

# **MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON TUESDAY, 22ND NOVEMBER, 2016**

## **PRESENT:**

**Members: Cllr Clare Bull, Cllr John Bevan, Cllr Toni Mallett, Cllr Viv Ross,  
Keith Brown and Randy Plowright**

## **20. FILMING AT MEETINGS**

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

## **21. APOLOGIES FOR ABSENCE**

Apologies were received from Cllrs M Blake (for whom Cllr Mallett substituted), G Bull and Tucker.

## **22. URGENT BUSINESS**

None.

## **23. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST**

Cllr Mallett identified that she was a deferred member of the Haringey Pension Fund.

## **24. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING**

Cllr Bevan identified that he had completed the following training in the period since the last meeting:

- Bfinance Local Government Pension Scheme, private asset classes 23/09
- P&LSA Troubling Times Ahead, Outlook for UK Defined Benefit Pension Schemes 04/10
- IPE Real Assets & Infrastructure Conference 12 and 13/10
- Local Authority Pension Fund Forum, Chairs briefing 17/10
- LAPFF Business meeting 18/10
- London Councils, CIV meeting 18/10
- Pensions DC Insight 26/10
- IPE Fixed Income Seminar 02/11
- SCS Local Authority Pension Funds investment issues 17/11

Cllr Ross identified that he was uncertain as to whether he had completed all the required modules of the Pensions Regulator's online training. He agreed to double check in conjunction with the Chair and the Clerk as necessary.

**[action: Cllr Ross/Chair/Clerk].**

## **25. MINUTES**

### **RESOLVED**

- That the unrestricted minutes of the Pensions Committee held on 20 September be approved as a correct record and signed by the Chair.

Officers advised that the actions arising from the meeting had been completed and updates were provided. Confirmation was given that the new EU arrangements for internal dispute resolution would have no policy impact in relation to the pension fund's Internal Disputes Resolution Procedure. In respect of the action requesting investigation of the feasibility for interim investments in lieu of the drawdown of funds for the planned Allianz investment, officers and the representative from Mercer advised that the most prudent approach would be to wait it out as the Allianz funding drawdown would need to be made at short notice, raising issues around the liquidity of the earmarked monies.

The Head of Treasury and Pensions advised that the recording of administrative expenses in the financial management system was being handled more efficiently this year hence the variance from figures reported last year. It was expected that overall administrative expenses in the current year would be in line with previous years figures.

The Committee sought clarification on the risk register item pertaining to a lack of succession planning in the administration of the pension fund and details of the recruitment exercise planned to address this. Officers responded that an external recruitment exercise had been undertaken with a view to permanent recruitment to the Head of Pensions and Senior Pensions Accountant roles.

Cllr Bevan outlined that a company called PIRC Ltd had been in contact with him regarding the services they could offer for LGPS pension funds for proxy voting and practice following concerns raised at the last meeting regarding the limited coverage provided by the LAPFF voting alerts system. Officers advised that with passive, pooled funds being the predominant investment type used by the Fund, in their view there would be limited value in engaging this service. It was agreed that officers would draft a response to PIRC Ltd on this basis.

**ACTION:** Head of Treasury and Pensions

## **26. PENSIONS ADMINISTRATION REPORT**

The Committee considered an update report on changes relevant to pensions administration.

It was advised that details of the pensions self service website had been added to November payslips to encourage members to utilise the service.

Details were provided of Haringey Pension Fund (Fund) employers who had made late payments during the last quarter and the subsequent warning notices sent by the Council in response. The Committee were advised that fees could be imposed as a penalty for late payment. The level of these fees would be reviewed as part of the update of the Pensions Administration Strategy Statement, which would be submitted to the January Committee meeting, to ensure they were set at an appropriate level to deter late payment and to cover the administrative costs of chasing late payments.

Officers advised that the Pensions Regulator had launched an online self assessment tool enabling employers to assess how well their pension scheme was being administered. The Committee questioned whether there was value in completing this assessment at a future meeting. Officers proposed in response that they be tasked with completing the assessment and to provide an update to the next meeting as the assessment was fairly lengthy and at a detailed high level.

**ACTION:** Pensions Manager

## **27. TRIENNIAL VALUATION 2016 - INITIAL RESULTS**

The Committee considered a draft actuarial triennial valuation report of the assets and liabilities of the Fund as at 31 March 2016 and details of the methodology and assumptions used by the actuary to determine the actuarial funding level and standardised employer contribution rate. Representatives from Hymans Robertson LLP, the Fund actuary, gave a short presentation on the initial valuation results and contribution rates within the context of an increase to the funding level from 70% to 79% and a reduction to the overall Fund deficit by £89m.

The Committee raised the following points in discussion of the report and presentation:

- Concerns were raised over the reduction seen to the financial discount rate from 31 March 2013 to 2016 from 4.6% to 4%. In response, reassurance was provided by both officers and the Fund actuary that this was a good rate and was appropriate for a LGPS fund, with private sector funds often having lower rates.
- Officers agreed with comments from the Committee on the misuse of the term 'marginally' in the officer report to describe the improvement to the funding level and which undermined the considerable progress made. It was agreed that the term had been added in error and would be removed going forward.

**ACTION:** Head of Treasury and Pensions

- The Committee sought clarification as to how the Fund was performing on a national comparator basis with other local government pension schemes. Representatives for the actuary advised that performance would be approximately mid league table and with good performance nationally once assumptions were standardised.

## **RESOLVED**

- To agree the assumptions and methodology used by the actuary to determine the actuarial funding level and standardised employer contribution rate.
- To note the draft results of the triennial valuation of the Fund.

## **28. FUNDING STRATEGY STATEMENT**

The Committee considered a draft update to the Funding Strategy Statement (FSS) setting out the basis on which employer contributions were set and the plan to achieve and maintain sufficient assets to meet pension liabilities. The draft FSS would be circulated to participating pension scheme employers for consultation inline with CIPFA guidance prior to moving forward to final adoption. The Committee received a short presentation on the key points of the FSS.

The Head of Pensions and Treasury identified to the Committee the options available regarding the funding position for academy schools joining the scheme. A decision was required on whether initial contribution rates were calculated based on market conditions, the Council's funding position and membership data or alternatively, contributions set at a fixed rate linked to the Council rate. The Committee outlined that they would need further information on this issue before making a decision and to this end requested that officers submit a briefing report to the next meeting analysing each option inline with best practice and recommending a preferred option for Committee consideration. It was also requested that the report also include a modelling exercise based on the academies within the borough.

**ACTION:** Head of Treasury and Pensions

The Committee discussed proposed arrangements for dealing with the ceasing of admissions bodies and whether it was appropriate to have a three year discretionary period within which to defer taking action before the cessation of an admissions agreement. The Committee recognised that this discretionary period afforded some flexibility in determining the cessation value. It was agreed therefore to reword this provision to explicitly clarify that although the discretion existed, the Council as administering authority was unlikely to exercise it, although this would be determined on a case by case basis.

**ACTION:** Head of Treasury and Pensions

In relation to the section covering late payments, it was agreed that the charging figures listed for the associated administration costs would be removed as they were currently under review.

**ACTION:** Head of Treasury and Pensions

It was advised that a final report would be submitted to the March meeting following the completion of the consultation process.

### **RESOLVED**

- That the draft FFS be circulated for consultation with pension scheme employers subject to the changes detailed above.

## **29. FRAMEWORK AGREEMENT FOR ACTUARIAL SERVICES**

The Committee considered a report setting out proposals for a three month extension to the current framework agreement held with Hymans Robertson until 30 May 2017 to allow the completion of the ongoing 2016 triennial valuation work. It was proposed that the National LGPS Framework Agreement then be used to undertake a mini competition process to select the appointment of a new actuary for the Fund out of a field of four companies. This would be OJEU compliant thereby saving on time and costs of procurement. A report on this process would come to the Committee in May 2017 with the appointment to start from 1 June 2017.

Concerns were raised over the elapse of the current contract during a critical piece of work. Officers acknowledged the error and advised that going forward timing issues would be resolved with the new contract starting at a later point in the year.

#### **RESOLVED**

- To agree that the Chief Operating Officer under delegated authority approve a three month extension to the current actuarial services contract until 30 May 2017.
- That the Pension Fund enters into a National LGPS framework agreement set up by Norfolk County Council to procure an actuary to provide actuarial services for the Fund from 1 June 2017.

### **30. QUARTERLY PENSION FUND PERFORMANCE AND INVESTMENT UPDATE**

The Committee received a quarterly update report setting out three month performance for the Fund up to 30 September 2016. This had been generally positive, with all asset classes in the portfolio other than private equities overperforming or in line with benchmark in the quarter. A short presentation was given on individual performance via asset class.

The Committee were advised that the equity allocation of the portfolio remained overweight in exceeding the 60% target by 4.7%. A reminder was given of the policy position agreed at the January 2016 meeting to hold one third of the equities portfolio in low carbon funds, a process which was being implemented in tranches. The Committee noted in recognition of this that regular review would be required with LGIM of holdings to permit any rebalancing of the portfolio inline with performance to retain this position. It was agreed that a report be submitted to the January meeting setting out proposals to address any rebalancing of allocations both as a one off and on an ongoing basis.

**ACTION:** Head of Treasury and Pensions

In discussion of the underperformance of Pantheon Private Equity, the Committee questioned at what point consideration should be given to taking action in this regards. In response to this, officers advised that reference needed to be made to the investment period of the asset when benchmarking performance, with a 15-20 year holding period considered appropriate for private equity investment by virtue of it being a fairly illiquid holding. This illustrated the limitations of the primarily short term nature of benchmarking in only reflecting performance at a point in time. Reference was also required back to the overall investment strategy.

Officers proposed to submit an update to the next meeting on the position of the Fund with regards to the liquidation of Age UK Haringey.

**ACTION:** Head of Treasury and Pensions

**RESOLVED**

- To note the performance information for the three months to 30 September 2016.

**31. GOVERNANCE UPDATE REPORT**

The Committee considered an update report on progress towards compliance with Scheme Advisory Board (SAB) key performance indicators, highlighting areas of improvement and progress implementing recommendations from the Governance Review undertaken by the Independent Advisor.

It was advised that the score of the Fund when measured against SAB performance indicators was improving as actions to achieve compliance were implemented. Compliance had increased from 46% in September to 71% at the current time. The Committee questioned whether the aspiration was 100% compliance. Officers advised in response that theoretically this was possible but was so challenging as to be unlikely to be met.

**RESOLVED**

- To note progress since the last report to Committee on performance against SAB's key indicators and recommendations from the governance review.

**32. QUARTERLY LAPFF ENGAGEMENT REPORT**

The Committee considered a briefing report updating on voting activities undertaken on behalf of the fund inline with Local Authority Pension Fund Forum (LAPFF) voting recommendations. The report included an LGIM position statement on Sports Direct and the LAPFF quarterly engagement report for July to September 2016.

**RESOLVED**

- That the report be noted.

**33. RISK REGISTER REVIEW / UPDATE**

The Committee considered an update report on the Fund's risk register, focussed for this meeting on the areas of governance and legislation risks. It was advised that an additional risk had been added covering the investment strategy adopted by the London CIV through fund manager appointments not fully meeting the needs of the Fund. It was identified that there were currently three risks with a red risk rating in this tranche.

**RESOLVED**

- To note the risk register and the newly identified risk added to the register.

- To note the area of focus for the review at the meeting was 'governance' and 'legislation' risks.

#### **34. FORWARD PLAN**

The Committee considered the current version of the forward plan setting out future agenda items for the next year and suggestions for Committee member training. It was advised that a new future agenda item had been added for a report on the fund business plan and budget.

The Committee were asked to inform the Head of Treasury and Pensions should they wish to attend any of the training conferences listed within the report that were coming up.

The attention of the Committee was drawn to the update on member training progress and they were reminded of the importance of completion of these items.

#### **RESOLVED**

- To note the update

#### **35. NEW ITEMS OF URGENT BUSINESS**

None.

#### **36. 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).

#### **37. EXEMPT MINUTES**

#### **RESOLVED**

- That the exempt minutes of the Pensions Committee held on 20 September be approved as a correct record and signed by the Chair.

#### **38. RENEWABLES MANAGERS SELECTION PROCESS**

[Anna D'Alessandro, the interim Head of Finance left the meeting at this point. The Chair noted that this was her last meeting before leaving the Council and as such extended thanks and good wishes on behalf of the Committee for all her hard work].

The Committee considered a report outlining the process and outcome of a search for a renewable energy manager inline with the decision taken at the January meeting to invest 5% of the Fund's assets in renewable energy. A short presentation was given by a representative from bfinance, an independent advisory and financial services firm.

The Committee discussed the issues arising and agreed the recommendations of the report.

**39. ILL HEALTH LIABILITY INSURANCE**

The Committee considered an overview report on the potential impact of Ill Health Early Retirement (IHER) cost on the Fund and options for the mitigation of this risk through the taking out of IHER insurance. The Committee discussed the content of the report and agreed the recommendations contained therein.

**40. EXEMPT ITEMS OF URGENT BUSINESS**

None.

CHAIR:

Signed by Chair .....

Date .....