

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Tuesday, 21st November, 2017, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

Members: Councillors Clare Bull (Chair), John Bevan (Vice-Chair), Mark Blake, Liz McShane, Viv Ross and Noah Tucker

Co-optees/Non Voting Members: Ishmael Owarish, Keith Brown and Randy Plowright

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 Urgent Business will be dealt with under item 15 below).

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

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

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

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

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

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

- i) Has a responsibility or duty in relation to the management of, or provision of advice to, the LBHPF, and
- ii) At the same time, has:
 - a separate personal interest (financial or otherwise) or
 - another responsibility in relation to that matter,

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

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

5. 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 - 6)

To consider the minutes of the meeting of the Committee and Board held on 14 September 2017 and confirm these as a correct record.

7. ADMINISTRATION REPORT (PAGES 7 - 12)

Report of the Chief Financial & S151 Officer to update the Committee and Board on Pensions administration matters.

8. PERFORMANCE REVIEW - ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS (PAGES 13 - 42)

Report of the Chief Finance Officer detailing a review that was conducted by the Fund's investment consultant: Mercer.

9. RISK REGISTER REVIEW / UPDATE (PAGES 43 - 56)

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

10. WORK/FORWARD PLAN (PAGES 57 - 62)

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 Members input into future agendas. Suggestions on future training are also requested.

11. GOVERNANCE UPDATE REPORT (PAGES 63 - 76)

Report of the Chief Finance Officer & S151 Officer to provide an update to Committee and Board:

- on progress toward compliance with Scheme Advisory Board (SAB) key performance indicators;
- to highlight areas where improvement is still needed in order to achieve full compliance.

12. QUARTERLY PENSION FUND PERFORMANCE & INVESTMENT UPDATE (PAGES 77 - 90)

Report of the Chief Finance Officer & S151 Officer to report the following in respect of the three months to 30th June 2017:

- Funding Level Update
- Investment asset allocation
- Investment performance
- Investment Update

13. QUARTERLY LAPFF ENGAGEMENT REPORT (PAGES 91 - 92)

Report of the Chief Operating Officer to provide an update on voting activities on behalf of the Fund.

14. MULTI ASSET ABSOLUTE RETURN INVESTMENT UPDATE AND UPDATE TO INVESTMENT STRATEGY STATEMENT (PAGES 93 - 122)

Report of the Chief Finance Officer updating the Committee on information relating to the changes to the fund's investment strategy allocation.

15. NEW ITEMS OF URGENT BUSINESS

Susan John
Tel – 020 84892615
Fax – 020 8881 5218
Email: susan.john@haringey.gov.uk

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

Monday, 13 November 2017

**MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE
AND BOARD HELD ON THURSDAY, 14TH SEPTEMBER, 2017,
7.00 - 8.05 pm**

PRESENT:

Cllr John Bevan (Vice-Chair), Cllr Liz McShane, Cllr Viv Ross, Cllr Noah Tucker, Keith Brown and Ismael Owarish

111. 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.

112. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr M Blake and Cllr Bull.

113. URGENT BUSINESS

There were no items of urgent business

114. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

There were no declarations of interest.

115. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr Bevan, Cllr Ross, Cllr Tucker, Keith Brown and Ishmael Owarish had attended a training session on LGPS roles and responsibilities, and in particular the fiduciary duty that LGPS schemes are charged with in advance of the meeting.

Further notification of training received prior to the meeting had been submitted as follows:

Cllr Ross:

- Passive Equity Funds-Market Capitalisation versus Factor Investing, AON Hewitt 13/09/17
- Introduction to Commercial Real Estate Debt (CRED), AON Hewitt 13/09/17
- The General Data Protection Regulations Training, Burges Salmon 13/09/17

Cllr Bevan:

- SPS Alternative Credit and Private Debt Investing for Pension Funds Conference 31/08/17
- The Evolution of DC Investments and DC Scheme Structures 12/09/17
- Diverse Trustee Boards-Time for a Change 13/09/17

116. MINUTES

RESOLVED

That the minutes of the meeting held 20 July 2017 be approved as a correct record.

117. PENSION FUND ANNUAL REPORT AND ACCOUNTS

The Committee considered the report on the audited Pension Fund Annual Report and Accounts for 2016/17 and the Annual Governance Report of the external auditors, BDO, which covered their annual audit of the Pension Fund accounts. The report was introduced by Leigh Lloyd-Thomas, BDO, who set out the findings of the audit. He confirmed that there were no errors in the draft accounts and that no amendments were needed for the bottom line of the fund accounts or the asset statement, the only changes made were to the presentation. Mr Lloyd-Thomas gave commendation to Thomas Skeen, Head of Pensions, for his work on the fund this year as it had improved considerably since last year.

BDO ran through the key audit and accounting matters giving an overview of the work carried out, the findings and conclusions. The Committee noted in the area of contributions receivable that there were two admitted bodies with outstanding contributions payable and one in particular had paid their contributions late on numerous occasions throughout the year.

Mr Lloyd-Thomas also highlighted a finding within the remuneration of key management personnel disclosure audit area. On this point the Committee noted that the management fee for the costs incurred by the Council in providing staff and general running costs support to the pension fund did not include any allowances for time spent by senior management. BDO recommended that an amount of time be estimated and included in the recharge allocation management fee to the fund.

In the area of membership disclosure it was reported that there were 32 active members recorded that had left the Council but BDO confirmed that these members had not been accruing pension benefits since leaving the Council. A periodic clean-up exercise of the system was recommended. Janet Richards, Pensions Manager, confirmed that these members were mainly from outside payroll providers not Council employees.

In relation to the pensions page that is maintained on the Haringey website the Committee requested that the number of hits it receives is published in all future reports.

Action: Pensions Manager

The Committee also requested that recharges for addition costs be applied to the two admitted bodies with outstanding payments and the outside employers connected to the 32 active members who had left but not been disclosed to the Council. The Head of Pensions confirmed that discussions had begun with these parties but as charging

was a recently introduced procedure then initial warning letters would be sent to warn of penalties if the issue continued. It was agreed that this would be included in the administration strategy.

Action: Head of Pensions

RESOLVED

- That the Committee and Board note the findings of the external auditor in their report attached in Appendix 1.
- That the Committee note and approve the Pension Fund Annual Report and Fund Accounts for 2016/17.
- That the Committee and Board give the Chair of the Committee and Board and Chief Finance Officer (S151 Officer) authority to sign the letter of representation to the Auditor as set out in paragraph 6.3 of this report.

118. ADMINISTRATION REPORT

The Committee received a report on administrative issues related to the Haringey Pension Scheme. It was noted that there was a new academy conversion with Northumberland Park Community School becoming Dukes Aldridge Academy. Also Tottenham University Technical College would be changing their name to London Academy of Excellence Tottenham.

The Committee recommended that as the General Data Protection Regulation was changing next year this should be included in the Pensions Administration Strategy along with the Bribery Act.

Action: Pensions Manager

RESOLVED

- That the Committee note that Northumberland Park Community School will become an academy on 1 September 2017. The new academy will be called Dukes Aldridge Academy.
- That the Committee note that Tottenham University Technical College will be changing their name to London Academy of Excellence Tottenham on 1 September 2017.
- That the Committee approve the Pensions Administration Strategy Statement

119. INVESTMENT STRATEGY STATEMENT UPDATE

The Head of Pensions explained that the reason for providing the Committee with an updated copy of the Investments Strategy Statement was due to two changes that had been made since its last approval in March 2017. The 1st update was made to the Infrastructure Debt Mandate where debt was reduced to 3% from 5% and the extra 2% was invested in Multi Asset Credit Mandate. The 2nd update involved increasing the allocation to the low carbon index fund to 50% of developed market equities.

The Committee asked whether it was common practice to include and assign figures to the percentages rather than just ranges. The independent advisor, Mr John Raisin confirmed that this was a requirement of the LGPS regulations.

The Committee raised the topic of development of the Investment Strategy, specifically in the area of investing in social housing. It was agreed that a report would be presented at the next Committee meeting focussing on social housing as an investment class, and exploring initiatives done by other LA's, for example Islington, and seek the cooperation of Pension Funds of other LA's. John Raisin recommended speaking to Mercer for advice and agreed to also undertake research in this area. It was agreed that if the lead officers found difficulty in producing this report by the next meeting then this should be communicated to the Chair.

Action: Head of Pensions

RESOLVED

That the Committee note and approve the updated Investment Strategy Statement attached as Appendix 1 of the report.

120. GOVERNANCE REPORT

The Committee & Board considered the Governance report update and noted that the Fund had improved 2 points since the last meeting with a score of 45 out of 59 in terms of achievement of KPI's in the SAB model. The Head of Pensions gave an overview of the KPI's where the Fund scored zero and gave explanation for each of these. It was agreed that in future all KPI's where the Fund realistically cannot score full marks should be highlighted to indicate this.

Action: Head of Pensions

While discussing key indicator number 5, the Head of Pensions, reminded the Committee Members to complete the Public Regulators Public Service Toolkit and notify him once done. It was agreed that the Chair would write to all members who had not completed this training.

Action: Chair

It was noted that the annual benefits statements were submitted by the statutory deadline and the Pensions team were commended for this.

RESOLVED

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

121. MIFID II

The Head of Pensions explained the purpose of the report and the impact of the MiFID II. The Committee were notified that the requirement to 'opt up' to an elected professional client status would be done by the majority of LA's apart from very small parish town authorities.

RESOLVED

- The Committee & Board note the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.

- The Committee & Board agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
- In electing for professional client status the Committee and Board acknowledge and agree to forgo the protections available to retail clients attached as Appendix 1.
- The Committee & Board agree to approve delegated responsibility to the Chief Finance Officer (S151 Officer) for the purposes of completing the applications and determining the basis of the application as either full or single service.

122. WORK PLAN /FORWARD PLAN

The Committee and Board considered the quarterly report on the forward plan, as introduced by Thomas Skeen, Head of Pensions. The Committee did not raise additional issues and training for inclusion within the work plan.

RESOLVED

The Committee and Board note the update on member training attached at Appendix 3.

123. RISK REGISTER REVIEW

The Committee and Board considered the report on the Fund's risk register, introduced by Thomas Skeen, Head of Pensions. The Committee discussed red risk number 2 relating to the frequent turnover of Committee Members, namely that the terms of reference for the Committee be changed to every 4 years rather than 1. It was agreed that the recommendation should be made to Full Council to this effect which would help to reduce this risk area.

Action: Head of Pensions/Asst Director Corporate Governance

RESOLVED

- The Committee note the risk register.
- The Committee note the area of focus for this review at the meeting is 'Governance' and 'Legislation' risks.

124. LAPFF VOTING ENGAGEMENT

The Committee and Board considered the quarterly LAPFF engagement report, as introduced by Thomas Skeen, Head of Pensions.

RESOLVED

The Committee note this report.

125. NEW ITEMS OF UNRESTRICTED URGENT BUSINESS

There were no new items of unrestricted urgent business.

126. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following items on the agenda.

127. EXEMPT MINUTES

That the exempt minutes of the meeting held on 27 March be approved as an accurate record.

128. NEW ITEMS OF URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR:

Signed by Chair

Date



Report for: Pensions Committee November 2017

Item number: 7

Title: Pensions Administration Report

Report authorised by: Clive Heaphy, Chief Financial Officer

Lead Officer: Janet Richards – Pensions Manager,

 020 8489 3824
 janet.richards@haringey.gov.uk

Ward(s) affected: Not applicable

**Report for Key/
Non Key Decision:** Not applicable

1. Describe the issue under consideration

- 1.1. This report details the amount of transfers in and transfers out of the pension fund and the amount of retirements.
- 1.2. This report also highlights the late payments paid to the fund.
- 1.3. The report also gives a breakdown of the amount of visits made to the Haringey pension fund website.
- 1.4. This report gives an update on employers.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations that members:

- 3.1. Note the contents of this report in respect of the administration of the pension fund

4. Reason for decision

- 4.1. Not applicable

5. Alternative options considered

Not applicable

6. Background information:

- 6.1. Thirty three (33) transfers in have been received by the Haringey Council Pension fund since 1 April 2017. 22 have been made from other Local

Government Pension Scheme funds, 5 from other public sector schemes and 6 have been received from personal pension funds and other pension schemes.

	1 April 2016 to 31 March 2017	1 April 2017 -30 October 2017
Transfers in from other LGPS schemes	27	22
Transfers in from other occupational schemes	5	5
Transfers in from personal pension schemes	1	6

- 6.2. Forty nine (49) transfers out have been made from the Haringey Council Pension fund since 1 April 2017. 35 have been made to other local authority pension schemes, 14 have been made to other occupational or non local government pension schemes.

	1 April 2016 to 31 March 2017	1 April 2017 -30 October 2017
Transfers out to other LGPS schemes	39	35
Transfers out to other occupational schemes	1	4
Transfers out to personal pension schemes	7	10

- 6.3. Two hundred and thirty five (235) pensioners have been processed since 1 April 2017. The reasons for the payment of pension follows. Four flexible retirement cases, 2 ill health cases, 3 deferred benefits into payment on ill health grounds, 48 redundancy cases, 133 deferred benefit into payment upon reaching retirement age and 45 retirement cases.

Type of retirement	1 April 2016 to 31 March 2017	1 April 2017 -15 October 2017
flexible retirement	2	4
Ill health	7	2

Deferred benefit into payment on ill health grounds	2	3
Redundancy retirement	124	48
Deferred benefit into payment on age grounds	160	133
Normal /late retirement	46	45

6.4. Late payment of Contributions

The table below provides details of the employers who have made late payments since April 2017.

Employer	Occasions Late	Average no of days late	Average monthly contributions
Absolutely Catering	1 (June)	2	£710
Lunchtime UK	2 (April and June)	2	£7,890
Woodside High School	3 (May, June and July)	4	£33,851

The employers have been written to and informed of their obligation to pay the contributions by the 19th of the month as per the Pensions Acts 1995 and 2004 . The employers have been advised that if the fund receives any further late payments the fund will impose charges with interest as detailed in the Pensions Administration Strategy.

6.5. The visits to the Haringey website www.haringeypensionfund.co.uk for the last six months are as follows

	users	Page views
April 2017	271	1,391
May 2017	310	1,347
June 2017	296	1,415
July 2017	307	1,481
August 2017	277	1,438

September 2017	358	1,702
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The average amount of users per month to the pension website is 303 and they view on average 1462 pages, nearly 5 pages for each user.

6.6 Caterlink at Bruce Grove last active employee left the fund triggering a cessation valuation. The actuary has calculated that the cessation valuation is nil.

6.7 Highgate Wood School has outsourced its cleaning service to Lakethorne Group on 23rd October 2017. Lakethorne Group has a pension scheme The LGPS (2014) Section of the Federated Pension Plan, it has a current certificate of Broad Comparability issued by the Government Actuary Department. The transferred staff will participate in the new scheme and will have the option to transfer their accrued pension benefits with the Haringey LGPS fund into the new pension scheme.

7. Contribution to strategic outcomes

Not applicable

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

Chief Financial Officer

Monitoring employer and employee contributions and the payment of these to the pensions fund is a statutory requirement for all LGPS Administering Authorities such as Haringey. All employers must remit any pension contributions due to the fund by the 19th day of the month following each pay period. The pensions team monitor late payments and follow up on these with employers and payroll providers to remind them of these responsibilities they have under the Pensions Act 2004. Repeated late payments are followed up with a fine as is detailed in the Fund's Administration Strategy.

There are no further direct financial implications arising in the remainder of this report.

Assistant Director of Corporate Governance

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

9. Use of Appendices

Not applicable

10. Local Government (Access to Information) Act 1985

Not Applicable

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Report for: Pensions Committee and Board 21 November 2017

Item number: 8

Title: Additional Voluntary Contributions (AVC) Provider Review

Report authorised by: Clive Heaphy, CFO and S151 Officer

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

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

1. Describe the issue under consideration

- 1.1. The Pensions Committee and Board has requested a review of the Fund's Additional Voluntary Contribution (AVC) Providers, this report brings back a review that was conducted by the Fund's investment consultant: Mercer.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the committee consider the appended report of Mercer and recommendations contained within. Based on this report, that the Committee and Board agree to:
 - Opening up further funds with Prudential that are not focussed on annuity purchase on retirement, i.e. funds that allow members to withdraw some or all of their AVC Fund as cash at retirement.
 - Officers conducting a communication exercise with AVC members to remind them of the options available to them, in particular when they may have the option to transfer funds between providers or products, to options which may prove more beneficial to them.
 - Officers encouraging the appointed AVC providers to conduct communication exercises with Haringey staff to inform them of the AVC options available to them, i.e. via information sessions for staff to attend.

4. Reason for Decision

- 4.1. The fund has a legal duty to provide members with an AVC option, it is best practice to review the AVC providers to ensure that they are providing value for members.
- 4.2. Members of the pension scheme may choose to invest funds with AVC providers in addition to their Local Government Pension. The Fund aims to provide a range of products which will suit different members, based on their individual needs.
- 4.3. Officers of the Fund are not able to give financial advice to members of the fund, but are able to communicate the options available to fund members. Fund members must take their own independent financial advice in order to make decisions about what AVC products will suit their individual situation.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. Haringey has two active AVC providers, Prudential and Clerical and Medical. There is one further provider: Equitable Life, which is closed to new membership. The membership is as detailed below as at 31/3/17. In total there are 135 members, so in total 0.6% of Haringey Pension Fund have AVC arrangements in place.

Provider	Active Members	Members with preserved benefits
Prudential	73	23
Equitable Life	2	32
Clerical and Medical	2	3

- 6.2. The total value of funds held by Haringey Pension Fund members in AVC arrangements is £1.016m as at 31/3/17. This is detailed as a disclosure in the Fund's Annual Report and Accounts.
- 6.3. Additional Voluntary Contributions (AVC's) were introduced in the mid 1980s as an additional means for individuals to save for retirement. It is a requirement (under the Social Security Act of 1986) for every UK pension scheme to have an arrangement in place whereby members can pay additional voluntary contributions to enhance their pension benefits.

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 direct financial implications arising from this report: AVC arrangements are between members of the fund and individual AVC providers. AVC funds are not part of Haringey Pension Fund, and are not included on the Fund's balance sheet.
- 8.2. Nevertheless, legally Haringey has a duty to provide an AVC option for members, and we would want to ensure that these options made available are high quality and are able to meet the needs of a range of fund members in differing situations. Hence, the suggestion to open up further options with Prudential to members who may not wish to target an annuity purchase on retirement, is one which is supported.
- 8.3. The performance of the majority of funds has generally been good, and the charges are lower than average, which is pleasing. Officers are proposing to conduct a communication exercise with members to remind them of the options available to them, hence any members invested in lower performing funds will be reminded of any actions they can take to address this.

Legal

- 8.4. Regulation 17 of The Local Government Pension Scheme Regulations 2013 sets out the requirements for dealing with AVCs or shared cost additional voluntary contribution arrangements ("SCAVCs"). Under the Regulation an active member may enter into arrangements to pay AVCs or SCAVCs. The arrangements must be a scheme established under an agreement between the administering authority and a body approved for the purposes under the Finance Act 2004 ("the AVC provider"), registered in accordance with that Act and administered in accordance with the Pensions Act 2004.

Equalities

- 8.5 There are no equalities issues arising from this report

9. Use of Appendices

- 9.1. Confidential Appendix 1 – AVC Provider Review

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

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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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Report for: Pensions Committee and Board 21 November 2017

Item number: 9

Title: Risk Register - Review/Update

Report

authorised by: Clive Heaphy, CFO and S151 Officer

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

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 note the risk register.
- 3.2. That the Committee note the area of focus for this review at the meeting is 'Administration' and 'Communication' risks.

4. Reason for Decision

- 4.1. None

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The Pensions Regulator requires that the Committee and Board 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 and Board approved the latest full version of the risk register on 20 September 2016 and from each meeting after this date different areas of the register have been reviewed and agreed so that the risk register always remains current.

6.3. An abridged version of the full register is attached. This highlights the areas to be considered for this Committee meeting in line with the Committee's agreed work plan for regular review of the risk register. Red rated risks are highlighted separately.

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 (Abridged Version)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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
49	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	25

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
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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.	9
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.	10

Risk No	Cat Ref	Risk	Risk Ranking
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COMMUNICATION			
50	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
51	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	6
52	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	12
53	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	9
54	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	8
55	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	12

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
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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
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
FUNDING/LIABILITY			
56	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
57	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
58	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	10
59	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	10
60	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	5
61	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	10
62	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	5
63	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	5
64	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	8
65	FLI10	Processes not in place to capture or review covenant of individual employers.	8
66	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
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Risk No	Cat Ref	Risk	Risk Ranking
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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	5
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

Colour	Risk Level
	Low
	Moderate
	High
	Very High

Risk Register - Haringey Pension Fund

ADMINISTRATION								
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	New structure implemented from October 2016. Officers feel the new structure is functioning well, and that having all pensions staff in one team rather than split between HR and Finance is beneficial. The objectives of the pensions teams are being met.	5	1	5	HoCF	Ongoing
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>Staff in pensions administration and investments/accounting attend events, conferences and training sessions. The head of Pensions, and Senior Pensions Accountants are both CCAB qualified accountants who complete annual CPD requirements.</p>	4	3	12	HoCF; HoP	Mar-18

Risk Register - Haringey Pension Fund

ADMINISTRATION								
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	Ongoing
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. They are also checked by the Pensions Manager and Head of Pensions or S151 Officer before payments are authorised on SAP.</p>	4	2	8	PAM	Mar-18
34	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	<p>Pensioner 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	Mar-18

Risk Register - Haringey Pension Fund

ADMINISTRATION								
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. This was last approved in February 2017.</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	Ongoing
36	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	<p>The Council's data protection policy is issued to and signed by all staff.</p> <p>The Council has in place a 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-18
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-18

Risk Register - Haringey Pension Fund

ADMINISTRATION								
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

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
50	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	Ongoing
51	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	Ongoing
52	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	3	12	PAM; HoP	Ongoing

Was previously flagged as a 2 for probability, now upped to a 3. Increasing numbers of the smaller employers require chasing to fulfil their requirements

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
53	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	Ongoing
54	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. The Pensions Manager and other staff carry out site visits to employers as necessary to provide information and training to them.	4	2	8	PAM; HoP	Ongoing
55	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	3	12	PAM; HoP	Mar-17

Was previously flagged as a 1 for probability, has been upped to a 3. Officers are spending increasing efforts on dealing with employers who don't share information in a timely manner with the fund.

RED RATED RISKS								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
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
49	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	<p>The Fund is a founding member of London CIV and is an active participant at all levels (Executive and Officer) of London CIV.</p> <p>Specifically, the Fund has representation at the Investment Advisory Committee and Officer's business meetings where strategies and fund manager appointments that align with the Fund's investment strategy are promoted.</p> <p>However, because the CIV has to reach consensus among its 33 members, there is a risk that the full complement of mandates in the Fund may not be replicated by London CIV.</p>	5	5	25	HoP	Ongoing

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Report for: Pensions Committee and Board 21 November 2017

Item number: 10

Title: Forward Plan

Report authorised by: Clive Heaphy, CFO and S151 Officer

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

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 agendas. Suggestions on future training are also requested.

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 and to note the update on member training attached at Appendix 3.

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, investments and accounting. The Committee is invited to consider whether it wishes to amend future agenda items as set out in the work plan.
- 6.2. Members will recall that the governance review recommended that the Committee should be provided with an update on member training. This information is provided in Appendix 3 of the report.

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.
- 9.3. Appendix 3: Update on TPR Public Service Toolkit/Training Needs Analysis

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

Meeting Date Item No	21 Nov 2017	18 Jan 2018	15 Mar 2018
Standing Items			
7	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
8	Governance Update Report - SAB Update - Governance Checklist update	Governance Update Report - SAB Update - Governance Checklist update	Governance Update Report - SAB Update - Governance Checklist update
9	Work/Forward Plan	Work/Forward Plan	Work/Forward Plan
10	Risk Register Review / Update (Administration & Communication)	Risk Register Review / Update (Accounting & Investments)	Risk Register Review / Update (Funding/Liability)
11	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
12	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration & Governance			
13	Review/update of Investment Strategy Statement (Multi Asset Absolute Return addition)	Review/update of Internal Disputes Resolution Policy	Review/update of Investment Strategy Statement if necessary
		Fund Admissions Policy	

Meeting Date Item No	21 Nov 2017	18 Jan 2018	15 Mar 2018
		Investment Consultancy Services Contract	
Investments			
14	Performance Review - Additional Voluntary Contribution Providers	Fund Managers Internal Control Report	
Funding & Valuation			
Training			
1	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
2	Social Impact Investing - Bridges Fund Management	Tbc	Tbc

TRAINING PROGRAMME

APPENDIX 2

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
27-Sep-17	Introduction to the LGPS	CIPFA	£345	London	N/A
5 - 6 October	Trustee Knowledge 2017	Legal and General Investment management	Free	London	N/A
https://www.events-lgim.com/lgim/frontend/reg/tvenue.csp?pageID=73183&ef_sel_menu=1739&eventID=267&eventID=267					
10-Oct-17	LGPS TRUSTEE TRAINING FUNDAMENTALS XVI - Day 1: History of LGPS Refresher of traditional asset classes	Local Government Association	£260	London	N/A
15-Nov-17	LGPS TRUSTEE TRAINING FUNDAMENTALS XVI - Day 2: Valuations and funding strategies Responsible Investment Established alternative investments	Local Government Association	£260	London	N/A
13-Dec-17	LGPS TRUSTEE TRAINING FUNDAMENTALS XVI - Day 3: Duties and responsibilities of committee members Future of LGPS and governance arrangements Asset pooling and portfolio construction	Local Government Association	£260	London	N/A
06-Dec-17	Trustees Conference	Pensions and Lifetime Savings Association	Tbc	London	N/A
http://www.plsa.co.uk/Conferences_and_Seminars/Trustee_Conference.aspx					
6,7 and 8 December-17	LAPFF Annual Conference	Local Authority Pensions Fund Forum	£600	Bournemouth	N/A

Other Training Opportunities					
Date	Conference / Event	Training/Event Organiser	Cost		Delegates Allowed
	Mentoring Programme for members/officers	LAPFF	Free		N/A
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 Thomas Skeen, Head of Pensions, if you wish to attend any of these courses.

Tel No: 020 8489 1341

Emal: thomas.skeen@haringey.gov.uk

APPENDIX 3

Pension Committee and Board member's Name	Public Sector Toolkit (Online)	Training Needs Analysis
Cllr Clare Bull (Chair)	✓	✓
Cllr John Bevan (Vice Chair)	✓	✓
Cllr Mark Blake	✗	✗
Cllr Viv Ross	✓	✓
Cllr Liz McShane	✗	✓
Cllr Noah Tucker	✗	✗
Keith Brown	✓	✓
Randy Plowright	✗	✓

Link to the public sector toolkit:

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx#s16691>

Report for: Pensions Committee and Board 21 November 2017

Item number: 11

Title: Governance Report

Report authorised by: Clive Heaphy, CFO and S151 Officer

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

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 and Board:
- on progress toward compliance with Scheme Advisory Board (SAB) key performance indicators;
 - 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 and Board should note progress since the last report to the Committee and Board on performance against SAB's key indicators.

4. Reason for Decision

- 4.1. None.

5. Other options considered

- 5.1. None

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 The Pensions Regulator when it believes action is necessary.

- 6.2. 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 Fund continues to improve in terms of achievement of KPIs in the SAB model with a score is of 48 out of 59 – a 81% achievement rate and an improvement of 3 points since the last meeting.
- 6.4. The areas of improvement that have led to an increased score have been highlighted in appendix 1.

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.

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	1	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	1	1
		Score 1 point for each one			4	4	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, 70-79= +3, 60-69 = +2, less than 59 = +1	The 2016 Valuation has shown an improved funding level of 79%. The indicative rolled forward funding position as at 30 June 2017 is 85%	4	4	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 was made available to the Actuary and presented to Committee in November 2016.	1	1	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	1	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			6	6	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.	Returns exceeded those 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.	0	0	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	1	1
		c) No training recover disclosure	c) annual training records disclosed in the annual accounts.	Member training records are disclosed in committee minutes	1	1	1
		d) Self assessment	d) annual self - assessment of training undertaken and identification of future needs.	The Committee has completed a training self assessment exercise in July which will feed through to the training provided over the year.	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
			Score 1 point for each.		4	4	5
6	Administering authority staff accountability, leadership, experience and training	<p>a) No or only part time Head of Fund and or only part time officers</p> <p>b) No or little induction or no on-going training provision or experience recorded on the adoption of CIPFA LGPD knowledge and understanding framework.</p>	<p>a) Experienced Head of Fund with full time dedicated officers with at least three years experience.</p> <p>b) staff undertake regular CIPFA LGPS TKU or other CPD training recorded across all LGPS skills (governance, benefits administration, funding, investments and communications)</p> <p>Score 1 point for each.</p>	<p>There is a full time permanent Head of Pensions who is experienced in dealing with LGPS funds. There is a new structure in place with a dedicated Pensions Senior Accountant. The Head of Pensions is a fully qualified CIPFA accountant, and the Senior Accountant is ACCA qualified.</p> <p>Training undertaken via a variety of sources: e.g. Regular CIPFA conferences, CIV seminars, and ensuring compliance with CIPFA Continuing Professional Development requirements.</p>	<p>1</p> <p>1</p> <p>2</p>	<p>1</p> <p>1</p> <p>2</p>	<p>1</p> <p>1</p> <p>2</p>
7	Statutory Governance standards and principles (as per DCLG and TPR Codes)	<p>Several key areas of non-compliance with:</p> <p>a) DCLG LGPS Statutory Guidance</p> <p>b)TPR Guidance and codes</p> <p>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.</p>	<p>a) Full Compliance with DCLG LGPS statutory guidance</p> <p>b) Full compliance with TPR guidance and codes for public sector pension schemes.</p> <p>c) Meet or exceed other LGPS best practice on recording all key decision taking and annual self, scheme employers, scheme members assessment of effectiveness.</p> <p>Score 1 point for each.</p>	<p>The Fund aims to be compliant with all statutory guidance, and is compliant for the main elements of this (e.g. Investment regulations 2016). In practice it is challenging to be 100% compliant in all areas at all times, given the frequency of guidance changes.</p> <p>Although progress toward compliance with TPR Code of Practice has been made, the Fund is not yet fully compliant.</p> <p>The Haringey Pension Fund Committee/Board has not undertaken any self assessment exercises so far. This will be included in Fund's work programme.</p>	<p>0</p> <p>0</p> <p>0</p>	<p>0</p> <p>0</p> <p>0</p>	<p>1</p> <p>1</p> <p>3</p>
8	Quality and accessibility of information and statutory statements, strategies, policies (governance, FSS, SIP, Communications, admin authority and employer discretion policies)	<p>a) Statutory publications not all in place or published on fund web site or updated in accordance with regulatory requirements and due timelines.</p> <p>b) Fund and employers discretions not published.</p>	<p>a) Statutory publications all in place and published on fund web site and updated in accordance with regulatory requirements and due timelines.</p> <p>b) Fund and employers discretions published.</p>	<p>All provided for loading on to the Hymans' sponsored member web site</p> <p>The Council's discretions policy is published. Those for other employers are their responsibility.</p>	<p>1</p> <p>1</p>	<p>1</p> <p>1</p>	<p>1</p> <p>1</p>

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
		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	1
			Score 1 point for each.		3	3	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 agreed to become a signatory to the FRC UK Stewardship Code.	1	0	1
		c)UN PRI	c) External managers or fund are PRI signatories.	All managers except one are PRI signatories.	1	1	1
			Score 1 point for each.		3	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 Pensions Investment and Research Consultants (PIRC) benchmarking, the fund is ranked 2nd out of all LGPS funds using the service over the last 1 and 3 years. Over the 5 year period it is ranked 7th. The group being benchmarked against includes roughly two thirds of all LGPS funds.	5	5	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.	Of the three managers of a history of managing funds for over 3 years, none is above target in this quarter.	0	0	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.		6	6	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	Yes	1	1	1
			Score 1 point for each		3	3	3

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.	Confirmed that we meet this standard.	1	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.	Confirmed that we meet this standard.	1	0	1
			score 1 point for each.		2	0	2
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.	All Annual Benefits Statements were sent out by the 31st August statutory deadline in 2017.	1	1	1
			Score 1 point for each.		2	2	2
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	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	2	2
15	Handling of formal complaints and IDRs	a) Any Pensions Ombudsman determinations and any appeals or fines were against the action of the fund (not employers)	No stage 2 IDRs and no Pensions Ombudsman finding against the fund's actions in the last three years.	There were no IDRs on Pension Ombudsman finding against the Funds actions in the last three years.	1	1	1
			Score one point for each.		1	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	1	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	3	3
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

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		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	3
18	Quality assurance	No evidence of:					
		a) quality management system	a) Fund has formal quality management external certification.	None currently	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	1	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 entered into one competition for it's approach to ESG issues.	1	1	1
			Score one point for each.		3	3	4
					48	45	59
Level of Compliance					81%		

Report for: Pensions Committee and Board 21 November 2017

Item number: 12

Title: Pension Fund Quarterly Update

Report authorised by: Clive Heaphy, Chief Finance Officer (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

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 2017:

- Funding Level Update
- Investment asset allocation
- Investment performance
- Investment 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 2017 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 and Board to review investment performance and sections 11 and 12 of this report 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 and Board 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 CFO (S151 Officer) has been consulted on this report and there is no direct financial impact from the contents of this report.

Legal Services Comments

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

8.3. All monies must be invested in accordance with the Investment Strategy and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

Comments of the Independent Advisor

8.4. The Quarter April to June 2017 saw modest but further advances in Equity markets across the world. The US S&P 500 index reached a new record high during the Quarter supported by generally positive economic news. European equities had a good Quarter and in the Eurozone the economy continued to perform positively with unemployment falling to 9.1% in June, its lowest level since April 2009. Despite weakness in June following the inconclusive General Election result the UK FTSE All Share index also advanced over the Quarter.

8.5. The main (10 year) Government bond yields (US, UK, Germany and Japan) changed little over the quarter. The yield on the 2-year UK Gilt (which is very sensitive to interest rate expectations) increased, however, from 0.13% to 0.36% during June (perhaps) reflecting increasing market expectations of a future rise in the Bank of England Base Rate.

8.6. The Quarter saw further developments in Central Bank policy which has so greatly influenced world financial markets since the crash of 2009. Taking account of further improvements in employment and overall economic activity the United States Federal Reserve raised interest rates at its June meeting by 0.25% the second increase in 2017. This took official US interest rates to their highest level since 2008. The Federal Open Markets Committee (FOMC)

indicated the potential for a further increase in rates during 2017. While continuing its policy of reinvesting principal payments from its bond and debt holdings the FOMC Committee indicated that it expected to begin mitigating this approach from later in 2017. This marked a clear statement of intention to further gradually tighten monetary policy.

8.7. The European Central Bank (ECB) Governing Council, at its June 2017 meeting, kept interest rates unchanged and indicated that it expected “the key ECB interest rates to remain at their present levels for an extended period of time.” This statement represented a change from previous statements which had indicated further possible interest rate reductions. Quantitative Easing in the form of asset purchases were maintained at the rate of 60 billion Euros per month. The ECB commented that the Euro area economy was now “projected to expand at a somewhat faster pace than previously expected.”

8.8. The Bank of England maintained Base Rate at its historic low of 0.25% at its June 2017 meeting. The majority in favour of retaining rates at this level was 5-3 a clear narrowing from the 7-1 majority at the May 2017 meeting.

8.9. With regard to the Haringey Fund there was a very slight increase of £1m in its value over the Quarter from £1,309 to £1,310m. More importantly the indicative Funding level at 30 June 2017, as calculated by the Fund Actuary, has remained at 85% the same level as at 31 March 2017. This represents a clear improvement since the last full Actuarial Valuation (as at 31 March 2017) when the Funding level was 79%. A detailed commentary on the performance of the Fund during the April to June 2017 Quarter is provided in the Officer commentary at Sections 12 and 13 of this report.

8.10. Due to lengthy and clearly positive Equity performance the actual allocation to equities is clearly well in excess of the Strategic Benchmark of 52.5%. Therefore, during the Quarter the Officers, correctly and appropriately, reallocated some funds from Equities to Multi-Sector Credit in order to reduce the overweight position to Equities and bring the actual Multi Sector Credit allocation to very near its Strategic Benchmark of 7%. As the Officers comment (at Section 12.2) they will reallocate from Equities to the Infrastructure Debt, Private Equity, Property and Renewable Energy mandates as the investment managers make requests for further funding of these investments.

Equalities

8.11. 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. Funding Position Update

11.1. At the most recent valuation 31 March 2016, the Fund had a funding position of 79% - meaning that the fund's investment assets were sufficient to pay 79% of the pension benefits accrued at that date.

11.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 30 June 2017, and this showed an improvement to an 85% funding level: the increase being mainly attributable to investment returns. This position remained stable from the position as at 31 March 2017 which also showed a 85% funding level.

12. Portfolio Allocation Against Benchmark

12.1. The value of the fund increased by £0.8m million between March and June 2017. The property and multi asset credit portfolios performed above benchmark, equity was in line with benchmark, whereas the infrastructure debt, and private equity were below benchmark.

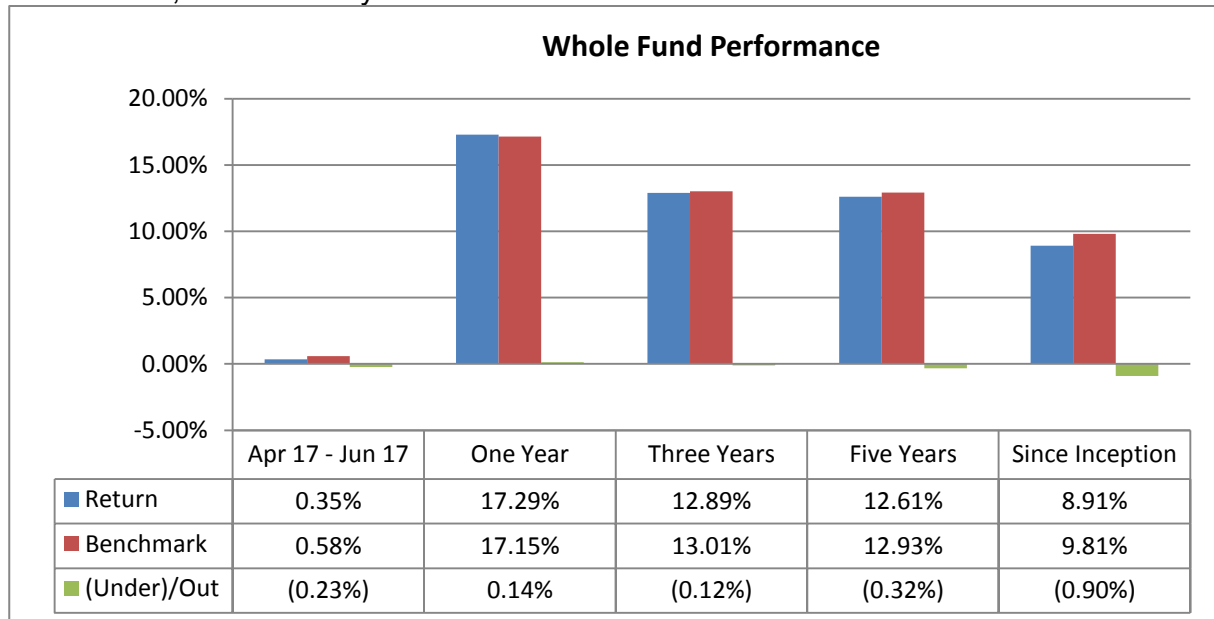
12.2. The equity allocation exceeds target by 11.24%. This is due in part to a strongly performing year for equities meaning that this portion of the portfolio has grown disproportionately compared to other asset classes. The infrastructure debt and private equity, portfolios continue to be funded as the managers make capital calls when suitable assets become available for acquisition. As these, and the new property and renewable energy mandates are funded, the equity portfolio will fall back in line with the strategic allocation, however it should be noted that this may take several years to fully complete.

Total Portfolio Allocation by Manager and Asset Class

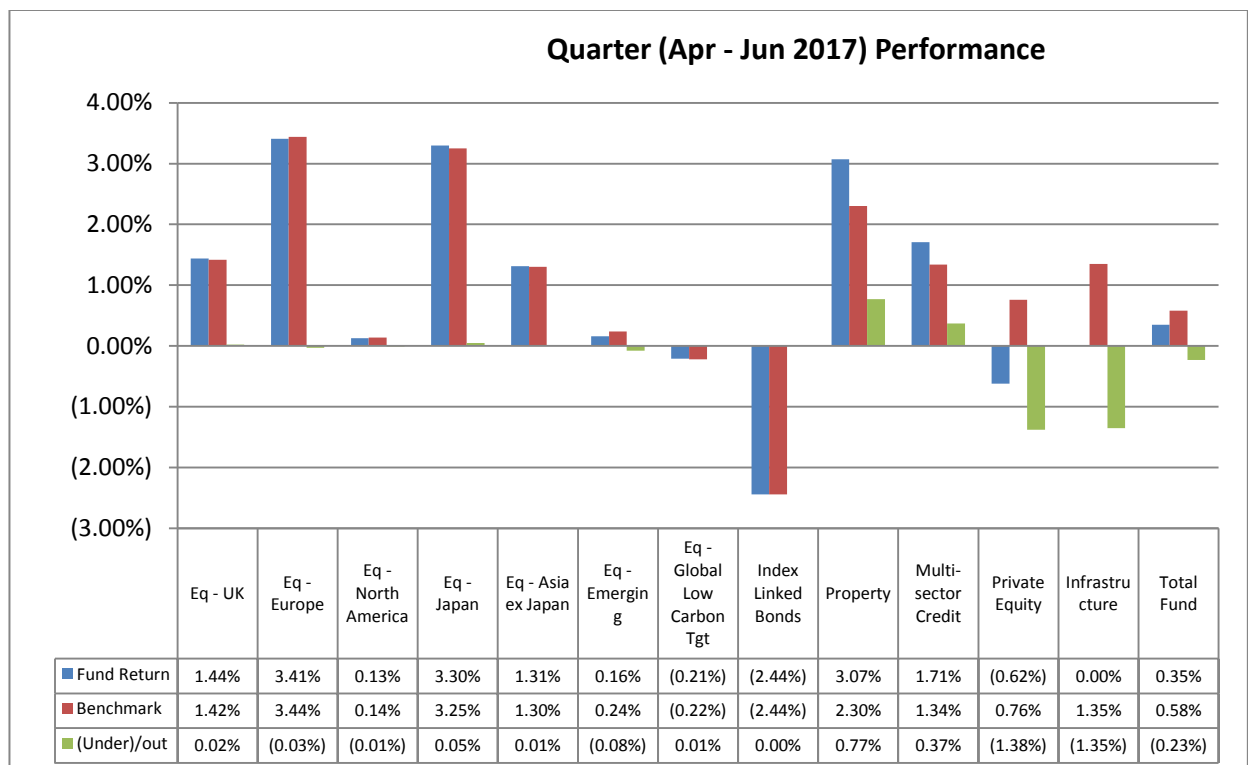
	Value	Value	Value	Allocation	Strategic	Variance
	31.12.2016	31.03.2017	30.06.2017	30.06.2017	Allocation	
	£'000	£'000	£'000	%	%	%
Equities						
UK	145,449	151,526	139,345	10.64%	8.80%	1.84%
North America	212,480	222,584	200,198	15.28%	12.60%	2.68%
Europe	69,369	74,404	71,219	5.44%	4.30%	1.14%
Japan	31,047	32,146	33,378	2.55%	2.00%	0.55%
Asia Pacific	30,371	33,853	31,981	2.44%	2.00%	0.44%
Emerging Markets	127,925	138,965	123,444	9.42%	7.90%	1.52%
Global Low Carbon Tgt	203,226	214,432	235,450	17.97%	14.90%	3.07%
Total Equities	819,867	867,910	835,015	63.74%	52.50%	11.24%
Bonds						
Index Linked	180,381	183,837	179,349	13.69%	15.00%	-1.31%
Property						
Aviva	0			0.00%	5.00%	-5.00%
CBRE	91,590	90,845	97,405	7.44%	7.50%	-0.06%
Private equity						
Pantheon	52,801	54,278	53,139	4.06%	5.00%	-0.94%
Multi-Sector Credit						
CQS	49,589	50,467	89,727	6.85%	7.00%	-0.15%
Infrastructure Debt						
Allianz	29,266	27,814	36,038	2.75%	3.00%	-0.25%
Renewable Energy						
CIP	0	0	0	0.00%	2.50%	-2.50%
Blackrock	0	0	5,985	0.46%	2.50%	-2.04%
Cash & NCA						
Cash	24,657	33,942	13,280	1.01%	0.00%	1.01%
Total Assets	1,248,151	1,309,093	1,309,938	100%	100%	0.00%

13. Investment Performance Update: to 30th June 2017

13.1. 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 2017 and for one, three and 5 years for the whole of Fund.

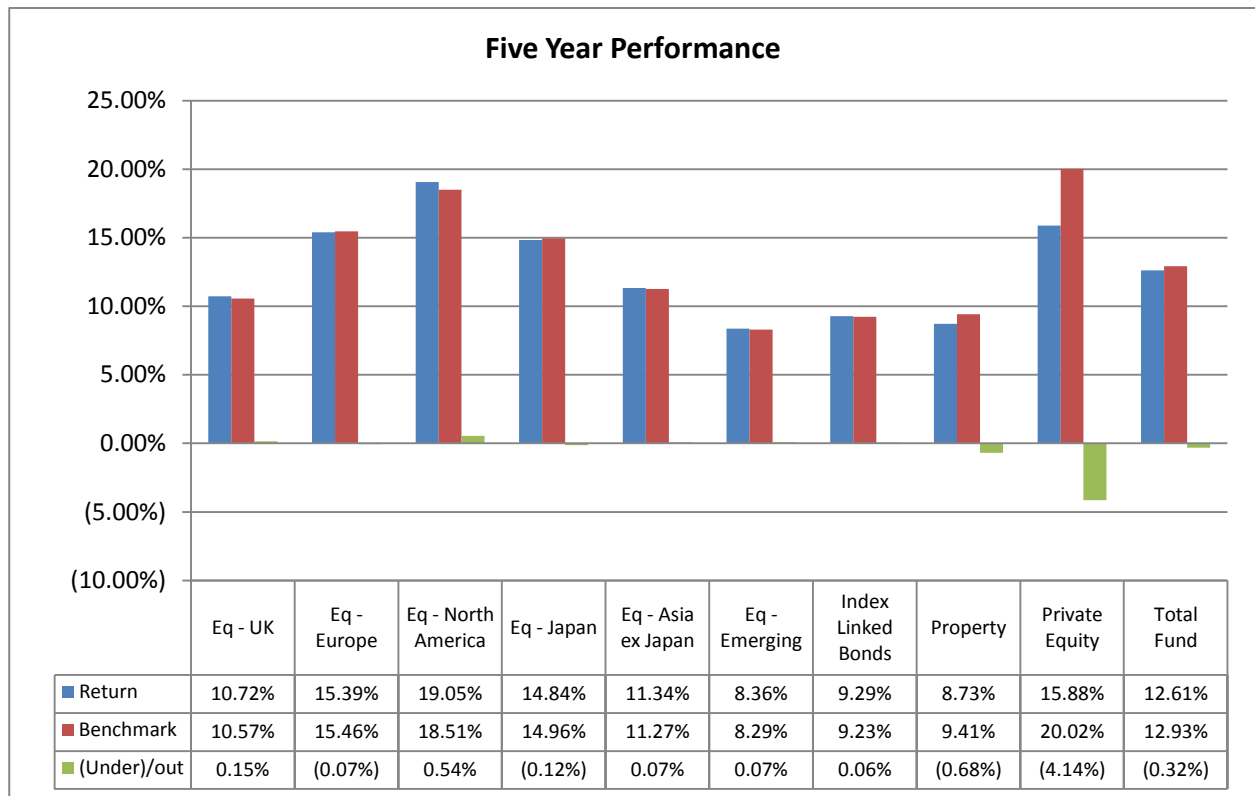


13.2. The Fund returned 0.35% in the quarter: roughly in line with the benchmark of 0.58%. Japanese and European equities showed the strongest performance over the quarter with returns of over 3%. Property also had a return in excess of 3% in the quarter.



13.3. Over the last 12 months the Fund returned 18.54% and overperformed benchmark of 18.12% by 0.42%. Three and five year outperformance is 0.18% and 0.15% respectively. As much of the fund is invested passively, one would expect returns to be largely in line with benchmark. The Fund has benefitted from its overweight position in equities over the past five years.

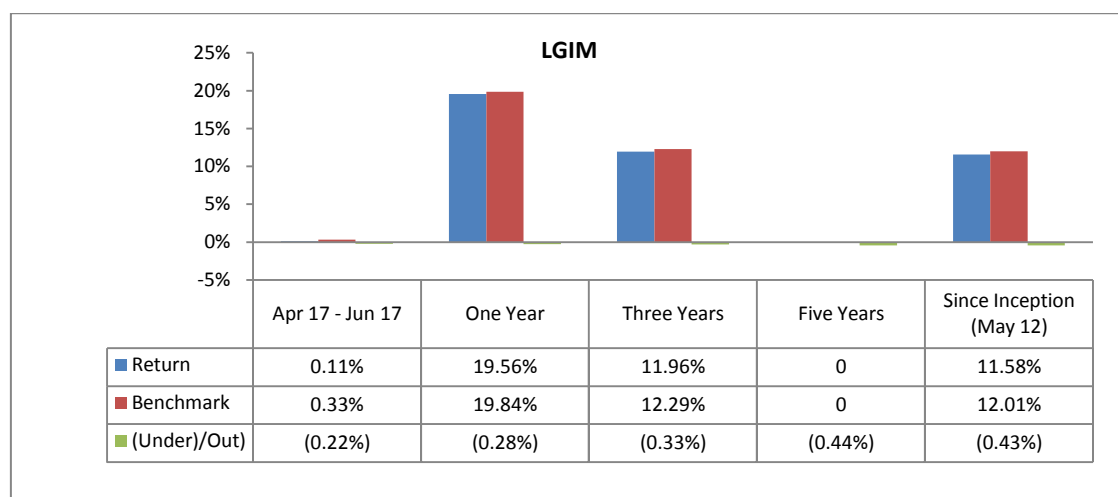




FUND MANAGER PERFORMANCE

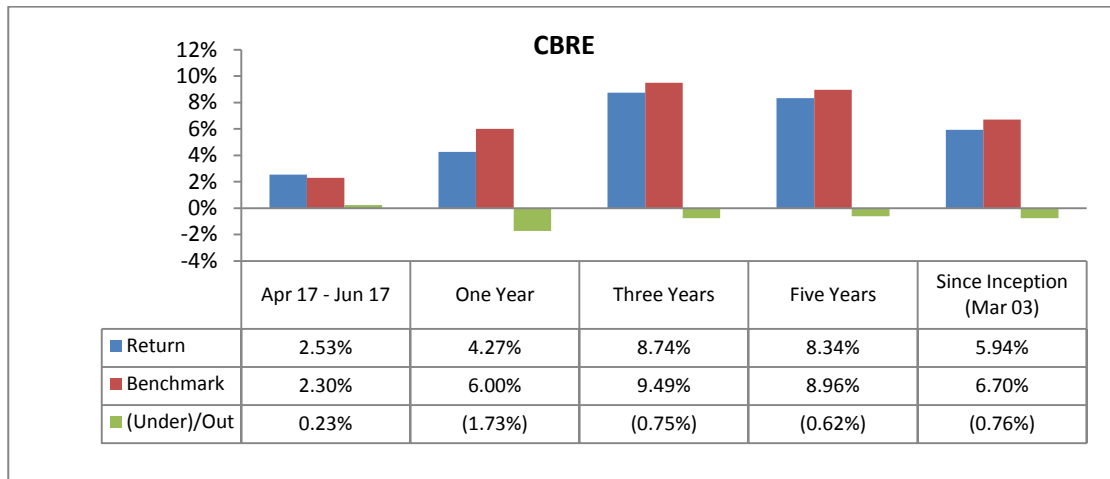
Legal & General Investment Management (LGIM)

13.4. Legal and General returned 0.11% this quarter and has slightly underperformed composite benchmark of 0.33%.



CBRE

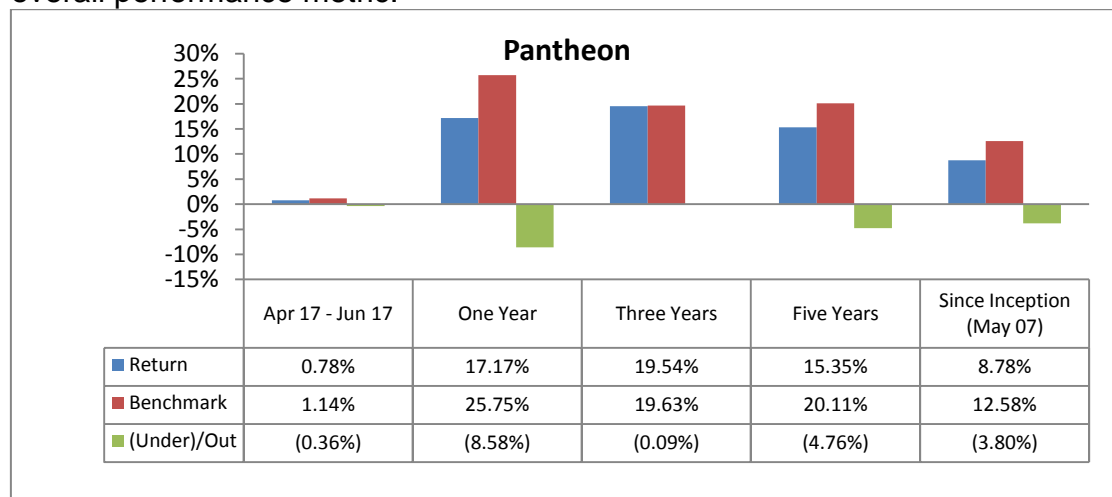
13.5 The manager saw a positive total return of 0.23% in the quarter and outperformed benchmark of 2.30% by 0.23%. CBRE lags behind benchmark over 1, 3, and 5 years, as well as since portfolio inception: however this position is improving.



13.6 The relative performance of the property portfolio was affected by two European funds that suffered significant loss, the final holdings in which were sold during the quarter: the effects of this will still show a lag on performance for some time to come.

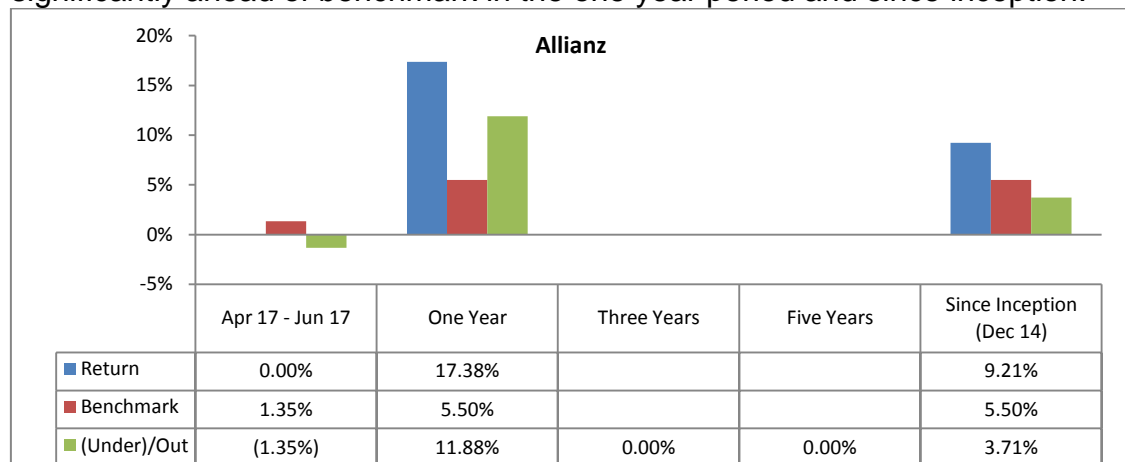
Pantheon Private Equity

13.7 Pantheon Private Equity underperformed their benchmark by 0.36%. Over all time horizons measured below the manager is showing a negative return compared to benchmark, however, in absolute terms, returns of over 15% over the past five years have added significantly to the fund's asset base and overall performance metric.



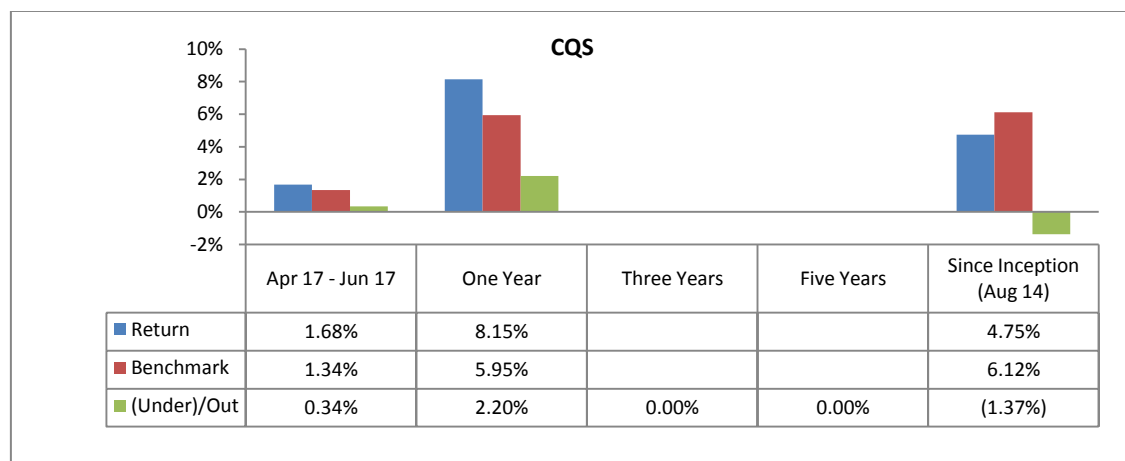
Allianz Infrastructure Debt

13.8 Allianz has returned -1.35% against benchmark in the quarter. This is due to the assets of the underlying holdings only being valued quarterly, and the June 2017 valuation not being finalised in time for reporting. The manager is still significantly ahead of benchmark in the one year period and since inception.



CQS Multi Sector Credit

13.9 The manager had a slight over-performance relative to benchmark in the quarter achieving a return of 1.68% against the benchmark of 1.34%. Over the past 12 months the manager is ahead of benchmark by 2.20%, however since portfolio inception they lag behind benchmark by 1.37%.



Investment Related Update

14.Pooling (London CIV)

14.1.The Fund was one of the early investors in the London CIV (LCIV). As previously notified the Fund has achieved fee savings in the region of £130k based as a result of being part of the LCIV.

14.2. The LCIV continues with its programme of opening sub funds and recruiting fund managers to operate these sub funds. In setting up the single manager sub funds, LCIV will prioritise commonality of mandates among its members; quantum of assets under management; and conviction of funds in the manager. To this end, the procurement of active global equities managers and multi asset managers is currently being undertaken. Ten sub funds have currently been set up, with more expected to follow shortly. The CIV now has offerings in a number of global equity and multi asset or diversified growth fund products.

16. Aviva Long Lease Property Mandate

16.1. The Committee at its meeting on 11 April 2016 approved the investment of £50m in the Aviva Long Lease Property Fund. Following submission and completion of the 'know your client' due diligence process by Aviva, the fund has now been approved by the trustees of the Fund to join the queue of investors waiting to invest in the Fund.

16.2. Members may recall that the waiting time to invest had moved from the initial range of 6-9 months that was pitched to the Committee during the selection process. Although, Aviva's deal pipe is strong with the team working on "a lot of deals", the pace of decision making within counterparties that Aviva are dealing with has slowed down the investment process. Currently, there is £270m of committed funds ahead of LB Haringey in the queue. Aviva have confirmed that funding commitment from LB Haringey will likely be drawn down in Q1 or Q2 of 2018. However, officers note that this is the same position that has been reported for nearly a year now, and the timing regarding the likely drawdown keeps slipping forward.

Appendix 1 – Strategic Asset Allocation (as at 30.09.17)

Manager	% of Total Portfolio	Mandate	Benchmark	Performance Target
Legal & General Investment Management	67.5%	Global Equities & Bonds	See overleaf	Index (passively managed)
CQS	7.0%	Multi Sector Credit	3 month LIBOR + 5.0% p.a.	Benchmark
Allianz	3.0%	Infrastructure Debt	5.5% p.a.	Benchmark
CBRE Global Investors	7.5%	Property	IPD UK Pooled Property Funds All Balanced Index	+1% gross of fees p.a. over a rolling 5 yr period
Pantheon Private Equity	5.0%	Private Equity	MSCI World Index plus 3.5%	Benchmark
Aviva	5.0%	Long Lease Property	50% FTSE Actuaries 5-15 Year Gilt Index 50% FTSE 15 Years + Gilt Index*	+1.50% p.a. over the medium to long term
Copenhagen Investment Partners	2.5%	Renewable Energy	10.0% p.a.	Benchmark
Blackrock	2.5%	Renewable Energy	10.0% p.a.	Benchmark
Total	100.0%			

* The Fund invests in the Aviva Lime Property Fund, which invests in a diversified portfolio of UK Real Estate assets with long leases and strong covenants. The official performance objective is to outperform the composite benchmark in the table above by 1.5% over the medium to long term. In practice, the shorter term performance of the benchmark has the scope to perform very differently to the underlying property assets. Over shorter periods (less than 5 years), the Officers will assess the performance of this part of the portfolio on a total return basis, whereby around 60% to 80% of this is expected to be derived from rental income (with capital appreciation being the balance).

Asset Class	Benchmark	Legal & General Investment Management
UK Equities	FTSE All Share	6.60%
North America	FT World Developed North America Index (Unhedged)	4.80%
North America	FT World Developed North America Index (Hedged)	4.80%
Europe ex UK	FT World Developed Europe ex-UK Index (Unhedged)	1.60%
Europe ex UK	FT World Developed Europe ex-UK Index (Hedged)	1.60%
Pacific ex Japan	FTSE Developed Asia Pacific (ex-Japan) Index (Unhedged)	0.75%
Pacific ex Japan	FTSE Developed Asia Pacific (ex-Japan) Index (Hedged)	0.75%
Japan	FTSE Japan Index (Unhedged)	0.75%
Japan	FTSE Japan Index (Hedged)	0.75%
Emerging Markets	FTSE Emerging Markets Index (Unhedged)	7.80%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Unhedged)	11.15%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Hedged)	11.15%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	15.00%
Total L&G		67.50%

Report for: Pensions Committee and Board 21 November 2017

Item number: 13

Title: Local Authority Pension Fund Forum (LAPFF) Voting Update

Report authorised by: Clive Heap, CFO and S151 Officer

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

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 and Board has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations. This report provides an update on voting activities on behalf of the Fund.

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 voting alert received from LAPFF and outcome of votes is detailed below.

Company	Description	AGM Date	LAPFF Recommendation For/Oppose	LGIM Vote For/Oppose	AGM Vote outcome and overall Percentage of votes
Sports Direct	Re-election of the Chairman	06/09/2017	Oppose	Oppose	For (80%)

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. None

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Report for: Pensions Committee and Board 21 November 2017
Item number:

Title: Multi Asset Absolute Return Investment and Updated Investment Strategy Statement

Report authorised by: Clive Heaphy, CFO and S151 Officer

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

- 1.1. At the 20 July 2017 Pensions Committee and Board meeting, the committee agreed to decrease the fund's investment strategy allocation to listed equity by 7.5%, and introduce new allocation to a multi asset absolute return strategy. This report brings back an update for information purposes for the Committee and Board.
- 1.2. The Investment Strategy Statement (ISS) is a statutory document for LGPS funds, as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The ISS has been updated in light of the new multi asset absolute return fund manager appointment.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee notes the contents of this report; note the selection of the Ruffer sub fund (via the London CIV) as the fund's multi asset absolute return manager; and approves the updated Investment Strategy Statement attached as Appendix 1.

4. Reason for Decision

- 4.1. The fund has experienced large gains over the past 12 months from the buoyancy of equity markets (and the devaluation of Sterling). This has significantly boosted the fund's funding level. Mercer, the fund's investment consultant, reviewed the fund's investment strategy earlier

in 2017, and made the recommendation regarding multi asset absolute return investments to reduce the volatility of the fund's investments.

- 4.2. In accordance with Regulation 7(6) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, each LGPS Fund must publish an Investment Strategy Statement (ISS) by 1 April 2017. The Fund complied with this requirement. The ISS must remain current, so when changes are made to the fund's strategy the document must be updated.

5. Other options considered

- 5.1. None.

6. Background information

- 6.1. At the 20 July 2017 Pensions Committee and Board meeting, the committee agreed to decrease the fund's investment strategy allocation to listed equity by 7.5%, and introduce new allocation to a multi asset absolute return strategy.
- 6.2. It was thus agreed that a formal fund manager selection meeting would be held with the multi asset absolute return managers available on the London CIV: this meeting would be attended by members of the Committee and Board, officers, the fund's independent advisor and investment consultant. The Committee and Board also granted delegated authority to the Chief Financial Officer to appoint a multi asset absolute return fund manager based on the outcome of the fund manager selection meeting and the recommendation of those who attend this meeting.
- 6.3. The fund manager selection meeting was held on 11 September, all members of the Pensions Committee and Board were invited to this meeting. The meeting was attended by the Chair of the Pensions Committee and Board, the Vice Chair of the Committee and Board, 2 employee and employer representatives, the CFO, the Head of Pensions, the fund's independent advisor and the fund's investment consultant. Presentations were received from three fund managers:
 - Ruffer
 - Baillie Gifford
 - Newton
- 6.4. A briefing from Mercer, the investment consultant, was provided to all attendees prior to the meeting with the three fund managers. After the presentations the attendees had the chance to put questions to each manager. The group of attendees agreed, that based on the briefing from Mercer, and the presentations and questions from and to the

managers, to appoint Ruffer as the fund's multi asset absolute return manager.

- 6.5. Confidential appendix 2 details the suitability letter that Mercer have prepared for the fund regarding this appointment. This is attached for information for the Committee and Board members.
- 6.6. Officers are now carrying out due diligence on legal documentation associated with this new investment, prior to funds being transferred and the investment being completed. It is anticipated that this work will conclude before the end of the calendar year.
- 6.7. Under the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Statement of Investment Principles was replaced by the Investment Strategy Statement (ISS).
- 6.8. The ISS must be reviewed and revised by the Council as administering authority when any material changes take place such as changes to the types of investment held or the balance between the types of investments in the Fund. The appointment of Ruffer is a change that must be updated in the ISS to keep this document current.

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 fund will diversify the investment strategy by appointing a multi asset absolute return manager. This will reduce the fund's dependence on market-cap passive equity investments, and should give the fund a higher degree of protection to volatile market shocks which could impact adversely on the fund's funding levels and employer contribution levels. This change to the fund's investment strategy was proposed originally by the fund's investment consultant, Mercer, so proper and adequate investment advice has been sought from a qualified firm in making this investment decision.
- 8.2. The Investment Strategy Statement details the decision by Committee on how the Fund's resources will be invested. The Strategy set has been prepared to maximise returns of Fund's assets within acceptable risk parameters and also to facilitate a reduction in the burden of deficit funding that employers in the Fund are liable for.

- 8.3. The performance of the Fund's strategy is monitored through a quarterly report that is presented to Committee. Recent performances have been good and generally either in line with or exceeded target.

Legal

- 8.4. The administering authority must in formulate an investment strategy and comply with the requirements of Regulations 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016. The investment strategy must include those matters set out in Regulation 7(2). Under Regulation 7(7) the administering authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

Equalities

There are no equalities issues arising from this report.

9. Use of Appendices

- 9.1. Appendix 1 – Updated Investment Strategy Statement
9.2. Confidential Appendix 2 – Suitability Letter, Ruffer Appointment

10. Local Government (Access to Information) Act 1985

Not applicable.

LONDON BOROUGH OF HARINGEY PENSION FUND

INVESTMENT STRATEGY STATEMENT

1. Introduction

Haringey Council is the Administering Authority for the Local Government Pension Scheme in the London Borough of Haringey area and as such is responsible for the investment of the Pension Fund's ("the Fund") assets. The Council has delegated this responsibility to the Pensions Committee and Board (henceforth referred to as "the Committee").

The Committee is responsible for setting the investment strategy for the Fund, appointing fund managers to implement it and monitoring the performance of the strategy. The Committee retains an independent adviser and the services of an investment Consulting firm, in addition to the advice it receives from the Chief Financial Officer and other Officers.

Stock level decisions are taken by the investment managers appointed by the Fund to implement the agreed investment strategy. These decisions are taken within the parameters set out for each manager – more details are provided in Appendix B.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The Investment Strategy Statement will be an important governance tool for the Fund, as well providing transparency in relation to how the Fund's investments are managed. It will be kept under review and revised from time to time in order to reflect any changes in policy.

The Committee complies with the requirements of the Myners Review of Institutional Investment, which can be found in Appendix A, alongside a review of the Fund's compliance with the principles.

Key Investment Beliefs

The key investment beliefs held by the Committee form the foundation of discussions, and assist decisions, regarding the structure of the Fund's investment policy

The Fund's key investment beliefs are set out below:

(i) Investment Governance

The Fund has the necessary skills, expertise and resources to take decisions on asset allocations, rebalancing and fund manager appointments.

Day to day investment decisions are delegated to regulated external fund managers that have appropriate skills and experience.

Investment Consultants, Independent Advisors and Officers are a source of expertise and research to inform Committee decisions.

The Committee's primary goal is the security of assets, and it will only take decisions when it is convinced that it is right to do so. In that regard, training in advance of decision making is considered a priority.

(ii) Long Term Approach

The strength of the largest employers' covenant (London Borough of Haringey) allows a longer term deficit recovery period and for the Fund to take a long term view of investment strategy.

The most important aspect of risk is not the volatility of returns but the risk of absolute loss and of not meeting the objective of facilitating low, stable contribution rates for employers.

Illiquidity and volatility are risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term markets.

Participation in economic growth is a major source of long term equity returns.

Over the long term, equities are expected to outperform other liquid assets, particularly government bonds.

Well governed companies that manage their businesses in a responsible manner will likely produce higher returns over the long term.

(iii) Appropriate Investments

Allocations to asset classes other than equities and government bonds (e.g. multi-sector credit, private equity, infrastructure and property) offer the Fund access to other forms of risk premia and provide diversification.

Diversification across asset classes and asset types is expected to reduce the volatility of the

overall Fund return.

(iv) Management Strategies

Passive management provides low cost exposure to asset class returns and is especially attractive in efficient markets, where there is limited evidence that active management can consistently generate returns (after additional costs) that exceed index benchmarks. The Committee takes the view that most equity markets are sufficiently efficient to prefer passive equity investment.

Active management will be considered in markets in which passive approaches are either impossible or where there is strong evidence that active management can add value over the long-term (for example Property and alternative investments such as Private Equity) and which are therefore suited to active management.

Active management is more expensive than passive management, and fees should be aligned to the value created in excess of the performance of the market.

Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

Implementation of strategies should be consistent with the governance capabilities of the Committee.

Objectives

The primary objective of the Fund is:

- To provide for members' pension and lump sum benefits on their retirement or for their dependants benefits on death before or after retirement on a defined benefits basis.

The investment objective of the Fund is:

- To achieve a return on Fund assets that is sufficient, over the long term, to meet its funding objectives.

The Committee recognises that the investment performance of the Fund is critical as it impacts directly on the level of employer contributions that the employers are required to pay.

This statement will be reviewed by the Committee at least triennially, or more frequently should any significant change occur.

2. Investment strategy and the process for ensuring suitability of investments

The Fund's benchmark investment strategy, along with an overview of the role each asset is expected to perform is set out in the following table:

Asset class	Allocation (%)	Allowable ranges (%)	Role(s) within the strategy
Listed Equities	45.0		Aim to generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
UK Equities	5.6	+/- 3.0	
Overseas Market Capitalisation Equities	20.2	+/-5.0	
Global Low Carbon Equities	19.2	+/- 3.0	
Multi Asset Absolute Return	7.5	+/- 1.0	Aim to generate equity like returns but with lesser volatility, via exposure to multiple asset classes, whilst diversifying the risk from market cap equity.
Private Equity	5.0	_*	Aim to generate returns in excess of inflation, through exposure to companies that are not publicly traded, whilst providing some diversification away from listed equities and bonds.
Property	12.5	_*	Aim to generate returns in excess of inflation through exposure to UK and overseas property markets, through both income and capital appreciation, whilst providing some diversification away from equities and bonds.
Conventional Property	7.5	+/- 2.5	Traditional "core" property.
Long Lease Property	5.0	+/- 2.5	Long Lease Property is a lower risk approach compared to conventional property and focuses on delivering returns by harvesting long-term, secure contractual income that will increase over time through a combination of fixed and inflation related increases.
Infrastructure Debt	3.0	_*	A low risk asset producing returns by investing in senior debt secured on infrastructure assets

Renewable Infrastructure	Energy	5.0	_*	Aims to generate returns in excess of inflation, through exposure to a diversified mix of renewable energy infrastructure sectors whilst providing some diversification away from listed equities and bonds.
Multi-Sector Credit		7.0	+/- 1.0	Provides diversified exposure to global credit markets to capture both income and capital appreciation of underlying markets and securities.
UK Index-Linked Gilts		15.0	+/-3.0	Expected to produce an income stream with an explicit linkage to inflation, and interest rate sensitivity, which is expected to mitigate the impact to some extent of changes in interest rates and inflation expectation on the Fund's funding position.
Total		100.0		

* Given the illiquid nature of these asset classes, there is no formal tolerance range in place. However, the Committee will closely monitor the position of the Fund over time, including these asset classes.

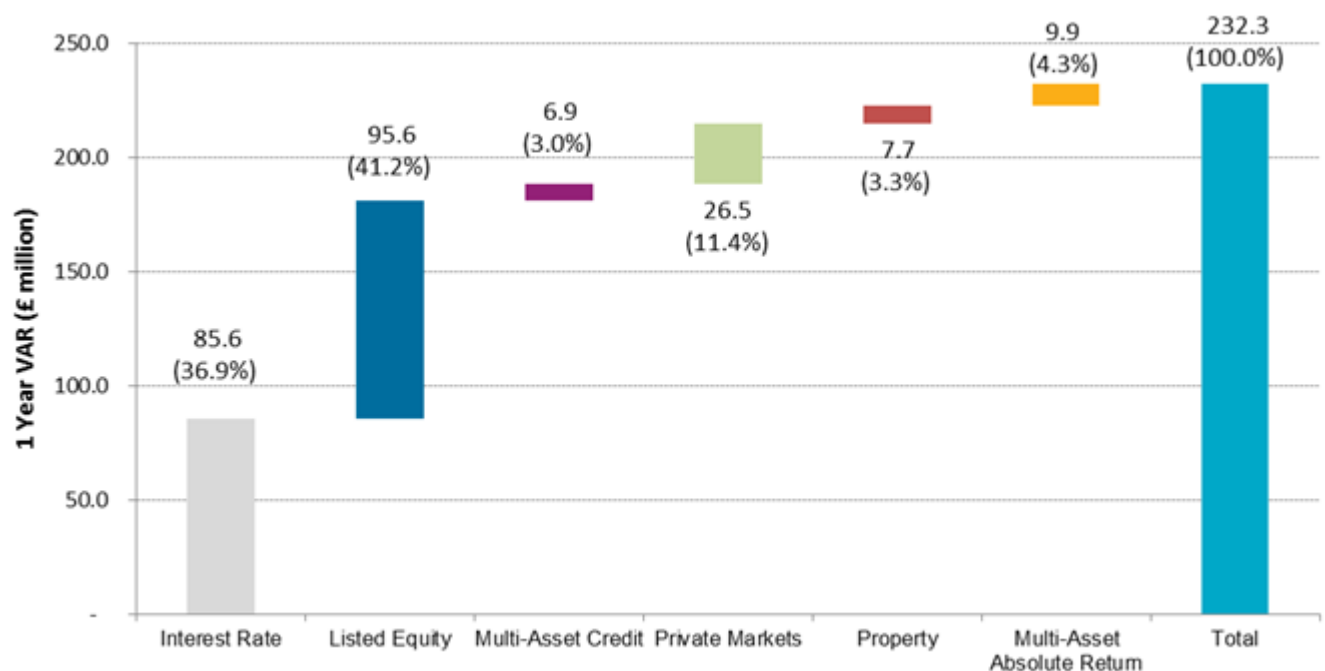
Note: Full details of the asset allocation of the Fund, including the investment managers and their respective performance benchmarks, are included in Appendix B.

3. Risk measurement and management

There are a number of risks to which any investment is exposed. The Fund's investment strategy has an inherent degree of risk which has to be taken in order to achieve the rate of return required to meet its funding objectives. The Fund has put in place a number of controls in order to manage the level of risk taken.

The benchmark the Committee has set involves a wide range of asset classes and geographical areas. This diversification aims to reduce the risk of low or negative returns to an acceptable level. As noted above, the Committee believes that active management of investments is appropriate in some asset classes, but not all. Active management introduces the risk of relative underperformance of an investment compared to its benchmark or wider market returns for that asset class. As the majority of the Fund's assets (all equities and index-linked gilts) are invested on a passive basis, the risk of underperforming the benchmark has been significantly reduced.

The following graph provides an indication of the main sources of investment risk (estimated by Mercer) relative to how the Fund's liabilities are currently valued (this is an estimate as at March 2016 and will change over time). The graph shows risk, as measured by a one year "value at risk" measure at the 5% level - in other words, if we consider a downside scenario which has a 1 in 20 chance of occurring, this would be the impact on the deficit relative to our "best estimate" of what the deficit would be in one years' time.



The following risks are recognised and considered by the Committee:

Valuation risk: the Actuarial Valuation assumes that the Fund generates an expected return equal to or in excess of the Fund's discount rate. An important risk to which the Fund is exposed is that the return is not achieved, either due to unexpected increases in the value placed on the liabilities, or if the assets do not perform as expected. This risk is reduced by the diversified investment strategy the Fund employs, through the alignment of the investment strategy with funding requirements through regular reviews, and through regular monitoring.

Longevity risk: this is the risk that the members of the Fund live longer than expected under the Actuarial Valuation assumptions. This risk is captured within the Actuarial Valuation report which is conducted at least triennially and monitored by the Committee, but any increase in longevity will only be realised over the long term.

Sponsor Covenant risk: the financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

Diversification risk: the Committee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Committee aims to ensure that the asset allocation policy results in an adequately diversified portfolio.

Liquidity risk: the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the Fund's long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice.

Manager risk: the Fund's assets are invested with a number of managers to provide appropriate

diversification.

Regulatory and political risk: across all of the Fund's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Committee will attempt to invest in a manner which considers the impact of any such regulatory or political change should such a change occur.

Exchange rate risk: this risk arises from unhedged currency exposure on investments overseas. The Committee has agreed to hedge 50% of the overseas equity exposure (excluding Emerging Markets) to protect the sterling value of these investments and to reduce the volatility that arises from movements in exchange rates. Currency hedging on other assets is considered on a case of case, as appropriate.

Cashflow risk: the Fund's cashflow position is carefully monitored on a regular basis. As appropriate, positive and negative cashflows are used to help rebalance the investment policy closer into line with the target. Over time, it is expected that the size of pensioner cashflows will increase as the Fund matures and greater consideration will need to be given to raising assets to meet outgoings. The Committee recognises that this can present additional risks, particularly if there is a requirement to sell assets at inopportune times.

Governance: members of the Committee participate in regular training sessions. The Committee is aware that poor governance and, in, particular, high turnover of members may prove detrimental to the investment strategy, fund administration, liability management and corporate governance, and seek to minimise turnover where possible.

Environmental, Social and Governance: the Committee wishes to have an active influence on issues of environmental, social or governance (ESG) concern with companies in which the Fund is a shareholder. It will seek to codify its approach with Fund Managers and will use the services of specialist agencies as necessary to identify issues of concern. The Committee requires the Fund Managers to take into account the implications of substantial "extra-financial" considerations, e.g., ESG or reputational issues that could bring a particular investment decision into the public arena.

The full ESG policy of the Fund is outlined in Section 5.

4. Approach to asset pooling

The Fund has formally agreed to join the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

The Fund will consider transitioning liquid assets (as appropriate) into the London CIV when there are suitable investment strategies that meet the asset allocation and investment strategy available on the London CIV platform.

The Fund's illiquid assets (e.g. Property, Private Equity and Infrastructure related) are expected to remain outside of the London CIV pool. The cost of exiting these strategies would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision not to reinvest. The Committee will regularly review the assets that it has determined should be held outside the London CIV, at least every three years, to ensure that this decision continues to demonstrate value for money.

5. Social, environmental and corporate governance policy

The Fund believes the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. The Fund has demonstrated this by adopting the United Nations Principles for Responsible Investment and by being a member of the Local Authority Pension Fund Forum, which undertakes engagement activity with companies on behalf of its members.

In addition, the Fund has demonstrated this by allocating one-half of its equity portfolio (excluding Emerging Markets) to a passive fund that tracks the MSCI World Low Carbon Target Index. This index aims to reduce exposure to companies with the highest carbon footprints, relative to a market capitalisation benchmark. Further, the Fund has made commitments expected to be equivalent to c. 5% of assets to two Renewable Energy mandates. These mandates will invest in infrastructure assets that are linked to the production of different forms of Renewable Energy (e.g. Wind, Solar, Tidal power). This further demonstrates the commitment of the Fund to Environmental principles. The Fund believes that further reduction in exposure to fossil fuel industries will reduce risk and secure stronger returns for the fund over the long term.

Investment managers are expected to consider responsible investment issues when voting on behalf of the Fund. However in instances where shareholder value and responsible investment conflict, the investment managers are instructed to vote for shareholder value and report these instances to the Committee. All investment managers are expected to vote in respect of all pooled funds.

The Committee has member and other stakeholder representatives who actively engage with stakeholders to ensure the Fund is aware and can respond effectively to stakeholder concerns.

Investments that deliver social impact as well as a financial return are often described as “social investments”. Social investment includes a wide spectrum of investment opportunities. The Fund is consistent in the application of risk and return requirements when evaluating all investment opportunities including those that address societal challenges but generate competitive financial returns with an acceptable risk / return profile in line with the investment strategy.

6. Policy of the exercise of rights (including voting rights) attaching to investments

The Fund believes that active Stewardship can promote the long term success of companies for the benefit of stakeholders including investors.

Stewardship Code Statement

The Fund is a Tier 1 Signatory to the Financial Reporting Council UK Stewardship Code and has prepared a formal statement of compliance, which is shown below.

Statement of Compliance with the UK Stewardship code

The London Borough of Haringey Pension Fund takes the stewardship responsibilities that come with being an institutional investor very seriously. The Fund believes the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. The Fund has demonstrated this by adopting the United Nations Principles for Responsible Investment and by being a member of the Local Authority

Pension Fund Forum, which undertakes engagement activity with companies on behalf of its members.

The Fund has a clear commitment to stewardship and ESG that is embedded in its investment strategy, with roughly one third of developed market equity holdings allocated to a low carbon fund, and with an additional allocation to renewable energy mandates. The fund believes that a commitment to sound responsible investment principles will yield stronger returns for the fund in the long term.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Haringey is a member of the Local Authority Pension Fund Forum, and actively monitors voting alerts issued by LAPFF. When voting alerts are issued, we notify the relevant fund managers and request that they vote in line with the LAPFF recommendation. Whilst Haringey invests all equity holdings passively, and therefore cannot compel its equity fund manager to vote in a particular way at AGMs, we follow up on all voting alerts to monitor whether fund managers vote in line with the LAPFF recommendations. If the fund manager does not do this, a rationale for their decision is sought, and this is circulated to members of the Pensions Committee and Board (the S101 decision making body for the Haringey Pension Fund). Further to this, LAPFF voting alerts are reported on at every Pensions Committee and Board meeting to monitor how the fund managers have voted compared to LAPFF recommendations. The papers for these meetings which show how fund managers have voted, are published on the internet and are therefore made available for the beneficiaries of the fund as well as the general public.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Haringey's Pensions Committee and Board has a robust conflicts of interest policy which is reviewed at least annually. Conflicts of interest are embedded in the terms of reference of the Pensions Committee and Board, and a register of any conflicts which arise is maintained. Members of the Pensions Committee and Board complete declaration of interest forms annually. There is a clear process in place for managing any conflicts of interest which occur for Committee and Board members during meetings.

Haringey expects all Fund Managers to employ similarly robust conflicts of interest policies, and this is something that is considered upon any new manager appointment.

Principle 3 - Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing the Fund's equity holdings is delegated to the relevant fund managers: these are all currently invested in passive pooled funds. The Fund expects managers to monitor and engage with companies they invest in, and to report on these engagement activities.

Through membership of the Local Authority Pension Fund Forum, key ESG concerns are highlighted, to ensure that Haringey is able to probe fund managers to understand their voting intentions and attempt to influence this.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary. On occasion, the Fund may itself choose to escalate activity; this will typically be through our membership of the Local Authority Pension Fund Forum (LAPFF). When this occurs, the Committee will typically take a minuted vote on the decision whether to participate in the proposed activity.

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. This is achieved through our LAPFF membership, together with initiatives proposed by our investment managers or other advisors. The Fund takes its membership of LAPFF seriously, Officers and Councillors are engaged with LAPFF activity, with Councillor members of the Pensions Committee and Board attending LAPFF meetings such as the AGM. One of the members of the Pensions Committee and Board ran for a position on the LAPFF executive in the spring of 2017.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

Haringey actively monitors all LAPFF voting alerts, and monitors fund manager compliance with these voting recommendations in each Pensions Committee and Board meeting. All voting activity that takes place is published on Haringey's website highlighting where any fund managers have not complied with LAPFF voting guidelines.

The Fund invests via pooled funds and is therefore subject to the underlying investment managers' policies. The Fund expects its investment managers to exercise all votes associated with the Fund's equity holdings where practicable. The Fund encourages its investment managers to publicly disclose their voting records, and expects these to be made available to Haringey upon request. The Fund also looks to fulfil its responsibilities regarding shareholder voting through its membership of LAPFF.

Generally, the Fund expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the Committee expects the managers to take account of local best practice principles.

Where resolutions or issues fall short of the expected standards, the Committee and Board expects managers will either abstain or vote against, depending on the individual circumstances of the company and the issues presented. The Committee and Board expects the investment managers to report on their voting activities on a regular basis and the Fund's Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policies.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund expects its underlying investment managers to report regularly to both the Officers and the Committee and Board with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Fund encourages its investment managers to publicly report on their stewardship activities. The Fund reports on its stewardship activity via LAPFF voting alerts to the Committee and Board at each meeting, and these papers are published on the internet.

The Fund also expects its investment managers to take steps to report publicly on their stewardship activity. The Fund's listed equity manager, Legal and General Investment Management publishes various documents periodically on their website at the below web address:

<http://www.lgim.com/uk/en/capabilities/corporate-governance-responsible-investment/stewardship-integration/>

Advice Taken

In constructing this statement, the Committee has taken advice from a representative of the Fund's professional investment advisor (Mercer Limited), an independent advisor (John Raisin Financial Services Limited), and the Borough's Chief Financial Officer (and other Officers).

Appendix A - Myners Investment Principles – Compliance Statement

Principle 1: Effective Decision-making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Haringey Position - Compliant

Haringey offers regular training to all members of the Committee to ensure they have the necessary knowledge to make decisions and challenge the advice they receive. All members are requested to complete the pensions regulator online public service toolkit, and annual training needs analysis is completed to highlight areas of weakness or gaps in knowledge. Training is completed prior to every Committee meeting, and members are actively encouraged to undertake training independently in their own time. All training activity undertaken is reported in the minutes of each Committee meeting.

Principle 2: Clear Objectives

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Haringey Position - Compliant

The Fund sets out an investment objective in this statement, which reflects the financial requirements of the agreed funding policy and the desire to return to full funding over the long-term, in combination with an acceptable level of contributions.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for the local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Haringey Position - Compliant

The Fund's investment strategy was set following the results of the last formal Actuarial Valuation, which incorporated these issues. The investment strategy has since been revised to seek to further improve risk adjusted returns. Any changes to the investment strategy are only made subject to due consideration of the liability profile of the fund.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Haringey Position - Compliant

The Committee reviews the performance of Fund investments on a quarterly basis and meets with investment managers (via Officers) at least once a year. Contracts with advisers are reviewed regularly. The Committee undertakes an assessment of its own effectiveness on a regular basis.

Principle 5: Responsible ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Financial Reporting Council (FRC) UK Stewardship Code on the responsibilities of shareholders and agents
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

Haringey Position - Compliant

The Fund's investment managers have adopted or are committed to the UK Stewardship Code.

The Fund is a Tier 1 signatory to the FRC Stewardship code and has produced a statement which is included in the Investment Strategy Statement.

Principle 6: Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives
- Provide regular communication to scheme members in the form they consider most appropriate

Haringey Position - Compliant

The Fund communicates with its stakeholders through the publication of policy statements and an Annual Report on its website. The Fund communicates regularly with its members and the communication policy statement provides information about how this is done. The Communications Policy is updated or reviewed at least annually.

Appendix B – Investment Manager Performance Targets and Benchmarks

Manager	Portfolio	%	Benchmark	Performance Target
LGIM	Global Equities and Index-Linked Gilts	60.0	See Appendix C	Index (passively managed)
Pantheon Private Equity	Private Equity	5.0	MSCI World Index	+ 3.5% p.a.
CBRE Global Investors	Conventional Property	7.5	IPD UK Pooled Property Funds All Balanced Index	+1% p.a. gross of fees over a rolling 5 year period
Aviva Investors	Long Lease Property	5.0	50% FTSE Actuaries 5-15 Year Gilt Index 50% FTSE 15 Years + Gilt Index*	+1.50% p.a. over the medium to long term
Allianz	Infrastructure Debt	3.0	5.5% p.a.	Benchmark
BlackRock	Renewable Energy Infrastructure	2.5	10.0% p.a.	Benchmark
Copenhagen Infrastructure Partners (CIP)	Renewable Energy Infrastructure	2.5	10.0% p.a.	Benchmark
CQS	Multi Sector Credit	7.0	3 month GBP LIBOR	+ 5.0% p.a.
Ruffer (London CIV)	Multi Asset Absolute Return	7.5	8.0% p.a.	Benchmark

* The Fund invests in the Aviva Lime Property Fund, which invests in a diversified portfolio of UK Real Estate assets with long leases and strong covenants. The official performance objective is to outperform the composite benchmark in the table above by 1.5% over the medium to long term. In practice, the shorter term performance of the benchmark has the scope to perform very differently to the underlying property assets. Over shorter periods (less than 5 years), the Officers will assess the performance of this part of the portfolio on a total return basis, whereby around 60% to 80% of this is expected to be derived from rental income (with capital appreciation being the balance).

Appendix C – Global Equity and Bond Benchmarks

The table below outlines details on the Fund's passive managed investments, held with LGIM. This allocation comprises all of the Fund's listed equity and index linked gilt exposure. The aim of these passively managed funds is to track the performance of the respective indices within a lower level of tracking deviation (gross of fees) over rolling 3-year periods.

Asset Class	Benchmark	Allocation (% total Fund assets)
UK Equities	FTSE All Share	5.60%
North America	FT World Developed North America Index (Unhedged)	4.10%
North America	FT World Developed North America Index (Hedged)	4.10%
Europe ex UK	FT World Developed Europe ex-UK Index (Unhedged)	1.40%
Europe ex UK	FT World Developed Europe ex-UK Index (Hedged)	1.40%
Pacific ex Japan	FTSE Developed Asia Pacific (ex-Japan) Index (Unhedged)	0.65%
Pacific ex Japan	FTSE Developed Asia Pacific (ex-Japan) Index (Hedged)	0.65%
Japan	FTSE Japan Index (Unhedged)	0.65%
Japan	FTSE Japan Index (Hedged)	0.65%
Emerging Markets	FTSE Emerging Markets Index (Unhedged)	6.60%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Unhedged)	9.60%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Hedged)	9.60%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	15.00%
Total		60.00%

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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