation, commencement and extent**

**1.**—(1) These Regulations may be cited as the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

(2) In these Regulations “the Principal Regulations” means the Local Government Pension Scheme Regulations 2013(b).

(3) These Regulations come into force as follows—

- (a) on 20th February 2015, this regulation and regulations 2, 8 and 9—
  - (i) so far as they insert regulation 105 (delegation) into the Principal Regulations,
  - (ii) so far as they insert regulation 106 (local pension boards: establishment) into the Principal Regulations for the purposes of the obtaining of approval from the Secretary of State under paragraphs (2) to (4) of that regulation, and
  - (iii) so far as they insert regulations 107 (local pensions boards: membership), 108 (local pensions boards: conflicts of interest), 111 (scheme advisory board: membership) and 112 (scheme advisory board: conflict of interest) into the Principal Regulations

---

(a) 2013 c. 25. Sections 5, 7 and 12 of that Act come into force in relation to regulations relating to local government workers on 1 April 2015 – see S.I. 2015/4.

(b) S.I. 2013/2356.

for the purposes of appointment of members of local pension boards and the Local Government Pension Scheme Advisory Board; and

(b) on 1st April 2015—

- (i) this regulation and regulations 2, 8 and 9 so far as not already commenced, and
- (ii) the remainder of these Regulations.

(4) These Regulations extend to England and Wales.

### **Amendment of the Local Government Pension Scheme Regulations 2013**

**2.** The Principal Regulations are amended in accordance with regulations 3 to 9.

**3.** Omit regulation 53(4) (scheme managers: establishment of pension board).

**4.** In regulation 55(1)(d) for “regulation 53(4) (Scheme managers)” substitute “regulation 106 (local pension boards: establishment)”.

**5.** Omit regulation 63 (aggregate Scheme costs).

**6.** Omit regulation 65 (aggregate Scheme costs: revised certificates).

**7.** In regulation 66 (supply of copies of valuations, certificates etc) for “regulations 62 (actuarial valuations of pension funds), 64 (special circumstances where revised actuarial valuations and certificates must be obtained) or 65 (aggregate Scheme costs: revised certificates)” substitute “regulations 62 (actuarial valuation of pension funds) or 64 (special circumstances where revised actuarial valuations and certificates must be obtained)”.

**8.** In Schedule 1 (interpretation)—

(a) after the entry for “local government service” insert—

““Local Government Pension Scheme Advisory Board” means the board established under regulation 110 (Scheme advisory board: establishment);

“local pension board” means a board established under regulation 106 (local pension boards: establishment);” and

(b) after the entry for “the Scheme” insert—

““Scheme actuary” means the actuary appointed under regulation 114 (Scheme actuary);”.

**9.** After regulation 104(a) insert—

## **“PART 3**

### **Governance**

#### **Delegation**

**105.**—(1) The Secretary of State may delegate any function under these Regulations.

(2) An administering authority may delegate any function under these Regulations including this power to delegate.

#### **Local pension boards: establishment**

**106.**—(1) Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—

---

(a) Regulation 104 was inserted by S.I. 2014/1146.

- (a) to secure compliance with—
  - (i) these Regulations,
  - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme<sup>(a)</sup>, and
  - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and
- (b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

(2) Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.

(3) Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.

(4) Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.

(5) The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.

(6) Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.

(7) Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative<sup>(b)</sup>.

(8) A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

(9) The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

#### **Local pension boards: membership**

**107.**—(1) Subject to this regulation each administering authority shall determine—

- (a) the membership of the local pension board;
- (b) the manner in which members of the local pension board may be appointed and removed;
- (c) the terms of appointment of members of the local pension board.

(2) An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—

- (a) a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and
- (b) a person to be appointed to the local pension board as a member representative has the capacity to represent members.

(3) Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—

---

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

(b) See section 5(6) of the Public Service Pensions Act 2013 for definitions of these terms.

- (a) no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and
- (b) any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.

(4) Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—

- (a) a person to be designated as an employer representative has the capacity to represent employers; and
- (b) a person to be designated as a member representative has the capacity to represent members.

#### **Local pension boards: conflict of interest**

**108.**—(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest<sup>(a)</sup>.

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

#### **Local pension boards: guidance**

**109.** An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.

#### **Scheme advisory board: establishment**

**110.**—(1) A scheme advisory board (“the Local Government Pension Scheme Advisory Board”) is established.

(2) The function of the Local Government Pension Scheme Advisory Board is to provide advice to the Secretary of State on the desirability of making changes to the Scheme.

(3) The Local Government Pension Scheme Advisory Board also has the function of providing advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme and any connected scheme and their pension funds.

(4) Subject to these Regulations, the Local Government Pension Scheme Advisory Board may determine its own procedures including as to voting rights, the establishment of sub-committees, formation of joint committees and the payment of remuneration and expenses.

---

(a) See section 5(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.

(5) The Local Government Pension Scheme Advisory Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

**Scheme advisory board: membership**

**111.**—(1) The Local Government Pension Scheme Advisory Board shall consist of a Chairman and at least 2, and no more than 12 members appointed by the Secretary of State.

(2) When deciding whether to make appointments under paragraph (1), the Secretary of State must have regard to the desirability of there being equal representation of persons representing the interests of Scheme employers and persons representing the interests of members.

(3) A member of the Local Government Pension Scheme Advisory Board is to hold and vacate office in accordance with the terms of that member’s appointment.

(4) The Chairman of the Local Government Pension Scheme Advisory Board may, with the agreement of the Board, appoint a maximum of 3 persons to be non-voting advisory members of the Board.

(5) An advisory member of the Local Government Pension Scheme Advisory Board is to hold and vacate that position in accordance with the terms of that member’s appointment.

(6) The Chairman of the Local Government Pension Scheme Advisory Board may, with the agreement of the Board, appoint persons who are not members of the Local Government Pension Scheme Advisory Board to be members of sub-committees of that Board.

(7) A member of a sub-committee of the Local Government Pension Scheme Advisory Board is to hold and vacate office in accordance with the terms of that member’s appointment.

**Scheme advisory board: conflict of interest**

**112.**—(1) Before appointing any person to be a member of the Local Government Pension Scheme Advisory Board, the Secretary of State must be satisfied that the person does not have a conflict of interest<sup>(a)</sup>.

(2) The Secretary of State must be satisfied from time to time that none of the members of the Local Government Pension Scheme Advisory Board has a conflict of interest.

(3) A person who is to be appointed as a member of the Local Government Pension Scheme Advisory Board must provide the Secretary of State with such information as the Secretary of State reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of the Local Government Pension Scheme Advisory Board must provide the Secretary of State with such information as the Secretary of State reasonably requires for the purposes of paragraph (2).

**Scheme advisory board: funding**

**113.**—(1) The expenses of the Local Government Pension Scheme Advisory Board are to be treated as administration costs of the Scheme and are to be defrayed by the administering authorities within the Scheme in such proportions as shall be determined by the Board.

(2) The Local Government Pension Scheme Advisory Board must identify the amount to be paid by each administering authority towards its annual costs based on—

- (a) its annual budget approved by the Secretary of State; and

---

(a) See section 7(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.

(b) the number of persons for which the administering authority is the appropriate administering authority.

(3) An administering authority must pay the amount it is required to pay under this regulation at such time or times as the Local Government Pension Scheme Advisory Board may determine.

### **Scheme actuary**

**114.**—(1) The Secretary of State must appoint an actuary as Scheme actuary to carry out valuations of the Scheme and any connected scheme in accordance with Treasury directions made under section 11 of the Public Service Pensions Act 2013<sup>(a)</sup> (“the Treasury directions”).

(2) The person appointed as Scheme actuary under paragraph (1) must, in the opinion of the Secretary of State, be appropriately qualified to carry out a valuation of the Scheme.

(3) The Secretary of State must secure that the Scheme actuary carries out actuarial valuations of the assets and liabilities of the Scheme on the dates specified in regulation 62(1)(a) (actuarial valuations of pension funds) and prepare valuation reports in accordance with the Treasury directions, within such period as enables the requirements in those directions to be met.

(4) An administering authority must provide the Scheme actuary with any data that the Scheme actuary reasonably requires, in accordance with the Treasury directions, in order to carry out a valuation and prepare a report on the valuation.

### **Employer cost cap**

**115.**—(1) The employer cost cap for the Scheme is 14.6% of pensionable earnings of members of the Scheme.

(2) Where the cost of the Scheme, calculated following a valuation in accordance with Treasury directions under section 11 of the Public Service Pensions Act 2013 is more than the margins specified in regulations made under section 12(5) of the Public Service Pensions Act 2013<sup>(b)</sup> (“the Cost Cap Regulations”) above or below the employer cost cap, the Secretary of State must follow the procedure specified in paragraph (3) for reaching agreement with administering authorities, employers and members (or representatives of employers and members) as to the steps required to achieve the target cost specified in the Cost Cap Regulations.

(3) The procedure specified for the purposes of section 12(6)(a) of the Public Service Pensions Act 2013 is consultation for such period as the Secretary of State considers appropriate with the Local Government Pension Scheme Advisory Board with a view to reaching an agreement endorsed by all members of that Board.

(4) If, following such consultation, agreement is not reached within 3 months of date on which the consultation period ends, the Secretary of State must take steps to adjust the rate at which benefits accrue under regulation 23(4) or (5) (active member’s pension accounts) so that the target cost for the Scheme is achieved.

### **Scheme advisory board: additional functions**

**116.**—(1) The Local Government Pension Scheme Advisory Board (“the Board”) must obtain a Scheme cost assessment from the Scheme actuary detailing the overall cost of the Scheme and the proportions of that cost being met by Scheme employers and members on the dates specified in regulation 62(1)(a) (actuarial valuations of pension funds).

---

(a) 2013 c. 25.

(b) 2013 c. 25; see regulation 3 of S.I. 2014/575.



(2) Subject to paragraphs (5) and (6), where the overall cost of the Scheme is above or below the target overall cost, the Board may make recommendations to the Secretary of State as to the steps to take to bring the overall cost of the Scheme back to the target overall cost.

(3) Where the proportion of the overall cost of the Scheme which is met by contributions by employers is above or below the target proportion, the Board may make recommendations to the Secretary of State as to the steps to take to bring the proportion of the overall cost of the Scheme which is met by contributions by employers and members back to the target proportion.

(4) The Board must, before obtaining a Scheme cost assessment under paragraph (1), prepare and publish a statement setting out its policy concerning recommendations to the Secretary of State about the steps to be taken to bring the overall cost of the Scheme back to the target overall cost and the proportions of that cost met by Scheme employers and members, back to the target proportion.

(5) The Board must not make recommendations under paragraph (2) if steps are required to be taken under regulation 115 (employer cost cap).

(6) Subject to paragraph (5) the Board must make recommendations under paragraph (2) if the overall cost of the Scheme is above or below the target overall cost by 2% or more of pensionable earnings of members.

(7) In this regulation—

“the overall cost of the Scheme” means the total cost as calculated by the Scheme actuary as part of a Scheme cost assessment making use of the data provided under regulation 114(4) (Scheme actuary) according to such methodology and assumptions as are determined by the Board;

“the target overall cost” is 19.5% of the pensionable earnings of members of the Scheme;

“the target proportion” means Scheme employers meeting two-thirds and members meeting one-third of the overall cost of the Scheme.

(8) Each administering authority must provide the Scheme actuary with any data that the Scheme actuary requires in order to carry out any valuations and produce reports in accordance with directions from the Board for the purposes of this regulation.

(9) Unless the Board is prevented by paragraph (5) from making recommendations under this regulation, it must, within 23 months of the date on which a Scheme cost assessment is obtained under paragraph (1), publish a report setting out—

- (a) the overall cost of the Scheme;
- (b) the proportions of the overall costs of the Scheme met by employers and members;
- (c) the assumptions and methodology used by the Scheme actuary; and
- (d) any recommendations made to the Secretary of State under this regulation.

(10) The Board must send a copy of a report published under paragraph (9) to the Secretary of State and the Scheme actuary.

(11) The Secretary of State must publish a response to a report received under paragraph (10) within six months of the date on which that report is received.”.

We consent to the making of these Regulations

*Mark Lancaster*  
*Gavin Barwell*

23rd January 2015

Two of the Lords Commissioners of Her Majesty’s Treasury

Signed by authority of the Secretary of State for Communities and Local Government

*Kris Hopkins*

26th January 2015

Parliamentary Under Secretary of State  
Department for Communities and Local Government

**EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations amend the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”) to make provision in respect of governance of the Scheme.

Regulation 1 commences the substantive provisions from 20th February 2015 for the purposes of making appointments to local pension boards and the Scheme Advisory Board, and brings the provisions fully into force from 1st April 2015.

Regulations 3 to 8 make minor amendments to the 2013 Regulations consequential to the substantive provisions.

Regulation 9 inserts a new Part 3 into the 2013 Regulations.

New regulation 105 permits the Secretary of State to delegate functions under the 2013 Regulations. It permits administering authorities to delegate their functions and also for any delegated function to be sub-delegated.

New regulations 106 to 109 make provision for each administering authority to establish a local pension board to assist it to comply with its legal obligations relating to the Scheme. Where a local authority discharges its pension functions through a committee, it can, with the approval of the Secretary of State appoint that existing committee to be the local pension board. Local pension boards must have equal representation of employer representatives and member representatives who must not be officers or councillors of the administering authority responsible for the discharge of local government pension functions.

Regulations 110 to 113 establish the Local Government Pension Scheme Advisory Board to advise the Secretary of State, administering authorities and local pension boards in relation to the Scheme. Provision is made for the appointment of members to the Board and for its funding.

Regulation 114 requires the Secretary of State to appoint a Scheme actuary to carry out valuations of the Scheme.

Regulation 115 sets the employer cost cap and requires the Secretary of State to seek agreement from those affected as to the changes to the design of the Scheme necessary to bring costs back to that level if valuation reports indicate that costs have varied by more than a margin specified in regulations made by the Treasury. If agreement can not be reached the Secretary of State must make amendments to the Scheme to vary the rate of accrual of benefits to bring the costs of the Scheme back to the employer cost cap level.

Regulation 116 confers additional functions on the Local Government Pension Scheme Advisory Board to monitor the overall costs of the Scheme and the proportion of those costs met by employers and members respectively and to make recommendations to the Secretary of State for changes to the Scheme where overall costs or respective proportions met by employer or member contributions vary from the initial costs.

No impact assessment has been prepared for this instrument as no impact on the costs of business or the voluntary sector is foreseen.

---

© Crown copyright 2015

Printed and published in the UK by The Stationery Office Limited under the authority and superintendence of Carol Tullo, Controller of Her Majesty’s Stationery Office and Queen’s Printer of Acts of Parliament.







£6.00

UK2015012633 01/2015 19585

<http://www.legislation.gov.uk/id/uksi/2015/57>

ISBN 978-0-11-112790-2



9 780111 127902

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

### **1) Introduction**

1.1 The purpose of this document is to set out the terms of reference for the Local Pension Board of the London Borough of Haringey Pension Fund (“the Board) as required by the Public Service Pensions Act 2013 (“the Act”) and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (“the Regulations”).

1.2 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**

2.1 The role of the Board as laid down by section 106(1) of the Regulations is to assist LB Haringey:

- a) To secure compliance with:
  - i) the Regulations,
  - ii) and any other legislation relating to the governance and administration of the Scheme and any connected scheme,
  - iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme, and
- b) To ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

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

2.3 The principle functions of the 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.

2.4 The Board shall have the power to do anything which is calculated to facilitate or is conducive or incidental to, the discharge of its functions.

### **3) Membership**

3.1 The 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.

3.2 The Chair of the Board will be the Independent Member. In the absence of the Independent Member, the meeting will appoint a chair.

3.3 The Chair will ensure that meetings are properly conducted, decision making is clear and professional advice is followed. The decision of the Chair on all points of procedure and order shall be final. The Chair will monitor the performance and attendance of Board members and if appropriate make recommendation to terminate Board appointments in accordance with section 4 below.

3.4 All employer and employee members of the Board will have equal voting rights. The Independent Member will not be entitled to vote.

3.5 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**

4.1 The Council's employer 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.

4.2 The Admitted and Scheduled 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 Board and CFO to the Council will select a candidate.

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

4.4 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 Board and CFO to the Council will select a candidate.

4.5 The Independent Member will be appointed by a panel consisting of the Chair of the Pensions Committee 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.



4.6 Prospective members of the Board will be required to demonstrate to the Chair of the Pensions Committee that they have the capacity to represent employees and employers (as appropriate) and that they do not have a conflict of interest. The decision of the Chair of the Pensions Committee will be final.

4.7 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.

4.8 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.

4.9 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 following a recommendation by the Chair. The removal of the independent member or Council representative requires the consent of the Chair of the Pensions Committee.

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

## **5) Quorum & Voting**

5.1 The Board shall have a formal quorum of three comprising at least one employer and one employee representative. No substitutes shall be permitted. 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**

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

6.2 Notice of all meetings will be provided to Board Members at least 30 days in advance, unless agreed otherwise by Board Members.

6.3 The agenda for each meeting will be agreed by the Chair and all papers will be circulated to Members at least one week prior to the date of the meeting.

6.4 A formal record of Board proceedings will be maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all members.

6.5 The Board has the power to set up working groups on whatever terms that the Board determines and will prepare terms of reference for these entities.

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

7.1 All members of the Board are expected to act at all times within these terms of reference and in accordance with the Pension Board Code of Conduct. In accordance with section 108 of the Regulations 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.

7.2 Each Board member must provide the Council with such information as is reasonably required for the purpose of demonstrating that there is no conflict of interest.

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

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

## **9) Board Review Process**

9.1 The Board will undertake each year a formal review process to assess how well it and the members are performing with a view to seeking continuous improvement in the Board's performance.

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

10.1 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;  
The Fund's Investment Managers and Custodian;
- The Fund's Investment Consultant; and
- Other advisers, so approved by the Pensions Committee (via Board budget).

10.2 Remuneration to advisors appointed by the Board must be in accordance with the expenses budget agreed by the Pensions Committee.

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

## **11) Knowledge and Skills**

11.1 Every member of the Pension Board must be conversant with –

1 The rules 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.

11.2 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.

11.3 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.

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

## **12) Accountability**

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

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

13.1 Remuneration for Employee and Employer Representatives will be limited to a refund of actual expenses incurred in attending Board meetings and training. Remuneration for the Independent member will be agreed on appointment and approved by the Pensions Committee.

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

14.1 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.

This page is intentionally left blank



**Haringey Council**

<b>Report for:</b>	<b>Pensions Committee</b> 24 March 2015	<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:</b> N/A	<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 31<sup>st</sup> December 2014:

- Investment asset allocation
- Investment performance
- Responsible investment activity
- Budget management
- Late payment of contributions
- Communications
- Funding level update

## 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 31<sup>st</sup> December 2014 is noted.

## 4. Other options considered



**Haringey Council**

4.1 None.

## **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.
- 5.3 An additional section (19) has been added containing an update on the funding level and actuarial deficit.

## **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 mainly the loss of value from the European property portfolio. Over the three reported time periods, the fund has achieved a return significantly in excess of the average local authority.

## **7. Head of Legal Services 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 performances 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.



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

- 8.1 The total value of the Fund at 31 January 2015 was £1,010m. At 31 December 2014 the total value of the Fund was £986m compared to £962m at 31 October 2014 (which was the latest figure available when the Pensions Committee met on 15 December 2014) and £947m at 30 September 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 majority of the Fund is managed on a passive basis.
- 8.3 A particular issue has, however, been the inclusion within the property portfolio of European investments which have performed extremely poorly now having a value of only £0.2m compared to a purchase cost of £9.7m. Unfortunately the Fund diversified into European property in the period not long prior to the beginning of the financial crisis which began in 2007. This was not unusual, as at this time a number of LGPS Funds seeking to diversify their investments entered into European property investment. Very few people anticipated the events which began to unfold in 2007 and consequently an approach which should have benefitted the long term interest of the Fund has clearly not done so.
- 8.4 In accordance with the Fund's manager monitoring procedures Officers together with the Independent Advisor met with the Fund's active investment managers (CBRE, Pantheon, CQS and Allianz) on 16 and 24 February 2015.

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

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

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

- 9.1 Not applicable

## **11. Policy Implications**

- 10.1 None.

## **12. Use of Appendices**

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

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



Haringey Council

## 12.1 Not applicable

## Total Portfolio Allocation by Manager &amp; Asset Class

31/12/2014 &amp; 31/01/2015

	Value 30.09.14 £'000	Value 31.12.14 £'000	Value 31.01.15 £'000	Allocation 31.01.2015 %	Strategic Allocation %
<b>Equities</b>					
UK	160,603	159,727	163,935	16.22%	15.00%
North America	248,084	251,151	252,441	24.98%	21.70%
Europe	73,770	72,237	75,308	7.45%	7.40%
Japan	30,933	31,303	33,329	3.30%	3.50%
Asia Pacific	31,879	32,434	33,878	3.35%	3.40%
Emerging Markets	95,957	96,379	100,775	9.97%	9.00%
<b>Total Equities</b>	<b>641,225</b>	<b>643,231</b>	<b>659,667</b>	<b>65.29%</b>	<b>60.00%</b>
<b>Bonds</b>					
Index Linked	<b>130,936</b>	<b>143,300</b>	<b>150,428</b>	<b>14.89%</b>	<b>15.00%</b>
<b>Property</b>					
CBRE	<b>91,014</b>	<b>91,228</b>	<b>94,034</b>	<b>9.31%</b>	<b>10.00%</b>
<b>Private equity</b>					
Pantheon	<b>36,480</b>	<b>37,035</b>	<b>37,101</b>	<b>3.67%</b>	<b>5.00%</b>
<b>Multi sector credit</b>					
CQS	<b>45,000</b>	<b>44,716</b>	<b>44,931</b>	<b>4.45%</b>	<b>5.00%</b>
<b>Infrastructure</b>					
Allianz	-	<b>16,907</b>	16,907	1.67%	<b>5.00%</b>
<b>Cash &amp; NCA</b>					
	<b>2,463</b>	<b>9,128</b>	<b>7,349</b>	<b>0.73%</b>	<b>0.00%</b>
<b>Total Assets</b>	<b>947,118</b>	<b>985,545</b>	<b>1,010,417</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Fund Managers</b>					
Legal & General	262,306	268,514	279,279	<b>27.64%</b>	<b>27.80%</b>
BlackRock	509,858	518,020	530,818	<b>52.53%</b>	<b>47.20%</b>





The value of the fund increased by £38.4 million between September and December 2014. US equities and Index Linked bonds were the main contributor to the market movements.

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 5%. This is mostly the unfunded Allianz mandate (3%). In addition, property and private equity are both around 1% below their benchmark weighting. It is anticipated that the Infrastructure debt mandate will be fully funded in 2015.

#### 14. Investment Performance Update: to 31st December 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 October to December 2014 and for the 1, 3 and 5 years.

##### 14.1 Whole Fund

	Return	Benchmark	(Under)/Out	WM LA average
Oct - Dec 2014	4.06%	4.35%	(0.29%)	3.2%
One Year	11.25%	11.87%	(0.62%)	8.2%
Three Years	11.78%	12.25%	(0.47%)	11.1%
Five Years	9.70%	10.19%	(0.49%)	8.9%

<b>One year</b>	Return(%)	Benchmark(%)	Under/out(%)	WM LA Average
Equities				
UK	1.36	1.18	0.18	0.9
Developed				
Europe	-0.06	0.04	-0.10	0.6
North				
America	19.75	19.59	0.16	18.0
Japan	2.39	2.73	-0.34	3.3
Asia ex Japan	2.69	2.82	-0.13	7.0
Emerging	7.73	7.87	-0.14	6.7
I L gilts	21.45	21.38	0.07	20.1
Property	13.40	17.24	-3.84	15.7
Private equity	20.90	15.95	4.95	15.5
<b>Total</b>	<b>11.25</b>	<b>11.87</b>	<b>-0.62</b>	<b>8.2</b>



Haringey Council

<b>Five years</b>	Return(%)	Benchmark(%)	Under/out(%)	WM LA Average
Equities				
UK	8.63	8.70	-0.07	9.7
Developed				
Europe	6.91	6.06	0.85	7.0
North America	14.93	15.41	-0.48	15.2
Japan	8.04	6.58	1.46	8.4
Asia ex Japan	5.56	6.31	-0.75	7.1
Emerging	4.77	3.29	1.48	4.6
Index linked				
gilts	11.06	10.53	0.53	10.1
Property	7.56	8.86	-1.30	9.2
Private equity	12.65	15.46	-2.81	10.4
<b>Total</b>	<b>9.70</b>	<b>10.19</b>	<b>-0.49</b>	<b>8.9</b>

- Investment returns from all the asset classes over the last five years have been extraordinarily favourable. WM report that the ten year average local authority return is 7.5% p.a., with equity markets generally close to or above all time highs and bond yields close to record lows.
- Compared to benchmark the fund's returns have underperformed the benchmark by approximately 0.5% over 1, 3 and 5 years.
- 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, in particular overseas, and over the 3 & 5 years private equity. Individual manager's performance is discussed below.

#### 14.2 BlackRock Investment Management

	Return	Benchmark	(Under)/Out
Oct-Dec 2014	5.56%	5.52%	0.04%
One Year	12.49%	12.60%	(0.11%)
Since inception (May 2012)	15.53%	15.24%	0.29%

- Total Value at 31/12/14: £518.0 million
- BlackRock manages equities and index linked passively.
- Performance from individual markets varied between +0.13% (index linked) and – 0.32% (Asia Pacific) over the previous 12 months.

#### 14.3 Legal & General Investment Management

	Return	Benchmark	Variance
--	--------	-----------	----------



**Haringey Council**

Oct-Dec 2014	2.35%	2.45%	(0.10%)
One Year	7.87%	8.44%	(0.57%)
Since inception (May 2012)	10.75%	11.37%	(0.62%)

- Total Value at 31/12/14: £268.5 million
- Variances at regional level are minimal, varying between +0.09% (UK) and -0.14% (Emerging) 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
Oct-Dec 2014	3.16%	4.60%	(-1.44%)
One Year	13.86%	17.24%	(3.38%)
Three Years	7.82%	8.64%	(0.82%)
Five Years	7.13%	8.86%	(1.73%)

- Total Value at 31/12/14: £94.9 million
- The relative 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 unsuccessful. 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
Oct-Dec 2014	4.11%	6.03%	(1.92%)	£0.80m
One Year	19.88%	15.95%	3.93%	£4.10m
Three Years	12.01%	20.01%	(8.00%)	£3.20m
Five Years	12.48%	15.46%	(2.98)%	£-9.00m

- Total Value at 31/12/14: £39.1 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 3.5%. The funds are still relatively young for long term returns to emerge. As yet only 75% of the committed funds have been invested and only a quarter of funds invested



**Haringey Council**

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.

#### 14.6 CQS (multi sector credit)

The CQS mandate was funded in Q3. The portfolio declined by £0.3 million to £44.7 million as at December.

#### 14.7 Allianz (infrastructure debt)

The initial drawdown of £17 million was completed in Q4. It is anticipated that most of the allocation will be drawn during 2015.

#### 14.8 In house cash

	Value	Average Credit Rating	Average Maturity (days)	Return
At 31/12/14	£2.25m	AAA	1	0.39%
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%



### 16. Budget Management – 9 months to 31<sup>st</sup> December 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	6,450	6,654	204
Employer Contributions	22,800	24,454	1,654
Transfer Values in	1,800	2,368	568
<b>Total Income</b>	<b>31,050</b>	<b>33,476</b>	<b>2,426</b>
Expenditure			
Pensions & Benefits	(30,300)	(32,181)	(1,881)
Transfer Values Paid	(2,475)	(1,743)	732
Administrative Expenses	(600)	(621)	(21)
<b>Total Expenditure</b>	<b>(33,375)</b>	<b>(34,545)</b>	<b>(1,170)</b>
<b>Net of Contributions &amp; Benefits</b>	<b>(2,325)</b>	<b>(1,069)</b>	<b>1,256</b>
<b>Returns on investment</b>			
Net Investment Income	1,875	3,025	1,150
Investment Management Expenses	(1,200)	(865)	335
<b>Net Return on Investment</b>	<b>675</b>	<b>2,160</b>	<b>1,485</b>
<b>Total</b>	<b>(1,650)</b>	<b>1,091</b>	<b>2,741</b>

The fund had in the previous year moved into a position in which expenditure exceeds income as active membership falls and numbers of pensioners' increases. This has reversed this year through higher contributions from members (post 2014 reforms) and employers (impact of tri-annual valuation) together with rising distributed property income.

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(£)
Fusion	1	1	16,378
Tottenham UTC	2	13	1,278

## 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.

## 19. Funding Level Update

19.1 The Actuary has provided an update of the funding level as at 28<sup>th</sup> February 2015, which is summarised in the table below,



**Haringey Council**

	<b>31-Mar-13</b>	<b>28-Feb-15</b>
Assets	£863m	£1,027m
Liabilities	£1,232m	£1,397m
Funding Level	70%	74%
Deficit	£369m	£370m
Notional fund as a whole future service rate	20.4%	23.5%
Discount rate	4.6%	4.0%
Gilts	3.0%	2.4%
<u>Sensitivity</u>		
Gilts yield	3%	
Funding level		80%
Deficit		£252m
	2%	
Funding level		69%
Deficit		£462m

- 19.2 Although the funding level has improved, the deficit in monetary terms is unchanged. The key drivers are that investment returns have exceeded assumptions by £104m, whereas the change in gilt yields has added £78m to liabilities.
- 19.3 The impact of changing gilt yields is to reduce the discount rate to 4% (from 4.6%). This has the impact of increasing the 'fund as a whole notional' future service contribution rate by 3%.
- 19.4 The sensitivity analysis illustrates the significant impact on deficit and funding levels of relatively small changes in gilt yields.
- 19.5 When setting contribution rates, the Actuary will adjust the notional contributions above to factor in a return assumption based on the funds investment policy.



**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	47.2%	Global Equities & Bonds	See overleaf	Index (passively managed)
Legal & General Investment Management	27.8%	Global Equities & Bonds	See overleaf	Index (passively managed)
CQS	5%	Multi Sector Credit	3 month libor + 5.5% p.a	Benchmark
Allianz	5%	Infrastructure Debt	5.5% p.a.	Benchmark
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 3.5%	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%

This page is intentionally left blank



**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> Non-Key Decision
-------------------------------	--

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

- 1.1 The Local Government Pension Scheme Regulations allows an administrating 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.
- 1.2 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 members agree:

- 3.1 That the catering contractor, Lunchtime UK Ltd., be admitted to the Haringey Pension Fund as a Transferee Admission Body because it is entering into a service contract with the Governing Body of the Seven Sisters Primary School, subject to Lunchtime UK limited entering into an admission agreement.



**Haringey Council**

3.2 That the admission agreement be entered into and that the agreement is closed agreement such that no new members can be admitted.

3.3 That the cleaning contractor, KGB Cleaning South West Ltd be admitted to the Haringey Pension Fund as Transferee Admission Body because it is entering into a service contract with the Governing Body of the Seven Sisters Primary School and subject to KGB Cleaning South West Ltd entering into an admission agreement.

3.4 That the admission agreement be entered into and that the agreement is closed agreement such that no new members can be admitted.

**4. Alternative options considered**

Not applicable.

**5. Background information**

5.1 Seven Sisters School will be outsourcing their kitchen catering functions to contractors on 1 April 2015. Staff will be TUPE transferred, they are members of the Local Government Pension Scheme (LGPS).

5.2 The contracts are for three years with a possible two year extension. Staff are required to work not less than 50% of their time on the contract.

5.3 The contractor will pay an employer contribution rate set by the actuary of 28.5%. 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 potential contractor's deficit or redundancy liability the contractor is required to provide a bond to protect the fund from default arising from insolvency. As an alternative to carrying deficit liability and providing bonds the contractor has the option will pay an additional 5% employer contribution. The contractor remains liable for 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 Seven Sisters School will be outsourcing their cleaning functions to contractors on 1 April 2015. Staff will be TUPE transferred, they are members of the Local Government Pension Scheme (LGPS). The council will ask the actuary to calculate an employer contribution rate and bond value. The pensions committee will be notified of the details of the contract at the next committee meeting.

5.7 The transferee admission bodies meets the requirements of regulation 3 of the Local Government Pension Scheme Regulations 2013 and the administering authority must admit the eligible employees of the transferee admission bodies in to the fund.



**Haringey Council**

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

6.1 The transferred liabilities and future accruals for the six members of staff (four catering & two cleaning) being transferred is a very small part of the overall scheme. The contribution rate being paid by the contractors (33.5% catering, cleaning tbc] exceeds the Council rate and includes a margin over the estimated future service costs to protect the Council and the pension fund from future defaults by the contractor.

## **7. Head of Legal Services and legal implications**

7.1 Under Regulation 3 of the Local Government Pension Scheme Regulations 2013 the employees are eligible to remain members of the Haringey Pension Fund if Lunchtime UK Limited has entered into an Admission Agreement. The Admission Agreement is still to be agreed and is to be a closed agreement. A “pass through arrangement” (as set out in paragraph 5.3) has also been agreed which means there is no bond/ indemnity or guarantee being provided

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

Not applicable.

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

Not applicable.

## **10. Policy Implication**

Not applicable.

## **11. Reasons for Decision**

11.1 The Council is obliged under the Local Government Pension Scheme Regulations 2013 to admit new eligible admission body employers into the pension scheme where the admitted body has entered into an admission agreement and to admit to the Scheme the eligible employees of that body.

## **12 Use of Appendices**

None.

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

Not applicable.

This page is intentionally left blank



**Haringey Council**

<b>Report for:</b>	<b>Pension Committee</b>	<b>Item Number:</b>	
<b>Title:</b>	Local Government Pension Scheme - Guaranteed Minimum Pension Reconciliation		
<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> Non-Key Decision		

## 1. Describe the issue under consideration

- 1.1 The Local Government Pension Scheme (LGPS) is a contracted out occupational pension scheme. The government is abolishing contracting out from 6 April 2016. By being in a contracted out scheme most members of the scheme who have service between 6 April 1978 and 5 April 1997 will have accrued a Guaranteed Minimum Pension (GMP) liability. Currently HM Revenue and Customs (HMRC) are responsible for maintaining the contracted out records, notifying schemes of the value of the GMP and confirming which pension scheme holds the liability. As the administering authority, the Council will need to ensure that the HMRC records match its own records by conducting a reconciliation exercise. The Council will need to commence the reconciliation exercise as HMRC will be withdrawing the service from 2018. This exercise will ensure the correct benefits are being paid to pensioners and transfer values will correctly reflect the benefits due.

## 2. Cabinet Member introduction

Not applicable

## 3. Recommendations

That the Committee note and agree:

- 3.1 For the Pension Administration Team to reconcile the Guaranteed Minimum Pensions which are held by HMRC. The first stage of the exercise for the reconciliation of GMP is to identify where there are differences between the Council's scheme records and HMRC



## Haringey Council

records. This stage of the exercise will be completed by our pension system provider, Heywoods and will cost of £7,600.00. This is seen as the most cost-effective way of completing the initial review of the Councils records.

- 3.2 That following the first stage, the Pension Administration Team is to assess the potential resources required to reconcile the identified differences and complete the GMP reconciliation. This may include the need to hire additional staff; although until stage one is completed, this will not be confirmed. Should additional resources be required, a further report will be provided to this Committee.

## 4. Alternative options considered

Not applicable.

## 5. Background information

- 5.1 The Local Government Pension Scheme is a contracted out occupational pension scheme.
- 5.2 Contracting out was introduced in April 1978 to relieve members of approved pension schemes from paying for both an occupational pension scheme and the State Earning Related Pension Scheme (SERPS). Depending on earnings both employers and employees pay reduced national insurance contributions. By contracting out, members have a Guaranteed Minimum Pension (GMP).
- 5.3 The Pensions Act 2014 introduced a new single tier state pension for those reaching state pension age from 6 April 2016. Therefore the current state pension, pension credit and S2P and formally SERPS will be abolished.
- 5.4 Contracting out will be abolished from 6 April 2016. One of the effects will be that LGPS employers and employees will suffer a material increase in National Insurance Contributions from April 2016.
- 5.5 HMRC has confirmed that the current assistance available to pension scheme administrators through the National Insurance Contributions Office (NICO) will be withdrawn by the end of April 2018. Therefore the Council will be required to reconcile the contracted out membership and GMP records with those held by HMRC whilst the HMRC assistance is still available.
- 5.6 The initial exercise will require Heywood to produce a report identifying areas of data mismatch between scheme records and data held on behalf of the scheme by HMRC.
- 5.7 For the next stage HMRC is currently offering a Scheme Reconciliation Service. This will be a complex exercise were we need to compare and analyse the contracted out membership and GMP information held on our scheme records against the information held on HMRC records. Where there are GMP differences between the HMRC and the scheme's pension records the Council will investigate material differences and challenge HMRC where necessary. This service is likely to be withdrawn from April 2016; HMRC will offer only limited support for further reconciliation.
- 5.8 The GMP is a vital component of the make up of a pension as it confirms the minimum pension which we have to pay. Once HMRC stop holding GMP records, the pension funds will be obliged to pay whatever GMPs are attributed to them, even those that may be incorrectly calculated or that have actually been transferred out. A GMP data cleansing exercise is in line with best governance practice and would meet the record keeping requirements.





**Haringey Council**

- 5.9 GMP records will require matching against data held by HMRC. This will be labour intensive work as the Council will be required to check the GMP for every member of the pension fund who had contracted out service between 1978 and 1997.
- 5.10 HMRC will contact all contracted out members with details of their contracted out history in 2018.

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

- 6.1 Paying the appropriate GMP is an important aspect of running the pension scheme. Over payments represent an unnecessary cost while underpayments may be challenged by pensioners. The initial cost of £7,600 to match records with HMRC is likely to be a small component of the total cost. Consideration should be given to the definition and treatment of small differences to manage the cost and timescale of the project.

**7. Assistant Director of Corporate Governance and legal implications**

- 7.1 The Assistant Director of Corporate Governance has been consulted on the content of this report. The report raises no legal issues at this stage. The reconciliation exercise is necessary if the Council, in its capacity as administering authority for the Haringey Pension Fund, is to meet its obligations.

**8. Equalities and Community Cohesion Comments**

Not applicable.

**9. Head of Procurement Comments**

Not applicable.

**11. Policy Implication**

Not applicable.

**12 Reasons for Decision**

The Council is obliged under the Local Government Pension Scheme Regulations 2013 to have best governance practice and meet record keeping requirements.

**13 Use of Appendices**

None.

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

Not applicable.

This page is intentionally left blank



**Haringey Council**

<b>Report for:</b>	Pensions Committee 24 <sup>th</sup> March 2015	<b>Item number</b>	
<b>Title:</b>	Pension Fund – Work Plan 2015-16		
<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



**Haringey Council**

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

**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**

	Jun-15	Sep-15	Dec-15	Mar-16
<b>Governance</b>	Work Plan	Accounts & Auditors report Work Plan	Work Plan Report from Pension Board	Audit Plan Work Plan
	CIV developments - transfer of investments			
<b>Investment</b>	Quarterly Report - val & perf Merger of passive mandates & leveraged index linked gilts Investment Strategy Update	Quarterly Report - val & perf Low Volatility equities & currency hedging - initial considerations Investment Strategy Update	Quarterly Report - val & perf Investment Strategy Update	Quarterly Report - val & perf Social & Impact Investments [tbc] Investment Strategy Update
<b>Funding</b>			Tri-annual valuation - introduction and timetable	Annual Valuation Update
<b>Administration</b>	Pension Regulator Code of Practice	Risk Register Guaranteed Minimum Pension - results of initial comparison		
<b>Training</b>	Corporate Engagement (LAPFF)	Corporate Engagement (BlackRock)	Actuarial Valuation	Corporate Engagement (L&G)

This page is intentionally left blank

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

Document is exempt

This page is intentionally left blank



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

Document is exempt

This page is intentionally left blank