

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Tuesday, 20th September, 2016, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

Council Members: Councillors Clare Bull, Gideon Bull, John Bevan, Mark Blake, Viv Ross and 1 vacancy

Employer / Employee Members: Keith Brown, Randy Plowright and 2 x vacancies

Quorum: 3 Council Members and 2 Employer / Employee Members

1. **FILMING AT MEETINGS**

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. **APOLOGIES FOR ABSENCE**

3. **URGENT BUSINESS**

The Chair will consider the admission of any late items of Urgent Business. (Late items of urgent business will be considered under the agenda item where they appear. New items of unrestricted urgent business will be dealt with under item 15 below, new items of exempt urgent business will be dealt with under item 18 below).

4. DECLARATIONS OF INTEREST

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

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

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

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

5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

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.

6. MINUTES (PAGES 1 - 8)

To confirm the unrestricted minutes of the meeting of the Pensions Committee held on 11 July 2016.

7. PENSIONS ADMINISTRATION REPORT (PAGES 9 - 14)

Report of the Assistant Director, Shared Service Centre, to update the Committee and Board on Pensions Administration matters.

8. ANNUAL PENSION FUND REPORT AND ACCOUNTS

TO FOLLOW

9. ILL HEALTH LIABILITY INSURANCE REPORT

Report of the Chief Operating Officer to provide information relating to ill health liability to the Pension Fund and how this liability could be mitigated by taking out ill health liability insurance, and also proposing three options to adopt as to the level of ill health insurance that should be adopted by the

Fund and how the cost of purchasing ill health liability insurance should be funded.

TO FOLLOW

10. PENSION FUND QUARTERLY UPDATE (PAGES 15 - 30)

Report of the Chief Operating Officer to report the following in respect of the three months to 30th June 2016:

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

11. FORWARD PLAN (PAGES 31 - 36)

Report of the Chief Operating Officer to identify topics that will come to the attention of the Committee in the next twelve months and to seek input into future agendas. Suggestions on future training are also requested.

12. RISK REGISTER REVIEW/UPDATE (PAGES 37 - 76)

Report of the Chief Operating Officer to provide an update on the Fund's risk register and an opportunity for the Committee and Board to further review the risk scores allocation.

13. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING PROCESS AND QUARTERLY ENGAGEMENT REPORT (PAGES 77 - 92)

Report of the Chief Operating Officer to outline the process for ensuring that the Fund's investment managers are informed about LAPFF co-filed or supported resolutions.

14. SCHEME ADVISORY BOARD (SAB) COMPLIANCE (PAGES 93 - 102)

Report of the Chief Operating Officer to provide an update to the Committee and Board on progress toward compliance with Scheme Advisory Board key performance indicators and to highlight areas where improvement is still needed in order to achieve full compliance.

15. NEW ITEMS OF UNRESTRICTED URGENT BUSINESS

16. EXCLUSION OF THE PRESS AND PUBLIC

That the press and public be excluded from the meeting for consideration of the following items as they contain exempt information as defined in Section

100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paragraph 3; namely information relating to the business or financial affairs of any individual, including the authority holding that information.

17. EXEMPT MINUTES (PAGES 103 - 106)

To confirm the exempt minutes of the meeting held on 11th July 2016.

18. REVIEW OF FUND GOVERNANCE

TO FOLLOW

19. NEW ITEMS OF EXEMPT URGENT BUSINESS

Helen Chapman – Principal Committee Co-ordinator
Tel – 020 8489 2615
Fax – 020 8881 5218
Email: helen.chapman@haringey.gov.uk

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

Monday, 12 September 2016

MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE HELD ON MONDAY, 11th JULY, 2016 7PM

PRESENT:

Councillors Clare Bull (Chair) John Bevan (Vice-Chair), Mark Blake, Gina Adamou, Gideon Bull and Viv Ross

Also present Keith Brown (Non-voting), Michael Jones (Non-voting).

126. FILMING AT MEETINGS

RESOLVED

- That the Chair's announcement regarding the filming of the meeting for live or subsequent broadcast be noted.

127. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Roger Melling (Non-voting).

127. DECLARATIONS OF INTEREST

The Chair commented that she worked for the national arm of the Citizens Advice Bureau but not the Haringey Citizen's Advice Bureau, who were a Community Admission Body within the Fund and questioned whether this was a declarable pecuniary interest or a prejudicial interest. Officers agreed to look into this and come back to the Chair (**Action: Oladapo Shonola/Clerk**).

128. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr Bull identified that she had undertaken the following training since the last meeting:

- LGPS pooled infrastructure investment seminar - 26th May
- LAPFF Responsible Investment, shareholder rights and pooling 07/06
- Completed Pension Regulator's on line "Public Service Toolkit"

Cllr Bevan identified that he had undertaken the following training since the last meeting:

- Local Authority Pension Fund Forum 19/04
- IPE Risk-Based and Factor Investing 26/04
- PIA Achieving Diversification within your Portfolio 26/04
- Schrodgers' Annual Real Estate Conference 27/04
- P&LSA pensions survey update briefing 11/05
- SPS Pension Conference, Low Cost Equity & Other Investment Strategies 12/05
- Schrodgers' Defined Contribution Conference 19/05

- PIA Brexit pension fund issues 31/05
- LAPFF Responsible Investment, shareholder rights and pooling 07/06
- P&LSA Private rented sector investment 09/06
- IPE Risk & Asset Allocation for pension funds 09/06 & 10/06
- Local Authority Pension Fund Forum 28/06

Prior to the start of the meeting, the Committee received training from John Raisin, Independent Advisor, which set out the minimum level of knowledge required to serve on the Committee. The Pension Regulator requires that all members of the Pension Committee/Board undertake this type of introductory training prior to taking up their roles.

129. MINUTES

RESOLVED

- That the minutes of the meeting held on 11 April be approved as an accurate record.

In response to a request for clarification on scheme admission arrangements for borough schools that transferred from local authority control to academy status, the Committee was advised that existing staff would be subject to TUPE rules and that consequently they would be eligible to join the LGPS. Any attempt to divert staff into an alternative scheme (due to it being financially advantageous to the company) would be illegal. The Committee was advised that as long as the employee was employed directly by the company then they must be transferred into the LGPS, whereas sub-contractors would not. It was not mandatory for members of staff who joined the company after it was transferred from local authority control to join the LGPS, but officers advised that they could negotiate this with the employer.

As a matter arising, clarification was sought on statutory online training and how to access it. It was agreed that officers would send round details of the training to the Committee (**Action: Oladapo Shonola**).

130. ADMINISTRATION REPORT

The Committee received a report on administrative issues related to the Haringey Pension Scheme, the issues related to automatic re-enrolment on 137 employees on 1st April 2016 and the admission of a school cleaning contractor into the LGPS. The Committee noted that the Council took advantage of a transitional delay period that permitted delaying auto-enrolment until 1st October 2017, this delay applied to those who had previously opted out of the LGS and TPS scheme. There would be approximately 1000 employees who could be brought into the scheme in October 2017.

The Committee requested clarification on its responsibilities in relation to understanding the deficit and liability rate for an individual admission agreement. Officers advised that under the regulations, if they met the criteria they had to be admitted to the LGPS. Officers agreed to include the individual actuarial rate for a new Admission Body in future reports (**Action: Janet Richards**).

The Committee also sought clarification on pension contributions from companies who had contracts with a number of different local authorities. Officers advised that each local authority had their own scheme and that employees could be part of several different schemes, depending on where they worked. It was noted that the location of the employer would be the critical factor in determining which scheme employees joined.

RESOLVED

- That the cleaning contractor Green Sky Clean Limited be admitted to the Council's Pension Scheme as an Admission Body in relation to the provision of a cleaning contract with the Governing Body of the Brook School, subject to the Contractor entering into an admission agreement with the Council in respect of the contract.
- That an admission agreement satisfactory to the Council, be entered into – in respect of the contract and that the agreement is a closed agreement, as such that new members can not be admitted.

131. DRAFT ANNUAL PENSION FUND ACCOUNTS

Clerks note - Councillor Bevan left the meeting at this point

The Committee received a report on the current position of the draft Pension Fund Accounts for 2015/16. The final accounts would be presented to the Committee in September once the auditors had reviewed them. A modest rise in total contributions was offset by larger rises in benefits paid and investment management expenses. Overall the fund had a net expenditure of £2.98m in 2015/16 compared to £0.86m in 2014/15 resulting in a year on year increase in expenditure of £2.18m.

The Committee sought clarification over the management fee charged by Pantheon Private Equity and sought reassurance that the fee was justifiable. In response, officers advised that the fees were reasonable given the asset class managed by the private equity firm. The Committee were advised that by using a private equity firm the Council achieved a much greater diversification than would be achieved otherwise, performance over the last year had been very good. The key factor in determining fees was the proportion of funds that were classed as passive, which in Haringey's case was around 75% which was at the lower end of the scale.

The Committee requested that there was a future agenda item to assess the performance of companies that managed the Additional Voluntary Contributions made to the fund, as this was long overdue. Officers agreed to add this item to the work plan **(Action: Oladapo Shonola)**. In response to a query around offsetting increases in expenditure, the Committee was advised that the fund needed to increase its membership and that it was hoped that the appointment of a renewable energy fund manager should yield annual cash payments to the Fund.

RESOLVED

- That the Committee note the content of the draft annual accounts.

132. GOVERNANCE UPDATE REPORT

The Committee received a report which provided an update on governance issues to ensure that the committee was informed of the activities being progressed by officers and advisors to the Fund. The Chair commented that paragraph 13.1 referred to appendix 1 of the report, which did not seem to be included in the agenda pack. Officers advised that appendix 1 should have been a copy of the Risk Register which the Committee approved at its meeting in April; this was omitted from the pack in error. A comprehensive review of the risk register was being undertaken and will be re-presented to the September meeting of the Committee for approval **(Action: Oladapo Shonola - Clerk to note)**.

RESOLVED

- To note the information contained in the report.

133. NEW QUARTERLY UPDATE

The Committee received a quarterly update report on performance of the Haringey Pension Scheme covering the three month period up to 31 March 2016. Performance in the quarter was a return of 2.89% on the fund against a benchmark of 3.11%, producing a variance of -0.22%. The Committee noted that Pantheon Private Equity achieved a fund return of 19.73% over a 12month period, which represented an over performance of 16.07% against the benchmark of 3.66%.

The Committee considered the performance of individual fund managers, the Independent Advisor, John Raisin, gave a context the performance of CQS, advising that the multi sector credit funds across the board were unable to achieve the benchmarks originally set for them given market conditions and that seen that context; CQS had performed better than most. Steve Turner reiterated the assessment of the Independent Advisor and stated that their performance was one the best within their respective asset class. The Committee considered whether the benchmarks that had been set were unrealistic on the whole, given market conditions. Steve Turner agreed to speak to officers outside of the meeting to discuss the benchmarks and comparable performance of the different fund managers and bring a paper back to the next Committee. **(Action: Steve Turner/Oladapo Shonola)**.

The Committee sought clarification on the likely impact of the Brexit vote to the Fund. In response the Committee was advised that stocks had rallied in the last week and that Equities were up around 20% since the low rate in February. Steve Turner, Mercer, advised that the fall in the value of sterling had massively increased the value of overseas equities, however the value of liabilities had also been pushed up in recent weeks. In response to a follow up question, Mr Turner advised that the risk of a recession had certainly increased along with the likelihood of inflation.

The Committee were advised that the property retail investment market had been impacted and that a number of funds had closed for redemptions, with some funds marking down the value of their assets by between 10-15%. Steve Turner suggested that the Committee would benefit from getting an update from its property manager CBR at the next meeting. **(Action: Oladapo Shonola/Clerk)**.

Keith Brown advised that his reading of the situation was that there would be ongoing uncertainty in the markets, particularly in relation to levels of employment and the likely fall in GDP which would result was estimated at 1-1.5%. In addition, the growing speculation that the Bank of England would raise interest rates had been quashed and there was increased likelihood of further rounds of Quantitative Easing which could well have an inflationary impact. The Global Index was significantly up in June which would increase the value of overseas equities but the indices which were orientated toward the UK economy, such as the FTSE 250 had taken a significant hit to their value.

Officers advised the Committee the investment of £50m in the Aviva Long Lease Property Fund was progressing and that the subscription agreement had now been signed. It was anticipated that the Fund would join the queue of investors by September and that investment would take around 12 months from that point. Officers also advised the Committee that in relation to the London CIV, the Government had issued further guidance on pooling, specifically in regards to passive mandate and life funds. This had impacted on the Fund's transfer of assets into the CIV and would likely impact the level of savings available. Further guidance was being awaited. The Chair advised that she had spoken to the Head of Finance – Pensions and Treasury about arranging for someone from London CIV to come in and provide the Committee with some training. In relation, to the decision to shift approximately 20% of total fund assets to the Low Carbon Index, the Committee was advised that the first tranche of asset switching worth approximately £60m was completed on 3rd May 2016. The second and third tranches were provisionally scheduled for 1st August and 1st November respectively.

RESOLVED

- To note the information provided in respect of the activity in the three months to 31st March

134. EXTERNAL PENSIONS TRAINING POLICY AND FRAMEWORK; COMPLIANCE WITH TPR- PUBLIC SECTOR TOOLKIT

The Committee received a report from John Raisin Independent Advisor to the Committee which set out the legal and regulatory requirements for a comprehensive approach by the new Joint Pensions Committee and Board. The report proposed the adoption of the CIPFA Code of Practice on Public Service pensions Finance Knowledge and Skills, the adoption of a broad based Pensions Knowledge and Skills Framework and its implementation. The paper also proposed that a Training Needs Analysis was issued to all members of the Joint Committee and Board and that all members of the Joint Pensions Committee and Board complete the Pension Regulator's online Public Service Toolkit.

In response to a question regarding what the knowledge check was for the Board, the Independent Advisor commented that there wasn't a check as such but that the Pensions Regulator would want to see evidence that the members had attended relevant training and had shown a willingness to understand the subject material. The Chair requested that there were some questions included in the Training Needs

Analysis around the format and type of the training the Board would like to receive
(Action: John Raisin).

The website for the Pension Regulator's Public Service Toolkit, including online training was noted as: <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

RESOLVED

- I. That the paper by the Independent Advisor attached as Appendix 1 of the report "Pensions Knowledge, Understanding and Skills" be noted.
- II. That the key principles of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (July 2013 version) and specifically the following six statements contained within the Code be adopted:
 - This organisation adopts the key recommendations of the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
 - This organisation recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.
 - Accordingly this organisation will ensure that it has adequate resources, formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision- making.
 - These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Framework.
 - This organisation will report annually on how these policies have been put into practice throughout the financial year.
 - This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Chief Operating Officer who will act in accordance with the organisation's policy statement, and, where he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).
- III. To adopt the "Haringey Pensions Knowledge and Skills Framework" as set out in Table 1 of the Independent Advisors paper (Appendix 1 of the report).

- IV. That all members appointed to the new Joint Pensions Committee and Board complete the Pension Regulator's on line "Public Service Toolkit" by 31 October 2016.
- V. That a Training Needs Analysis be issued to all members of the new Joint Pensions Committee and Board to be completed and returned by 31 August 2016.
- VI. That the Independent Advisor to the Pension Fund be requested to prepare a series of "core" training sessions to cover the seven areas within the "Haringey Pensions Knowledge and Skills Framework."
- VII. That a report on Training, Knowledge, Understanding and Skills be presented to the Joint Pensions Committee and Board on an annual basis at its June/July meeting.

135. FORWARD PLAN AND MEETING REFLECTIONS

The Committee received an updated work plan which identified topics that would come to the attention of the committee in the next 12 months and sought Member input in to the contents of future agendas. The Committee were also given the opportunity to reflect on the conduct of the meeting and identify any areas for improvement. In response to a question from the Chair on the proposed agenda item on the LAPFF Guide to Co-filing for the 8 September, officers advised that this was in proposed by Cllr Bevan and that the report would propose the automatic filing of recommendations received by Members without the need for formal approval of the Committee.

RESOLVED

- To note the contents of the work plan.

138. ANY OTHER BUSINESS OF AN URGENT NATURE

N/A

140. DATE OF NEXT MEETING

RESOLVED

- To note the next meeting would be on 8 September 2016, 7pm.

141. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

- That the press and public be excluded from the meeting for the following items as they contained exempt information as detailed in Section 100a of the Local

Government Act 1972, Paragraph 3; information relating to the business or financial affairs of any particular person (including the Authority holding that information).

142. EXEMPT MINUTES

RESOLVED

- That the exempt minutes of the meeting held on 11th April be approved as an accurate record.

143. LONG TRIENNIAL ACTUARIAL VALUATION – ASSET OUTPERFORMANCE ASSUMPTIONS

The Committee received a presentation on the 2016 actuarial valuation from Douglas Green - Hymans Robertson LLP, and agreed the recommendations contained within the report.

136. AGE UK HARINGEY UPDATE

The Committee received an update on Age UK Haringey, as an employer in the Haringey Pension Fund.

RESOLVED

- To note the Exempt information contained within the report.
- To note that further updates will be provided at the next Committee meeting.

137. RENEWABLE ENERGY INVESTMENT

The Committee received an update on the ongoing process to identify a suitable fund manager to manage the Fund's agreed £50m allocation to the renewable energy sector.

RESOLVED

- To note the content of the report.
- To agree the recommendation of the report.

138. ANY ITEMS OF EXEMPT URGENT BUSINESS

There were no items of Exempt Urgent Business

CHAIR:

Signed by Chair

Date

Report for: Pensions Committee 20th September 2016

Item number: 7

Title: Pensions Administration Report

Report authorised by : Mark Rudd - Assistant Director Shared Services Centre

Lead Officer: Janet Richards tel 020 8489 3824
janet.richards@haringey.gov.uk
- Pensions Manager

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** N/A

1. Describe the issue under consideration

Pensions Administration Report.

2. Cabinet Member Introduction

Not applicable

3. Recommendations

That members note:

- 3.1.1 The pensions website www.haringeypensionfund.co.uk has had 1037 users accessing 4819 pages on the website during the four month period between 1 April 2016 to 31 July 2016.
- 3.1.2. Current members and deferred members of the Haringey Council pension scheme accessing the website www.haringeypensionfund.co.uk can sign up to the member Pension Self Service site. Members of the fund can access the site and view their own personal information held on the pension administration system. Members can also calculate benefits and access a copy of their annual benefit statement. 54 members have signed up to access their records.
- 3.1.3 In April 2016, 137 Members were reenrolled into the pension scheme on the re enrolment date. 76 of those members opted out of the pension scheme ie 55.4%.
- 3.1.4 There are currently 50 members ie 0.8 % of active employees paying additional pension contributions into one of the pension fund's Additional Voluntary Contribution (AVC) schemes administered by either Prudential, Clerical Medical or Equitable Life. The pension scheme allows members to pay additional contributions in the pension scheme to purchase added years or added pension in the pension fund. 32 members of the scheme are currently buying added years or added pension.

3.1.5 The Local Government Pension Scheme Advisory Board has published an update to their 1 August 2016 meeting, members are asked to note the contents of the communication.

4. Reason for decision

N/A

5. Alternative options considered

5.1. N/A

6. Background information

6.1 Hymans Robertson Website

The website www.haringeypensionfund.co.uk contains information about the Local Government Pension Scheme. Members of the Haringey pension fund are encouraged to use the site as it contains a wealth of information about the scheme. The website is maintained by Hymans Robertson and is updated regularly with current legislation and information.

6.2 Update on re auto enrolment

There were 137 employees who were auto re enrolled on 1 April 2016. 106 were in the local government pension scheme and 31 in the Teachers Pension Scheme. 76 employees have opted out to date ie 55.47%. The 61 employees who remained in the pension scheme have been contributing towards the pension scheme for four months.

6.3 Additional Voluntary Contribution (AVC)

The Local Government Pension Fund must have an AVC provider. The Haringey Council Local Government Pension Fund has two active AVC providers, Prudential and Clerical Medical. Equitable Life is an AVC provider which does not accept any new contributors. The member's AVC fund will provide either extra annuity pension or lump sum.

6.4 Local Government Pension Scheme Advisory Board

The Local Government Pension Scheme Advisory Board has published a brief update to their meeting in August. The Local Governmnet Association has requested that the update is sent to all members of the Pension Committee. A copy of the update can be found on the website <http://www.lgpsboard.org/index.php/about-the-board/board-updates> in appendix 1.

6.5 Late Payment of Contributions

The table below provides details of the employers who have made late payments during the last quarter.

Employer	Occasions late	Average Number of days late	Average monthly contributions
Cooperscroft Homes	3	1	£3,760
Lunchtime UK	1	1	£13,470
Devonshire Hill	1	1	£14,445

These employers have been contacted and reminded of their obligations to remit contributions a day earlier to ensure that they payment reaches the Pension Fund bank account by the due date.

7. Contribution to strategic outcomes

7.1. n/a

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

9. Use of Appendices

9.1. Appendix - SAB Meeting Update

10. Local Government (Access to Information) Act 1985

10.1. N/A

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BOARD UPDATE – AUGUST 2016

Message from the Chair of the Statutory Board

Dear Colleagues

The Local Government Pension Scheme Advisory Board (SAB) met on 1 August 2016.

The Board, as you may recall, is a statutory body established to advise the Minister who is responsible for the Scheme and to oversee and support the development of the administration and performance of the eighty-nine funds.

The Board considered and agreed its proposed terms of reference. These will now be sent to the Minister for approval. The Minister will also receive the Board's suggested budget (£384,375) and work plan for 2016/17. The budget will be submitted along with a suggestion that the Board's secretariat, through an additional post, provide support to the DCLG. The purpose of the post would be to ensure the Board's recommendations are given the degree of consideration and research necessary for the effective development of the Scheme.

The Board constituted the Cost Management, Benefit Design and Administration Committee and the Investment, Governance and Engagement Committee - agreeing their [membership](#) and terms of reference.

A report was considered by the Board on the issues of asset pooling in the Local Government Pension Scheme (LGPS). The Board agreed that the Chair write to the Minister expressing concern over the delay in approving submitted asset pool investment proposals and reinforcing the case for consistency and equality in assessment against the 4 criteria with a degree of pragmatism. It further agreed that the Chair write to the Secretary of State (copy to the Minister) requesting a meeting to discuss the Government's latest approach to infrastructure investment, particularly the issue of cost and/or risk sharing.

A Task Group (Chair, Vice-Chair and Board Secretary) was established by the Board to identify ways of better liaising with and being advised by the investment pools.

In that respect, the Board was pleased that the Chair would be meeting with the officer led Cross Pool Collaboration Group (CPCG) and encouraged closer ties with that group.

The Board also agreed that, following discussions with the CPCG, the Chair write to Chairs of Administering Authority Pension Committees proposing the formation of a Cross Pool Advisory Group at the political level consisting of representatives from each pool. This group would both advise the Board on pooling issues and potentially provide a forum to liaise with members of the Government at the political level.

The Board noted and approved the continuing actions being taken to support LGPS funds to produce transparent and consistent investment fee information that accords with a revised CIPFA accounting standard. A draft template had been produced and was available on the Board's web site.

The Board considered details of the bids received to undertake work on the impact of academy status for all schools. It agreed that the Chair and Vice-Chair be delegated authority to determine the award of a contract.

Yours sincerely

Cllr Roger Phillips – Chairman of the LGPS Advisory Board

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Report for: Pensions Committee 20th September 2016

Item number: 10

Title: Pension Fund Quarterly Update

Report authorised by: Tracie Evans, Chief Operating Officer (COO)

Lead Officer: Oladapo Shonola, Head of Finance - Treasury & Pensions
oladapo.shonola@haringey.gov.uk 02084893726

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

1.1. To report the following in respect of the three months to 30th June 2016:

- 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 30th June 2016 is noted.

4. Reason for Decision

4.1. N/A

5. Other options considered

5.1. None

6. Background information

- 6.1. 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.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

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

Finance and Procurement

- 8.1. The investment performance figures in section 12 show the impact of the introduction of passive fund managers in that generally the variance from target has reduced.
- 8.2. London CIV and LGIM have agreed new fee commission rate for all members of the CIV that are much lower than what is currently being paid. The impact of these new rates are not as significant for the Fund as it was for some other Funds in the CIV because Haringey had previously managed to agree rates that were significantly below market average prior to the establishment of the London CIV.
- 8.3. A £127k saving on current fees indicates extraordinary low fees proposal by LGIM and could be deemed an aggressive play for a larger share of the passive equity market in the LGPS.

Legal Services Comments

- 8.4. 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;
- 8.5. 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;
- 8.6. 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;

- 8.7. All monies must be invested in accordance with the Funding Strategy Statement and 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.

Comments of the Independent Advisor

- 8.6. The total value of the Fund at 30th June 2016 was £1,112m. At 31st March 2016 the total value of the Fund was £1,046m compared to £1,014m at 31st December 2015. The value of the Fund has seen gradual and continuous increase over the last several quarters.
- 8.7. The overall performance of the Fund over the last Quarter, Year and Three Years is close to benchmark (see section 12.1). A major contributor to this is the recent steady performance of stock markets globally. As a significant proportion of the Fund is invested in passive funds, the Fund assets have experienced similar growth to that of the markets.
- 8.8. The inclusion of European investments within the property portfolio which have performed extremely poorly (currently having nil value compared to a purchase cost of £9.7m) continue to present a challenge and adversely impact longer term performance.

Equalities

- 8.10 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.

9. Use of Appendices

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

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

11. Portfolio Allocation Against Benchmark

- 11.1. The value of the fund increased by £66m million between April and June 2016. All parts of the portfolio performed well in this quarter other than infrastructure which underperformed benchmark. In particular, equities had a strong quarter with North America contributing the most to gains. However, the strongest performance of the quarter was delivered by index linked gilts with returns in excess of 11% for the quarter.

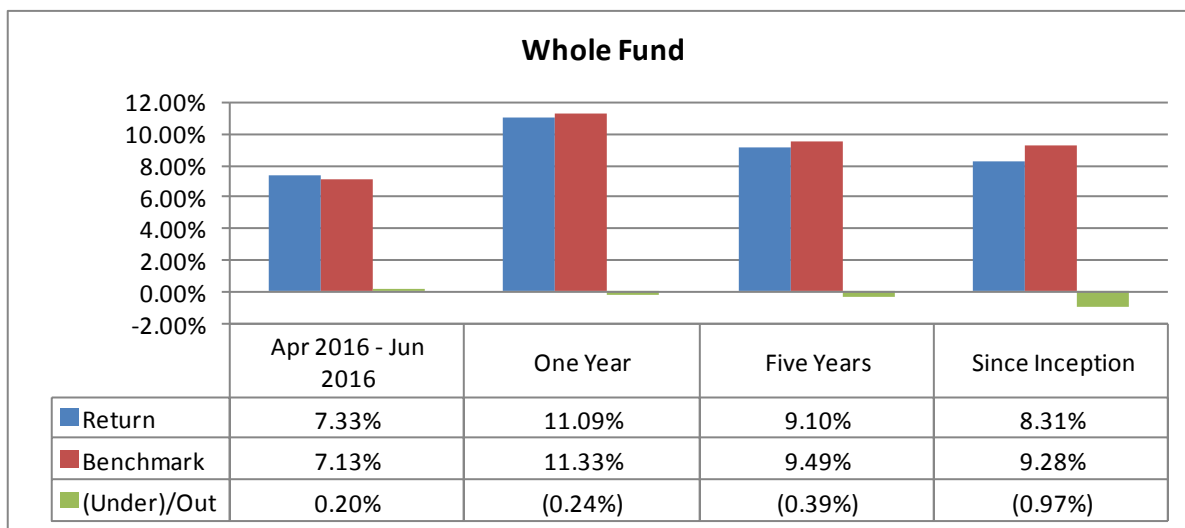
11.2. The equity allocation exceeds target by 4%. This is mostly due to the unfunded Allianz mandate. It is anticipated that the Infrastructure debt mandate will be close to being fully funded in 2016.

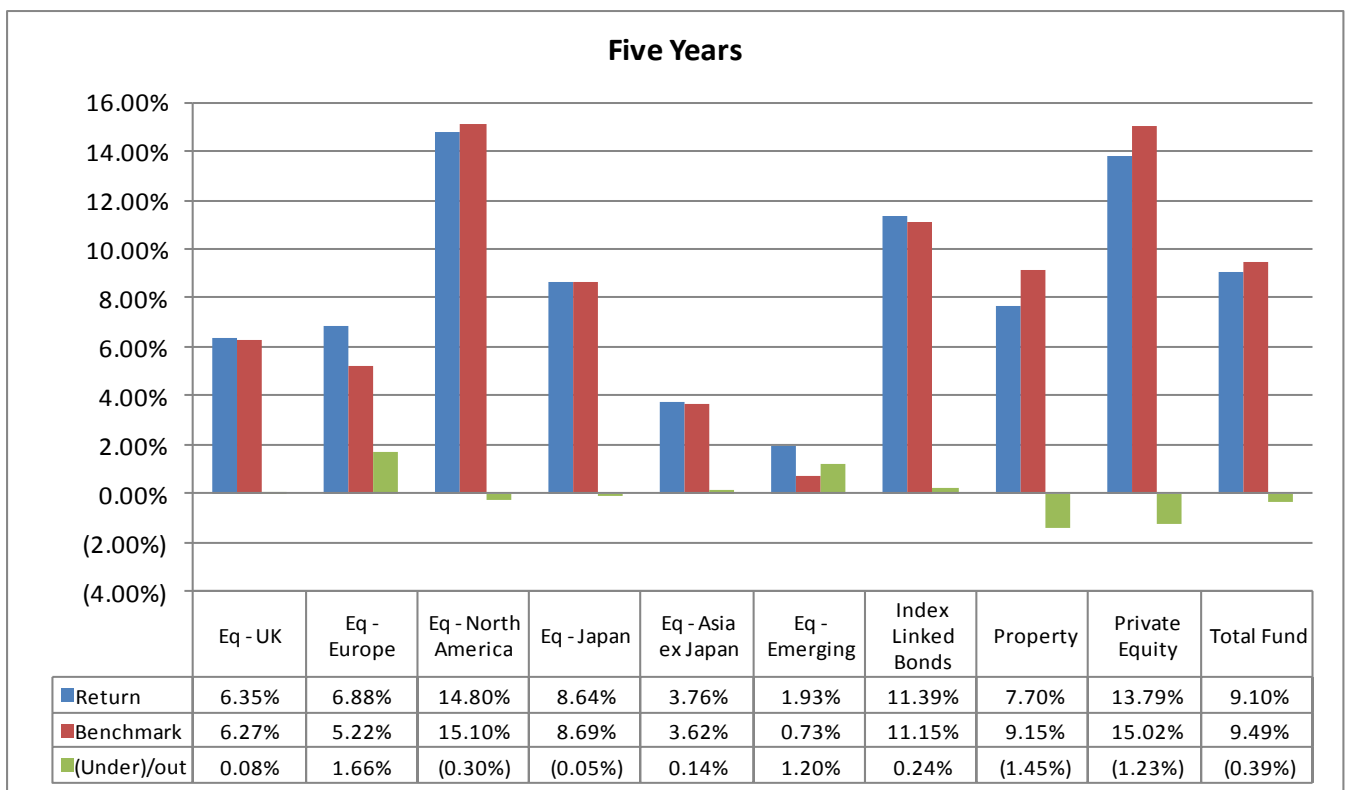
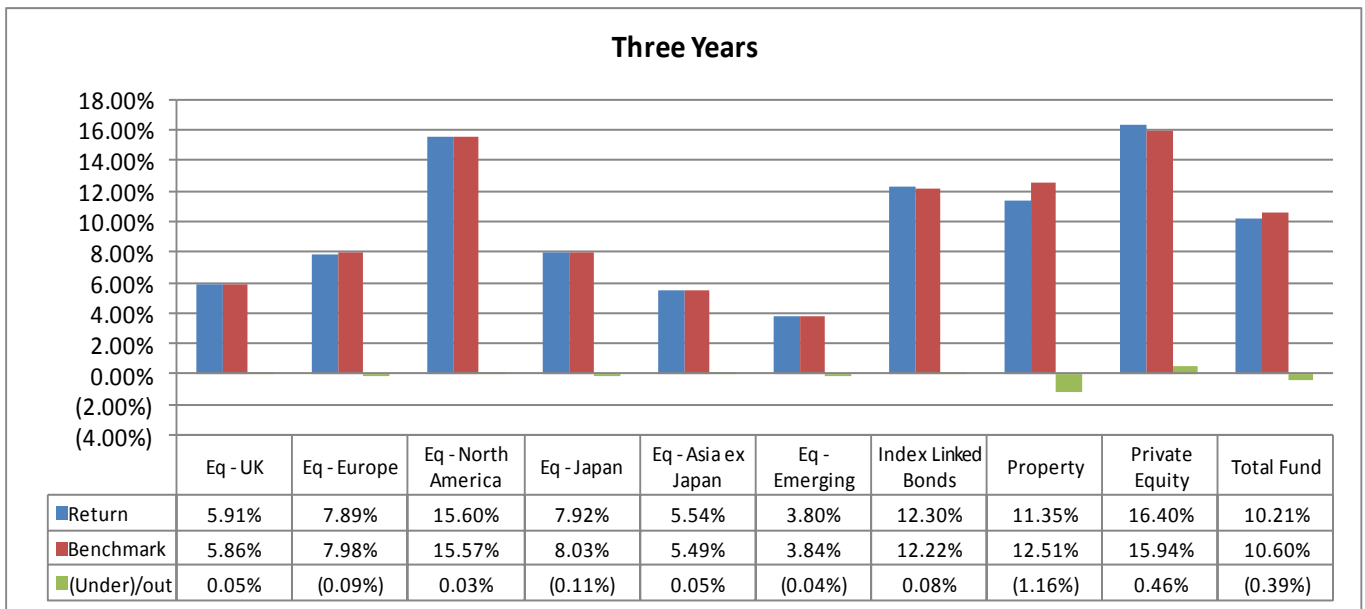
Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Allocation	Strategic
	30.12.2015	31.03.2106	31.06.2106	31.06.2016	Allocation
	£'000	£'000	£'000	%	%
Equities					
UK	162,900	159,980	148,912	13.39%	13.30%
North America	250,342	240,625	239,705	21.55%	19.30%
Europe	78,954	79,122	73,496	6.61%	6.57%
Japan	39,398	38,568	37,138	3.34%	3.10%
Asia Pacific	36,961	39,174	36,665	3.30%	3.03%
Emerging Markets	89,343	102,482	112,686	10.13%	8.00%
Global Low Carbon Tgt	0	0	65,538	5.89%	6.67%
Total Equities	657,898	659,951	714,140	64%	60%
Bonds					
Index Linked	146,547	150,667	167,547	15.06%	15.00%
Property					
CBRE	104,378	111,024	101,352	9.11%	10.00%
Private equity					
Pantheon	40,476	44,110	45,649	4.10%	5.00%
Multi-Sector Credit					
CQS	46,425	46,529	47,451	4.27%	5.00%
Infrastructure Debt					
Allianz	22,648	21,621	22,457	2.02%	5.00%
Cash & NCA					
Cash	3,152	11,665	13,645	1.23%	0.00%
Total Assets	1,021,524	1,045,567	1,112,241	100%	100%

12. Investment Performance Update: to 30th September 2015

12.1. Appendix 1 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter April to June 2016 and for one, three and 5 years.

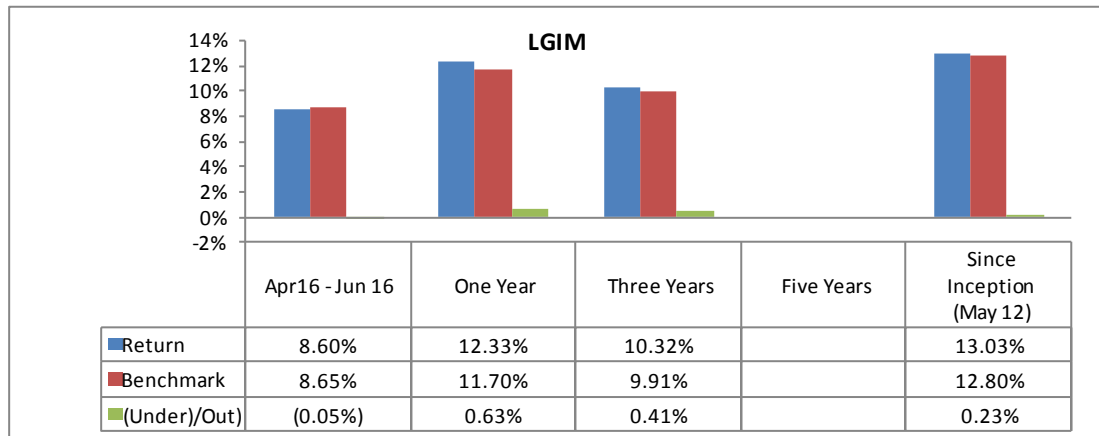




12.2. The Fund returned 7.33% over the quarter and has over-performed benchmark of 7.13% by 0.20%. In terms of stock selection; equity and index linked income had a particularly strong quarter making significant contributions to gains. North America and Emerging Markets region also made significant contributions to over-performance in this quarter. However, most asset classes, sectors and regions contributed to a good quarter's performance.

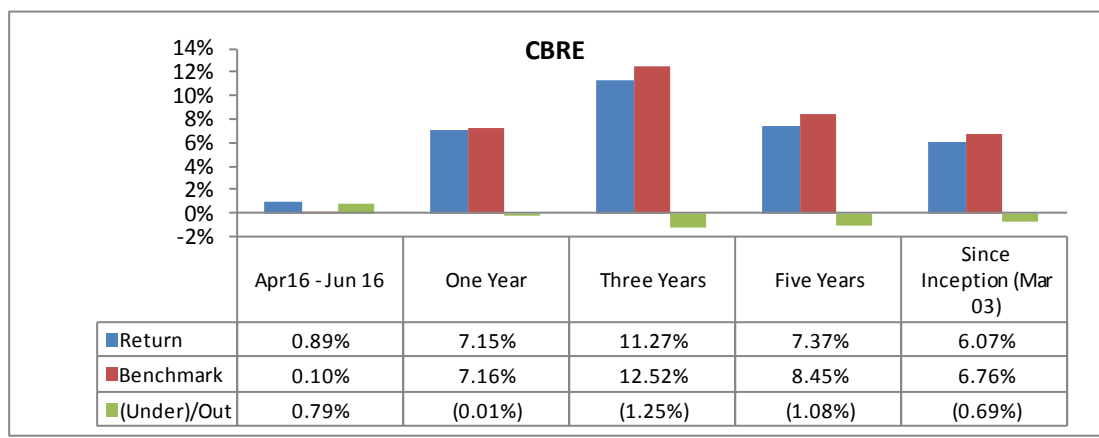
12.3. Over the last 12 months the Fund returned 11.09%, but trail benchmark by 0.25%; three and five year performance show underperformance of 0.39% and 0.93% respectively.

Legal & General Investment Management



12.4. Legal and General returned 8.6% this quarter and has underperformed composite benchmark by 0.05% - most of the underperformance is mainly driven by asset allocation. The overweight position in North America and Emerging Markets were major contributors to over-performance in the quarter. Index linked income performed in line with benchmark in the quarter. Performance of the manager over the long term is also ahead of benchmark.

CBRE

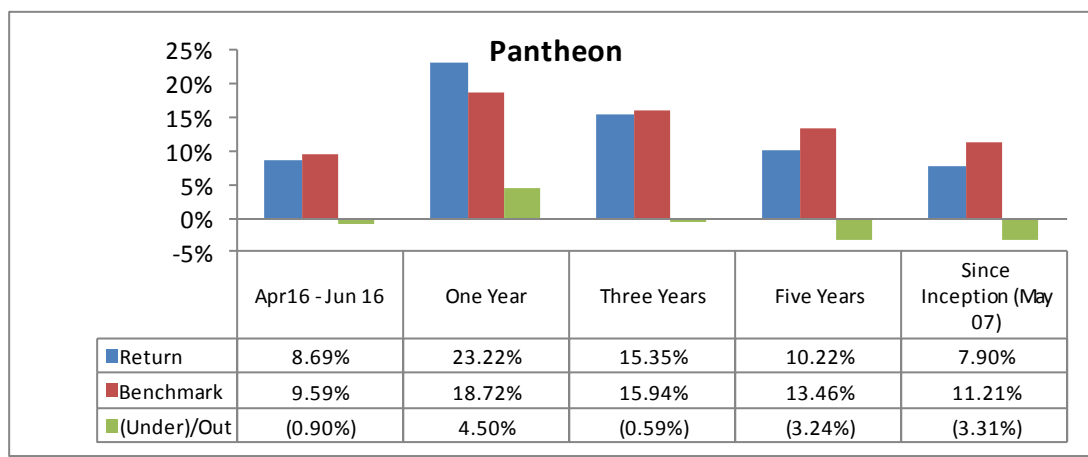


12.5. The manager saw a positive total return of 0.89% in the quarter and over-performed benchmark by 0.79%. Since inception the manager has underperformed benchmark by 0.69%. The relative performance of the property portfolio over the longer term has been driven by two European holdings that have suffered significant capital loss.

12.6. 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 / retail). 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.

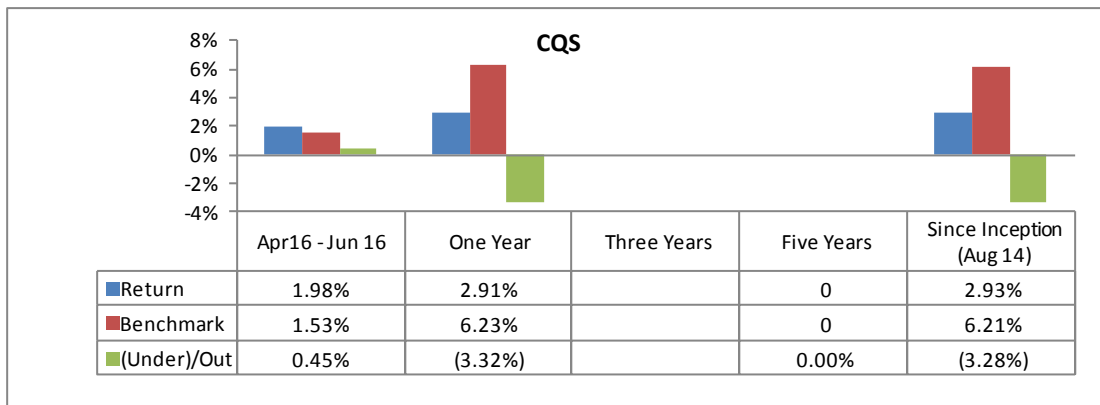
12.7. Adjusting for the European investment would put the manager significantly ahead of benchmark in terms of performance. However, the portfolio is expected to lag the benchmark for many years until the impact of the two European funds passes through.

Pantheon Private Equity



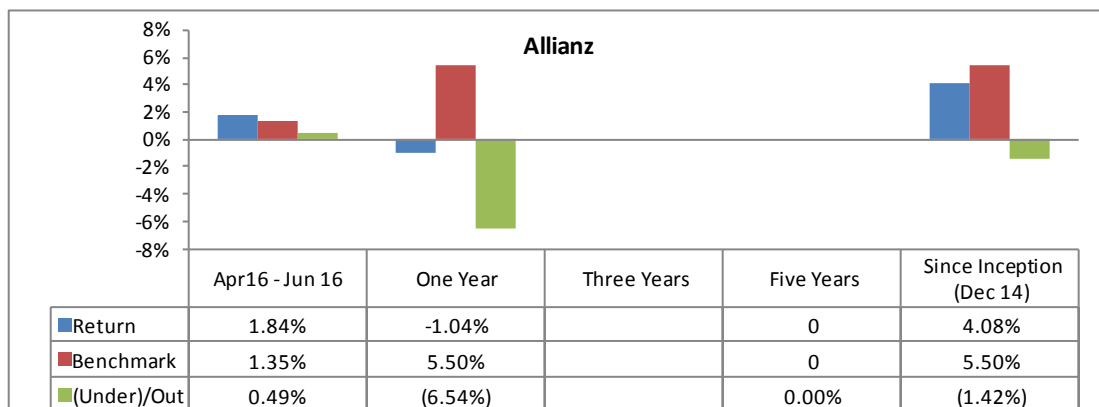
Pantheon Private Equity has underperformed benchmark by 0.90% in the quarter - although the manager’s performance in the last 12 months is significantly ahead of benchmark (4.5%). Longer term performance continues to lag benchmark.

CQS Multi Sector Credit



12.8. The manager has over-performed in the quarter by 0.45%, returning 1.98% against the benchmark return of 1.53%. Over the longer term, performance lags benchmark by 3.28%. This is due to general underlying problems with the sector although CQS remains on average a good performer among managers in the sector.

Allianz Infrastructure Debt



12.9. Allianz has returned 1.84% against benchmark of 1.35% giving an over-performance of 0.49% in the quarter. Since inception, the manager has underperformed benchmark by 1.42%.

13. Budget Management – Quarter Ending 30th June 2016

	Prior Year 2015-16 £'000	Reporting Period 2016-17 £'000	Change in expenditure £'000
Contributions & Benefit related expenditure			
Income			
Employee Contributions	2,301	2,156	-145
Employer Contributions	8,405	8,546	141
Transfer Values in	310	76	-234
Total Income	11,016	10,778	-238
Expenditure			
Pensions & Benefits	-10,962	-10,213	749
Transfer Values Paid	-525	-1,043	-518
Administrative Expenses	-132	-174	-42
Total Expenditure	-11,619	-11,430	189
Net of Contributions & Benefits	-603	-652	-49
Returns on investment			
Net Investment Income	1,118	1,126	8
Investment Management Expenses	-78	-525	-447
Net Return on Investment	1,040	601	-439
Total	437	-51	-488

13.1. The Fund is entering a period of maturity, where benefits payable is more than contributions received – this is reflected in the latest actual spend to date in 2016/17. Consequently, as the Fund further matures, it will be necessary to increase liquid asset holdings to ensure that the Fund is always able to meet its obligations to retired members.

13.2. The Funding Strategy would need to be revised to include investment in cash yielding assets, such as is being targeted for the renewable energy mandate, to provide greater liquidity in the Fund in order to prevent liquidation of assets to pay benefits.

13.3. The income shown in the above table is property income from the Property mandate as income from other asset classes are re-invested and shown within the overall fund asset value.

13.4. In all the net increase in expenditure in Qtr 1 2016 compared to the same period in the last financial year. However, this is mainly due to the increased

spend of £477k on investment management expenses in 2016 compared to last year.

Investment Related Update

14. Pooling (London CIV)

- 14.1. The Fund was one of the early investors in the London CIV (LCIV).
- 14.2. An officer meeting of members of the LCIV was held on 8th August 2016 where LGIM presented their revised offer to London CIV members.
- 14.3. Following instruction from the Government that Funds currently invested in live funds should be able to retain to those funds where it makes financial sense to do so. This meant that LCIV and LGIM had to renegotiate terms on behalf of the 14 members of the LCIV that are invested in LGIM live funds.
- 14.4. LCIV and LGIM presented details of the new offer to LGIM investors at a meeting on 8th August 2016. The new agreements have been received and are now being reviewed by officers. The agreement will need to be signed by 24th August 2016, but the agreement (lower fees) will be backdated to 1st July 2016.
- 14.5. Provisional estimates indicate Haringey Pension Fund will make investment fee savings of £127k and also be to retain all of its investments with LGIM in their current form. The Committee had previously agreed to transfer all equity holdings (less emerging markets) to LCIV – this is no longer necessary.
- 14.6. These investments will be deemed by the Government to be part of the LCIV pool regardless of the fact that they will continue to be held outside of the LCIV Authorised Contractual Scheme (ACS) Fund structure.

15. Aviva Long Lease Property Mandate

- 15.1. The Committee at its meeting on 11 April 2016 approved to invest £50m in the Aviva Long Lease Property Fund. The instruments of the Lime Trust Fund and information memorandum for the Lime Property Fund have been received from the manager.
- 15.2. Subscription agreements have now been signed and returned to Aviva who are now in the process of completing their due diligence/Know Your Customer checks.
- 15.3. The next steps are as follows:

- The Jersey Manager will hold a board meeting to approve the subscription agreement once the original hard copy is received and KYC checks are complete. Once approved the Fund will formally join the queue.

15.4. It is anticipated that the Fund will join the queue of investors by the end of this year.

16. Low Carbon Index Update

16.1. The Committee agreed at its meeting of 14 January 2016 to shift one third of its equities portfolio or approximately 20% of total fund assets to low carbon target. Committee also agreed that the switch should be implemented in tranches to mitigate the risk of unfavourable market timing on oil prices.

16.2. The first tranche of asset switching worth approximately £60m was completed on 3 May 2016 at a cost of £51k (0.086%). The cost of transferring has been kept low by some internal switching of assets within the overall fund and coordinating with the sale of some assets by the Environment Protection Agency who were exiting the Index.

16.3. The transfer of the second tranche of assets was executed on 1st August 2016 at a cost £25k (0.042%). The cost of transferring and rebalancing of investment portfolio for the second tranche was halved when compared with the cost of executing the first tranche. This is mainly due to the increased level of matching that the manager was able to undertake within its overall portfolio of assets.

16.4. The third tranche is provisionally scheduled for 1 November 2016. A further update will be provided to the Committee once the third and final transfer has been completed.

17. CBRE Update

17.1. The Committee asked for an update on the impact of Brexit on the Pension Fund's property portfolio at its meeting of 11th July. Following feedback from our two property managers appointed by the Fund, it appears that Brexit impact on the property market has mostly affected retail funds – Haringey is not invested in retail funds. The manager has provided detailed commentary below:

Market Commentary

17.2. We anticipate downward shifts in valuations over the coming months. We are monitoring underlying funds and the direct market for feedback on an ongoing basis. At present the market signals are mixed with deals for prime / good quality properties let on secure, long term leases transacting at or close to pre-Brexit vote levels, whereas more secondary assets - or those with vacancy or shorter unexpired lease periods - are seeing a wider pricing discount. In terms

of sectors, indications from July valuations are that values are down, generally by 0-5%, with central London offices seeing the largest value write-downs, especially in the City. Industrial values are holding up relatively well, as are values in the alternative sectors (such as student accommodation) and those for assets with long leases subject to RPI or fixed uplifts.

- 17.3. Given market uncertainties in the UK property market, valuers are including valuation caveats for the funds held within the Haringey portfolio until sufficient evidence from comparable investment & leasing transactions emerges. Accordingly the impact of Brexit was not revealed in your June 2016 valuation and performance results but we anticipate this to occur in Q3 and the following months.
- 17.4. You will have noted negative press coverage concerning retail funds (funds which retail investors can access). There have been NAV reductions within the open ended retail funds of around 5% and in some cases some funds introduced hefty exit fees, in certain cases to a 15-17% discount to NAV, to protect against redemption pressures. Please be assured that your portfolio is not invested in any such funds. Furthermore, there is still liquidity in the UK property market for some of the assets these retail funds are looking to sell. More recently we have seen the hefty exit fees imposed by some of the retail funds reduce to 7-10%. Some retail funds have also reported that a portion of the redemptions they received having been withdrawn, and in some cases they are seeing inflows of capital.
- 17.5. Although the impact of Brexit will be negative to the outlook for UK property, Brexit-related disruption has occurred when UK fundamentals were relatively favourable with lower long term government bond yields, cheaper sterling and monetary policy able to provide some support to the economy and property pricing. What happens within occupational markets is very important – so far the initial response from occupiers has been encouraging with many leases agreed before the referendum being executed post Brexit on the same terms. However we caution it is still early days and the leasing deals that have been executed post-Brexit were well advanced pre-Brexit. We will continue to watch business sentiment surveys closely to gauge the sustainability of tenant demand.
- 17.6. It is a combination of factors that will drive returns and pricing going forwards. This will include but is not limited to: investor sentiment and return requirements, the supply and demand for investment product (many investors are adopting a wait and see approach, particularly from overseas, or looking to extract price adjustments on purchases), how property fares relative to other assets classes (UK property still provides a strong yield spread over bonds/gilts) and what happens in the occupier market (which will impact rental levels).

Haringey Portfolio

- 17.7. As noted in your Q2 2016 report, we do not expect to make a fundamental shift to your portfolio. As a general overall commentary the Haringey portfolio is exposed to good quality institutional property that should prove be relatively more resilient to any decrease in capital values (as noted above). For example we have built an overweight position (relative to our portfolio models – and the benchmark) in funds in the ‘other commercial’ (which includes student accommodation and leisure property) and continued to maintain a high exposure to the industrial sector.
- 17.8. We also made investments into funds like Cordatus Property Trust, which provides an above average income yield, and Palmer Capital Income Unit Trust, which has a portfolio with a longer than average lease length. Furthermore we have remained ‘underweight’ to both central London offices and ‘rest of UK’ offices which should also prove positive given the expected Brexit ‘traffic light’ impacts noted above. You will note that we have decreased your holding in West End of London Property Unit Trust in 2016 and plan to reduce this further in 2016-17. We are also underweight to the retail warehouse sector, which we believe is appropriate, although the funds in this sector have experienced either leverage or over-valuation issues.
- 17.9. We continue to monitor the markets and are generally prepared to secure opportunities where re-pricing is attractive. We believe that a flight to quality and further monetary stimulus could mean that pricing for prime, long leases assets holds firm, or could improve.
- 17.10. As you are aware we are in the process of reducing the Haringey portfolio by some 25%. You will note that the portfolio had just over 10% in cash at the end of June as part of this process. Clearly market pricing has been and will continue to be affected by the Brexit vote. In particular this has impacted the secondary market pricing of funds in which you are invested. This will increase the cost and/ or timeframe of completing the sell down exercise although we will continue to optimise disposals as opportunities and market conditions dictate.

18. Renewable Energy Manager Search

- 18.1. The Committee agreed to appoint bfinance as search manager to assist with the appointment of an investment manager to actively manage the Funds proposed investment into the renewable energy sector.
- 18.2. The high level universe screening of potential managers commenced in July following agreement of request for proposal and mandate specification questionnaire. This culminated in the submission of 18 applications by the deadline of 19 August 2016.
- 18.3. The initial number and mix of managers that have responded should provide a broad range from which the Fund can narrow down to a preferred manager. A long list of 9 managers was initially submitted by bfinance, but this has been further refined down to 7 managers at a joint meeting between bfinance and

the Council and its representatives. These 7 managers will now go on to the next stage of the selection process. The successful managers that are through to the next stage are set out in the below table.

Name	Fund
Aquila Capital	Aquila Capital European Hydropower Fund S.A
BlackRock	Global Renewable Power Fund II
Carlyle Group	Carlyle Global Infrastructure Opportunity Fund L.P. (Renewable Infrastructure Side-Car)
Copenhagen Infrastructure Partners	Copenhagen Infrastructure III K/S
Foresight Group - FEIP	Foresight Energy Infrastructure Partners
Impax Asset Management	New Energy Investors III L.P.
KGAL Investment Management	ESPF 4

18.4. The next phase of the search is to issue a second stage questionnaire which will be issued on 13th September and due to be submitted late September. A selection interview panel will be convened soon after the questionnaires have been received back to review submissions and interview prospective managers on the short list.

18.5. A final onsite meeting will be arranged with the preferred manager(s) prior to making a recommendation to the Committee. It expected that the Committee will have the opportunity appoint a new manager at its meeting scheduled for 22nd November 2016.

Appendix 1

Manager	% of Total Portfolio	Mandate	Benchmark	Performance Target
Legal & General Investment Management	75.00%	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
Total	100%			

Asset Class	Benchmark	Legal & General Investment Management
UK Equities	FTSE All Share	13.30%
North America	FT World Developed North America GBP Unhedged	19.30%
Europe ex UK	FT World Developed Europe X UK GBP Unhedged	6.57%
Pacific ex Japan	FT World Developed Pacific X Japan GBP Unhedged	3.03%
Japan	FT World Developed Japan GBP Unhedged	3.10%
Emerging Markets	FT World Global Emerging Markets GBP Unhedged	8.00%
Global Low Carbon Target	MS World Low Carbon Target Index	6.70%
Total Overseas Equity	FTA Index Linked Over 5 Years Index	46.70%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	15.00%
Total L&G		75.00%

Report for: Pensions Committee 20th September 2016

Item number: 11

Title: Forward Plan

Report authorised by: Tracie Evans, Chief Operating Officer (COO)

Lead Officer: Oladapo Shonola, Head of Finance - Treasury & Pensions
oladapo.shonola@haringey.gov.uk 02084893726

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

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 twelve months and to seek Members input into future agenda's. Suggestions on future training are also requested.
- 1.2. The Committee is invited to reflect on the conduct of the meeting and identify any areas for improvement.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

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

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. None

6. Background information

6.1. 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 Committee is invited to consider whether it wishes to amend agenda items.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

Finance and Procurement

8.1. There are no financial implications arising from this report.

Legal Services Comments

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

Equalities

8.3. None applicable.

9. Use of Appendices

- 9.1. Appendix 1: Forward Plan
- 9.2. Appendix 2: Training Plan.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Pension Committee - Forward Plan

Meeting Date Item No	08 Sep 2016	22 Nov 2016	19 Jan 2017	16 Mar 2017	01/07/2017 (Prov)
Standing Items					
1	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies
2	Governance Update Report	Governance Update Report	Governance Update Report	Governance Update Report	Governance Update Report
3	Work/Forward Plan	Work/Forward Plan	Work/Forward Plan	Work/Forward Plan	Work/Forward Plan
4	Risk Register Review / Update	Risk Register Review / Update (Governance & Legal)	Risk Register Review / Update (Administration & Communication)	Risk Register Review / Update (Accounting & Investments)	Risk Register Review / Update (Funding/Liability)
5	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
6	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration & Governance					
7	Annual Pension Fund Accounts (Audited Final)	Pension Fund Annual Report (Final - For Publication)	Discretion Policy Statement	Fund Administration Benchmarking	Annual Pension Fund Accounts (Draft)
8	Fund Governance Compliance Checklist	Internal Dispute Resolution Policy	Pension Fund Administration Policy	Conflict of Interest (Declaratoin 7 Annual Report)	Training Policy Framework
9	Review of Fund Governance	Framework Agreeemnt for Actuarial Services	Communication Policy		Reporting Breaches (Annual Report)
10	Supporting a LAPFF Co- filing a Shareholder Resolution				
Investments					

Meeting Date Item No	08 Sep 2016	22 Nov 2016	19 Jan 2017	16 Mar 2017	01/07/2017 (Prov)
11	Renewables Managers Selection Process	Renewables Managers Selection Process	Review of Investment Strategy / Benchmark	Fund Managers Internal Control Report	
12		Review CQS Benchmark	Performance Review - Additional Voluntary Contribution Providers		
Funding & Valuation					
13	Ill- Health Liability Insurance Report	Triennial Valuation - Agreement of Assumptions / Draft Results	Triennial valuation - Final Results / Contribution Rates	External Audit Plan for Statement of Accounts	External Audit Plan for Statement of Accounts
14		Funding Strategy Statement / Statement of Investment Principles / Compliance Statement			
Training					
15	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
16	Member Training - Safeguarding Fund Assets	Member Training - Presentation by London CIV	Member Training - Knowledge & Skills Workshop	Member Training - Infrastructure (Allianz)	Introduction to LGPS and Trustee Responsibilities

TRAINING PROGRAMME

Date	Conference / Event	Training/Event Organiser	Cost	Delegates Allowed
01-Sep-16	Optimising Value from Bond Investments for Pension Funds	SPS Conferences	Free	2
12-Sep-16	The LGPS Pension Board Seminar	Pension & Lifetime Savings Association (PLSA)	£450	2
14 sep 2016 (2.30pm)	WEBINAR - Understanding and Managing Currency Risk	Bank of New York Mellon	Free - Registration Required	N/A
21-Sep-16	Pension trustee and employer responsibilities	Eversheds	£499	1
05-Oct-16	LAPFF Executive Meeting	Local Authority Pension Fund Forum (LAPFF)	Free	1
12 - 13 Oct 2016	Real Assets and Infrastructure Investment Strategies	Investments & Pensions Europe	Free	1
18-Oct-16	LAPFF Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free	1
19 -21 Oct 2016	PLSA Annual Conference	Pension & Lifetime Savings Association (PLSA)	Free	2
16-Nov-16	LAPFF Executive strategy meeting	Local Authority Pension Fund Forum (LAPFF)	Free	1
17-Nov-16	Local Authority Pension Fund Investment Issues	SPS Conferences	Free	2
22-Nov-16	Actuarial Valuation presentation – results comparator/considerations	Hymans Roberston	Free	N/A
7 Nov - 9 Nov 16	LAPFF Annual Conference	Local Authority Pension Fund Forum (LAPFF)	Free	2
31-Jan-17	LAPFF AGM and Business meeting	Local Authority Pension Fund Forum (LAPFF)	Free	N/A

Other Training Opportunities

Date	Conference / Event	Training/Event Organiser	Cost	Delegates Allowed
www.thepensionsregulator.gov.uk	The Pension Regulator's Pension Education Portal	The Pension Regulator	Free - Online	N/A
http://www.lgpsregs.org/	LGPS Regulation and Guidance	LGPS Regulation and Guidance	Free - Online	N/A
http://www.lgps2014.org/	LGPS Members Website	LGPS	Free - Online	N/A
www.local.gov.uk	Local Government Association (LGA) Website	LGA	Free - Online	N/A

Please contact Oladapo Shonola, Head of Finance - Treasury & Pensions, if you wish to attend any of these courses.

Tel No: 020 8489 3726

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Report for: Pensions Committee 20th September 2016

Item number: 12

Title: Risk Register - Review/Update

Report authorised by: Tracie Evans, Chief Operating Officer (COO)

Lead Officer: Oladapo Shonola, Head of Finance - Treasury & Pensions
oladapo.shonola@haringey.gov.uk 02084893726

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1. This paper provides an update on the Fund's risk register and an opportunity for the Committee to further review the risk score allocation.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee review and approve the updated risk register for the Haringey Pension Fund.
- 3.2. That the Committee agree that the Haringey Pension Fund risk register will be reviewed at quarterly Pensions Committee meetings as set out in the forward plan.

4. Reason for Decision

- 4.1. As notified at the 11th July meeting of the Committee, the risk register has undergone further review/update including the addition of a summary page. Therefore, the Committee should approve the updated risk register.
- 4.2. The Risk Register forms an important part of the governance framework and enables the Committee to consider and evaluate the key risks which the Fund faces in trying to achieve its stated objectives. Being aware of the impact and probability of those risks allows for proper planning and risk mitigation strategies to be implemented and evaluated.

5. Other options considered

- 5.1. A risk register is an integral part of the internal control systems of the Pension Fund and as such an option not to have a risk register has not been considered.

6. Background information

- 6.1. The Pensions Regulator requires that the Committee establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.
- 6.2. The Committee approved a version of the risk register at its meeting of 11th April 2016 and agreed that an area of the register will be reviewed in subsequent meetings.
- 6.3. The Committee also agreed that the risk register needed to include investment risks especially around long term interest rate risks. Another area of concern was the assumptions around liabilities and whether sufficiently high risk rating had been awarded to these risks in the register.
- 6.4. The risk register has been updated to take account of these concerns, but has also been redesigned to better present information in a way that makes the register easier to review including the addition of summary pages.

7. Contribution to Strategic Outcomes

- 7.1. None.

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

Finance and Procurement

- 8.1. The Chief Finance Officer confirms that there are no financial implications directly arising from this report.

Legal

- 8.2. The Assistant Director of Corporate Governance has been consulted on the content of this report. The recommendation would enhance the administering authority's duty to administer and manage the Scheme and is in line with the Pension Regulator's Code of Practice.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. Appendix 1 – Haringey Pension Fund Risk Register

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
GOVERNANCE			
1	GOV1	Pension Fund Objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	3
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	16
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	12
4	GOV4	Member non-attendance at training events.	8
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	4
6	GOV6	Committee members have undisclosed conflicts of interest.	3
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	4
8	GOV8	Known risks not monitored leading to adverse financial, reputational or resource impact.	4
9	GOV9	Failure to recognise new Risks and/or opportunities.	4
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	5
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	8

Risk No	Cat Ref	Risk	Risk Ranking
INVESTMENTS			
39	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	10
40	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	5
41	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	10
42	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	5
43	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	10
44	INV6	Investment Manager Risk - this includes both the risk that the wrong manager is appointed and /or that the manager doesn't follow the investment approach set out in the Investment Management agreement.	10
45	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	4
46	INV8	The risks associated with the Fund's assets are not understood resulting in the Fund taking either too much or too little risk to achieve its funding objective.	10
47	INV9	Actual asset allocations move away from strategic benchmark.	12
48	INV10	No modelling of liabilities and cash flow is undertaken.	5

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
GOVERNANCE			
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	3
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	6
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB) resulting in reputational damage.	10
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	10
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	15

Risk No	Cat Ref	Risk	Risk Ranking
COMMUNICATION			
49	COM1	Members don't make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	8
50	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	6
51	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	8
52	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	9
53	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	8
54	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	4

LEGISLATION			
18	LEG1	Failure to adhere to LGPS legislation (including regulations, order from the Secretary of State and any updates from The Pension Regulator) leading to financial or reputational damage	10
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	5
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	8

Risk Register - Haringey Pension Fund

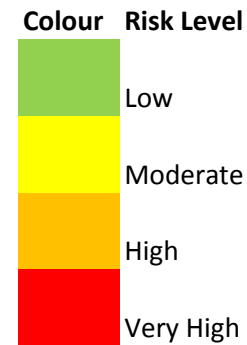
Risk No	Cat Ref	Risk	Risk Ranking
ACCOUNTING			
21	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	10
22	ACC2	Internal controls are not in place to protect against fraud/ mismanagement.	8
23	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
24	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
25	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
26	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	5
27	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	8
28	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	12

Risk No	Cat Ref	Risk	Risk Ranking
FUNDING/LIABILITY			
55	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
56	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
57	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	10
58	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	10
59	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	5
60	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	10
61	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	5
62	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	4
63	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	8
64	FLI10	Processes not in place to capture or review covenant of individual employers.	8
65	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	5

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
ADMINISTRATION			
29	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	10
30	ADM2	Pension structure is inappropriate to deliver a first class service	15
31	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	12
32	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	5
33	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	8
34	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	8
35	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	8
36	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	10
37	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	5
38	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	10

Risk No	Cat Ref	Risk	Risk Ranking
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Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
1	GOV1	Pension Fund Objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	<p>Objectives defined in the Funding Strategy Statement and approved by the Pensions Committee.</p> <p>The Committee has approved a mission statement which summarises the overarching objectives of the Fund.</p>	3	1	3	PCB	Dec-16
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	<p>The nature of Council appointees to the Fund means that there is likely to be annual turnover of appointments to the Pensions Committee. However, Full Council through Democratic Services has been made aware of the consequences of constant turnover of Pensions Committee members.</p> <p>A comprehensive training programme that is in line with CIPFA guideline/The Pension Regulator has been developed and is continuously reviewed/updated.</p> <p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted accordingly</p> <p>New members required to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p>	4	4	16	PCB; HoP	Ongoing

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	<p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted as required.</p> <p>New members are required to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p> <p>Officers and advisers (statutory, independent, actuarial) are always present at meetings to provide guidance and assist Members through decision making process.</p>	4	3	12		
4	GOV4	Member non-attendance at training events.	<p>A record of training events attended is a standing agenda item.</p> <p>The importance of attending training events is highlighted to all members at the annual introductory training event.</p> <p>The Committee also runs a series of internal training events which precede or are included on the Committee meeting agenda.</p> <p>Member training is reported as part of the Annual Fund report.</p>	4	2	8	PCB	Quarterly

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	<p>Job descriptions are used at recruitment to appoint officers with relevant skills and experience. The recruitment process would have identified key knowledge/skills that the successful applicant would need to demonstrate that they possess before being offered a role.</p> <p>Training and improvement plans are in place for all officers as part of the Council's performance appraisal programme.</p>	4	1	4	HoCP	Dec-16
6	GOV6	Committee members have undisclosed conflicts of interest.	<p>Declaration of conflict of interest is a standing item on the agenda.</p> <p>All members of the Committee are required to complete an annual declaration of interest form.</p>	3	1	3	PCB	Completed; Reviewed Quarterly
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	<p>There are five Committee/Board meetings scheduled for 2015/16 municipal year.</p> <p>Where urgent decisions are required this can be done either by organising an additional meeting outside the scheduled meetings or canvassing opinions and votes electronically following dissemination of relevant information to Members.</p>	4	1	4	PCB	N/A
8	GOV8	Known risks not monitored leading to adverse financial, reputational or resource impact.	The Committee has agreed to have the risk register on the agenda for all future meetings including a review of all high risk items and a periodic review of risks by category of risk.	4	1	4	PCB	Ongoing

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
9	GOV9	Failure to recognise new Risks and/or opportunities.	<p>Quarterly Committee/management meeting to identify new risks/opportunities.</p> <p>Attendance at regional and national forums to keep abreast of current issues and their potential impact on the Fund.</p>	4	1	4	HoP; PCB	Quarterly
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	<p>All procurement carried out in line with the Council's procurement rules and guidance. Expert legal and procurement advice sought where appropriate.</p>	5	1	5	HoP	Ongoing
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	<p>The Pension Fund reviews contracts annually to ensure that the Fund receive good value. This include soft market testing where applicable to access opportunities that may benefit the Fund.</p>	4	2	8	HoP; PAM	Annually
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	<p>All Committee/Board minutes to be published within 10 days.</p> <p>Publication of an pension fund annual report on the Council's and Fund websites.</p>	3	1	3	PAM	Quarterly
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	<p>The Communications Strategy sets out how the Fund will engage with all stakeholders.</p> <p>Employees and employers are represented on the Fund's Committee/Board with voting rights</p>	3	2	6	PAM	Ongoing

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	<p>Officers maintain knowledge of legal framework for routine decisions.</p> <p>The Council's legal team is involved in reviewing Committee papers and other legal documents.</p> <p>The Fund has engaged a team of experts (Independent Advisor, Actuary, Investment Consultant) that are highly degree of experience and knowledge about the LGPS and pension fund investments.</p>	5	1	5	HoP; PCB	Ongoing
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB) resulting in reputational damage.	Guidance (included updates) issued by TPR and SAB is reported to the Committee with gaps identified and clear timetables to address weaknesses agreed.	5	2	10	HoP	Nov-16

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	<p>The London CIV is planning to have as wide a range of mandates as possible and also that there will be a choice of manager for each mandate/asset class.</p> <p>The London CIV is planning to appoint investment managers to all asset classes that the Fund is currently invested in.</p> <p>The Fund will be able to retain mandates not currently appointed to by the London CIV and may invest in other pools if they have a desired mandate.</p> <p>The Fund has a seat on the Investment and Advisory Committee of the London CIV. One of the functions of this body is to recommend implementation of mandates.</p> <p>The Secretary of State has stated that where transfer of assets result in significant loss to a Fund, then the assets should be retained under existing arrangements - this may provide an opportunity for the Fund to pursue a strategy that is dissimilar to the London CIV.</p>	5	2	10	HoP	Mar-17

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	<p>The Investment Strategy is in accordance with LGPS investment regulations and it takes into consideration the Funds liabilities and funding levels among other things.</p> <p>The Investment Strategy is documented, reviewed and approved by the Pensions Committee/Board.</p>	5	3	15	HoP	Mar-17

Risk Register - Haringey Pension Fund

LEGISLATION: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
18	LEG1	Failure to adhere to LGPS legislation (including regulations, order from the Secretary of State and any updates from The Pension Regulator) leading to financial or reputational damage	<p>Officers maintain knowledge of the LGPS legal framework for routine decisions.</p> <p>Use of tools available on the TPR website including the Public Service Toolkit and Scheme Advisory Board Model.</p> <p>The Council's legal team is involved in reviewing Committee papers and other legal documents.</p> <p>The Fund has engaged a team of experts (Independent Advisor, Actuary, Investment Consultant) that are highly degree of experience and knowledge about the LGPS and pension fund investments.</p>	5	2	10	HoP; PAM; PCB	Ongoing
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	<p>Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training presentation on impact and implementation of new legislation.</p> <p>Collaborative working with other Funds to assess requirement and impact of new legislation.</p>	5	1	5	HoP; PAM	Ongoing

Risk Register - Haringey Pension Fund

LEGISLATION: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	The Pension Team is being restructured to ensure appropriately skilled staff are recruited and to ensure that there is a concentration of knowledge between the pensions administration and investment teams.	4	2	8	HoCP; HoP; PAM	Dec-16

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
21	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	<p>Qualified Accountant to produce the accounts using the most up to date Statement of Recognised Practice, Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials/publications.</p> <p>Attendance at Pensions Officers Group Meetings, Based on latest Code of Practice, robust in year (quarterly) monitoring / reconciliation processes.</p> <p>Draft Statement of Accounts and working papers reviewed by the Head of Pensions and the Chief Accountant.</p>	5	2	10	HoP; HoCP	Jul-17

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
22	ACC2	Internal controls are not in place to protect against fraud/ mismanagement.	<p>The Internal Audit plan includes dedicated hours for pensions to the review of internal controls in relation to the management and accounting of the Pension Fund.</p> <p>The plan is designed on a risk basis, so that areas of high risk will be subject to more frequent internal audits.</p> <p>Pensions feed into the process by identifying areas where improvements are required.</p> <p>Recommendations from internal audits of processes and controls are implemented in a timely manner to reduce or remove identified risks.</p>	4	2	8	HoP; PAM	Mar-17
23	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	<p>A checklist of all daily, weekly, monthly and quarterly reconciliations is maintained to ensure that all tasks are completed in a timely manner.</p> <p>All reconciliaitons are independently reviewed and signed off by a second officer.</p> <p>Full reconciliation and interim accountants are prepared on a quarterly basis.</p>	4	2	8	HoP;	Dec-17

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
24	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	<p>Reconciliation undertaken between the book cost and market values to the custodians book of records recieved quarterly, although reports can be run off online portal - Passport.</p> <p>Further reconciliation undertaken between the custodian and investment managers' records.</p> <p>All adjustments (including unrealised profits) will be posted into the general ledger so that accounts can be reported created directly from SAP.</p>	5	2	10	HoP	Jun-17

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
25	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	<p>Approximately 70% of total income to the Fund comes from contributions by the Council.</p> <p>Payment of contributions from employers is monitored on a monthly basis; including a full reconciliation between amount expect receipt and actual receipt.</p> <p>Late payers are identified and reported to the JCB as part of quarterly pensions administration report.</p> <p>Late payers tend to be small employers in the scheme and such amounts will not have a significant impact on Fund's cashflow.</p> <p>Where non-payment relates to a large employer swift action is taken to chase payment.</p>	4	1	4	PAM; HoP	Dec-17

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
26	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	<p>Employers are sent all employers a contribution form at the start of each year and confirm the correct rates to be paid.</p> <p>Payment is monitored against expected payment quarterly. Where there are discrepancies, the employer is expected to make immediate payment to make up the shortfall - overpayments cannot be refunded.</p> <p>Employers making late payment are reported to the JCB on a quarterly basis.</p>	5	1	5	PAM; HoP	Dec-17
27	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	<p>All expenditure incurred by the fund on behalf of employers is recharged. Invoices are itemised and all recoverable items are identified and charged back to the relevant employer.</p> <p>All income recoverable, including withholding taxes on investments are itemised in the custodian reports.</p> <p>We will monitor the recovery and timing of this to ensure the maximum amount is recovered in a timely manner.</p>	4	2	8	HoP;	Dec-17

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
28	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	<p>Monitor numbers and values of transfers out being processed and report to JCB on annual basis.</p> <p>Periodically promote the benefits of the LGPS and the flexibility now offered following the revisions to the LGPS in 2014.</p>	4	3	12	PAM; HoP	Mar-17

Risk Register - Haringey Pension Fund

GOVERNANCE RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Likelihood	Probability	Responsibility	Timescale
29	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	<p>Ensure staff are adequately trained.</p> <p>Appropriate checking processes.</p> <p>Professional advice. Close working with other Funds. Policies kept up to date and discussed at PCF.</p>	5	2	10	PCB; HoCF; HoP; PAM	Ongoing
30	ADM2	Pension structure is inappropriate to deliver a first class service	<p>New structure implemented from October 2016. Impact to be monitored by Head of Pensions.</p> <p>This risk will be reassessed once the restructuring of the pensions team has been completed.</p>	5	3	15	HoCF	Dec-16
31	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	<p>Training programme for staff including CIPD qualification in some places. Regular briefings and updates on LGPS changes from CIPFA and other training providers.</p> <p>This risk will be reassessed once the restructuring of the pensions team has been completed.</p>	4	3	12	HoCF; HoP	Dec-16

Risk Register - Haringey Pension Fund

GOVERNANCE RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Likelihood	Probability	Responsibility	Timescale
32	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	<p>Pensioner administration system Altair is subject to daily software backups and off-site duplication of records.</p> <p>The business recovery plan once implemented allows the pension administration system to be run from an alternative site.</p>	5	1	5	PAM	Mar-17
33	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	<p>The pension administration system, Altair, allows for all pensioner benefits to be automatically calculated by the administration system.</p> <p>Pension benefits payments are double checked by another team member before payments released.</p>	4	2	8	PAM	Mar-17
34	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	<p>Pension payroll system is subject to daily software backups and off-site duplication of records.</p> <p>The business recovery plan once implemented allows the pension administration system to be run from an alternative site.</p>	4	2	8	PAM	De 2016

Risk Register - Haringey Pension Fund

GOVERNANCE RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Likelihood	Probability	Responsibility	Timescale
35	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	<p>The Fund has an Internal Dispute Resolution Policy (IDRP) which has been approved by the Committee.</p> <p>In attempting to resolve any complaints by members, the IDRP will guide officers to ensure that due process is applied through out the process.</p>	4	2	8	PCB; HoCF; HoP; PAM	Mar-17
36	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	<p>The Council's data protectectio policy is issued to and signed by all staff.</p> <p>The Council has in place a relatively secure system that ensures pension fund data is sufficiently protected.</p> <p>Staff trained in data protection and regularly reminded of its importance.</p>	5	2	10	HoP; PAM	Mar-17
37	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	Robust accounting checks and adherence with best practice including undertaking regular reconciliation of payments undertaken or received into the Fund.	5	1	5	HoCF; HoP	Mar-17

Risk Register - Haringey Pension Fund

GOVERNANCE RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Likelihood	Probability	Responsibility	Timescale
38	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	<p>The selection process for recruiting officers is rigorous and focussed on the requirements of the role. Also detailed job descriptions/person specification are used to wittle down and appoint officers with the right level of skills, knowledge and experience.</p> <p>Training/Personal Development plans are put in place for each staff member following annual performance appraisal.</p>	5	2	10	HoCF; HoP	Dec-17

INVESTMENTS: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
39	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	<p>The Investment and Fund Strategies are reviewed and discussed at Pensions Committee.</p> <p>These Strategies are presented to Pensions Committee annually as part of the process of approving the Fund Annual Report.</p> <p>Close liaison between the Fund's actuary and strategic investment adviser.</p>	5	2	10	HoP	Mar-17
40	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.	5	1	5	HoP	Mar-17
41	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	<p>Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.</p> <p>A strength of covenant analysis is undertaken by the Fund along with employer profiling to assist the Fund to understand all employers in the Scheme. The actuary uses this information when contribution rates are being set triennially.</p>	5	2	10	HoP	Mar-17

INVESTMENTS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
42	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	The Fund currently utilises the services of Mercer as Strategic Investment adviser to the Fund. Furthermore, the Fund employs the services of an independent consultant to assist with decisions around investments and investment strategy.	5	1	5	HoP; PCB	Dec-16
43	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	The Fund employs the services of an statutory investment adviser, Mercers, but has also engaged an independent consultant to challenge/confirm investment/investment strategy decisions. This model ensures that Investment advice is subject to peer review to ensure that it is fit for purpose.	5	2	10	PCB; PCB	Dec-16

INVESTMENTS: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
44	INV6	Investment Manager Risk - this includes both the risk that the wrong manager is appointed and /or that the manager doesn't follow the investment approach set out in the Investment Management agreement.	<p>Rigorous selection process in place to ensure that Fund appoints only the best investment managers based on available information during tendering of a new mandate.</p> <p>Expert professional advice provided by Investment/Independent Consultant supporting manager selection exercise. It is a requirement of the Fund that all Investment Managers are FSA registered.</p> <p>Where necessary specialist search managers will be engaged to assist investment manager selection.</p> <p>The Funds Custodian provides a manager performance monitoring service. The performance of all investment managers is also formally monitored and reported on a quarterly basis to Investment Sub-Committee.</p>	5	2	10	PCB;	Mar-17

INVESTMENTS: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
45	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	<p>The Pensions Committee receives formal quarterly reports on both the overall performance of the Fund and individual investment managers. Included within this report is a manager monitoring section prepared by the Head of Finance - Treasury & Pensions</p> <p>Where appropriate members may be asked to utilise electronic decision making, such as, email to allow the Committee to make timely/urgent decisions relating to investment of fund assets.</p>	4	1	4	HoP; CC	Nov-16
46	INV8	The risks associated with the Fund's assets are not understood resulting in the Fund taking either too much or too little risk to achieve its funding objective.	<p>Full Investment Strategy review undertaken by Investment Consultant on triennial basis after triennial valuation with Annual/Ad-hoc Strategy reviews undertaken in intervening years to ensure the Strategy is still appropriate to achieve long term funding objectives.</p>	5	2	10	HoP; PCB	Mar-17

INVESTMENTS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
47	INV9	Actual asset allocations move away from strategic benchmark.	Asset Allocations formally reviewed as part of quarterly report to Pensions Committee and necessary action will be taken to correct imbalance that is over and above the tolerance threshold . LGIM, the equity investor is able to affect a rebalancing of the Fund's assets to benchmark and has been tasked to do so on an ongoing basis.	4	3	12	HoP	Nov-16
48	INV10	No modelling of liabilities and cash flow is undertaken.	Annual cash flow monitoring at Fund level undertaken by Head of Finance - Treasury & Pensions and utilised to inform Investment Strategy to ensure that the Fund is always able to meet its liabilities as they fall due.	5	1	5	HoP	Mar-17

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
49	COM1	Members don't make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	<p>Communication Strategy in place that outlines the most appropriate mode of communication and how the Fund will communicate with all stakeholders including its members and employers.</p> <p>Member provided with explanatory notes and guidance to enable them to make informed decision and given access to further pension support.</p>	4	2	8	PAM; HoP	Jun-17
50	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	Members and Employers are provided with explanatory notes, factsheets, access to a pension help desk and a dedicated Communications Team. In addition the Fund's website provides a one stop shop for information about the Scheme and benefits.	3	2	6	PAM; HoP	Jun-17
51	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	<p>Ensure information communicated to Employers is clear and relevant by using simple understandable wording.</p> <p>Where available use standard template/information from the LGPS employers association.</p>	4	2	8	PAM; HoP	Mar-17

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
52	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	Ensure all communication and literature is up to date and relevant and reflects the latest position within the pensions environment including LGPS regulations and other relevant overriding legislation.	3	3	9	PAM; HoP	Mar-17
53	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	Provide training to employers that is specific to their roles and responsibilities in the LGPS. Employer access to a portal with regular updates in line with legislation.	4	2	8	PAM; HoP	Nov-16
54	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	All forms available on our website and Employer has access to specialist support from Fund Officers.	4	1	4	PAM; HoP	Nov-16

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
55	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	<p>Funding Strategy statement has explicit links to the investment strategy. Both the actuarial advisor and the investment advisor advise Officers and the Committee and work in partnership to ensure that the two strategies are compatible.</p> <p>The Funding Strategy once ready is presented to Committee for final review and approval.</p>	5	2	10	HoP	Mar-17
56	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	Fund commissions stochastic modelling from the fund's actuary to test the likelihood of success of achieving desired returns to deliver the Fund long term objectives of being able to pay retirement benefits as they fall due. The actuary sets a high probability bar for future service return and also a deficit recovery plan that recovers funding shortfall in the most efficient manner.	5	2	10		Mar-17

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
57	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	The Investment and Funding Strategies are considered in tandem to each. The Actuary as part of the triennial valuation reviews the Funding Strategy to take account of outcomes from the triennial valuation and sets appropriate contribution rate for each employer in the Fund. Similarly, a comprehensive review of the Investment Strategy is undertaken following a triennial valuation to ensure that the Strategy is still fit for purpose - annual and ad-hoc reviews are also undertaken where opportunities present itself.	5	2	10	HoP	Nov-16
58	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities. Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the Funding Strategy is fit for purpose.	5	2	10	HoP; PAM	Nov-16

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
59	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund. Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme.	5	1	5	PAM; HoP	Nov-16
60	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	<p>Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund.</p> <p>Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. Where an employer is admitted on a closed basis, this usually aligns with when the last active member on the employers payroll either retires or leaves the service of the employer.</p> <p>The Fund's actuary is notified of the need to calculate a cessation valuation 3 months before an employer is due to leave the Fund.</p>	5	2	10	PAM; HoP	Nov-16

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
61	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	<p>The investment strategy is constantly under review and updated to ensure that the Fund is able to meets its objectives.</p> <p>The Investment/Independent Consultant along with officers of the month have regular meetings to review the investment strategy and present options to the Committee for approval.</p>	5	1	5	HoP	Nov-16
62	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	<p>The Fund's admission agreement policy require potential admitted bodies to have a guarantor/bond in place.</p> <p>Where an admitted body is unable to secure a bond, such an employer would be required to pay an additional 5% in contributions to the Fund annually in place of having a bond in place.</p> <p>In any case, all new employers must now have some form of security in place and the process is part of the agreement that is signed by a prospective admitted body.</p>	4	1	4	PAM; HoP	Nov-16

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
63	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	<p>All new admissions into the Fund are required to have a bond taken out in the name of the Fund or pay an additional 5% in contribution.</p> <p>The Fund Actuary undertakes a periodic review of employer profiles to assess the level of risk posed by individual employers to the Fund.</p> <p>The results of the employer profiling exercise is a factor in determining contribution rates for each employer in the Fund, so that the level of risk posed by an employer is commensurate with the rate of recovery of funding deficit.</p>	4	2	8	PAM; HoP	Nov-16
64	FLI10	Processes not in place to capture or review covenant of individual employers.	<p>The strength of covenant of individual employers is assessed before they are admitted into the Fund.</p> <p>The strength of covenant is a significant factor when determining the terms of admission for a new admitted body to the Fund. Along with employer profiling the employer profiling, strength of covenant of each individual employer is assessed periodically by the actuary and Head of Finance - Treasury and Pensions.</p>	4	2	8	HoP	Mar-17

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
65	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	<p>The Haringey Pension Fund subscribes to a number of organisations that assists officers of the Scheme to keep abreast of development and changes to the Fund (including government legislation).</p> <p>Updates are received Local Authority Pension Fund Forum; CIPFA Pensions Network; London Pension Fund Forum. These forums/networks provide regular updates on all things local government pension and facilitates awareness of proposed or imminent changes to the LGPS or Investment regulations.</p>	5	1	5	PAM; HoP	Nov-16

Risk Owners

HoP Head of (Finance) Pensions
PAM Pensions Administration Manager
PCB Pensions Committee/Board
HoCF Head of Corporate Finance
CC Committee Clerk

Risk Level

Level 1
Level 2
Level 3
Level 4
Level 5

Impact

Insignificant
Minor
Moderate
Major
Catastrophic

Probability

Rare
Unlikely
Moderate
Likely
Almost Certain

Report for: Pensions Committee 20th September 2016

Item number: 13

Title: Local Authority Pension Fund Forum (LAPFF) Voting Process and Quarterly Engagement Report

Report authorised by: Tracie Evans, Chief Operating Officer (COO)

Lead Officer: Oladapo Shonola, Head of Finance - Treasury & Pensions
oladapo.shonola@haringey.gov.uk 02084893726

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

1.1. The Fund is a member of the LAPFF and the Committee had previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations.

1.2. This report outlines the process for ensuring that the Fund's investment managers are informed about LAPFF co-filed or supported resolutions.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee note this report.

4. Reason for Decision

4.1. None.

5. Other options considered

5.1. None.

6. Background information

- 6.1. The Fund is a member of the LAPFF. The Committee previously agreed that the Fund's investment managers should support resolutions filed by LAPFF and to vote in line with LAPFF recommendations at investors' meetings.
- 6.2. The LAPFF issue voting alerts to its members on as and when required. The voting alerts can take different forms, some could be in support of shareholder resolutions and others could be against standard resolutions. Where there is more than one resolution on an alert, the action to take against each resolution will be clearly marked against it.
- 6.3. Once an alert has been received from LAPFF, officers of Haringey Pension Fund will forward the alert to the relevant investment manager(s) and ask that they cast their vote as specified in the alert. The notice will be sent to the relevant relationship manager stating the following:
 - Name of company that the resolution relates to
 - The target resolution
 - Date that vote will take place; and
 - How vote is to be cast (i.e. FOR or AGAINST)
- 6.4. Following the vote, officers will ask that the investment manager to confirm that they voted in line with the Fund's requirement and the final outcome of the vote.
- 6.5. LAPFF reporting will be a standing item on the agenda. The report will detail voting alerts received; how Haringey pension fund managers voted on each resolution; and the LAPFF quarterly engagement report will be attached for members' information – the April – June 2016 engagement report is attached at Appendix 1.

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

8.1. There are no further finance or procurement comments arising from this report.

Legal

8.2. The Assistant Director of Governance was consulted on the content of this report. There are no legal issues directly arising from this report.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. Appendix 1 - LAPFF Quarterly Engagement Report (Apr – Jun 2016)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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The Local Authority Pension Fund Forum (LAPFF) exists to promote the long-term investment interests of member funds and beneficiaries, and to maximise their influence as shareholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990, LAPFF brings together a diverse range of 70 public sector pension funds in the UK with combined assets of over £175 billion.

QUARTERLY ENGAGEMENT REPORT

APRIL TO JUNE 2016



Attending the LGPS seminar (clockwise from top left) Patrick Daniels; Cllr Mukesh Malhotra; a group of delegates; Natasha Landell Mills, David Sheasby, Jeanette Andrews and Cllr Keiran Quinn.

Spotlight on LGPS Pools: LAPFF hosts seminar on responsible investment, shareholder rights and pooling

Launch of the All Party Parliamentary Group on Local Authority Pension Funds

Strategic resilience resolutions at Rio Tinto, Glencore and Anglo American get voted through

Engagement with Total leads to carbon risk reporting and further meetings with the Company

LAPFF Vice Chair Ian Greenwood speaks to the BBC on BP remuneration

LAPFF attends 13 AGMs during the quarter

Achievements

Spotlight on LGPS Pools: LAPFF hosts seminar on responsible investment, shareholder rights and pooling



LAPFF Vice Chair, Ian Greenwood

On 7 June 2016, LAPFF hosted a successful seminar, sponsored by PIRC, entitled 'Responsible Investment, Shareholder Rights and Pooling' at Martin Currie Investment Management. The seminar highlighted the remaining uncertainties linked to the mandatory pooling of local government pension funds in the UK and Wales, especially in relation to implementing responsible investment (RI) through funds. The seminar presentations are available to LAPFF members [here](#).

The day began with David Sheasby of Martin Currie, Natasha Landell Mills of Sarasin & Partners, and Jeanette Andrews of Legal & General Investment Management, speaking about fund managers' approaches to environmental, social and governance (ESG) issues and ESG integration into their work products. All three speakers emphasised the importance of ESG analysis to capital protection and long-term corporate growth. Their questions about the pooling process related primarily to the devolution of power and accountability away from funds to asset managers, including the transfer of responsibility for RI and reduced active management of investments.

Patrick Daniels of Robbins Geller Rudman & Dowd then spoke about legal accountability of companies to shareholders, specifically the way shareholder litigation will work given the new pooling arrangements. He stressed that pooling would not affect the likelihood of claims arising, but that effective data retention and monitoring would be key to the success of shareholder claims.

In a pooling situation, this retention could be difficult if custodians employed by individual funds are different from those used by the pools, which may become the claimants in this litigation. Mr Daniels' recommendation was that the cleanest solution is for pension funds to assign legacy claims to their pools and ensure that the pools have rigorous data protection processes and data control, which are contracted-in to the pools' constitutions, to increase the prospect of successful litigation in the future.

Alan MacDougall of PIRC continued the accountability theme by suggesting that if funds do not maintain ownership line-of-sight for their investments, RI will not be within their control; it will effectively be delegated to pools, notwithstanding the regulatory position that the individual funds are supposed to maintain ultimate responsibility for responsible investment. Therefore, collaboration on RI will be key, including the provision of guidance on how to work with asset managers in this area, particularly with regard to proxy voting policy, director nominations and co-filing shareholder resolutions.

Representatives of LAPFF members across four pools – Faith Ward, Cllr Mary Barnett, Cllr Rishi Madlani and Rodney Barton – concluded by setting out the expectations of pools in relation to RI. The London Collective Investment Vehicle (CIV) was used throughout the day as a source of learnings on developing pools as the CIV has already been up and running for some time.

Despite the uncertainties that pooling continues to present, delegates agreed that it should be seen as an opportunity to maximise, not dilute, the active role that funds have in responsible investment.

LAPFF facilitates launch of All Party Parliamentary Group

In May, LAPFF facilitated the launch of an All Party Parliamentary Group (APPG) on Local Authority Pension Funds. Clive Betts MP (*below left*) was elected Chair and Ian Blackford MP (*below right*) was elected vice-Chair. The aim of the APPG is to consider a range of issues affecting local authority pension funds, particularly: the use of pension fund money for infrastructure; corporate governance and shareholder activism; and LGPS reforms. LAPFF Chair, Cllr Kieran Quinn, led the session, along with contributions from Unison, LAPFF member funds, and others.



Strategic resilience resolutions at Rio Tinto, Glencore and Anglo American get voted through

Over the last twelve months, LAPFF has been heavily involved in engagement with, and filing shareholder resolutions at, **Rio Tinto, Anglo American** and **Glencore**. This spring, all three resolutions were voted in with overwhelming shareholder support, showing the strength of belief amongst the investor community that companies must be transparent about how they are preparing for the transition to a low carbon economy.

LAPFF leads on engagement with Rio Tinto and, in April, the resolution obtained a 99.1% vote in favour, the highest level of support for a shareholder resolution yet in the UK. Later that month, the Anglo American resolution obtained a 96% 'for' vote and, in May, 98% of voting shareholders supported the resolution 'asks' at Glencore. All three resolutions were publicly supported by the companies' boards and members of the LAPFF executive attended each AGM to speak to the resolutions.

These successes follow those of last year, when similar strategic resilience resolutions were co-filed at BP and Shell. A year on, LAPFF is now reviewing how well these companies have implemented the resolution 'asks' in their reporting, amidst continuing engagement with both companies.

Engagement with Total leads to carbon risk reporting

LAPFF is also pleased to have been part of an investor coalition which has successfully engaged with **Total** on strategic resilience. As a result of this engagement, the Company committed to reporting in line with the requests of the strategic resilience resolutions that have already been filed at oil, gas and mining companies in the UK. This includes reporting on emissions, the International Energy Agency's post-2015 scenarios, research and development, key performance indicators, and public policy positions.

Following this, Total released its dedicated report on this issue '[Integrating Climate into our Strategy](#)' at its AGM in May. LAPFF signed-on to a joint investor statement presented at that AGM, which was attended by Cllr Simon, supporting Total's commitment. LAPFF's question at the AGM was to ask the Chair if Total would consider reporting its energy reserves in kilojoules rather than barrels of oil. As the former is 'resource-neutral' this would be a means to help the Company and the market account for and place value on a range of renewable energy resources beyond oil and gas. The Chair's response was that whilst Total would

continue to publish its reserves in barrels of oil, this proposal would be considered. Cllr Simon subsequently attended a group investor meeting with the Chair and Chief Executive in June, to discuss the new report in detail, and Denise Le Gal attended an event with Total's Vice President on Climate the following day, to discuss that report further.

LAPFF Vice Chair Ian Greenwood speaks to the BBC on BP remuneration

Following Ian Greenwood's participation at the BP AGM in April to ask the Board about its plans for 2016/17 to make carbon pricing effective, he was then interviewed by the BBC about LAPFF's views on executive pay at the Company, following a 20% increase in remuneration to the CEO on last year. Mr Greenwood stated, in clips that were shown in primetime [BBC news](#) slots, that the CEO's pay 'sent entirely the wrong message' to shareholders and employees, following significant job cuts and the biggest operating loss that BP has ever reported. Over 59% of investors opposed the Remuneration Report at the AGM, which was one of the largest rejections of such a report in the UK to date. LAPFF has now asked BP for a meeting to discuss the Company's approaches to remuneration, ahead of the vote on remuneration policy in 2017.



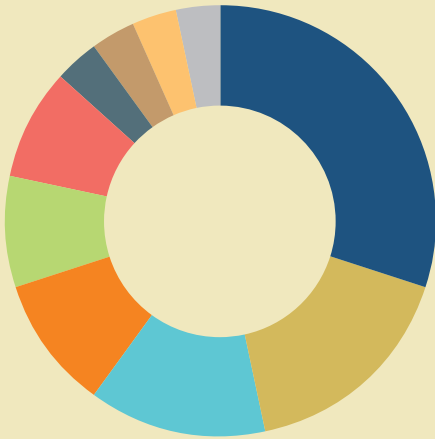
LAPFF Vice Chair, Ian Greenwood, being interviewed by the BBC on BP remuneration

LAPFF attends 13 AGMs during the quarter

It has been a busy and successful quarter for LAPFF, having attended 13 AGMs between April and June, raising issues ranging from remuneration, to climate risk, to supply chain management. A number of these AGMs have brought about opportunities for further engagements with the companies on issues of concern to LAPFF's members.

Company Engagement

ENGAGEMENT TOPICS



Climate change	18
Human rights	10
Employment standards	8
Board composition	6
Environmental risk	5
Remuneration	5
Campaign (general)	2
Governance (general)	2
Incentivising executives	2
Supply chain management	2

PEOPLE AND INVESTMENT VALUE AND EMPLOYMENT STANDARDS

Over the last year, LAPFF has been engaging with companies on their approach to diversity. At the **Tullow Oil** AGM, Cllr Mukesh Malhotra asked the Chair how Board diversity, and diversity more broadly, would be strengthened at the Company, particularly through linking pay to key performance indicators. The Chair's response was encouraging and showed a willingness to continue to develop the Company's approach, particularly by considering the need for ethnic diversity, as well as gender diversity, and giving consideration to the fact that Tullow is an African-based business.

Through the 30% Club, LAPFF also met with the Chair of **GKN**. The Company currently only has one woman on the Board, and the meeting explored the challenges the Board faced in addressing gender diversity.

Following on from previous AGM attendance, a LAPFF representative attended the **Carillion** AGM in May to ask about the Company's efforts to implement the reporting requirements of the Modern Slavery Act and transparency in its supply chain in Qatar. LAPFF was then invited to join the launch of Carillion's Sustainability Report that afternoon at which the Chair spoke animatedly about the Company's approach towards sustainability.



In April, LAPFF Executive Committee member Jane Firth met with representatives of **Hays**, to consider a range of issues, including the Company's business model, use of zero hour contracts, remuneration and share buybacks. One concern has been the extent of structural pressure that appears to push the Company towards using workers on temporary contracts.

At the **Next** AGM, Ms Firth asked about supplier audits and a particular case of human trafficking. The Chair responded in some detail. Ms Firth also asked how Next intends to report on water use, and whether it has signed on to the Better Cotton Initiative. Again, further information was provided including on how Next is working to minimise water usage in the UK.

LAPFF also continued its engagement with **Singapore Technologies**, following the [Company's announcement last year](#) that it would cease to design, produce and sell anti-personnel mines and cluster munitions. LAPFF welcomed the Company's request for a meeting on this issue, and gained a better understanding of how the Board was able to take the decision to stop the manufacturing and sales of these munitions.

The **National Express** AGM was, again, highly contentious this year. The Teamsters had proposed a shareholder resolution calling for an independent review of North American school bus operations that was not included on the AGM ballot. At the AGM, the Company advanced various arguments as to why this shareholder resolution had not been included in the AGM agenda. The LAPFF Chair, Cllr Kieran Quinn, asked for clarity from the Company on the particular reasons for failing to accept the resolution this year. This has raised a significant issue about the requirements for co-filing, which LAPFF will follow closely.

LAPFF picked up on executive remuneration at the **Standard Life** AGM this year, with Cllr Barney Crockett querying the bonus payments made to the former Chief Executive whilst on gardening leave. The Chairman, Sir Gerry Grimstone, confirmed that his payments were in line with the terms of his contract. Concerns over the incoming Chief Executive's pay, despite the fact that he voluntarily reduced the ceiling on his long-term incentive payments from 500% to 400%, contributed to a vote of 22.3% against the remuneration report. In addition, LAPFF issued a [voting alert](#) against the remuneration report at WPP, which was followed by a [press release](#). LAPFF's position was reported extensively in national press, as set out in the 'Media Coverage' section of this report. Remuneration was also raised by Cllr Rose at the **RBS** AGM, in asking to what extent particular issues of concern had been taken into account in devising the CEO's pay package. The Company's response was, in part, that shareholders had overwhelmingly supported the pay policy in 2014. At the **G4S** AGM, Cllr Mukesh Malhotra queried the link between remuneration and poor contract performance. The Chair stated that a range of financial and non-financial factors are taken into account when calculating pay, and that the Company's current pay levels are considered necessary in order to attract high quality candidates.



RELIABLE ACCOUNTS

LAPFF has continued to apply pressure at an EU level to ensure that IFRS 9 is not endorsed until it appropriately reflects the correct legal position on the 'target' of the true and fair view test (i.e. assets, liabilities, financial position and profit or loss), and the 'purpose' of the accounts (creditor and shareholder protection).

In May, the Economic and Monetary Affairs Committee (ECON) of the European Parliament correctly flagged all of the problems that LAPFF has been highlighting with the criteria that the European Financial Reporting Advisory Group (EFRAG) has applied in endorsing IFRS. It is LAPFF's view that whilst EFRAG's amended endorsement advice (issued in November 2015) now superficially refers to the appropriate targets of the true and fair view, it fails to take these targets into account more systemically and

continues to entirely overlook the appropriate purpose of the accounts. ECON's report will go forward as a resolution to the European Parliament for an affirmatory vote.

LAPFF has also been in dialogue with Lord Hill, EU Commissioner, challenging the position adopted by EFRAG in endorsing IFRS 9. Lord Hill has agreed that the IFRS endorsement criteria does need to cover the purpose of shareholder and creditor protection, and that the relevant legal test is the 'true and fair view of the assets, liabilities, financial position and profit or loss'. However, he continues to hold that EFRAG has appropriately applied the criteria in its endorsement advice on IFRS 9. LAPFF has sent a follow up letter to Lord Hill challenging this position.

HOLDINGS-BASED ENGAGEMENT

This year, LAPFF attended the **Unilever** AGM to find out more about the company's implementation of the 'Unilever Sustainable Living Plan', which it introduced in 2010. Unilever's efforts to integrate sustainability throughout its business model are very rare in the UK, and have attracted a lot of positive intention.

PROMOTING GOOD GOVERNANCE

A meeting with Global Witness, a non-governmental organisation based in London, gave a better understanding of their research on corruption and corporate transparency. In particular, these discussions related to national investigations into how Shell obtained rights to 'OPL 245', an oil field in Nigeria.

At a recent Shell SRI event, LAPFF asked the Managing Director of The Shell Petroleum Development Company of Nigeria (SPDC), Osagie Okunbor, whether the Company was concerned that the Nigerian government might revoke its OPL 245 licence, following these allegations. Mr Okunbor said there was no evidence to suggest this was the case. LAPFF has sent a letter to Mr Okunbor on this issue, asking for an engagement meeting.

ENERGY, CARBON AND ENVIRONMENTAL RISK MANAGEMENT

LAPFF continued its focussed engagement on carbon risk this quarter. Mr Greenwood attended the BP AGM and Shell UK shareholder meeting to follow-up on implementation of last year's shareholder resolutions. In response to the question on what BP could do to make carbon pricing more effective, the BP Chair reaffirmed a commitment to a carbon price and its membership of the World Bank Leadership Coalition as evidence of this. Meanwhile, at Shell the response to Mr Greenwood's question on carbon pricing was that the Company has been advocating for a carbon price for 15 years and will

continue to advocate on this with governments, including in the UK. The CEO made it clear that the Company will only invest in carbon, capture and storage (CCS) if there is a clear carbon price.

Attending the **Rio Tinto** AGM, Mr Barton proposed the strategic resilience resolution and asked if certain reporting elements could be addressed even more directly in the Company's presentation of its business strategy. Jan du Plessis, the Chair, noted that it was not just about risks but also opportunities for the business and gave several examples. For example, energy comprises about 30% of the costs for aluminium, and with an 80% hydro-electric supply, this gives a competitive advantage.

CLlr Simon attended the AGMs of **Glencore** and **Anglo American**, to support the shareholder resolutions co-filed this year. At Glencore, the strategic resilience resolution took centre stage, with the Board welcoming it, and responding to questions on operational emissions, carbon pricing, stress-testing the portfolio and thermal coal. As a follow-up to this engagement, LAPFF also attended Glencore's SRI day in London, in June. At Anglo American, LAPFF asked how the Company planned to incentivise carbon reductions through pay policies and practices. Positively, the Board offered an engagement meeting to discuss these issues in the run up to the vote on remuneration policy in 2017.

The Shell SRI day in May provided an opportunity to hear from the Company in more detail on how it is preparing for the low carbon transition. Several Shell representatives commented on the significant change over the past year, fuelled by COP 21 and the shareholder resolutions, in approaches to carbon risk and how more companies in the industry are now recognising the need to respond to this. The Company emphasised again its strong belief that carbon pricing needs to be introduced in order to effectively curb carbon emissions, and also stressed its own switch towards natural gas, a 'cleaner' fuel. To continue its engagement with the Company on these issues, LAPFF was one of the signatories to an investor statement that was presented at the Shell AGM in May. This statement commended the Company on its efforts to date, but urged it to continue to push itself further in a commitment to annual reporting on the resilience of the Company's business model to climate change.

LAPFF also signed a letter sent to **ENI**, in May, on strategic resilience, asking the ENI Chair and CEO directly for a public commitment to reporting against the five main 'asks' of the resolutions filed at oil, gas and mining companies over the last two years. This letter takes the same approach as that sent to Total in March, which also received a highly positive response. Following the letter, the Company released its [Sustainability Report](#) with an enhanced section on climate change.



In addition, LAPFF has actively encouraged member funds to make [public declarations of support](#) for strategic resilience resolutions at [Exxon](#) and [Chevron](#) this quarter. At both AGMs, shareholder resolutions called on the Companies to publish annual assessments of long-term portfolio impacts of public climate change policies. These resolutions gained [record support](#), with 38% of voting shareholders supporting at Exxon and 41% at Chevron. In addition, LAPFF encouraged support for another shareholder resolution at Chevron, which asked the Company to increase the total amount of capital distributions, given the climate change related risk of stranded carbon assets.

LAPFF has also continued to engage with the Financial Reporting Council (FRC) on how to set out long-term investors' expectations that fossil fuel dependent companies (notably oil, gas and coal companies) should address climate-related risks in the newly introduced viability statements in their annual reports. Led by Sarasin & Partners and supported by ClientEarth, this engagement aims to set out a pathway to encourage the FRC to be proactive in this area.

Aligned to this, LAPFF supported [a position paper on climate risk reporting](#) which calls on companies to assess and report their climate-related risks within their annual report in the interests of prudent and long-term capital stewardship. In many jurisdictions, to do so is already a requirement for listed companies and the paper sets out why companies and regulators need to do more to ensure that such requirements are properly implemented.

In May this year, LAPFF also submitted a consultation response to the Task Force on Climate Disclosure's Phase I Report. LAPFF's response set out its view that there should be a forward-looking focus on detailed quantitative and qualitative reporting, supported by additional narrative where necessary, across five elements: operational emissions; strategic resilience; research and development; the governance of company policy implementation on climate change and key performance indicators on incorporating the carbon transition into the business model; and public policy. Members can view LAPFF's response [here](#).

NETWORKS AND EVENTS

Some of the events and meetings attended by LAPFF representatives during the quarter:

LAPFF meets with ShareAction: The LAPFF Chair, Cllr Kieran Quinn, had a positive meeting with representatives from ShareAction to discuss issues that both organisations are interested in, and to better understand each other's work.

Two Degrees of Change: This event explored ways of working collaboratively and practically to manage the investment implications of global warming beyond the energy sector.

'Business and human rights - A five step guide for company boards': The launch of a new report commissioned by the Equality and Human Rights Commission and authored by Shift, which seeks to assist companies in complying with the UN Guiding Principles on Business and Human Rights.

'Strategic Litigation on Modern Slavery in Global Value Chains': A discussion hosted by the University of Notre Dame Law School, on how modern slavery in supply chains can be curbed.

Living Wages in the Supply Chain: This event showed that there has been limited progress in dealing with living wages in the supply chain. Living wages need to be seen and understood in the broader context of human resources management to make headway, which aligns with LAPFF's Human Capital Policy.

Share Action Tax Event: This event illustrated that tax is becoming a huge issue for investors, and that simple legal compliance is no longer deemed sufficient.

PRI Fiduciary Duty Event: A three year project on fiduciary duty is being launched this year. Its aim is to publish a roadmap for full integration of ESG into fiduciary duty and to work with investors and governments to clarify the content of fiduciary duty.

Cyber Security and Scope: Protecting and unlocking the value of company data: An event organised by UKSIF to explore the risks and opportunities that data presents to business.

MEDIA COVERAGE

Accounting standards

Investment & Pensions Europe: [LAPFF welcomes EC concession on bank accounting concerns](#) (20 May 2016)

Financial Times (Letters): [Accounting rules that put capital protection in peril](#) (18 May 2016)

Investment & Pensions Europe: [Pressure mounts on IFRS foundation, international standards](#) (9 May 2016)

Remuneration

City A.M.: [More pressure on Martin Sorrell over £70.4m pay package ahead of WPP's AGM](#) (7 June 2016)

Herald Scotland: [Shareholder revolt over WPP chief's £70m pay package grows](#) (7 June 2016)

Pensions Age: [LAPFF tells members to vote down pay packet for WPP's Sir Martin Sorrell](#) (7 June 2016)

Reuters: [UK pension fund group asks members to reject Sorrell's pay](#) (7 June 2016)



Guardian: [Vote against Sorrell pay award, urge pension fund advisers](#) (6 June 2016)

Independent: [WPP boss Martin Sorrell to face pay package opposition from a pension fund group](#) (6 June 2016)

Times: [Sorrell runs into a storm of anger over £70m pay package](#) (6 June 2016)

BBC News: [BP shareholders reject chief Bob Dudley's £14m pay deal](#) (14 April 2016)

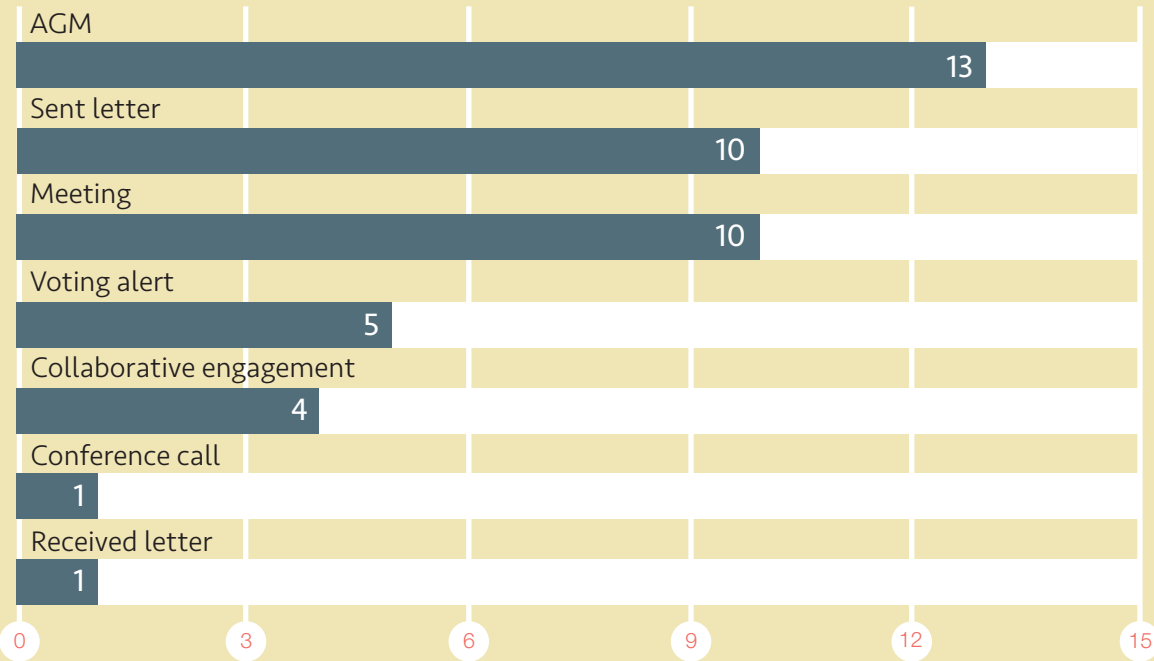
BBC News: [Dudley's pay sends 'wrong message' investor says](#) (14 April 2016)

Q2 2016 ENGAGEMENT DATA

	Company	Topics	Activity/Outcome	Domicile
1	Hays	Governance (General)/ Employment	Meeting/Dialogue	United Kingdom
2	Centrica	Climate Change	Meeting/Dialogue	United Kingdom
3	BP	Climate Change/ Human Rights	Meeting/Dialogue	United Kingdom
4	Rio Tinto	Climate Change	Conference Call/Dialogue	United Kingdom
5	Total	Climate Change	Sent Letter/Dialogue	France
6	Singapore Technologies	Human Rights	Meeting/Dialogue	Singapore
7	BP	Climate Change/ Incentivising Execs	Attended AGM/ Small Improvement	United Kingdom
8	Rio Tinto	Climate Change	Attended AGM/Dialogue	UK/Australia
9	Unilever	Human Rights/Supply Chain Management	Attended AGM/Dialogue	UK/Netherlands
10	Anglo American	Climate Change	Attended AGM/Dialogue	United Kingdom
11	Anglo American	Climate Change	Alert Issued/Substantial Improvement	United Kingdom
12	Tullow Oil	Board Composition/ Governance	Sent Letter/Dialogue	United Kingdom
13	Tullow Oil	Board Composition	Received Letter/Dialogue	United Kingdom
14	Shell	Remuneration	Meeting/Dialogue	UK/Netherlands
15	GKN	Board Composition	Collaborative Engagement	United Kingdom
16	ExxonMobil	Climate Change	Alert Issued/Dialogue	United States
17	Tullow Oil	Board Composition	Attended AGM/Dialogue	United Kingdom
18	Ricoh	Employment Standards/ Human Rights	Sent Letter/Awaiting Response	Japan
19	Burberry	Employment Standards/ Human Rights	Sent Letter/Awaiting Response	United Kingdom
20	Unilever	Employment Standards/ Human Rights	Sent Letter/Awaiting Response	UK/Netherlands
21	Carillion	Employment Standards/ Supply Chain Management	Attended AGM/Dialogue	United Kingdom

	Company	Topics	Activity/Outcome	Domicile
22	RBS	Remuneration	Attended AGM/Dialogue	United Kingdom
23	Glencore	Climate Change	Alert Issued/Substantial Improvement	Switzerland
24	Chevron	Climate Change	Alert Issued/Dialogue	United States
25	National Express	Employment Standards/ Human Rights	Attended AGM/Dialogue	UK
26	Royal Dutch Shell	Climate Change/Campaign	Collaborative Engagement	UK/Netherlands
27	Telecom Plus	Board Composition	Sent Letter/Dialogue	UK
28	ENI	Climate Change	Collaborative Engagement	Italy
29	Glencore	Climate Change	Attended AGM/Substantial	Switzerland
30	Next	Employment Standards/ Climate Change	Attended AGM/Dialogue	UK
31	Royal Dutch Shell	Climate Change	Collaborative Engagement	UK/Netherlands
32	Royal Dutch Shell	Climate Change	Attended AGM/Satisfactory	UK/Netherlands
33	Standard Life	Incentivising Execs	Attended AGM/Dialogue	UK
34	National Express	Employment Standards/ Human Rights	Sent Letter/Dialogue	UK
35	Total	Climate Change	Attended AGM/Dialogue	France
36	G4S	Remuneration	Sent Letter/Dialogue	UK
37	WPP	Remuneration	Alert Issued/Dialogue	UK
38	Royal Dutch Shell	Campaign (General)/ Human Rights	Sent Letter/Dialogue	UK/Netherlands
39	Tullow Oil	Board Composition	Meeting/Dialogue	UK
40	BP	Remuneration	Sent Letter/Awaiting Resp	UK
41	BP	Environmental Risk	Meeting/Dialogue	UK
42	Glencore	Environmental Risk	Meeting/Dialogue	Switzerland
43	Rio Tinto	Environmental Risk	Meeting/Dialogue	UK/Australia
44	Total	Environmental Risk	Meeting/Dialogue	France

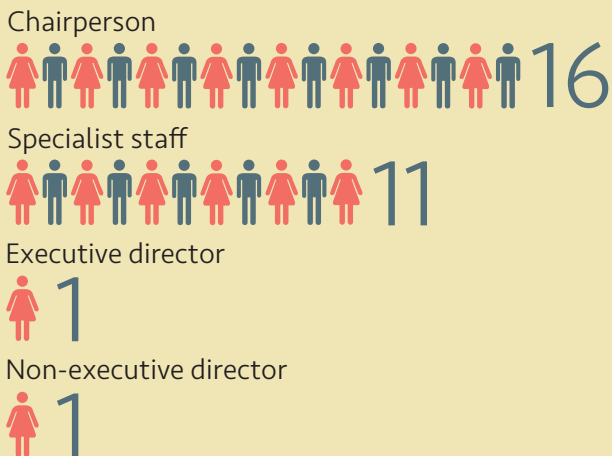
COMPANY ENGAGEMENT ACTIVITIES



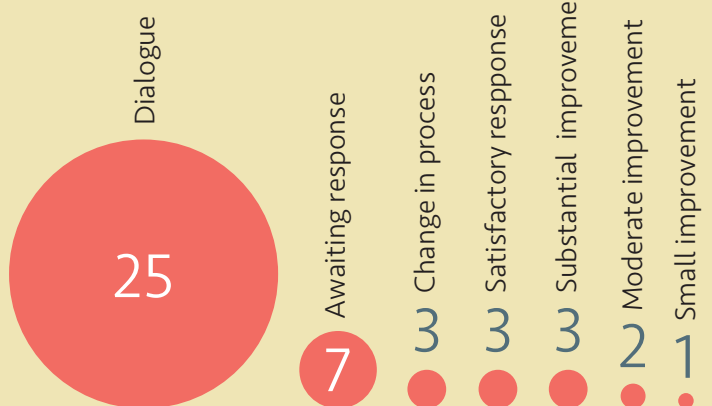
COMPANY DOMICILES



POSITION ENGAGED



OUTCOMES



LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham (London Borough of)
- Bedfordshire Pension Fund
- Cambridgeshire Pension Fund
- Camden (London Borough of)
- Cardiff and Vale of Glamorgan Pension Fund
- Cheshire Pension Fund
- City and County of Swansea Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Croydon (London Borough of)
- Cumbria Pension Scheme
- Derbyshire County Council
- Devon County Council
- Dorset County Pension Fund
- Dyfed Pension Fund
- Ealing (London Borough of)
- East Riding of Yorkshire Council
- East Sussex Pension Fund
- Enfield (London Borough of)
- Falkirk Council
- Gloucestershire Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney (London Borough of)
- Haringey (London Borough of)
- Harrow (London Borough of)
- Hertfordshire
- Hounslow (London Borough of)
- Islington (London Borough of)
- Lambeth (London Borough of)
- Lancashire County Pension Fund
- Lewisham (London Borough of)
- Lincolnshire County Council
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Newham (London Borough of)
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire County Council Pension Fund
- Northamptonshire County Council
- NILGOSC
- Nottinghamshire County Council
- Powys County Council Pension Fund
- Rhondda Cynon Taf
- Sheffield City Region Combined Authority
- Shropshire Council
- Somerset County Council
- South Yorkshire Pensions Authority
- Southwark (London Borough of)
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk County Council Pension Fund
- Surrey County Council
- Sutton (London Borough of)
- Teesside Pension Fund
- The Environment Agency Pension Fund
- Tower Hamlets (London Borough of)
- Tyne and Wear Pension Fund
- Waltham Forest (London Borough of)
- Wandsworth (London Borough of)
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Wiltshire County Council
- Worcestershire County Council

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Report for: Pensions Committee 20th September 2016

Item number: 14

Title: Scheme Advisory Board (SAB) Compliance

Report authorised by: Tracie Evans, Chief Operating Officer (COO)

Lead Officer: Oladapo Shonola, Head of Finance - Treasury & Pensions
oladapo.shonola@haringey.gov.uk 02084893726

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

1.1. The purpose of the paper is provide an update to Committee on progress toward compliance with Scheme Advisory Board key performance indicators and to highlight areas where improvement is still needed in order to achieve full compliance.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. The Committee should note progress since the last report to Committee on performance against Scheme Advisory Board's key indicators.

4. Reason for Decision

4.1. None.

5. Other options considered

5.1. The Committee has asked for regular updates on progress toward full compliance with key performance indicators. Therefore, no other alternative was considered.

6. Background information

- 6.1. The SAB was set up by Government to advise the DCLG on LGPS matters and provide guidance to administering authorities on good pensions practice. The SAB is not a regulator such as The Pensions Regulator and has no powers to direct or intervene in the affairs of the pension fund. However, it will publicise poor practice and it has the ability to notify DCLG or TPR when it believes action is necessary.
- 6.2. The Scheme Advisory Board (SAB) has developed a number of key performance indicators to assist pension funds identify areas of weakness and how to improve fund's management and administration across all LGPS.
- 6.3. The 11th April Committee received an initial report on the Fund's compliance with SAB KPIs. The Haringey Pension Fund was measured against all KPIs identified in the SAB best practice model.
- 6.4. The Fund scored 25 out of a possible maximum of 59 when assessed against SAB key performance indicators in April. Some of the easy wins that were identified in the April report have been implemented to the extent that the latest score for the Fund is 37 – a significant improvement.
- 6.5. The following areas have seen the most improvements:
 - Risk Register;
 - Funding Level;
 - Pension Committee Member Competence;
 - Historical Investment Returns;
- 6.6. It is anticipated the Fund will continue to make progress toward meeting the KPIs outlined in the SAB model.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

Finance and Procurement

8.1. There are no financial implications arising from this report.

Legal Services Comments

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

Equalities

8.3. None applicable.

9. Use of Appendices

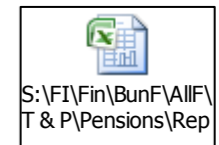
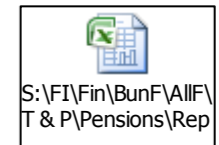
9.1. Appendix 1: Scheme Advisory Board Performance Indicators

10. Local Government (Access to Information) Act 1985

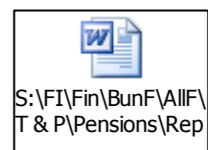
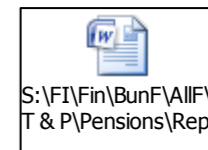
10.1. Not applicable.

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No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score
1	Risk management	No or only partial and / or unclear risk register with no or poorly specified or un-implemented mitigation actions over time leading to increased fund risk. No evidence of risk register being:	Comprehensive risk register covering the key risks (in accordance with current CIPFA guidance) with prioritisation, robust mitigation actions, defined deadlines, with action tracking completion.				
		a) Prioritised	a) risks prioritised on a RAG red, amber, green or by a scoring methodology	The risk register has been approved by Committee.	1	1	1
		b) annually reviewed by Pensions Committee	b) completed actions signed off by Pensions Committee after at least an annual update.	The risk register is being reviewed at every meeting of the Board/Committee.	1	0	1
		c) annually reviewed by internal or external audit	c) annual review by internal and external audit	Internal audit review the risk register and use it to identify areas of the Scheme to be included in the annual audit plan.	0	0	1
		d) used to reduce high risk	d) less than three priority / red risks	The current risk register does not include any very high risk areas.	1	1	1
		e) available for public scrutiny	e) Public disclosure of a summary version published on fund website or in fund annual report.	An abridged version of the risk register will be included in the Fund's annual report.	1	0	1
		Score 1 point for each one		4	2	5	
2	Funding level and contributions	a) Decreased funding level (calculated on a standardised and consistent basis) and / or in bottom decile of LGPS over the last three triennial valuations on a standardised like for like basis.	a) Funding level rising and getting closer to 100% funded (or above) over the last three triennial valuations on a standardised like for like basis. Funding % - 91 to 100 = score +5, 80-90= +4, 70-70= +3, 60-69 = +2, less than 59 = +1	For fund as a whole? For council at the last two reported funding levels of 69% and 70%. Funding levels constant.	2	2	5
		b) No or minimal employer funding risk assessment and monitoring and not reported to Pensions Committee.	b) Employer funding risk assessment and monitoring reports to Pension Committee.	An employer profiling exercise has been undertaken where each employer in the Fund are measured against set criteria and risk scored in order to determine the level of risk they pose to the Fund. This assessment has been made available to the Actuary and will be presented to Committee in November.	1	0	1
		c) Total actual contributions received in the last 6 years less than that assumed and certified in last two triennial valuations.	c) Total actual contributions received in the last 6 years less than that assumed and certified in last two triennial valuations.	The Fund has contributed in line with assumptions made in the last two triennial valuations.	1	0	1
		d) Net inward cash flow less than benefit outgoings so need for any unplanned or forced sale of assets	d) Net inward cash flow less than benefit outgoings.	Overall, the Fund is cashflow negative as cash inflow is less than outflow.	0	0	1
			Score - 1 point for each		4	2	8

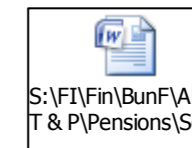


No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score
3	Deficit Recovery	a) No or opaque deficit recovery plan.	a) transparent deficit recovery plans for tax raising and non-tax raising bodies	A schedule is produced for each employer indicating the deficit recovery period. The deficit recovery plan is clearly set out in the triennial valuation for Haringey Council, the only tax raising body in the Haringey Pension Fund.	1	1	1
		b) lengthening implied deficit recovery period for contributions	b) implied deficit recovery period reducing at each valuation.	Stable at 20 years.	0	0	1
		c) Implied deficit recovery periods > 25 years for last three valuations.	c) Implied deficit recovery period is less than 15 years for last three valuations.	20 year deficit recovery plan.	0	0	1
			Score 1 point for each.		1	1	3
4	Investment returns	a) required future investment returns as calculated by the actuary are consistent with and aligned to the investment strategy so higher likelihood of the fund meeting its funding strategy.	a) required future investment returns as calculated by the actuary are consistent with and aligned to the investment strategy so higher likelihood of the fund meeting its funding strategy.	The actuary uses the investment strategy to determine that there is a prudent probability of the deficit being eliminated.	1	1	1
		b) Actual investment returns consistently exceed actuarially required returns.	b) Actual investment returns consistently exceed actuarially required returns.	The 3, 5 and since inception average returns at 31 Dec 2015 of 9.63%, 7.70% and 7.82% exceed those assumed in the actuarial valuation.	1	1	1
			Score 1 point for each.		2	2	2
5	Pension Committee member competence	Appointees unclear of statutory role and unable to clearly articulate the funds funding and investment objectives.	Appointees understand their statutory role and are able to clearly articulate the funds funding and investment objectives.	Board members are required to complete the tPR's public service toolkit tutorial. Completion of the tutorial indicates sufficient knowledge about the role of a scheme board member.			1
		No evidence of:					
		a) different employer types and no or minimal scheme member representation.	a) representatives on Committee of different employer and employee types.	The Joint Pensions Committee and Board has employer and employee representatives members with full and equal voting rights.	1	1	1
		b) No training needs analysis or training strategy or training log or use of CIPFA LGPS training framework	b) annual training plan recorded against CIPFA's knowledge and understanding framework.	The Committee has approved a training policy framework that requires each member to complete a training needs analysis form which will be used to develop individual training programmes for all scheme board members	1	0	1
		c) No training recover disclosure	c) annual training records disclosed in the annual accounts.	Member training records are disclosed in the 2015-16 draft fund annual report and accounts	1	0	1

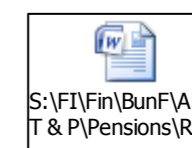


No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score
		d) Self assessment	d) annual self - assessment of training undertaken and identification of future needs.	The Committee is in the process of assessing individual training needs of its members. This will be completed by December 2016.	0	0	1
			Score 1 point for each.		3	1	5
6	Administering authority staff accountability, leadership, experience and training	a) No or only part time Head of Fund and or only part time officers	a) Experienced Head of Fund with full time dedicated officers with at least three years experience.	Yes. The Head of Pension has over 3 years experience managing pension funds and has a team of staff that are wholly dedicated to the Scheme/Fund. It expected that a permanent Head of Pensions will be in post by the end of 2016.	1	0	1
		b) No or little induction or no on-going training provision or experience recorded on the adoption of CIPFA LGPD knowledge and understanding framework.	b) staff undertake regular CIPFA LGPS TKU or other CPD training recorded across all LGPS skills (governance, benefits administration, funding, investments and communications) Score 1 point for each.	Training undertaken via seminars and also using TPR on line training.	1 2	1 1	1 2
7	Statutory Governance standards and principles (as per DCLG and TPR Codes)	Several key areas of non-compliance with:					
		a) DCLG LGPS Statutory Guidance	a) Full Compliance with DCLG LGPS statutory guidance	To be confirmed.	0	0	1
		b)TPR Guidance and codes	b) Full compliance with TPR guidance and codes for public sector pension schemes.	Although progress toward compliance with tPR Code of Practice has been made, the Fund is not yet fully compliant. The November meeting of joint Board and Committee will receive a comprehensive update on where the Fund is in terms of compliance.September meeting.	0	0	1
		c) No, little or poor key decision taking records and no or poor self, or scheme employers or scheme members assessment of overall fund effectiveness.	c) Meet or exceed other LGPS best practice on recording all key decision taking and annual self, scheme employers, scheme members assessment of effectiveness.	The Haringey Pension Fund Committee/Board has not undertaken any self assessment exercises so far. This will be included in Fund's work programme.	0	0	1
			Score 1 point for each.		0	0	3
8	Quality and accessibility of information and statutory statements, strategies, policies (governance, FSS, SIP, Communications, admin authority and employer discretion policies)	a) Statutory publications not all in place or published on fund web site or updated in accordance with regulatory requirements and due timelines.	a) Statutory publications all in place and published on fund web site and updated in accordance with regulatory requirements and due timelines.	All provided for loading on to the Hymans' sponsored member web site	1	1	1

No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score
		b) Fund and employers discretions not published.	b) Fund and employers discretions published.	The Council's discretions policy is published. Those for other employers are their responsibility.	1	1	1
		c) Do not seek to meet any recognised 'Plain English' or e-publishing standards.	c) Meet 'Plain English' or and or other recognised e-publishing standards.	The content of the Pension Fund website has been tested readability and above 60 scores well on 'plain english' using the	1		1
			Score 1 point for each.		3	2	3
9	Adoption and report compliance with Investment Governance Principles (IGP) (was Myners Principles) and voluntary adoption / signatory to FRC Stewardship Code and UNPRI	No or un-explained non-compliance and /or support of					
		a) IGP	a) 100% compliance with IGP	The Fund is fully compliant with IGP.	1	1	1
		b)UK Stewardship Code	b) adoption and public reporting of compliance against the FRC UK stewardship Code.	The Fund has not adopted the FRC UK Stewardship Code.	0	0	1
		c)UN PRI	c) External managers or fund are PRI signatories.	All managers are PRI signatories	1	1	1
			Score 1 point for each.		2	2	3
10	Historic investment returns (last 1,3, 5) and total investment costs compared to other LGPS funds.	a) overall fund investment returns (net of fees) for last 1,3 and 5 years bottom two quintiles.	a) overall fund management returns (net of fees) or last 1,3 and 5 years. Top quarter score 5 points. 2nd quarter 3 points, 3rd quarter 0 points and 4th quarter -3 points.	Using CEM Benchmarking latest data, the Fund posted above average performances in the last 3 years - it is estimated that the Fund is in the 2nd quartile in terms of performance	3	0	5
		b)Retain fund managers under performing their benchmarks for two triennial valuation cycles.	b) Greater than 75% of fund managers deliver target performance over rolling three years periods. Score 1 point.	As at June 2016, only one out of three of the Fund's current managers with a history of 3 years of managing the fund's assets is performing to or above target.	0	1	1
		c) Fund does not benchmark its fund managers and total investment costs relative to other LGPS funds.	c) Fund benchmarks its fund manager and total investment costs. Score 1 point	Annual comparison reported to Committee as part of the annual accounts.	1	1	1
			Score 1 point for each.		4	2	7
11	Annual report and audited accounts	a) Do not fully meet some regulatory requirements or CIPFA LGPS guidance.	a) Meet all regulatory requirements and CIPFA LGPS guidance.	Yes	1	1	1
		b) Not published in Admin Authority Accounts by 1st October.	b) Published in Admin Authority Accounts by 1st October.	Yes	1	1	1
		c) Published on SAB website after 1st November	c) Published on SAB website before 1st November	Not in 2015.	0	0	1
			Score 1 point for each		2	2	3



<https://www.unpri.org/sign>

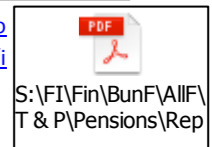


No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score
12	Scheme membership data	a) Common data does not meet TPR standards.	a) Greater than 99% of common data meets TPR quality and due date standards.	To be confirmed	0	?	1
		b) Conditional data do not meet the TPR standards. No plans in place to rectify this.	b) Greater than 95% of conditional data meets the TPR quality and due date standards. Plans in place to improve this.	To be confirmed	0	?	1
		score 1 point for each.				0	0
13	Pension queries, pension payments and annual benefit statements	a) No or poor website with no scheme member or employer access.	a) Good website with interactive scheme member and employer access.	Haringey utilise a Hymans hosted web site	1	1	1
		b) ABS do not meet regulatory requirements or due timelines for issuance.	b) ABS meets or exceeds regulatory requirements and due timelines for issuance.	The Scheme had some issues getting out the Annual Benefit Statements for active members last. We are working to ensure that the difficulties experienced in 2015 do not re-occur in 2016.	0	0	1
		Score 1 point for each.				1	1
14	Cost efficient administration and overall value for money fund management.	a) In bottom quartile with high total admin costs pa per member (based on CIPFA or other benchmarking tool).	a) In top quartile with low total admin costs pa per member (based on CIPFA or other benchmarking tool).	Using the CEM benchmarking analysis, the Haringey Scheme is in the top quartile for cost of administering the Scheme	1	?	1
		b) Not in any national or regional frameworks for any externally procured services or collective investments.	b) Lead or actively participates in collaborative working and collective LGPS procurement, shared services or CIV.	The Fund utilised the Norfolk Framework to appoint the current fund actuary and is an active member of London CIV.	1	1	1
		Score one point for each.				2	1
15	Handling of formal complaints and IDRPCs	a) Any Pensions Ombudsman determinations and any appeals or fines were against the action of the fund (not employers)	No stage 2 IDRPCs and no Pensions Ombudsman finding against the fund's actions in the last three years.	There were no IDRPCs on Pension Ombudsman finding against the Funds actions in the last three years.	1	1	1
		Score one point for each.				1	1
16	Fraud Prevention	No or minimal systems / programme or plan or mechanism in place to:					
		a) Prevent fraud	a) Fraud prevention programme in place.	The Fund has an internal control system in place to combat fraud. This includes regular reconciliation of done on members list to ensure there are no duplicates.	1	0	1
		b) detect fraud	b) Use external monthly, quarterly or annual mortality screening services.	Monthly screening used	1	1	1
		c) detect pension overpayment due to unreported deaths.	c) Participate in bi-annual fraud initiatives.	The Council participates in the bi-annual national fraud initiative.	1	1	1
	Score one point for each.				3	2	3

<http://www.haringeypensionfund.co.uk/>



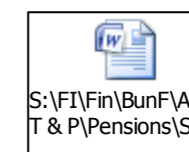
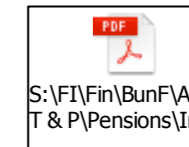
<http://londonciv.org.uk/investors>



No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score
17	Internal and external audit	a) No annual internal audit or qualified internal and external audit opinions.	a) Unqualified annual internal audit report with no or only low priority management action.	Full assurance in most recent internal audit reports.	1	1	1
		b) Urgent management action recommended on high / serious risk.	b) Unqualified annual external audit report with no or only low priority management action.	No recommendations in last external audit report.	1	1	1
		c) Only moderate or low level of assurance and a number of high priority action recommendations.	c) Full or substantial assurance against all key audit areas with no high risk recommendation.	Full assurance in most recent internal audit reports.	1	1	1
		Score one point for each.				3	3
18	Quality assurance	No evidence of:					
		a) quality management system	a) Fund has formal quality management external certification.	no.	0	0	1
		b) externally reviewed publications.	b) Crystal Mark for plain English for publications.	Text from the Pension Fund website has been subjected to a 'plain english' test - the text achieved a reasonable score.	1	0	1
		c) externally approved website accessibility	c) Externally approved web site accessibility.	Yes	1	1	1
		d) any awards	d) pensions & investment recognition awards.	The Fund has not entered into any competitions.	0	0	1
		Score one point for each.				2	1
					37	25	59

Level of Compliance

63%



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

Document is exempt

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