

## NOTICE OF MEETING

# PENSIONS COMMITTEE AND BOARD

**Tuesday, 20th March, 2018, 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)**

**7. AUDIT PLAN (PAGES 7 - 26)**

Report of the Chief Finance Officer and S151 Officer presenting the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2017/18.

**8. PENSIONS ADMINISTRATION REPORT, INCLUDING REVIEWED/UPDATED PENSIONS ADMINISTRATION STRATEGY (PAGES 27 - 70)**

Report of the Chief Finance Officer and S151 Officer to update the Committee and Board on Pensions administration matters including a review of the Pensions Administration Strategy Statement.

**9. EQUITY STRATEGY REVIEW AND TACTICAL REBALANCING (PAGES 71 - 78)**

Report of the Chief Financial & S151 Officer giving an overview of recommended changes to the strategy of investing.

**10. WORK/FORWARD PLAN (PAGES 79 - 86)**

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. RISK REGISTER REVIEW/UPDATE (PAGES 87 - 98)**

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.

**12. QUARTERLY PENSION FUND PERFORMANCE & INVESTMENT UPDATE (PAGES 99 - 114)**

Report of the Chief Finance Officer & S151 Officer to report the following in respect of the three months to 31st December 2017:

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

**13. GOVERNANCE REVIEW (PAGES 115 - 124)**

Report of the Chief Financial & 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.
- on the London CIV Consultation that was sent out in February 2018

**14. INVESTMENT CONSULTANT PROCUREMENT (PAGES 125 - 128)**

Report of the Chief Finance & S151 Officer to provide members of the Pensions Committee and Board with details of the procurement exercise undertaken in relation to the Fund's investment consultant.

**15. NEW ITEMS OF URGENT BUSINESS**

To consider any items admitted at Item 3 above.

**16. EQUITY STRATEGY REVIEW AND TACTICAL REBALANCING (PAGES 129 - 174)**

As per item 9.

**17. GOVERNANCE REVIEW (PAGES 175 - 208)**

As per item 13

**18. INVESTMENT CONSULTANT PROCUREMENT (PAGES 209 - 210)**

As per item 14

**19. NEW ITEMS OF EXEMPT URGENT BUSINESS**

To consider any items admitted at Item 3 above.

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

Monday, 12 March 2018

**MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE  
AND BOARD HELD ON THURSDAY, 18TH JANUARY, 2018, 7.00  
pm**

**PRESENT:**

**Councillors: Clare Bull (Chair), John Bevan (Vice-Chair), Mark Blake,  
Viv Ross, Keith Brown, Ishmael Owarish and Randy Plowright**

**144. 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.

**145. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr McShane.

**146. URGENT BUSINESS**

There were no items of urgent business.

**147. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST**

There were no declarations of interest.

**148. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING**

Cllr Bull, Cllr Blake, Keith Brown and Ishmael Owarish had attended a training session delivered by Mercer on Social Housing Investing.

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

Cllr Bevan:

- Pensions training / Pensions Committee 12/11/17
- Pensions CIV Sectoral Joint Committee 11/12/17
- SPS Annual Bond Investment Strategies for Pension Funds 09/01/18
- Pensions Committee / Mercers training briefing 12/01/18

Keith Brown:

- Global Asset Management - Global Liquidity 15/12/17
- Global Asset Management - Global Market Outlook – 15/1/18

**149. MINUTES**

**RESOLVED**

That the minutes of the meeting held 30 November 2017 be approved as a correct record.

**150. ADMINISTRATION REPORT**

The Committee received a report on administrative issues related to the Haringey Pension Scheme and discussed the details of this report. The Pensions Manager updated the Committee on the employers that were auto-enrolled on the scheme under the transitional delay.

The Committee raised the issue of whether staff were actually accessing their payslips which would allow them to read any pensions information that may be posted. It was agreed that the Committee would be provided with information as to the number of staff who logged on to access their payslips.

**Action: Pensions Manager**

**RESOLVED**

That the Committee note the contents of this report in respect of the administration of the pension fund.

**151. PENSIONS ADMINISTRATION ARRANGEMENTS**

The Head of Pensions presented the report outlining the results of a review of the resourcing levels within the pensions department, including benchmarking of these against other London Boroughs. It was explained that as a combined Committee and Board there was a responsibility regarding the administration of LGPS funds and as there were currently existing constraints on the team it was felt that a review was appropriate.

It was noted that although up to 50% of other Local Authorities outsource their pension teams it was more cost effective to do this work in house and this avoided some of the problems relating to quality which is often experienced by those boroughs who outsource pensions administration. The Committee were reminded of the tasks managed by the team as well as areas of audit work carried out which highlighted the apparent resource gap due to the large increase in employers in recent years.

The Committee discussed the potential risks that could occur given the increased work load and a team that has not expanded and it was proposed that the creation of 2 additional new posts would address this. The Committee wanted to ensure that these new posts would provide the extra workforce necessary to keep up with the workload and it was agreed that this could be reviewed if needed. The Committee noted that these new posts would be funded by the pension fund and not the Council.

The Committee felt strongly that one of the posts should be an apprenticeship opportunity.

**RESOLVED**

That the Pensions Committee and Board agree to the creation of two additional Pensions Officer posts within the pensions administration team, based on the findings of the review of resourcing presented in this report. One of these posts should ideally be an apprenticeship opportunity if possible.

**152. WORK/FORWARD PLAN**

The Committee and Board considered the quarterly report on the forward plan, as introduced by Thomas Skeen, Head of Pensions.

**RESOLVED**

That the Committee note the update on member training attached at Appendix 3.

**153. RISK REGISTER REVIEW/UPDATE**

The Committee and Board considered the report on the Fund's risk register, introduced by Thomas Skeen, Head of Pensions. No changes were reported.

The Committee discussed the issue of members and suggested that it should be mandatory for the Chair of Corporate and the Chair Staffing & Remuneration Committee to sit on the Pensions Committee & Board and that the term should be for 4 years. Patrick Uzice from Legal explained that for this to be implemented the constitution would need to be changed which would involve a request being sent to the Monitoring Officer, a report being presented to the Standards Committee who would in turn recommend to Full Council for approval. It was agreed that a letter from the Committee & Board was to be drafted by the Chair and Vice Chair in consultation with John Raisin and the Head of Pensions to be sent to the Monitoring Officer, and cc'd to the Chief Executive Officer and party whips.

**Action: Chair & Vice Chair**

**154. QUARTERLY PENSION FUND PERFORMANCE & INVESTMENT UPDATE**

The Committee and Board noted the quarterly Pension Fund update report, as introduced by Thomas Skeen, Head of Pensions. It was reported that the indicative funding position as at 30/9/17 had improved to an 86.5% funding level mainly due to investment returns. It was also noted that the value of the fund had increased by £34.5m between June & September 2017.

When discussing the funds newly appointed investment manager Ruffer, via the London CIV it was highlighted that this investment was completed in December 2017 and would be included on the next quarterly update presented to the Committee & Board.

The Head of Pensions updated the Committee & Board in relation to the Aviva long lease property mandate. It was noted that although the report stated that Aviva had

confirmed the funding commitment from Haringey Council would likely be drawn down in Q1/2 of 2018, this had now changed to Q4 of 2018.

**RESOLVED**

That the Committee & Board note the information provided in respect of the activity in the three months to 30th September 2017 is noted.

**155. LAPFF VOTING UPDATE**

The Committee and Board considered the quarterly LAPFF engagement report, as introduced by Thomas Skeen, Head of Pensions. The sad passing of Councillor Kieran Quinn was discussed along with the contributions his work made to LAPFF. It was agreed that a condolence letter would be sent to Tameside Council on behalf of Haringey Council.

**Action: Chair & Vice Chair**

**RESOLVED**

The Committee note this report.

**156. INVESTMENT CONSULTANCY SERVICES CONTRACT**

The Committee and Board considered the report as presented by the Head of Pensions. It was explained that as an Administering Authority under the LGPS it was necessary for the Council to have an investment consultant. Currently this service is provided by Mercer Ltd who have been advisers to the fund for four years however this contract is due to expire 21<sup>st</sup> January 2018. Approval was requested for this contract to be extended to the end of the financial year.

As a new two year contract would need to commence at the start of 2018/19, Thomas Skeen gave an overview of the procurement process that would need to take place and the eight firms signed up to the National Framework for Investment Consultancy Services for the use of LGPS funds.

It was suggested that the changeover of members of the Pensions Committee & Board should not ideally coincide with the change of the investment consultant as this would result in a double loss of knowledge of the fund. It was also suggested that Councillors views should be considered in the procurement process if possible.

**RESOLVED**

- That the Pensions Committee and Board approve an extension of the current contract with Mercer Ltd. with no further expenditure anticipated to be incurred over the course of the extension to bridge the period to the end of the financial year, i.e. the period 22 January 2018 – 31 March 2018.
- That the Pensions Committee and Board grant delegated authority to the Chief Finance Officer (S151 Officer), to appoint a provider for investment consultancy services to the fund, following a procurement process which will be carried out by officers with the involvement of the Independent Advisor to the Fund. This



appointment will be done in accordance with CSOs 3.03 and 9.07.1(d) for the Council to enter into a contract for an initial 2 year term (1 April 2018 – 31 March 2020) at an estimated value of £190k with an option for a further extension of 1 year for a further estimated value of £95k (subject to indexation).

- That the Committee and Board nominate, if it deems appropriate to do so, representatives, to attend the interview and presentation stage of the procurement process.

## 157. INVESTMENT CONSIDERATIONS - RESIDENTIAL REAL ESTATE

The Committee received a report on the potential to invest in residential real estate which had been requested at a previous meeting. Following advice from Haringey's investment consultants Mercer, it was noted that the most appropriate route would be through a pooled investment vehicle with a specialist fund manager. It was also suggested that if this option was pursued that the London CIV should be formally approached and a request made for this to be added as an area of work to their business plan.

It was highlighted that due to being both a Committee & Board there was a risk of being open to more scrutiny as regards the decisions that were taken. It was agreed that more training should be undertaken by members on investing in the private rented sector and the training session prior to the next meeting should be on alternative indices.

**Action: Head of Pensions**

### RESOLVED

- That the Pensions Committee and Board note the contents of this report, including the comments of the Independent Advisor and the appended report from Mercer;
- If the Pensions Committee and Board wishes to pursue residential real estate as an asset class any further, that they agree to write to the London CIV, to formally request that they give due consideration to the inclusion of residential real estate in the CIV's business plan: specifically residential real estate with high ESG credentials

*The Committee agreed to undertake further training on investing in the private rented sector and agreed not to write to the London CIV at this stage.*

## 158. GOVERNANCE REPORT

The Committee & Board considered the Governance report update and noted that the Fund remains steady with a score of 48 out of 59 in terms of achievement of KPI's in the SAB model. It was agreed that the Key Performance Indicators would be circulated to the members.

**Action: Head of Pensions**

### RESOLVED

- That the Committee and Board note progress since the last report to the Committee and Board on performance against SAB's key indicators.

- That the Committee and Board note the findings of the governance review of the London CIV which has recently been conducted, which are appended to this report.

**159. NEW ITEMS OF URGENT BUSINESS**

Considering the recent, much publicised issues with the construction company Carillion the Committee asked for an update in relation to the fund's infrastructure debt investment with Allianz. Thomas Skeen notified the Committee that Allianz had confirmed they did not anticipate any harm coming to these investments as Carillion was one of 3 providers involved in the investment.

It was agreed that the information from Allianz would be circulated to the members.

**Action: Head of Pensions**

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

**RESOLVED**

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

**161. INVESTMENT CONSULTANCY SERVICES CONTRACT**

The Committee & Board considered exempt information pertaining to item 13.

**162. INVESTMENT CONSIDERATIONS - RESIDENTIAL REAL ESTATE**

The Committee & Board considered exempt information pertaining to item 14.

**163. GOVERNANCE REPORT**

The Committee & Board considered exempt information pertaining to item 15.

**164. NEW ITEMS OF EXEMPT URGENT BUSINESS**

There were no new items of exempt urgent business.

CHAIR: Councillor Clare Bull

Signed by Chair .....

Date .....

**Report for:** Pensions Committee 20 March 2018

**Item number:** 7

**Title:** Pension Fund Audit Plan – year to 31 March 2018

**Report authorised by:** Jon Warlow, Chief Finance Officer (CFO and S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto: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 report presents the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2017/18 for the Committee's consideration.

**2. Cabinet Member Introduction**

- 2.1 Not applicable.

**3. Recommendations**

- 3.1 That the 2017/18 Audit Plan prepared by BDO be agreed.

**4. Reason for Decision**

- 4.1 The pension fund is required to produce annual accounts and have these audited.

**5. Other options considered**

- 5.1 None.

**6. Background information**

- 6.1 The audit plan will be presented by Kerry Barnes the Audit Manager from BDO.
- 6.2 The plan sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit.

- 6.3 Officers will provide the auditors with all necessary information during the audit which will take place during June. BDO will then report back to the Pension Committee in July on their findings and any recommendations.
- 6.4 Members will note that the timescales for the audit and committee sign off of accounts and has moved forward from 30 September, to 31 July this year. This is now a legislative requirement from 2017/18 onwards. The Council's Statement of Accounts, and the Pension Fund Accounts, must be submitted to the external auditor by 31 May (previously 30 June), and the audit and committee sign off has moved forward to 31 July (previously 30 September.) This means that the committee will no longer receive a draft version of the accounts in the July meeting, and the final version of the accounts in the September meeting: from 2018 going forwards, the final version of the accounts will be presented in the July committee meeting.

## **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 The BDO fee of £21,000 for the 2017/18 audit is same as the three prior years.

### Legal

8.2 The Assistant Director of Corporate Governance has been consulted on the content of this report. Part of the Council's duty as administering authority for the Haringey Pension Fund is to ensure that the annual accounts are properly audited and the audit plan sets out how and when the audit will be carried out.

### Equalities

8.3 There are no equalities issues arising from this report.

## **9. Use of Appendices**

9.1 Appendix 1 – BDO Audit Plan

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

10.1 Not applicable.



# LONDON BOROUGH OF HARINGEY PENSION FUND

AUDIT PLAN TO THE PENSIONS COMMITTEE AND BOARD

Audit for the year ending 31 March 2018

12 February 2018

# CONTENTS

INTRODUCTION .....	1
YOUR BDO TEAM .....	2
ENGAGEMENT TIMETABLE .....	3
AUDIT SCOPE AND OBJECTIVES.....	4
MATERIALITY .....	5
OVERALL AUDIT STRATEGY .....	6
KEY AUDIT RISKS AND OTHER MATTERS .....	7
INDEPENDENCE .....	12
FEES.....	13
APPENDIX I: MATERIALITY.....	14

# INTRODUCTION

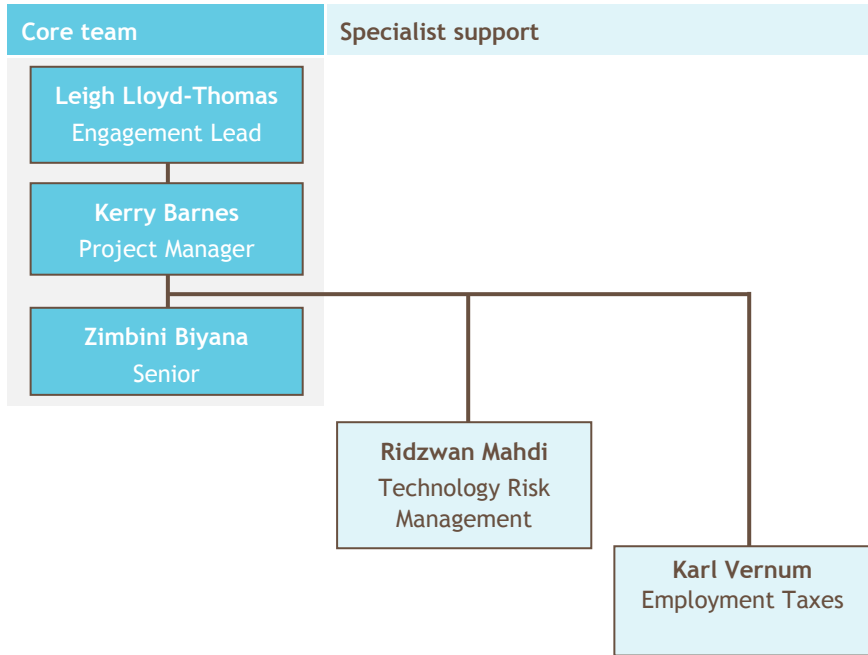
## PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the pension fund for the year ending 31 March 2018. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Pensions Committee and Board. In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

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# YOUR BDO TEAM



Name	Contact details	Key responsibilities
<b>Leigh Lloyd-Thomas</b> Engagement Lead	Tel: 020 7893 2616 leigh.lloyd-thomas@bdo.co.uk	Oversee the audit and sign the audit report
<b>Kerry Barnes</b> Project Manager	Tel: 020 7893 3837 kerry.l.barnes@bdo.co.uk	Management of the audit
<b>Zimbini Biyana</b> Senior	Tel: 01473 320 700 zimbini.biyana@bdo.co.uk	Day to day supervision of the on-site audit
<b>Ridzwan Mahdi</b> Technology Risk Assistant Manager	Tel: 020 7893 3126 ridzwan.x.mahdi@bdo.co.uk	Manage IT review for audit purposes
<b>Karl Venum</b> Employment Tax Manager	Tel: 020 7893 3549 karl.vernum@bdo.co.uk	Manage employment tax review for audit purposes

Leigh Lloyd-Thomas is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error.

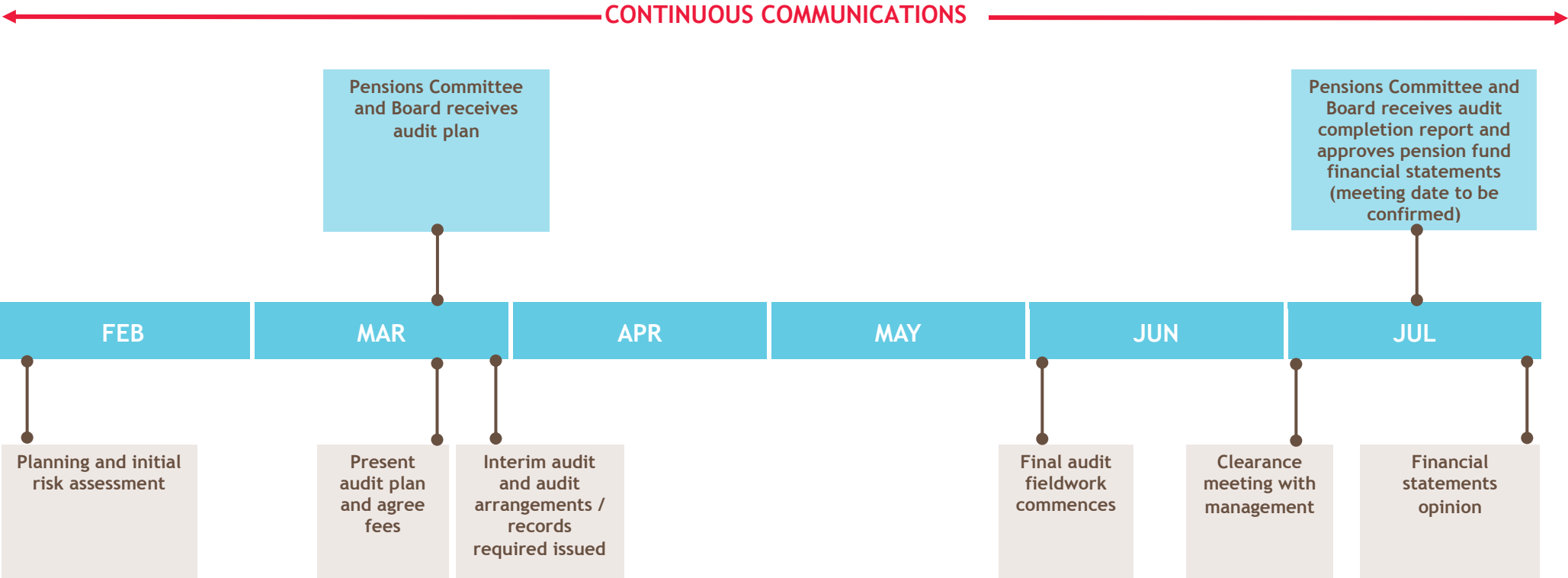
He is responsible for the overall quality of the engagement.



# ENGAGEMENT TIMETABLE

## TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements.



# AUDIT SCOPE AND OBJECTIVES

## SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	ADDITIONAL REQUIREMENTS
<b>1</b> The financial statements give a true and fair view of the financial transactions of the pension fund for the period, and the amount and disposition at the period end of the assets and liabilities, other than liabilities to pay pensions and benefits after the period end.	<b>2</b> The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.	<b>3</b> Other information published together with the audited financial statements is consistent with the financial statements.	<b>4</b> Review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.

# MATERIALITY

## MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Pension fund overall materiality	£13,000,000	£260,000
Specific materiality for other financial statement areas:		
- Fund account	£2,300,000	£46,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the pension fund financial statements will initially be based on 1% of net assets. Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the fund account at 5% of contributions receivable.

At this stage, these figures are based on the prior year net asset amounts and contributions receivable. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

# OVERALL AUDIT STRATEGY

## We will perform a risk based audit on the pension fund financial statements

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the pension fund and the specific risks it faces. We discussed the changes to the fund, such as scheme regulations, and management's own view of potential audit risks during our planning visit in order to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

We also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

We then carry out our audit procedures in response to audit risks.

## Risks and planned audit responses

Under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit and whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

## Management assessment of fraud

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believe that the risk of material misstatement due to fraud in the pension fund financial statements is low. Potential fraud could include failure to receive all contributions due from employers or paying for fictitious pensioners or continuing to pay pensions to deceased pensioners. Management consider that controls in operation would prevent or detect material fraud in these areas. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

The Pension Committee and Board has oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. This is discharged through the reviews undertaken by internal audit.

To corroborate the responses to our inquiries of management, please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

# KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk

## AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<b>Management override</b>	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of the fund's policies, aims and objectives and to manage the risks facing the fund; this includes the risk of fraud.</p> <p>Under auditing standards, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud</li> <li>• Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</li> </ul>	Not applicable.
<b>Pension liability assumptions</b>	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the previous triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.</p>	We will review the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate.	We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Fair value of investments (infrastructure and private equity)	<p>The investment portfolio includes unquoted infrastructure and private equity holdings valued by the General Partner or fund manager using valuations obtained from the underlying partnerships.</p> <p>Valuations are provided at 31 December and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March.</p> <p>There is a risk that investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.</p>	<p>We will obtain direct confirmation of investment valuations from the General Partner or fund manager and request copies, where applicable, of the audited financial statements of the underlying partnerships (and member allocations).</p> <p>We will confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds.</p> <p>We will obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.</p>	<p>Direct confirmation of the fund valuation and audited financial statements, where applicable, for the underlying partnerships.</p> <p>Assurance report on the operating effectiveness of internal controls within each of the fund manager organisation as well as the custodian.</p>
Fair value of investments (other)	<p>The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian (Northern Trust), and reported on a quarterly basis.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>	<p>We will obtain direct confirmation of investment valuations from the fund managers and agree independent valuations, where available, provided by the custodian.</p> <p>We will obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.</p>	<p>Direct confirmation of investment valuations from fund managers and, where appropriate, from the custodian.</p> <p>Assurance report on the operating effectiveness of internal controls within each of the fund manager and the custodian.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Contributions receivable (normal and augmented)	<p>Employers are required to deducted amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Augmented contributions are also required against pension strain for early retirements.</p> <p>There is a risk that employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.</p>	<p>We will perform an examination, on a test basis, of evidence relevant to the amounts of normal contributions receivable to the fund including checking to employer payroll records, where relevant.</p> <p>We will review contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month.</p> <p>We will perform tests over augmented contributions due from employers for pension strain costs.</p> <p>We will carry out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.</p>	<p>We will check a sample of contributions receivable from the Council to the Council's payroll records to ensure that the correct amounts have been paid by the employee and employer.</p> <p>For other significant admitted and scheduled bodies, we will select a sample of bodies each year and either (a) agree amounts to the employer payroll or (b) request confirmation from that organisation that the correct amounts have been paid to the pension fund for selected employees.</p>
Membership disclosure	<p>Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed.</p> <p>There is a risk that the membership database may not be accurate and up to date to support this disclosure.</p>	<p>We will obtain membership records and review the controls over the maintenance of these records. We will undertake sample testing of existing and movements of members to transactions recorded in the fund account.</p>	<p>Not applicable.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Investment management expenses	<p>Local Government Pension Fund Accounts are required to disclose investment management expenses.</p> <p>Management expenses included in the pension fund accounts represents the fee for the service provided by and any performance related fees in relation to the fund manager. However, fund managers do not ordinarily provide information on ‘hidden’ fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in the change in market value of investments.</p> <p>CIPFA has issued guidance on obtaining and separately presenting these additional charges in the fund accounts. It is expected that where overarching pooled funds are acting as an agent (such as the London CIV Top-Co pool), and transferring monies into sub-fund mandates that already exist between the Pension Fund and Investment Manager the ‘hidden’ fees are disclosed in respect of the sub-funds and not just the overarching pooled fund.</p> <p>This disclosure is a mandatory requirement for the 2017/18 financial statements.</p> <p>We consider there to be a risk in the presentation of investment management expenses in the fund accounts where these ‘hidden’ fees are not identified and separately reported.</p>	<p>We will review the arrangements put in place by management to identify all relevant investment management fees, and responses provided by fund managers, to ensure that the true costs are disclosed appropriately in the fund accounts.</p>	<p>Not applicable.</p>



# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Consideration of related party transactions	We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.	<p>We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions.</p> <p>We will discuss with management and review members' and Senior Management declarations to ensure that there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.</p>	Companies House searches for undisclosed interests.
Benefits payable	<p>Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations.</p> <p>Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.</p>	<p>For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we will check a sample of calculations of pension entitlement. We will check the correct application of annual pension uplift for members in receipt of benefits.</p> <p>We will check a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the checks undertaken by ATMOS on the existence of pensioners.</p> <p>We will review the results of the latest National Fraud Initiative data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches.</p> <p>Payments are cross checked to movements in the membership statistics.</p>	Not applicable.

# INDEPENDENCE

## INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Pensions Committee and Board as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2018.

Our appointment by the Audit Commission (and confirmed by Public Sector Audit Appointments Limited) covers both the Council and pension fund. We do not consider this to be a threat to our independence and objectivity.

We have not identified any potential threats to our independence as auditors. We have confirmed that we have not provided any non-audit services.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table below sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

### ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED
---------------------	--------------------------

Leigh Lloyd-Thomas - Engagement lead	3
--------------------------------------	---

Kerry Barnes - Project manager	2
--------------------------------	---

### ENGAGEMENT QUALITY CONTROL REVIEWER

NUMBER OF YEARS INVOLVED
--------------------------

1
---

# FEES

## FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2018 are:

	2017/18	2016/17
	£	£
Code audit fee (pension fund)	21,000	21,000
Fees for audit related services	-	-
Fees for non-audit services	-	-
<b>TOTAL FEES</b>	<b>21,000</b>	<b>21,000</b>

Fee invoices have been raised in two equal instalments in July 2017 and January 2018.

### Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the pension fund financial statements prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

# APPENDIX I: MATERIALITY

## CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Instances when greater precision is required (e.g. related party transactions disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the pension fund, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.

# APPENDIX I: MATERIALITY


## Continued

### REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

### UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Pensions Committee and Board all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Pensions Committee and Board confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
  - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
  - Other misstatements that we believe are material or clearly wrong.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and should not be relied upon by any other person, except where expressly agreed by our prior written consent. No responsibility to any third party is accepted.

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**Report for:** Pensions Committee and Board 20 March 2018

**Item number:** 8

**Title:** Pensions Administration Report

**Report authorised by :** Jon Warlow, Chief Finance Officer (CFO and S151 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. Review of the Pensions Administration Strategy Statement
- 1.2. The report also gives a breakdown of the amount of visits made to the Haringey pension fund website.

## 2. Cabinet Member Introduction

- 2.1. Not applicable

## 3. Recommendations that members:

- 3.1. Approve the updated Administration Strategy Statement.
- 3.2. Note and approve the application of the Local Government Association's (LGA) guidance on retaining pensions data for the Data Protection Act 2018 purposes.
- 3.3. Note the cessation of Urban Futures (London) as an Admitted Employer to the Pension Fund.
- 3.4. 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:

### Data Retention

6.1. The Local Government Pension Scheme Regulations requires administration authorities to formulate, review and update their Pensions Administration Strategy

- 6.1.1. The Pensions Administration Strategy has been reviewed and updated to include the Data Protection Act 2018's, General Data Protection Regulation (GDPR) that takes effect from 25<sup>th</sup> May 2018.
- 6.1.2. The LGA's guidance for retention of pension data is detailed in the following table below:
- 6.1.3. The Pensions Administration Team is coordinating and logging the paper pension records held in the pension archives in order to comply with Data Protection Act 2018

Service Name	Records Description	Start Event	Retention Period Years
Staff - pension scheme	Bank details, pay details of the individual pensioners	Date of the last payment	6
Staff - pension scheme	Bulk transfer files	Date of the last contact with the scheme of the last pensioner/dependent	100
Staff - pension scheme	Files relating to individual members of the pension scheme (including dependents)	Date of last contact with scheme	100
Staff - pension scheme	Finance and procurement: Financial services: Treasury and investments: Information relating to the administration of the pension fund on behalf of admitted bodies		Permanent
Staff - pension scheme	Records of former employers and Associations	Date of the last contact with the scheme of the last pensioner/dependent	100

### Urban Futures



- 6.2. Urban Futures (London) became an Admitted Employer in the Pension Fund in June 2001. The last two employees left the employment of Urban Futures in January 2018. The Council as Administrating Authority is required to obtain from the Fund Actuary a report to identify the liability, if any, on the cessation of an Admission Agreement. A cessation calculation report has been made by the pension fund actuary, Hymans Robertson. They have calculated that there is no fund deficit on the cessation of the admission agreement.

**Administration Update**

- 6.3. The visits to the Haringey website [www.haringeypensionfund.co.uk](http://www.haringeypensionfund.co.uk) for the last two months are as follows

	users	Page views
December 2017	209	1005
January 2018	347	1515

The average amount of users per month during this period to the pension website is 278 and they viewed on average 1260 pages, 4.5 pages for each user.

- 6.4 Epayslips.

There are 6,365 employees paid by Haringey Council who have access to epayslips. 4,166 employees have registered to access epayslips

There 6,365 employees with access to epayslips	4166 have registered	65.45% of eligible employees registered to epayslip
4166 registered	2435 of those registered in LGPS	58.44% of those registered are in the pension scheme
4166 registered	1082 not registered in the LGPS	25.9% of those not registered are in the LGPS
4166 registered	388 not in LGPS but registered	9.3% eligible non contributors registered



4166 registered	179 not in LGPS not registered	4.25% eligible non contributors not registered
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**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

There are no direct financial implications arising from this report and the accompanying Pensions Administration Strategy Statement.

Maintaining an appropriate and effective Pensions Administration Strategy and is an important aspect of ensuring that the Pension Fund meets the various governance standards it is subject to. Maintaining these standards over the long term will provide value for money for the Pension Fund, helping to ensure that the scheme remains affordable for fund members and scheme employers.

Assistant Director of Corporate Governance

The assistant director of Corporate Governance has been consulted on the content of this report. The recommendations would enhance the administering authority's duty to administer and manage the Pension Scheme.

The Council as administering authority must keep the Pensions Administration Strategy under review and comply with Regulations 59 of The Local Government Pension Scheme Regulations 2013 with regards to consultation and publication. The review has been conducted to ensure compliance with the GDPR (the legislation seeks to strengthen and unify data protection for individuals within the European Union ("EU"), whilst addressing the export of personal data outside the EU) which as this report states comes into effect on 25 May 2018.

**9. Use of Appendices**

Appendix 1 – Pensions Administration Strategy Statement

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

Not Applicable

# Pensions Administration Strategy

London Borough of Haringey Pension Fund

February 2018

## CONTENTS

1	Introduction	3
2	Regulatory framework	4
3	Responsibilities and procedures	5
4	Review process	12
5	Consultation	12
	Appendix 1 - Summary of communication and liaison	13
	Appendix 2 - Performance standards	14
	Appendix 3 - New entrants and current Scheme members	21
	Appendix 4 - Early leavers	22
	Appendix 5 - Retirements	23
	Appendix 6 - Early retirement costs recharged to the Scheme employer	24
	Appendix 7 - Deaths in Service	25
	Appendix 8 - Additional Voluntary Contribution Scheme	26
	Appendix 9 - Ill health Retirement	27
	Appendix 10 – Examples of instances where costs may be recharged	29
	Appendix 11 - Cohabiting Partners	31
	Appendix 12 – Payment of monthly contributions by Scheme employers	32
	Appendix 13 - Year end procedures	34
	Appendix 14 - Additional pension contributions (APCs)	35
	Appendix 15 - The 50:50 Option	37
	Appendix 16 – Appropriate Policy Document (GDPR)	38

February 2018

# 1 Introduction

The Local Government Pension Scheme (LGPS) represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high quality service delivery depends upon the relationship between the administering authority and scheme employers in the day to day administration of the scheme. Good quality administration is essential (can also help) in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

Development of an administration strategy, as allowed for by the Local Government Pension Scheme (LGPS), is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation, but is rather the joint working / partnership of a number of different parties.

This is the pension administration strategy statement of the London Borough of Haringey Pension Fund, administered by Haringey Council (the administering authority). It has been developed following consultation with employers in the London Borough of Haringey Pension Fund Pension Fund.

The aim of this strategy statement is to set out the quality and performance standards expected of Haringey Council in its role of administering authority and scheme employer, as well as all other scheme employers within the London Borough of Haringey Pension Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

The Fund comprises of 65 scheme employers and approximately 22,444 members, this includes active, deferred, pensioner and dependant members (as at 31 March 2017) of the Local Government Pension Scheme. The efficient delivery of the benefits of the LGPS is dependent on good quality data and sound administrative procedures being in place between a number of interested parties, including the administering authority and scheme employers. This strategy statement sets out the expected levels of performance of both the administering authority and the scheme employers within the London Borough of Haringey Pension Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Any enquiries in relation to this pension administration strategy statement should be sent to:

The Pension Team  
Alexandra House  
10 Station Road  
Wood Green  
London  
N22 7TR

Telephone: 0208 489 1700

Email: [pensions.mailbox@haringey.gov.uk](mailto:pensions.mailbox@haringey.gov.uk)  
[www.haringeypensionfund.co.uk](http://www.haringeypensionfund.co.uk)

## 2 Regulatory Framework

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013 enables an LGPS administering authority to prepare a written statement ("the pension administration strategy") which contains such of the matters mentioned below as they consider appropriate:-

- Procedures for liaison and communication with Scheme employers.
- The establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions under the LGPS by-

(i) the setting of performance targets;

(ii) the making of agreements about levels of performance and associated matters; or

(iii) such other means as the administering authority consider appropriate;

- Procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving written notice to any of its Scheme employers on account of that employer's unsatisfactory performance in carrying out its Scheme functions under these Regulations when measured against levels of performance.
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, regulation 59(6) of the LGPS Regulations also requires that, where a pension administration strategy is published, a copy is issued to each of their relevant employing authorities as well as to the Secretary of State. Similarly, when the strategy is revised at any future time the administering authority (after say a material change to any policies contained within the strategy) must notify all of its Scheme employers and also the Secretary of State.

It is a requirement that, in preparing or revising any pension administration strategy, the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate.

Regard must be had by both the administering authority and its Scheme employers to the current version of any pension administration strategy when carrying out their functions under the LGPS Regulations.

In addition, regulation 70 of the LGPS Regulations allows an administering authority to recover additional costs from a Scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the Scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement, therefore, sets out the information required in accordance with regulation 59(1) and forms the basis of the day to day relationship between Haringey Council as the administering authority and the Scheme employers of the London Borough of Haringey Pension Fund. It also sets out the circumstances under regulation 70 of the LGPS Regulations where additional costs are incurred as a result of the poor performance of a Scheme employer, together with the steps that would be taken before any such action were taken.

### 3 Responsibilities and procedures

#### **PROCEDURES FOR LIAISON AND COMMUNICATION WITH EMPLOYERS**

The delivery of a high quality administration service is not solely the responsibility of the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service or ensure that statutory requirements are met.

This strategy statement has been developed following consultation with Scheme employers and other interested parties. It takes account of Scheme employers' current pension knowledge, perception of current administration standards and specific training needs to ensure the level of service can be delivered to the required standard.

Procedures have been agreed for the liaison and communication between London Borough of Haringey Pension Fund and its scheme employers. Full details are provided with the Fund's communication policy, which is available on the Fund's website at <http://www.Haringeypensionfund.co.uk>

A brief summary is set out in Appendix 1.

#### **ESTABLISHING LEVELS OF PERFORMANCE**

##### Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the Scheme employer, in relation to the rights and entitlements of individual Scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the London Borough of Haringey Pension Fund has agreed levels of performance between itself and Scheme employers which are set out in Appendix 2.

## Quality

### Overriding legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and Scheme employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Act 2004 and 2011 and associated disclosure legislation;
- Freedom of Information Act 2000;
- The Equality Act 2010;
- Data Protection Act 2003; 2018;
- Finance Act 2013; and
- Relevant Health and Safety legislation.
- Bribery Act 2010
- General Data Protection Regulation (GDPR)

Where agreed, the administering authority and Scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.

### Internal standards

The administering authority and Scheme employers will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer procedural guide;
- work to be completed in the required format and/or on the appropriate forms contained within the employer procedural guide;
- information to be legible and accurate;
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff;
- information provided to be authorised by an agreed signatory; and
- actions carried out, or information provided, within the timescales set out in this strategy document.



## **TIMELINESS**

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out a number of requirements for the administering authority or Scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been agreed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. These locally agreed standards for the London Borough of Haringey Pension Fund are set out below.

### **External providers**

The administering authority or its Scheme employers will ensure that any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme (such as external pension administration providers, payroll and HR providers) are aware of the standards to be met. They will also be responsible for ensuring that those standards are met.

### **Procedures for ensuring compliance with statutory requirements and levels of performance**

Ensuring compliance is the responsibility of the administering authority and its Scheme employers. We will work closely with all Scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation or in this Administration Strategy. We will also work with employers to ensure that overall quality and timeliness standards are met as part of a service development plan. Various means will be employed, in order to ensure such compliance and service improvement, after first seeking views from as wide an audience as possible. These include:

#### **Audit**

The London Borough of Haringey Pension Fund will be subject to regular audits of its processes and internal controls. The London Borough of Haringey Pension Fund and its Scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the London Borough of Haringey Pension Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

#### **Performance monitoring**

The London Borough of Haringey Pension Fund will monitor performance against specific tasks from the event date (e.g. date of leaving/retirement, etc) to the date of the completion of the task (notwithstanding that service levels for benchmarking purposes are measured from the date that all necessary data has been received/is available). As part of this monitoring exercise we will include the monitoring of the performance of each Scheme employer in the provision of all necessary data required by the administering authority enabling completion of each task. We will also monitor the performance of the administering authority in carrying out its responsibilities in relation to the scheme.

The London Borough of Haringey Pension Fund as the administering authority will regularly monitor performance by benchmarking with other administering authorities by using benchmarking clubs and other comparators available. Quality and standards of performance will be included in performance monitoring and benchmarking.

### **Employer liaison meetings**

An annual meeting will take place with representatives of the administering authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and ensure compliance with statutory obligations.

### **Employer liaison officers**

Each Scheme employer will designate a named individual to act as a scheme liaison officer; being the main contact with regard to any aspect of administering the LGPS. Similarly, the London Borough of Haringey Pension Fund will designate a named individual within the pensions services team for each scheme employer, to act as the pension liaison officer for each scheme employer.

The London Borough of Haringey Pension Fund pension liaison officer will meet with the Scheme employer representative at least annually to discuss any issues relating to the LGPS and/or raise any issues around the performance of the Scheme employer or services provided by the administering authority. More frequent meetings will be arranged if necessary (particularly if issues around the perceived poor performance of the scheme employer arise).

### **Communication policy statement**

The London Borough of Haringey Pension Fund communication policy statement includes specific details on monitoring the compliance of the administering authority and its Scheme employers in communication with various parties associated with the Local Government Pension Scheme. This statement is summarised and included as appendix 1 to this strategy.

### **Procedures for improving communication between administering and employing authorities**

Good communication reminds, or alerts, employees to the value of the LGPS which negates misleading media information and aids recruitment, retention and the motivation of the workforce. Effective communication between authorities reduces errors, improves efficiency and leads to good working relationships.

Where areas of improvement are identified from benchmarking or performance monitoring as indicated in the above section the London Borough of Haringey Pension Fund will be responsible for working closely with the Scheme employers in improving the identified weaknesses.

Where improvements are made they will be reported in the service improvement plan. As part of the review process any new procedures or practises introduced will be kept under review to monitor achievement.

## **Service improvement plan**

The London Borough of Haringey Pension Fund will develop, in conjunction with its Scheme employers, a rolling three year service improvement plan for the provision of the pensions administration service. This plan will include development areas, aimed at improving business efficiency through increased use of technology, together with service improvements identified as part of the benchmarking and monitoring of the administering authority's and Scheme employers' performance. This plan will be monitored and reports provided to scheme employers/senior officer/the Pension Committee and Pension Board.

## **Scheme employer procedural guide**

If appropriate the London Borough of Haringey Pension Fund will update the employer procedural guide to reflect changes to processes, forms and/or responsibilities highlighted as a result of the monitoring of quality and timeliness.

## **Newsletters**

Newsletters which will be issued to all employees annually, (or more frequently if necessary), dealing with changes to scheme rules and Scheme employer procedures or responsibilities associated with them.

## **Technical bulletins**

Bulletins will be issued to Scheme employers as frequently as necessary updating them on recent and forthcoming changes to the scheme. These Bulletins will provide technical advice and guidance to Scheme employers on the changes along with any changes to, or additions to, the responsibilities of the Scheme employers.

## **Training sessions**

The London Borough of Haringey Pension Fund will provide training to its Scheme employers as and when required in order to undertake training where significant performance issues are identified, or on request from the Scheme employer. It is mandatory for your named acting liaison officer to attend.

## **Employer forums**

Regular meetings will take place with representatives of the London Borough of Haringey Pension Fund and its Scheme employers to discuss recent developments within the LGPS or pensions generally, as well as to monitor and review communication strategies. It is mandatory for your named acting liaison officer to attend.

## **Employer liaison meetings**

The London Borough of Haringey Pension Fund pension liaison officer will meet with the Scheme employer representative at least annually to discuss any issues relating to the LGPS and/or raise any issues around the performance of the Scheme employer or services provided by the administering authority. At these meetings the service improvement plan will be reviewed, to discuss progress against targets. More frequent meetings will be arranged if necessary (particularly if specific issues around the perceived poor performance of the Scheme employer arise). It is mandatory for your named acting liaison officer to attend.

## **Continual review**

The London Borough of Haringey Pension Fund will continually review the performance of the administering authority and Scheme employers against the targets and standards set out in this strategy and address with Scheme employers any issues that might be highlighted. The London Borough of Haringey Pension Fund will also monitor success against the targets set out in the three year rolling service improvement plan, and take all necessary action where this is found not to be the case.

## **Circumstances where the administering authority may levy costs associated with the employing authority's poor performance**

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from a Scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that Scheme employer. Where an administering authority wishes to recover any such additional costs they must give written notice stating:-

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.

## **Circumstances where costs might be recovered**

It is the policy of the London Borough of Haringey Pension Fund to recover all additional costs incurred in the administration of the LGPS as a direct result of the poor performance of the administering authority, any Scheme employer or third party service provider. The circumstances where such additional costs will be recovered are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the Scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct scheme member and employer contributions to the London Borough of Haringey Fund within the stated timescales;
- Instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or any other regulatory body.
- The cost of any remedial action required to be taken by the London Borough of Haringey and caused by the failure of a Scheme employer to meet their requirements as set out in regulation or the specified performance targets.
- Advice supplied from a third party provider, with or without the consent from the administering authority. Where there is no previous arrangement in place between Employer and third party provider – the costs incurred will still be re-charged back to the Employer that originally requested work, information or raised queries.

### **Approach taken by administering authority**

The London Borough of Haringey Pension Fund will seek, at the earliest opportunity, to work closely with Scheme employers in identifying any areas of poor performance, provide the necessary training and development and put in place appropriate processes to improve the level of service delivery in future. Consideration for seeking additional administration costs where persistent failure occurs and no improvement is demonstrated by a Scheme employer would be seen as a failure and should only be taken once all opportunities to resolve any issues identified are exhausted. The following sets out the steps we will take in dealing with poor performance by a Scheme employer:

- write to the Scheme employer, setting out area(s) of poor performance;
- meet with the Scheme employer, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the Scheme employer or there is a failure by the Scheme employer to take agreed action, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed;
- clearly set out the calculations of any loss resulting to the London Borough of Haringey Pension Fund or administering authority, or additional cost, taking account of time and resources in resolving the specific area of poor performance; and
- make claim against the Scheme employer, setting out reasons for doing so, in accordance with the LGPS Regulations
- set out clearly the date or dates by which payments must be made

## 4 Review process

The London Borough of Haringey will review this Administration Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every three years. A current version of the administration strategy statement will always be available on our website at [www.Haringeypensionfund.co.uk](http://www.Haringeypensionfund.co.uk) and paper copies will be available on request.

## 5 Consultation

In preparing this pension administration strategy we have consulted with the relevant Scheme employers and other persons considered appropriate. Where it is necessary to revise this pension administration strategy the relevant Scheme employers will be notified in writing of the changes and where a copy of the revised strategy may be obtained.

## Appendix1 -Summary of communication and liaison

Employer's forums will be held at the Civic Centre, this is a forum for Employers to meet and discuss pension issues, speak to the pension team and be kept informed of changes to the Scheme and Pension Fund Investment. It is mandatory for a representative from each employer to attend.

An annual Employee Newsletter will be sent out to Scheme employers, to forward on to staff. The newsletter will cover major Scheme changes and contact information.

Regular updates on Pension Scheme changes will be sent to you, keeping you fully informed when changes occur.

Regular updates on Pension Scheme changes will be sent to Scheme employers, to forward on to staff as and when required.

Annual Benefits Statements will be available to Scheme members on Member Self-Service, any queries which may arise from the statements which result from information employers have provided will be referred directly back to the employer to investigate.

Workshops/ roadshows: the Pension Team will come out to Scheme employers to speak to staff at various times of the year, to help explain the sometime complex pension issues. These must be arranged with the Pensions Administration Manager well in advance to assure availability and content.

Consulting with Scheme employers - in preparing or reviewing the Fund's policies and discretions, this will also include results of the tri- annual valuation, as the administering authority we will continue to consult with our Scheme employers.

Pension Fund Report - this annual report includes various Pension Fund Investment information and statistics of the Scheme membership profile.

## Appendix 2 -Performance standards

By the administering authority	
Function / Task	Performance target
<b>LIAISON AND COMMUNICATION</b>	
Publish and keep under review the London Borough of Haringey Pension Fund administration strategy	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers
Issue and keep up to date employer procedural guide to employer	30 working days from admission of new employer or date of change/amendment
Issue and keep up to date pension website, scheme guide and all other literature for issue to scheme members	30 working days from admission of new employer or date of change/amendment
Issue and keep up to date all forms required for completion by either scheme members, prospective scheme members or scheme employers	30 working days from admission of new employer or date of change/amendment
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the London Borough of Haringey Committee
Attend employer liaison meetings with scheme employers	To be agreed with individual Scheme employers
Organise training sessions for Scheme employers	Upon request from Scheme employers, or as required
Notify scheme employers and Scheme members of changes to LGPS scheme rules or relevant legislation	Within one month of the change(s) coming into effect
Notify Scheme employer (including London Borough of Haringey in its role as a Scheme employer) of issues relating to Scheme employer's poor performance (including arranging a meeting if required)	Within 5 working days of performance issue becoming apparent



Notify Scheme employer (including London Borough of Haringey in its role as a Scheme employer) of a decision to recover additional costs associated with the Scheme employer's poor performance (including any interest that may be due)	Within 10 working days of scheme employer failure to improve performance, as agreed
Issue annual benefit statements to all active members and deferred members	In line with LGPS regulation timescales
Full response to written enquiries	Within 10 working days of receipt of enquiry. Acknowledgement of receipt to be given within 3 working days
Response to email enquiries	Within 10 working days of receipt of enquiry
Response to telephone enquiries	Within 5 seconds. If response to enquiry cannot be given immediately the caller will be given an expected call back date and time

## FUND ADMINISTRATION

Issue formal valuation results (including individual employer details) 10 working days from receipt of results from fund actuary, (but in any event no later than 31 March following the valuation date).

Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the London Borough of Haringey Pension Fund upon each cessation or occasion where a scheme employer ceases participation in the London Borough of Haringey Pension Fund Publish, and keep under review, the Fund's governance policy statement.

Within 30 working days of policy being agreed by the London Borough of Haringey Pension Committee Publish and keep under review the London Borough of Haringey Pension Fund funding strategy statement. To be reviewed at each triennial valuation, following consultation with Scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report Publish the Pension Fund annual report and any report from the auditor By 30 September following the year end to which it relates.

**-SCHEME ADMINISTRATION**

<b>Function/Task</b>	<b>Performance target</b>
Scheme member to be set up on to pension administration software system	With a month of receipt of all necessary information
Make all necessary decisions in relation to a scheme member and issue combined statutory notification to new scheme member (including aggregation of previous LGPS membership)	Within a month of receipt of all necessary information
Provide responses to scheme members/scheme employers/personal representatives/dependents and other authorised persons	10 working days from receipt of enquiry
Contact previous pension schemes to request estimate of any available transfers	10 working days from receipt of enquiry
Provide transfer-in quote to scheme member	20 working days of receipt of all necessary information from previous scheme (request from scheme member)
Confirm transfer-in payment and additional benefit (membership change) to scheme member	20 working days of receipt of payment of transfer of value
Arrange for the transfer of scheme member free standing additional voluntary contributions into in-house arrangement	10 working days of all the necessary information from FSAVC provider (receipt of request from scheme member)
Respond to enquiries to purchase additional pension	5 working days
Prepare and send quotation details to member	10 working days
On receipt of a request from the member or new pension provider, supply a transfer value quotation	20 working days of receipt of all necessary information
Calculate the estimated transfer value payable and inform the new pension provider of amount payable	20 working days of receipt of all necessary information
On receipt of the member's decision to proceed with the transfer, calculate and pay the transfer value	10 working days of receipt of information
Notify scheme employer of scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence	10 working days of receipt of election from scheme member
Calculate cost of additional pension contributions, and notify scheme member	10 working days of receipt of request from scheme member
Determine additional pension to be credited to the member from additional	10 working days of receipt of revised GAD guidance

pension contributions, following publication of revised GAD guidance from time to time	
Notify Scheme employer of request from scheme member to cease additional pension contribution, and notify scheme member of the amount of pension credited	10 working days of receipt of request from scheme member
request to pay/amend/cease additional voluntary contributions	10 working days of receipt of request from scheme member
Provide requested estimates of benefits to employees / employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	7 working days after receipt of all necessary information (from date of request)
Notify leavers of deferred benefit entitlements	20 working days after the expiry of one month from date of leaving and receipt of all necessary information
Notify retiring employees of benefits (enclosing HMRC disclosure forms)	10 working days of receipt of all necessary information
Payment of retirement benefits (including any interest due as a result of the late payment of benefits) Commence payment within the next pension payroll following commencement of pension entitlement Thereafter make payment on the pension pay day of each month	Any lump sum payments to be paid into the member's account within 20 working days after last day of membership and receipt of all relevant information
Contact deferred members to notify pension benefits due and confirm personal details	3 months before pension benefits due
Confirm in writing the deferred pension benefits due, when payments will be made, set up on payroll for pay period immediately following due date	Within 10 working days of receipt of all necessary information

### Process scheme member

Function/Task	Performance target
Death notifications	Respond and commence action within 2 working days following notification of death
Send confirmation of any amounts payable and payment dates	Within 5 working days of receipt of all relevant documents
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.

Publish and keep under review the London Borough of Haringey Pension Fund policy on the abatement of pension on re-employment under previous regulations	Notify scheme members and scheme employers within one month of any changes or revisions to the policy
Confirm divorce settlement details in writing	Within 10 working days of receipt of written decision from the scheme member

#### LIAISON AND COMMUNICATION BY THE SCHEME EMPLOYER

<b>Function/Task</b>	<b>Performance target</b>
Formulate and publish policies in relation to all areas where the Scheme employer may exercise a discretion within the scheme (including providing a copy of the policy decision(s) to the London Borough of Haringey Pension Fund	Within 30 working days of policy being agreed by the Scheme employer
Remit and provide schedule and make payment of employer/employee contributions	By the 19th calendar day of month after deduction
Respond to enquiries from administering authority	5 working days from receipt of enquiry
Provide year end information required by the London Borough of Haringey Pension Fund, in a format agreed with the London Borough of Haringey Pension Fund	By 30 April following the year end
Ensure payment of additional costs to the London Borough of Haringey Pension Fund associated with the poor performance of the Scheme employer	Within 30 working days of receipt of invoice from the London Borough of Haringey Pension Fund
Distribute any information provided by the London Borough of Haringey Pension Fund to scheme members/potential scheme members	Within 15 days of its receipt Notification to the London Borough of Haringey Pension Fund (so they can liaise with actuary) of material changes to workforce/assumption related areas (e.g. restructurings/pay reviews/employer going to cease/ contracting out of services). No later than 5 working days after notice has been given to individuals or the total workforce
Provide new/prospective scheme members with scheme information and new joiner forms	5 working days of commencement of employment, change in contractual conditions or as a result of auto enrolment staging

**FUND ADMINISTRATION BY THE SCHEME EMPLOYER**

<b>Function/Task</b>	<b>Performance target</b>
All new prospective admission bodies to undertake, to the satisfaction of the London Borough of Haringey Pension Fund, a risk assessment of the level or bond required in order to protect other scheme employers participating in the pension fund To be completed before the body can be admitted to the London Borough of Haringey Pension Fund All admission bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the fund Annually, or such other period as may be agreed with the London Borough of Haringey Pension Fund Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the London Borough of Haringey Pension Fund or within timescales specified in each case

**SCHEME ADMINISTRATION BY THE SCHEME EMPLOYER**

<b>Function/Task</b>	<b>Performance target</b>
Make all necessary decisions in relation to new scheme members in the LGPS (pensionable pay, appropriate contribution pay band, etc)	10 working days of scheme member joining
Provide administering authority with scheme members' details	10 working days of scheme member joining/from month end of joining
Arrange for the correct deduction of employee contributions from a scheme member's pensionable pay on becoming a scheme member Immediately on joining the scheme, opting in, auto enrolment or change in circumstances	
Ensure correct employee contribution rate is applied Immediately upon commencing scheme membership and each April payroll thereafter	
Ensure correct rate of employer contribution is applied Immediately upon commencing scheme membership and each April payroll thereafter	
Arrange for reassessment of employee contribution rate in line with employer's policy and notification of any change in rate to affected scheme member(s)	Review as per policy and notification within 10 working days of change in contribution rate

Commence deduction of additional pension contributions or amend such deductions, as appropriate Month following election to pay contributions or notification received from administering authority	
Cease deduction of additional pension contributions Immediately following receipt of election from scheme member	
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19th of the month following the month of election
Refund any Scheme member contributions deducted in error	Month following month of deduction or error discovered
Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member
Notify material changes in employee's circumstances (e.g. marital or civil partnership status)	Within 10 working days of receipt of notice
Leave of absence with permission (maternity / paternity / secondment / without pay etc. (communications with employee and confirmation to pension fund)	Within 10 working days of notice from employee / HR / payroll
Determine reason for leaving and provide notification to administering authority of Scheme leavers	10 working days of leaving/month end of leaving
Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of retirement
Accurately assess final pay for each Scheme member who leaves/retire/dies and forward to London Borough of Haringey Pension Fund.	Within 10 working days following date of leaving/retirement/death
Notification to London Borough of Haringey Pension Fund of death of Scheme member	5 working days of date notified
Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with London Borough of Haringey Pension Fund	Within one month of commencing participation in the London Borough of Haringey Pension fund or date of resignation of existing medical adviser
Appoint adjudicator for stage 1 of the pension internal dispute resolution process and provide full details to the administering authority	Within one month of commencing participation in the London Borough of Haringey Pension fund or date of resignation of existing adjudicator

## Appendix 3 - New entrants and current Scheme members

The Regulations require automatic membership of the Scheme for any person under age 75 who is appointed to work for your organisation where the contract of employment is 3 months or greater. This rule is the same for admission bodies, provided that he/she falls within a description of employee specified as such within the Admission Agreement between the admission body and the Council.

Any employee who is eligible to join the LGPS may elect to be excluded from the scheme before or at any time after appointment. Before making such an election employees will be made aware of the benefits they will be losing out on.

An employee's right to belong to the scheme, and the right not to join or to leave the scheme should be set out in his/her Contract of Employment.

It is important that the issue, completion and recording of elections to join or to be excluded from the scheme, is closely monitored.

The following documents are currently in use in relation to the transmission of information between a new employee, the Scheme employer and the Council.

A Pensions Option Form and an Employee's Guide to the Local Government Pension Scheme are issued to every new employee.

### 5.1 Opting out of the pension Scheme over 3 months membership

If a scheme member wishes to opt out of the pension scheme, the election must be given in writing, and sent to the Pension team with the notification of cessation of membership form. The Pension team will determine the Member's Scheme benefit entitlement.

#### LGPS Opt Out Forms

The LGPS opt out forms for Scheme members to opt out of the Pension Scheme are now only available from the Pension Website (<http://www.Haringeypensionfund.co.uk>). If individuals do not have access to a computer a hard copy may be obtained from the Pensions Team.

### 5.2 Auto-Enrolment Employer Duties

The Government through legislation in the Pension Act 2011 have put in place auto-enrolment to workplace pensions.

This major change requires that employees are to be automatically enrolled into a scheme and will then have to opt out if they do not wish to contribute and means it is illegal to discourage people from joining a scheme.

All employers should therefore familiarise themselves with their responsibilities

### 5.3 Academies

Academies had their own staging date and auto re-enrolment dates dependent on the size of their payroll.

## Appendix 4 - Early leavers

Scheme members may leave employment and/or the pension scheme - before becoming entitled to immediate payment of retirement benefits - for a number of reasons, which may or may not be known to their employer. Whenever possible, however, the reason for leaving should be ascertained as this may determine the administrative procedures to be followed and/or the information to be given to the Scheme member.

It is important to remember that any Scheme member who leaves after having completed 2 or more years' membership in the LGPS, or who has transferred accrued rights from a previous pension scheme into the LGPS, is entitled to deferred benefits and cannot receive a refund of pension contributions. Scheme employers should always encourage Scheme members to contact the Pension Team for information with regard to their pension entitlements and not make their own assumptions.

The following documents are currently in use in relation to the transmission of information between Scheme employers and the Pension Team.

### Notification of Cessation of Membership/Employment

To be completed in respect of every early leaver to whom the following circumstances apply. (Please retain a copy for your records)

- On leaving the scheme before attaining the age of 60 years.
- In the event of the Scheme employer determining cessation of employment is by reason of permanent ill health.

After completion, the notification should be forwarded to the Pension Team, together with any relevant documents.

Please Note: No retirement benefits will be paid out to members who have retired if the relevant documents are not completed.



## Appendix 5 - Retirements

Retirement or cessation of employment with entitlement to immediate payment of retirement benefits occurs if the following conditions are satisfied:

1 The Scheme member has been a member of the scheme for a minimum of 2 years,

OR

2 The Scheme member has been a member of the scheme for less than 2 years but has transferred in pension rights from another scheme.

Note: the above conditions do not apply if a Scheme member attains age 75. Scheme benefits must be released at age 75 whatever their length of Scheme membership. The Scheme member must be notified of his entitlement at least three months before attaining the age of 75

Pension entitlement will be determined by the Pension Team where membership ceases for any of the following reasons

- Compulsorily on attaining age 75.
- Voluntarily on or after attaining age 60, if there is an entitlement to immediate payment of benefits without reduction but before age 75.
- At any age by reason of permanent ill health
- On or after attaining age 55, by reason of redundancy or in the interests of the efficient exercise of the employer's functions.
- On or after age 55, for any reason, and application is made by the Scheme member for early payment.

A "Notification of Scheme Member Retiring on Pension" is to be completed in respect of every retiring employee and a copy forwarded to the Pension Team immediately before or as early as possible after, the date of retirement together with any relevant documents. Please retain a copy for your records.

If retirement is because the Scheme employer has determined the retirement is because of permanent ill health the notification should be accompanied by a copy of the Independent Registered Medical Practitioner's certification.

## Appendix 6 - Early retirement costs recharged to the Scheme employer

When do they arise?

Early retirement costs arise when an employee retires –

- On the grounds of permanent ill-health
- On the grounds of redundancy
- On the grounds of efficiency
- With the consent of the employer before age 60
- On Flexible Retirement before age 60
- Or when preserved benefits are paid prematurely on ill-health or compassionate grounds.

The cost is the notional value lost by the pension fund from the removal of contributions to the pension fund, the loss of investment on those contributions and from paying the pension benefits earlier than anticipated and over a longer term.

The costs will be recovered as follows:

- In cases of ill health – from the Scheme employer
- In all other cases - immediately from the Scheme employer.

## Appendix 7 - Deaths in Service

Death in service of an active member gives rise to entitlement to a Death Grant and, in appropriate circumstances, to dependants' pensions.

Dependents includes –

Married Spouse Cohabitees (certain provisions apply) Civil Partners Children (certain provisions apply)

A Notification of Death in Service Form should be completed immediately upon the notification of the death in service of a Scheme member and forwarded to The Pension Team, together with the death certificate. Submission of this form should not be delayed if the death certificate is not available.

Please retain a copy for your records.

## Appendix 8 - Additional Voluntary Contribution Scheme

London Borough of Haringey Pension Fund Haringey has provides its in-house AVC Scheme with Prudential or Clerical and Medical who provide a range of investment fund funds, as well as a facility for Scheme members to provide additional death in service cover.

It is essential that AVC deductions are invested as quickly as possible in order to maximise the return to each member.

Monthly AVC deductions should be paid directly to the AVC provider (Prudential or Clerical and Medical) as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential or Clerical and Medical which must reach Prudential or Clerical and Medical by the 19th day of the month following the month they were deducted. Failure to do so is in breach of legislation and may be reported to the Pensions Regulator

Weekly paid AVCs can be accumulated for 4-5 weeks and paid over at monthly intervals.

## Appendix 9 - Ill health Retirement

The LGPS provides ill health retirement cover for Scheme members that are unable to work because of serious illness. There is a 3 tier benefit policy in place.

Tier 1: If a Scheme member has at least 2 years in the pension scheme and the employer determines he or she has no reasonable prospect of being capable of gainful employment before age 65, ill health benefits are based on the membership built up to the date of leaving plus all the Scheme member's prospective membership from leaving to age 65

Tier 2: If a Scheme member has at least 2 years in the pension scheme and the employer determines he or she is unlikely to be capable of gainful employment within a reasonable period of leaving, but may be capable of gainful employment at some date in the future before age 65, ill health benefits are based on membership built up to leaving plus 25% of prospective membership from leaving to age 65.

Tier 3: If the employer determines that it is likely a Scheme member will obtain gainful employment within 3 years; the benefits payable will be the benefits accrued as at the date of leaving. A member receiving benefits under the third tier shall:

- Inform his or her former Scheme employer if further employment is obtained
- Answer any queries in relation to current employment status, pay and working hours.

Any members retiring under this tier must have their employment status monitored by the former Scheme employer after 18 months.

If gainful employment has been secured the pension must cease and any overpayment recovered.

If gainful employment has not been secured, the former Scheme employer must obtain a further certificate from an Independent registered practitioner.

In any event, benefits payable under this tier will cease after they have been in payment for 3 years and the former Scheme member will become a pensioner with deferred benefits.

'Gainful employment' means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Please note to all Employers the Council will only accept ill health retirement application supported and approved by the Council Occupational Health (O H) doctor.

If you choose to use your own O H doctor, their report will be sent to the Council O H for verification and approval. All costs associated to this process are charged to the

Employer. If you wish to use the services of Councils O H doctor please contact the Governance & Compliance team in the first instances.

## Appendix 10 – Examples of instances where costs may be recharged

The table below provides of examples of situations when the London Borough of Haringey Pension Fund may recharge employers for additional costs. It is not intended to be definitive and the Fund reserves the right to levy an additional charge in any circumstances of poor performance under Regulation 70 of the Local Government Pension Scheme Regulations 2013 and in accordance with this strategy. For the calculation of additional recharges for poor performance please see Section 3.

	Item in relation to the LGPS	Cost
1	Late notification of a New Starter	£50
2	Late notification of changes personal details-name and address	£50
3	Late notification of Maternity leave, strike, jury service, unpaid leave	£50
4	Late notification of an early leaver	£50
5	Late notification of member retiring	£50
6	Late notification of death in service	£50
7	Late notification of contribution banding changes	£50
8	Late payment of monthly contributions	£50
9	Late delivery of payroll details in support of monthly contributions (due at the same time as the monthly contributions payments).	£50
10	Late notification annual year end information	£250
11	Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of the Employer, will be passed on to that Employer	Re-charge amount
12	Any fines imposed on the Fund due to failure to provided information for Auto enrolment process	Re-charge amount
13	IAS19/FRS17 report preparation and submission to actuary, plus actuary time	Re-charge amount
14	IAS19/FRS17 report preparation and submission to actuary, plus actuary time for Academies	£2,500+ pa
15	Queries to 3rd party providers, without prior notification of cost to Employer, will be re-charged back to the Employer which raised the query	Re-charge amount
16	All legal costs and any other third party costs incurred from outsourcing, queries, disagreements and not an exhaustive list are to be re-charged back to the Employer	Re-charge amount
17	Due to extra work load generated from Retirement Estimates, 10 a year will be free. Above that will be charged at £20 each person. Payment should be arranged prior to the release of the information	£20 each (after 10 free per annum)

Please note any engagement with external providers e.g. Actuaries, Solicitors the full cost will be recharged back to the Scheme employer. This will include any outsourcing of contracts and IAS19/FRS17 reports.

To try and keep the cost down when engaging with these 3rd party companies please make sure your data is as clean as possible.



## Appendix 11 - Cohabiting Partners

The LGPS provides for a cohabiting partner, of either the opposite or same sex, to receive a survivor's pension, subject to the member of the scheme having been in employment and contributing to LGPS on or after 2008, and meeting the relevant criteria laid down in the scheme i.e. that all of the following conditions have applied for a continuous period of at least 2 years:

- both the scheme member and their co-habiting partner are, and have been, free to marry each other or enter into a civil partnership with each other, and
- the scheme member and their co-habiting partner have been living together as if they were husband and wife, or civil partners, and
- neither the scheme member or their co-habiting partner have been living with someone else as if they were husband and wife or civil partners, and
- either the co-habiting partner is financially dependent on the scheme member or they are financially interdependent on each other.

## Appendix 12– Payment of monthly contributions by employers

The following documents and processes are in use in relation to current administrative procedures.

Remittance advice for payments to the Fund

Payment by BACS

The completed schedule form should be emailed to the Pension address as shown on the form at the time the BACS payment is made.

A schedule of the Scheme members who have had deductions taken should include:

- National Insurance Number
- Name
- Contribution band percentage rate
- Additional contribution percentage rate (where applicable) and contribution amount
- Pensionable pay
- Monthly Scheme member contribution
- Monthly employer contribution
- Total Scheme member and employer's contribution to date
- Total pensionable pay to date
- Date joined or left LGPS (if in current year)

This information should be emailed to the Pensions Team or posted to The Pension Team at the Haringey address as soon as the payroll has been run monthly.

Note: Employer contributions are expressed as a percentage of pensionable pay and are payable at such rate(s) as may be advised by London Borough of Haringey Pension Fund following the completion of each triennial actuarial valuation of the pension fund

All sums to which the schedule relates shall be paid over no later than the 19th day of the month following the month of account. Payment of Interest will be charged by the Council where contributions have been received late. Contributions deducted from weekly wages should be accumulated for 4 or 5 weeks and paid over at the appropriate month end.

Late payment of pension contributions by Scheme employers is a serious offence and the Pensions Regulator or the Pensions Ombudsman has significant powers of sanction. The Pensions Regulator can impose fines of up to £50,000 for each instance of persistent offence. Recent changes to the Pensions Act have made it easier to prosecute employers for late payment of contributions.

Note: AVC payments should not be included on the schedule and should be paid direct to the AVC provider.

A copy of the AVC Schedule should be forwarded to the Pensions Team along with any new applications to pay AVC's or any notifications to cease.

## Appendix 13 - Year end procedures

### Financial Returns

Immediately after the end of each financial year, each Scheme employer must submit to the Pension Team by 15 May of that year an interface file / schedule or report detailing the relevant financial information to allow the end of year process / updating of member records and when relevant the tri-annual valuation. A template/ interface layout will be provided 2 months prior to the relevant 31 March.

The prompt and accurate notification of this information is vital to ensure the Pension Scheme complies with Regulatory requirements.

The schedule / interface file/reports should be completed and emailed to the Pensions office by 15 May of the year end to which the information relates

Once the pension's database has been updated, if there are any queries, we will email/write to you. It is important that any enquiries are resolved before the end of year process, which will update the member self-service site and facilitate the production of the Annual Benefit Statements.

## Appendix 14 - Additional pension contributions (APCs)

### **Benefits purchased - Employee only APCs and employee/employer shared cost APCs**

Scheme members may choose to buy extra annual pension, up to a set maximum, using an Additional Pension Contribution (APC) contract (with or without a contribution from the employer – known as a shared cost APC (SCAPC) where there is a contribution from the employer). The maximum at April 2014 was £6,500 and represented an increase from the 2008 Scheme maximum of £5,000. The maximum of £6,500 is increased each April (starting April 2015) by Pensions Increase (assuming a PI date of 1 April 2013). The April 2017 maximum is £6,755.

To buy extra pension. The Scheme member may choose to make a one off contribution or regular additional contributions, with or without a contribution from the employer, in order to buy a set amount of additional pension. The cost (a cash amount NOT a percentage of pay) is determined by the Scheme member's age and the amount they wish to purchase. An employer may, if they wish, agree to meet some or all of the cost of any additional pension purchased. Note that a Scheme member cannot commence an APC in this circumstance if they are in the 50/50 section.

To buy 'lost' pension for authorised unpaid leave of absence (including any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave following a period of relevant child related leave i.e. following ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave). Where an employee elects to pay an APC to purchase any or all of the amount of pension 'lost' during the period of absence and makes the election within 30 days of returning to work (or such longer period as the employer may allow) the employer shall, for any individual period of absence up to 36 months, but not any period beyond that, pay 2/3rds of the cost of the APC (a shared cost APC). The amount of 'lost' pension shall be calculated as 1/49th of the 'lost' pensionable pay for the period of unpaid leave if the person was in the main section during that period, or 1/98th of the 'lost' pensionable pay for the period of unpaid leave if they were in the 50/50 section during that period. A Scheme member can commence an APC or shared cost APC in this circumstance even if they are in the 50/50 section.

To buy pension 'lost' during a trade dispute. Where an employee is absent due to a trade dispute they may choose to buy extra pension to replace the amount of pension 'lost' during the period of the trade dispute. The amount of 'lost' pension shall be calculated as 1/49th of the pensionable pay 'lost' during the period of the trade dispute. If the Scheme member wishes to go ahead with a purchase of extra pension in any of the above circumstances they will need to sign a contract to do so and both the payroll and Pension Fund administering authority must be notified of the amount to be purchased, the cash contribution, the period over which it is to be paid, the reason for

the purchase and, if the member has more than one pensionable employment, the employment to which the APC contract is to be attached.

### **Employer only APCs**

Employers can award additional annual pension to active Scheme members of up to a set maximum (less any amount of additional annual pension the employer has already contributed towards or is contributing towards under a shared cost APC). The maximum at April 2014 was £6,500. The maximum of £6,500 is increased each April (starting April 2015) by Pensions Increase (assuming a PI date of 1 April 2013). The April 2017 maximum is £6,755. Such an award may also be made within six months of leaving to those persons who have left on the grounds of redundancy or business efficiency. The employer would make a one off contribution in order to buy a set amount of additional pension for the member. The cost is determined by the employee's age and the amount purchased.

## Appendix 15 - The 50:50 Option

The LGPS 2014 contains two sections – the MAIN section and the 50/50 section. The difference between the two sections is that in the 50/50 section the amount of contributions to be deducted from the Scheme member is half that due under the main section (and, therefore, the member accrues half the normal pension whilst in the 50/50 section).

Note that whilst an individual is in the 50/50 section the employer contribution is still the normal full contribution rate (not half).

The Scheme member may elect to move between the main and 50/50 sections of the Scheme any number of times but each election only takes effect from the next available pay period.

An employer must give an employee who elects for the 50/50 section information on the effect on that person's likely benefits from the 2014 Scheme.

The employer will be required to notify both the payroll administrator and the Pension Team of the date of the move to a different section and to maintain a record of elections.

At year end (or date of leaving if earlier), employers should confirm to the administering authority which section the member was in at that time.

Each employer will need to determine the most effective method of holding the above information which may or may not involve the payroll system holding the relevant data. Notification that the employee has elected to move from the main section to the 50/50 section (or vice versa) from the beginning of the next available pay period following the election.

If the employee is in the 50/50 section and goes on to no pay due to sickness or injury, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. The person will, of course, have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member would have continuous 50/50 membership.

If the Scheme member is in the 50/50 section and goes on to no pay during ordinary maternity leave, ordinary adoption leave or paternity leave, the member must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.

If the employee is in the 50/50 section they must be moved back to the main section from the beginning of the pay period following the employers' "automatic re-enrolment date". This would happen irrespective of what category of worker they are for the purposes of the Pensions Act 2008.

## Appendix 16 - Appropriate Policy Document -EU General Data Protection Regulations (GDPR)

### Special Category Data

There is specific provision in the EU General Data Protection Regulations (GDPR) Bill for the use of special category (SC) information for pensions administration.

The pensions team may from time to time be passed special category data in relation to ill health retirements – i.e. details of individual's health status. This information may be volunteered to the pensions administration team via formal or informal correspondence with members of the pension scheme which would be stored.

GDPR states that an organisation must obtain consent for the processing of SC data unless it cannot reasonably be expected to obtain consent and the organisation is not aware of the individual withholding consent.

The pensions team therefore does not need to obtain the consent of the data subject (or the member of the scheme), as they would not process or hold health data in all cases, and special category information would only be held in very limited circumstances. Although the pensions team may know the fact that someone has retired on ill-health grounds, they would not know the detail of this, unless the member of the scheme volunteered this and it was then stored in a record of correspondence.

The Local Government Association has provided guidance for retention times for Pensions Information. An extract of the guidance is detailed below, the pensions administration team will follow these guidelines, and should these change in the future, give due regard to adopting any amendments to these guidelines.

Service Name	Records Description	Contains Personal Information?	Retain Permanently?	Start Event	Retention Period Years
Staff - pension scheme	Bank details, pay details of the individual pensioners	TRUE	FALSE	Date of the last payment	6
Staff - pension scheme	Bulk transfer files	TRUE	FALSE	Date of the last contact with the scheme of the last pensioner/dependent	100



Staff - pension scheme	Files relating to individual members of the pension scheme (including dependents)	TRUE	FALSE	Date of last contact with scheme	100
Staff - pension scheme	Finance and procurement: Financial services: Treasury and investments: Information relating to the administration of the pension fund on behalf of admitted bodies	TRUE	TRUE		Permanent
Staff - pension scheme	Records of former employers and Associations	TRUE	FALSE	Date of the last contact with the scheme of the last pensioner/dependent	100

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**Report for:** Pensions Committee and Board 20 March 2018

**Item number:** 9

**Title:** Equity Strategy Review and Tactical Rebalancing

**Report authorised by:** Jon Warlow, Chief Finance Officer, (CFO and S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto: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. Following the 2016 Valuation of Haringey Pension Fund the Pensions Committee and Board commissioned a review of the fund's investment strategy. Work has been ongoing on this throughout 2017, and the last piece of work in relation to this strategy review is now presented within this report: a review of the fund's existing equity strategy, along with actions that can be taken in relation to this.
- 1.2. Haringey Pension Fund has increased in value by roughly £350m since the 2016 valuation, and the majority of this increase is attributable to continued global stock market growth. This has materially improved the fund's funding level at the time of writing, however, these gains could be reversed before the date of the next triennial valuation in 2019, should stock markets decline: this would impact on employer contribution rates.
- 1.3. The Fund's equity is currently all invested passively in market cap weighted index linked funds, with set percentages allocated to different geographic regions. 50% of the developed market equity is invested in global low carbon funds, this is also market cap weighted, however with a tilt away from certain stocks to create a significant decrease in exposure to carbon emissions and carbon reserves.
- 1.4. This paper considers potential changes to the strategy of investing only in line with market cap indices, as well as the use of fixed allocations to specific geographic regions, and considers both alternative index use and active equity management for the Committee's consideration.

## 2. Cabinet Member Introduction

2.1. Not applicable.

### 3. Recommendations

3.1. That the Committee consider this report and the recommendations outlined by Mercer in Confidential Appendices 1 and 2.

#### Equity Review

3.2. That the Committee approves a change to the fund's investment strategy to implement the 'strawman 3' equity portfolio as shown in Confidential Appendix 1, namely to:

- Allocate 22.2% of the equity portfolio to a sustainable equity strategy via the London Collective Investment Vehicle (CIV)
- Allocate 20.4% of the equity portfolio to a multi factor index
- Retain the current allocations to emerging market equity and low carbon equity, but to switch all of the low carbon portfolio into a currency hedged fund, to retain the fund's overall 50% currency hedged position in developed markets

Alternatively, the Committee and Board could choose to implement 'strawman 1' or 'strawman 2' as detailed in the Mercer paper.

3.3. Grant delegated authority to the CFO to implement this investment strategy change, including any due diligence necessary with the requisite fund managers, and to effect the movement of investment assets.

3.4. Grant delegated authority to the Head of Pensions to update the Fund's Investment Strategy Statement and republish this, consistent with any changes agreed, as detailed above.

#### Tactical Rebalancing:

3.5. That the committee agree to a tactical rebalancing of the portfolio, as detailed in Confidential Appendix 2 as 'option 3', but namely to complete a rebalancing of 75% of the fund's overweight equity position:

- Allocate 50% of the fund's overweight equity position to the fund's multi asset absolute return strategy
- Allocate 25% of the fund's overweight equity position to the fund's multi asset credit strategy
- Retain 25% of the fund's current overweight equity position as equity holdings.

Alternatively, the Committee and Board could choose to implement 'option 1' or 'option 2' as detailed in the Mercer paper.

### 4. Reason for Decision

Equity Strategy Review:

- 4.1. The fund has a commitment to investing in a manner which not only secures sufficient returns to meet the fund's strategy to increase the overall funding level, but which also takes serious consideration of environmental, social and corporate governance (ESG) factors. Mercer has previously reviewed the fund's low carbon strategy, and this was increased from 33% of developed market equity to 50% of developed market equity in the summer of 2017. This paper does not propose any change to this part of the equity strategy.
- 4.2. The equity portfolio is all invested in market cap index linked funds: this essentially means that the portfolio invests in line with the stock market as a whole, and therefore produces returns that should be equal to the average stock market performance. For example, the Fund's UK equity holdings track the FTSE All share index, so the returns are equal to the performance of the FTSE All share. Broadly, this means that the fund's equity portfolio is only exposed to one 'style' of equity investment. Utilising a number of different styles or factors in the portfolio which are complimentary and can counterbalance one another, could reduce the volatility of returns for the fund as a whole. This is detailed further in Mercer's report.
- 4.3. One of the downsides of investment in market cap indices is that the fund is increasingly exposed to the largest and most expensive companies in each index. Over the past few years this has been strategy that has greatly benefitted the fund, due to prevailing market conditions, and sustained stock market growth. However, this strategy is unlikely to perform well if we enter a period of equity market decline, and in this scenario, the fund could actually suffer disproportionate losses: reversing some of the recent gains made.
- 4.4. It is therefore sensible to reconsider the current equity strategy of investing 100% in market cap indices, (albeit with a partial low carbon tilt), and consider other equity investment strategies with the aim of hopefully smoothing the fund's returns, and trying to reduce the fund's dependence on one particular style of equity investment. This is a move to diversify the fund's equity strategy further: in the best interests of the fund's membership, and particularly employer base, as investment returns impact on employer contributions to the fund.
- 4.5. The current equity strategy also has fixed allocations to specific geographic regions. This is problematic, as the allocations made in the strategy at one point in time are not agile, and do not allow for the fluctuating size of different geographies within the global economy. For example, the Fund's current allocation to UK equity is significantly overweight when considered within a global context, as the weighting to UK equity was determined prior to the Brexit vote in 2016, and the UK stock market has since shrunk as proportionally. This can be

overcome by the use of a global index which automatically rebalances different geographic weightings. A global index is currently used by the fund currently within the low carbon portion of the portfolio. Strawman portfolios 2 and 3 in the paper produced by Mercer address this problem fully, strawman portfolio 1 partially addresses this.

## Tactical Rebalancing:

- 4.6. Mercer have produced Confidential Appendix 2 with advice to the Committee and Board regarding the fund's current overweight position in equity.
- 4.7. The fund has appointed a number of private market or real asset fund managers in recent years: the long lease property and renewable energy infrastructure mandates. These mandates are illiquid and take a number of years to fully invest. The funds waiting to be drawn down to these investments are all currently held temporarily within the equity portfolio, and this equates to roughly £141.6m at the time of writing. This takes account two bulk transfers that will occur later in the year, and which will both be funded by equity drawdowns, estimated at £50m. However, as Mercer suggest in confidential appendix 2, this £141.6m figure should be updated in light of the 28 February valuation as soon as this becomes available (it was not at the time of writing).
- 4.8. The fund has allocated 5% to renewable energy infrastructure (with Copenhagen Infrastructure Partners and Blackrock), but it will take a number of years before this is all invested. The fund has also allocated 5% to a long lease property mandate (with Aviva). This is likely to be invested later in 2018. The funding for these investments is currently all held and invested within the fund's equity portfolio, on a temporary basis, until these fund managers have sourced appropriate assets, and are able to invest the funds.
- 4.9. The equity portfolio is the most volatile section of the investment portfolio overall. There is therefore a risk that equity markets may decline, and consequently the valuation of these funds temporarily allocated to equity will drop.
- 4.10. To hedge against this risk, it is therefore recommended that the Committee and Board consider a tactical rebalancing of the portfolio, in order to rebalance this temporary overweight position in equity, and to move a portion of this £141.6m into funds held with Ruffer and CQS, to hedge this risk that the equity holdings fall in value. Moving the funds would be a relatively quick exercise due to the liquidity of all three investments.
- 4.11. The paper produced by Mercer has looked at a number of options:

- Option 1 essentially rebalances 100% of the overweight position in equity, and splits this as follows:
  - 50% allocated to the fund's multi asset absolute return strategy (London CIV – Ruffer)
  - 50% allocated to the fund's multi asset credit mandate (CQS).
  - 0% remains within equity.
- Option 2 essentially rebalances 50% of the overweight position in equity, and splits this as follows:
  - 25% allocated to the fund's multi asset absolute return strategy (London CIV – Ruffer)
  - 25% allocated to the fund's multi asset credit mandate (CQS).
  - 50% remains within equity.
- Option 3 essentially rebalances 75% of the overweight position in equity, and splits this as follows:
  - 50% allocated to the fund's multi asset absolute return strategy (London CIV – Ruffer)
  - 25% allocated to the fund's multi asset credit mandate (CQS).
  - 25% remains within equity.

4.12. Mercer have indicated that they have a marginal preference for option 3, however that they are also supportive of option 2.

## **5. Other options considered**

5.1. The paper from Mercer considers a number of options for the fund's equity strategy.

## **6. Background information**

6.1. The most important investment role for the Committee and Board is the setting of an asset allocation strategy. This is the desired allocation to the various asset classed e.g. equities, bonds, property, cash etc. Different assets allocations will have different expected outcomes in terms of future returns and also the predictability of returns.

6.2. In setting the current strategy that has a high allocation to equities, whose values have a strong correlation with economic growth, the Committee and Board is focused on funding the promised benefits primarily from investments returns while seeking to minimise / stabilise employer contributions. The Committee and Board is required to keep the strategy under review considering the impact of funding levels and market conditions.

- 6.3. It should be noted that the 5% allocation to renewable energy infrastructure was made in 2017 after significant gains within the portfolio were made, and this investment has been agreed at a total of £70m (subject to foreign exchange fluctuations). At the time of writing this £70m will make up roughly 5% of the fund's total investments.
- 6.4. However, the 5% allocation to long lease property was made in 2016, and at the time when the fund was significantly smaller than its current value, and at that time, 5% of total assets equated to £50m. £50m was therefore agreed to be invested in the long lease property fund with the chosen fund manager: Aviva. Even after the fund has completed its initial investment of £50m, the fund will very likely be underweight to this long lease property allocation, and will have to consider how to address this going forward.

## **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 has enjoyed strong returns in recent years primarily from rising equity valuations. The Pension Committee and Board's responsibility is to look to the long term when setting an investment strategy, ensuring an appropriate degree of diversification.
- 8.2. The report from Mercer highlights a number of options for the fund's equity strategy which are proposed with the aim of diversifying the portfolio further.
- 8.3. Whilst commitment to ESG issues is clearly a key consideration for Haringey Pension Fund, the overriding aim of the fund's investment strategy must be to improve the funding position with the aim of reaching fully funded status, whilst maintaining stability of employer contributions. Any future changes to the Fund's investment strategy must be consistent with these principles. The proposal from Mercer to include an allocation to an actively managed sustainable equity strategy is consistent with this principle.
- 8.4. Before any new fund managers or asset classes are introduced to the pension fund, proper due diligence will be undertaken, and sound professional advice will be sought. Officers will ensure that the Pensions Committee and Board receive adequate and appropriate



training on any new investment techniques or asset classes prior to these being undertaken by the pension fund.

- 8.5. As part of the regular triennial valuation process, it is best practice to review the Fund's investment strategy: this is the final step in this process following on from the 2016 valuation.

#### Legal

- 8.7 The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management & Investment Funds) Regulations 2016.

- 8.8 The 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. Any allocations recommended in this report must comply with the Pension Fund Investment Strategy Statement .

#### Equalities

- 8.9 There are no equalities issues arising from this report

### **9. Use of Appendices**

- 9.1. Confidential Appendix 1 – Equity Portfolio Review
- 9.2. Confidential Appendix 2 – Tactical Rebalancing

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

- 10.1. Not applicable.

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**Report for:** Pensions Committee and Board 20 March 2018

**Item number:** 10

**Title:** Forward Plan

**Report authorised by:** Jon Warlow, Chief Finance Officer (CFO and S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto: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.

20 Mar 2018	Jul 2018 (Date TBC)	Sep 2018 (Date TBC)	Nov 2018 (Date TBC)	Jan 2019 (Date TBC)	Mar 2019 (Date TBC)
<b>Standing Items</b>					
Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies
Governance Update Report  - SAB Update - Governance Checklist update - Updates from the London CIV	Governance Update Report  - SAB Update - Governance Checklist update - Updates from the London CIV	Governance Update Report  - SAB Update - Governance Checklist update - Updates from the London CIV	Governance Update Report  - SAB Update - Governance Checklist update - Updates from the London CIV	Governance Update Report  - SAB Update - Governance Checklist update - Updates from the London CIV	Governance Update Report  - SAB Update - Governance Checklist update - Updates from the London CIV
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Risk Register Review / Update  (Funding/Liability)	Risk Register Review / Update  (Governance & Legal)	Risk Register Review / Update  (Administration & Communication)	Risk Register Review / Update  (Accounting & Investments)	Risk Register Review / Update  (Funding/Liability)	Risk Register Review / Update  (Governance & Legal)
Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report

20 Mar 2018	Jul 2018 (Date TBC)	Sep 2018 (Date TBC)	Nov 2018 (Date TBC)	Jan 2019 (Date TBC)	Mar 2019 (Date TBC)
<b>Fund Administration &amp; Governance</b>					
Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement	Annual Pension Fund Accounts and Annual Report (including various statutory documents)	Final - Pension Fund Annual Report (if necessary)		Review/update of Fund Conflicts of Interest Policy (if necessary)	Review/update of Investment Strategy Statement if necessary
					Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement
<b>Investments</b>					
Equity Strategy Review			Fund Managers Internal Control Report		
<b>Funding &amp; Valuation</b>					
External Audit Plan for Statement of Accounts	External Audit for Pension Fund Accounts				
<b>Training</b>					
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Tbc	Introduction to LGPS and Trustee Responsibilities	Tbc	Tbc	Tbc	Tbc

TRAINING PROGRAMME

APPENDIX 2

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
21/5/18 - 23/5/18	Local Authority Conference	PLSA	£395	Gloucestershire	N/A
<a href="https://www.plsa.co.uk/Events/Local-Authority-Conference">https://www.plsa.co.uk/Events/Local-Authority-Conference</a>					
27-Jun-18	LGPS Pension Boards three Years on	CIPFA	£175	London	N/A
<a href="http://www.cipfa.org/training//lgps-local-pension-boards--three-years-on-20180627">http://www.cipfa.org/training//lgps-local-pension-boards--three-years-on-20180627</a>					
30 April, 11 June, 5 July, 4 September, 9 October	Pension Basics	PLSA	£160	Virtual Training	N/A
<a href="https://www.plsa.co.uk/Education/Introductory-Pensions-Training/Pension-basics">https://www.plsa.co.uk/Education/Introductory-Pensions-Training/Pension-basics</a>					
15 May, 26 September, 6 November	Understading Investment	PLSA	£160	Virtual Training	N/A
<a href="https://www.plsa.co.uk/Education/Introductory-Pensions-Training/Pension-basics">https://www.plsa.co.uk/Education/Introductory-Pensions-Training/Pension-basics</a>					
24 April, 8 May, 14 June, 19 September, 11 October, 20 November	Introduction to Trusteeship Part 1 - The Theory	PLSA	£488	London	N/A
<a href="https://www.plsa.co.uk/Education/Trustee-Training/Introduction-to-Trusteeship-Part-1-The-Theory">https://www.plsa.co.uk/Education/Trustee-Training/Introduction-to-Trusteeship-Part-1-The-Theory</a>					
26 April, 19 June, 4 October, 21 November	Introduction to Trusteeship Part 2 - The Practice	PLSA	£488	London	N/A
<a href="https://www.plsa.co.uk/Education/Trustee-Training/Introduction-to-Trusteeship-Part-2-The-Practice">https://www.plsa.co.uk/Education/Trustee-Training/Introduction-to-Trusteeship-Part-2-The-Practice</a>					
27-Apr-18	A refresher on DB and DC pension Investments	LGIM	Free	London	N/A
11-Jul-18	LDI (Liability Driven Investment) Breakfast training	LGIM	Free	London	N/A
04-Oct-18	Managing the Investment Challenge	LGIM	Free	London	N/A
<a href="https://www.events-lgim.com/lgim/frontend/reg/tOtherPage.csp?pageID=79171&amp;eventID=284">https://www.events-lgim.com/lgim/frontend/reg/tOtherPage.csp?pageID=79171&amp;eventID=284</a>					

Other Training Opportunities					
Date	Conference / Event	Training/Event Organiser	Cost		Delegates Allowed
	Mentoring Programme for members/officers	LAPFF	Free		N/A
<a href="http://www.thepensionsregulator.gov.uk">www.thepensionsregulator.gov.uk</a>	The Pension Regulator's Pension Education Portal	The Pension Regulator	Free - Online		N/A
<a href="http://www.lgpsregs.org/">http://www.lgpsregs.org/</a>	LGPS Regulation and Guidance	LGPS Regulation and Guidance	Free - Online		N/A
<a href="http://www.lgps2014.org/">http://www.lgps2014.org/</a>	LGPS Members Website	LGPS	Free - Online		N/A
<a href="http://www.local.gov.uk">www.local.gov.uk</a>	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

Email: [thomas.skeen@haringey.gov.uk](mailto: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	x	x
Cllr Viv Ross	✓	✓
Cllr Liz McShane	x	✓
Cllr Noah Tucker	x	x
Keith Brown	✓	✓
Ishmael Owarish	x	✓
Randy Plowright	x	✓

Link to the public sector toolkit:

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

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**Report for:** Pensions Committee and Board 20 March 2018

**Item number:** 11

**Title:** Risk Register - Review/Update

**Report authorised by:** Jon Warlow, Chief Finance Officer (CFO and S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto: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 'Funding and Liability' 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
<b>GOVERNANCE</b>			
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
<b>INVESTMENTS</b>			
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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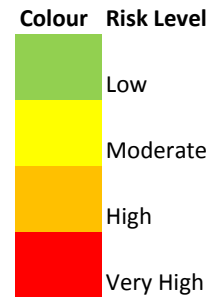
FUNDING/LIABILITY			
56	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
57	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
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.	10
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





FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
56	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	Funding Strategy statement has explicit links to the investment strategy. Both the actuarial advisor and the investment advisor advise Officers and the Committee and work in partnership to ensure that the two strategies are compatible.  The Funding Strategy once ready is presented to Committee for final review and approval.	5	2	10	HoP	Ongoing with any changes made to the investment strategy
57	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	Fund commissions stochastic modelling from the fund's actuary to test the likelihood of success of achieving desired returns to deliver the Fund long term objectives of being able to pay retirement benefits as they fall due. The actuary sets a high probability bar for future service return and also a deficit recovery plan that recovers funding shortfall in the most efficient manner.	5	2	10	HoP; Fund Actuary	Mar-20
58	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	The Investment and Funding Strategies are considered in tandem. The Actuary as part of the triennial valuation reviews the Funding Strategy to take account of outcomes from the triennial valuation and sets appropriate contribution rate for each employer in the Fund. Similarly, a comprehensive review of the Investment Strategy is undertaken following a triennial valuation to ensure that the Strategy is still fit for purpose - annual and ad-hoc reviews are also undertaken where opportunities present itself.	5	2	10	HoP; Fund Actuary; Investment Consultant	Mar-20

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
59	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities.  Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the Funding Strategy is fit for purpose.	5	2	10	HoP; PAM	Onoging
60	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund. Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme.	5	2	10	PAM; HoP	Ongoing

Probability of this risk has been updated to a 2. This is to reflect the growing numbers of employers, and complexity of certain outsourcing/transfer arrangements that have taken place.

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
61	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	<p>Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund.</p> <p>Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. Where an employer is admitted on a closed basis, this usually aligns with when the last active member on the employers payroll either retires or leaves the service of the employer.</p> <p>The Fund's actuary is notified of the need to calculate a cessation valuation 3 months before an employer is due to leave the Fund.</p>	5	2	10	PAM; HoP	Ongoing
62	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	<p>The investment strategy is constantly under review and updated to ensure that the Fund is able to meets its objectives.</p> <p>The Investment/Independent Consultant along with officers of the month have regular meetings to review the investment strategy and present options to the Committee for approval.</p>	5	1	5	HoP	Mar-18

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
63	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	<p>The Fund's admission agreement policy require potential admitted bodies to have a guarantor/bond in place.</p> <p>Where an admitted body is unable to secure a bond, such an employer would be required to provide a guarantor to indemnify the pension fund against any risk from the employer becoming insolvent.</p>	5	1	5	PAM; HoP	ongoing
64	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	<p>All new admissions into the Fund are required to have a bond taken out in the name of the Fund or provide a guarantor.</p> <p>The Fund Actuary undertakes a periodic review of employer profiles to assess the level of risk posed by individual employers to the Fund.</p> <p>The results of the employer profiling exercise is a factor in determining contribution rates for each employer in the Fund, so that the level of risk posed by an employer is commensurate with the rate of recovery of funding deficit.</p>	4	2	8	PAM; HoP	ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
65	FLI10	Processes not in place to capture or review covenant of individual employers.	<p>The strength of covenant of individual employers is assessed before they are admitted into the Fund.</p> <p>The strength of covenant is a significant factor when determining the terms of admission for a new admitted body to the Fund. Along with employer profiling the employer profiling, strength of covenant of each individual employer is assessed periodically by the actuary and Head of Pensions.</p>	4	2	8	HoP	ongoing
66	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	<p>The Haringey Pension Fund subscribes to a number of organisations that assists officers of the Scheme to keep abreast of development and changes to the Fund (including government legislation).</p> <p>Updates are received Local Authority Pension Fund Forum; CIPFA Pensions Network; London Pension Fund Forum. These forums/networks provide regular updates on all things local government pension and facilitates awareness of proposed or imminent changes to the LGPS or Investment regulations.</p>	5	1	5	PAM; HoP	ongoing

**Risk Owners**

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

**Risk Level**

Level 1  
Level 2  
Level 3  
Level 4  
Level 5

**Impact**

Insignificant  
Minor  
Moderate  
Major  
Catastrophic

**Probability**

Rare  
Unlikely  
Moderate  
Likely  
Almost Certain

RED RATED RISKS								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	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 guidance/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

**Report for:** Pensions Committee and Board 20 March 2018

**Item number:** 12

**Title:** Pension Fund Quarterly Update

**Report authorised by:** Jon Warlow, Chief Finance Officer (CFO and S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto: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 31<sup>st</sup> December 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 31<sup>st</sup> December 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. Against a backdrop of both widespread positive corporate earnings and positive economic indicators the Quarter October to December 2017 saw yet further advances in Equity markets across the world.

8.5. The US S&P 500 index climbed further and to new highs during the Quarter. Ending the July- September Quarter at 2,519 the index passed 2,600 for the first time in late November and ended 2017 at 2,673 an increase of 6% over the Quarter, Positive corporate earnings, positive GDP figures (reported during the Quarter) together with the prospect and then confirmation of corporate tax reforms boosted markets. The US unemployment rate fell to 4.1% in October, and remained at this, its lowest level since 2001, during November and December 2017.

8.6. Economic indicators, including Third Quarter 2017 GDP figures (released in November 2017) continued to highlight a widespread recovery in the Eurozone. Eurozone unemployment continued to fall, to 8.8% in October and was 8.7% in both November and December 2017. Notwithstanding positive economic activity indicators headline inflation, however, remained low with headline inflation of 1.4% in December 2017 which was 0.1% lower than at the end of September 2017. October to December was overall a flat Quarter for European Equities. In



an overall context of economic expansion and continued monetary stimulus by the European Central Bank 2017 as a whole was, however, the most positive year for European Equities since 2013.

8.7. Japanese equity markets had a very positive Quarter with the Nikkei 225 index increasing by 11%. Equity markets responded very positively to the decisive victory of the ruling Liberal Democratic Party, led by Prime Minister Shinzo Abe, in the General Election held on 22 October 2017. Robust corporate earnings announcements also supported Equity markets. The December 2017 Bank of Japan's "Tankan" survey of large manufacturers sentiment stood at its highest level for 11 years. Despite positive economic activity and huge monetary stimulus from the Bank of Japan core inflation in December 2017 was still only 0.9% compared with the Bank of Japan's target of 2%. Emerging markets, overall, also experienced a clearly positive Quarter.

8.8. UK Equities experienced another positive Quarter. Rising commodity prices boosted the shares of the large UK listed natural resource giants such as BHP Billiton and Rio Tinto. Economic data was mixed. The UK Purchasing Managers Index was clearly positive throughout the Quarter, with an average reading over the final quarter of 2017 of 57.0 which was the best since the second quarter of 2014. The official unemployment rate remained low although it rose fractionally to 4.4% compared to 4.3% for the previous Quarter. In contrast while retail sales increased by 0.4% compared with the previous three months the Office for National Statistics commented that *"the longer-term picture is one of slowing growth, with increased prices squeezing people's spending."* Inflation, in December 2017, as measured by the Consumer Price Index (CPI) was 3% while government's preferred version of the Consumer Price Index (CPIH) which includes owner occupiers housing costs was 2.7%. Therefore, inflation using both measures was well above the 2% target. Uncertainty over Brexit continued although in mid December the EU agreed that Brexit negotiations could move to phase two, addressing Britain's future relationship with the European Union.

8.9. As expected, at the December meeting of the Federal Open Markets Committee (FOMC), the United States Federal Reserve continued its 2017 trend of gradually tightening (its ultra loose) monetary policy by increasing the target range for the federal funds rate (the official interest rate) by a further 0.25%. This was the third such increase in 2017 and this together with the decision at its September 2017 meeting not to reinvest all principal payments from its bond and debt holdings represents a clear change of direction by the Federal Open Markets Committee during 2017. However, US monetary policy remains *"accommodative"* as stated in the official press release issued after the December 2017 FOMC meeting.

8.10. In Europe the European Bank continued its very active policy of seeking to positively stimulate the Eurozone economy. At the October and December 2017 meetings of the Governing Council interest rates remained unchanged. Although net asset purchases are to be reduced from 60 billion to 30 billion per month from January 2018 this will continue until at least September 2018 and principal payments will continue to be reinvested *"for an extended period of time....."*

- 8.11. As expected in November the Bank of England increased Bank Rate by 0.25% the first rise in a decade. This however only represented a reversal of the reduction which occurred in August 2016 following the EU Referendum result.
- 8.12. With regard to the Haringey Fund there was a 3% increase in the value of the Fund of £41m over the Quarter from £1,344 to £1,385m. More importantly the indicative Funding level at 31 December 2017, as calculated by the Fund Actuary has improved further to 88.2%. This is a very clear increase since the last full Actuarial Valuation (as at 31 March 2017) when the Funding level was 79.1%
- 8.13. Due to lengthy and clearly positive Listed Equity performance the actual allocation to Listed Equities at 31 December 2017 was 57% compared to the Strategic Benchmark of 45%. Proposals to address this significant overweight position are made in a report elsewhere on this agenda.

#### Equalities

- 8.14. 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 31 December 2017, and this showed an improvement to an 88.2% funding level: the increase being mainly attributable to investment returns. This position was improved slightly from 30 September 2017 at 86.5%.

11.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has decreased to £186m as at 31 December 2017 when the indicative funding level was 88.2%.

## 12. Portfolio Allocation Against Benchmark

12.1. The value of the fund increased by £41.0m million between September and December 2017. The property, equity and index linked gilts portfolios performed above benchmark, whereas the infrastructure debt, and private equity, multi asset credit and renewable energy infrastructure portfolios were below benchmark.

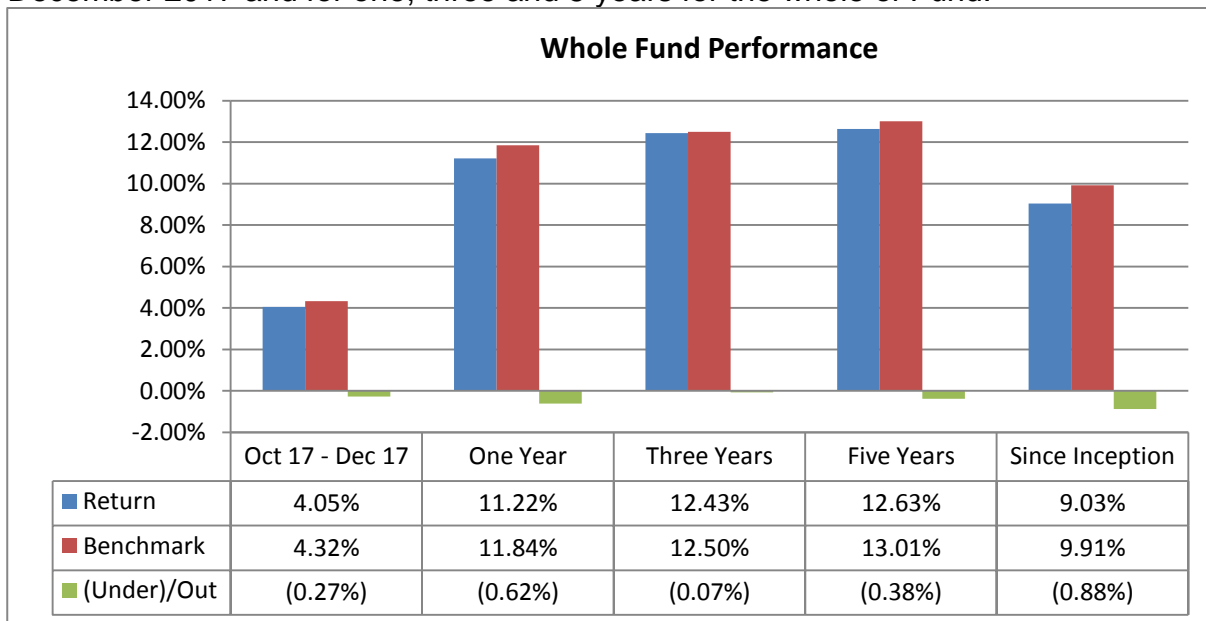
12.2. The equity allocation exceeds target by 12.06%. This is due in part to a strongly performing year for equities meaning that this portion of the portfolio has grown disproportionately compared to other asset classes. The infrastructure debt, renewable energy infrastructure and private equity, portfolios continue to be funded as the managers make capital calls when suitable assets become available for acquisition. As these real asset or private market mandates are funded, the overweight position in the equity portfolio will fall back to be more in line with the strategic allocation, however it should be noted that this may take several years to fully complete. Elsewhere in this meeting, tactical rebalancing of the portfolio is considered, to hold this overweight position in other asset classes than equity.

## Total Portfolio Allocation by Manager and Asset Class

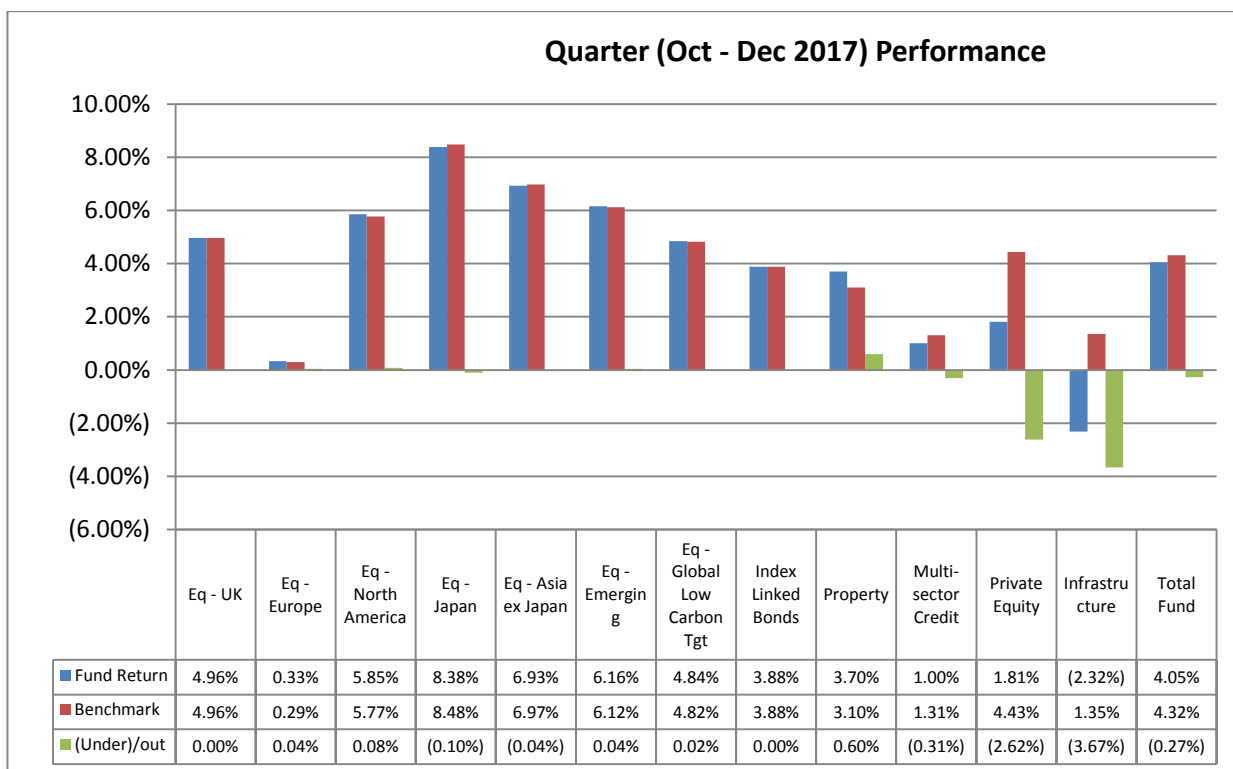
	Value	Value	Value	Allocation	Strategic	Variance
	30.06.2017	30.09.2017	31.12.2017	31.12.2017	Allocation	
	£'000	£'000	£'000	%	%	%
<b>Equities</b>						
UK	139,345	107,047	101,109	7.30%	5.60%	1.70%
North America	200,198	156,434	143,203	10.34%	8.20%	2.14%
Europe	71,219	52,912	47,367	3.42%	2.80%	0.62%
Japan	33,378	24,845	22,571	1.63%	1.30%	0.33%
Asia Pacific	31,981	24,041	22,984	1.66%	1.30%	0.36%
Emerging Markets	123,444	120,292	120,024	8.66%	6.60%	2.06%
Global Low Carbon Tgt	235,450	363,086	333,314	24.06%	19.20%	4.86%
<b>Total Equities</b>	<b>835,015</b>	<b>848,657</b>	<b>790,572</b>	<b>57.06%</b>	<b>45.00%</b>	<b>12.06%</b>
<b>Bonds</b>						
Index Linked	179,349	177,922	184,959	13.35%	15.00%	-1.65%
<b>Property</b>						
Aviva			0	0.00%	5.00%	-5.00%
CBRE	97,405	94,556	93,098	6.72%	7.50%	-0.78%
<b>Private equity</b>						
Pantheon	53,139	54,416	53,638	3.87%	5.00%	-1.13%
<b>Multi-Sector Credit</b>						
CQS	89,727	91,088	91,999	6.64%	7.00%	-0.36%
<b>Multi-Asset Absolute Return</b>						
Ruffer	0	0	100,629	7.26%	7.50%	-0.24%
<b>Infrastructure Debt</b>						
Allianz	36,038	35,918	34,838	2.51%	3.00%	-0.49%
<b>Renewable Energy</b>						
CIP	0	0	0	0.00%	2.50%	-2.50%
Blackrock	5,985	8,248	8,127	0.59%	2.50%	-1.91%
<b>Cash &amp; NCA</b>						
Cash	13,280	33,637	27,557	1.99%	0.00%	1.99%
<b>Total Assets</b>	<b>1,309,938</b>	<b>1,344,442</b>	<b>1,385,417</b>	<b>100%</b>	<b>100%</b>	<b>0.00%</b>

### 13. Investment Performance Update: to 31<sup>st</sup> December 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 October to December 2017 and for one, three and 5 years for the whole of Fund.

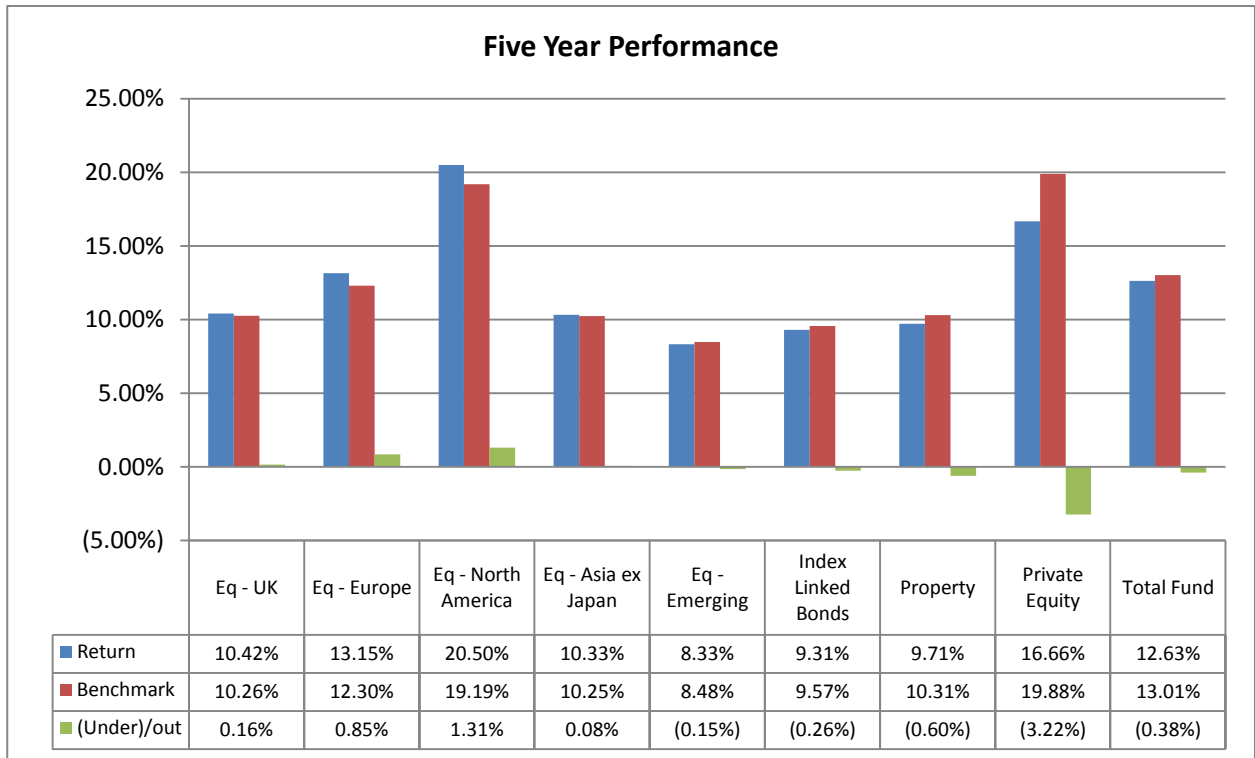


13.2. The Fund returned 4.05% in the quarter: roughly in line with the benchmark of 4.32%. Japanese equities showed the strongest performance over the quarter with returns of over 8%.



13.3. Over the last 12 months the Fund returned 11.22% against a benchmark of 11.84%, i.e. an underperformance of 0.62%. Three and five year underperformance is 0.07% and 0.38% 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.

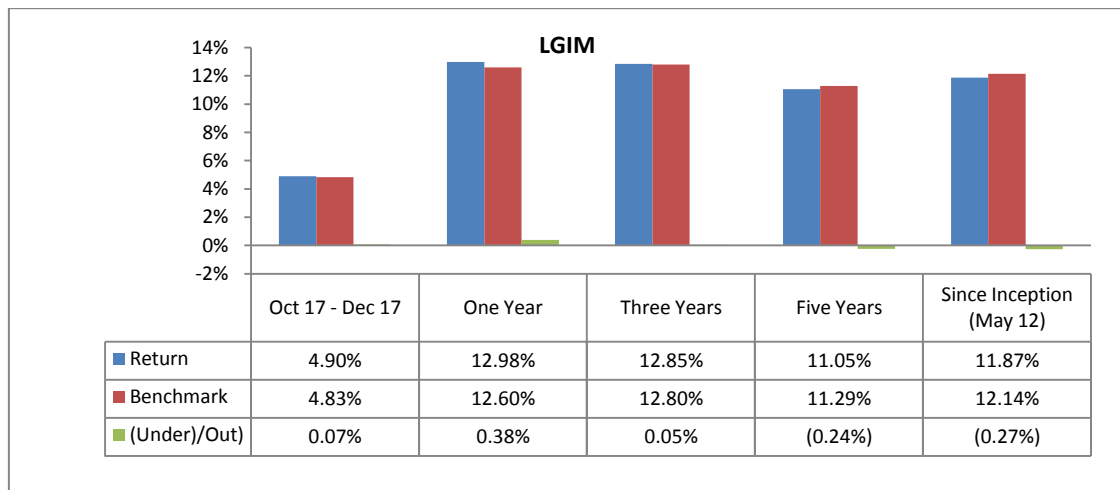




## FUND MANAGER PERFORMANCE

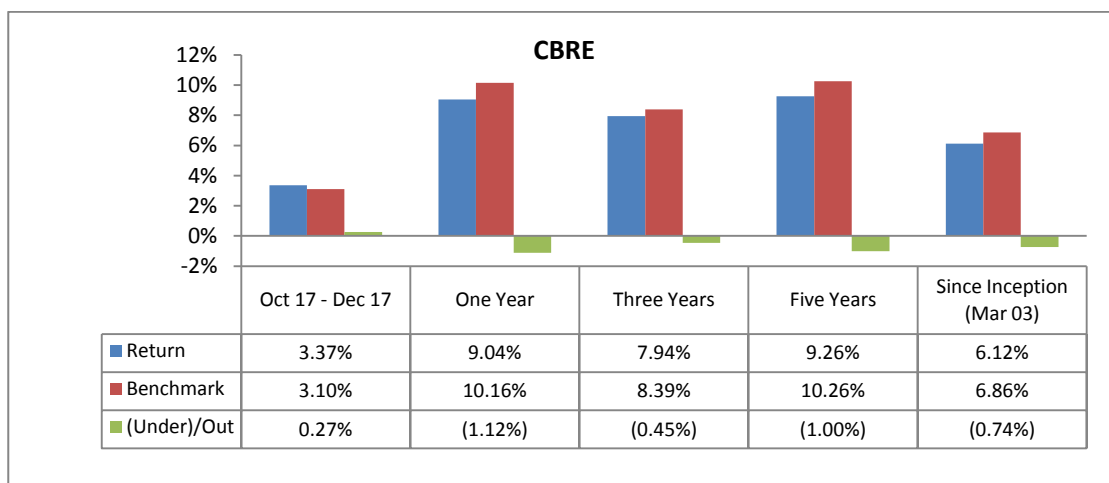
### Legal & General Investment Management (LGIM)

13.4. Legal and General returned 4.90% this quarter and has slightly outperformed composite benchmark of 4.83%.



## CBRE

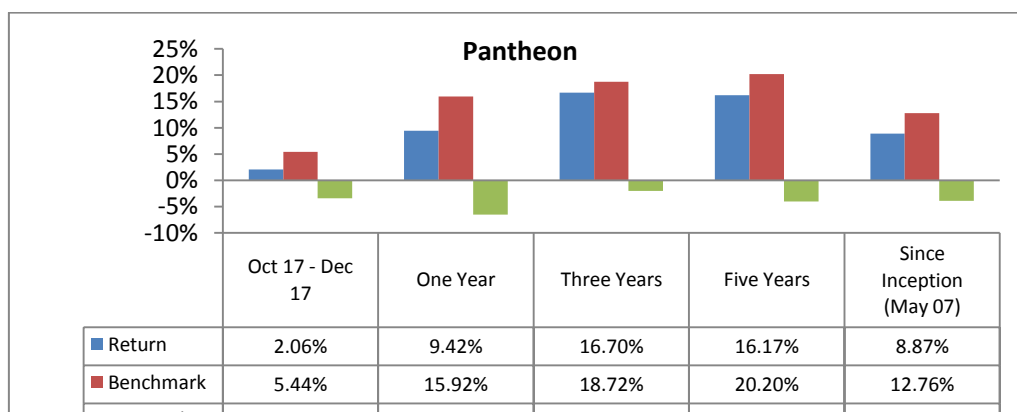
13.5 The manager saw a positive total return of 3.37% in the quarter and outperformed benchmark of 3.10% by 0.27%. CBRE lags behind benchmark over 1, 3, and 5 years, as well as since portfolio inception: however, this position is improving.



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 in 2017: the effects of this will still show a lag in performance for some time to come..

**Pantheon Private Equity**

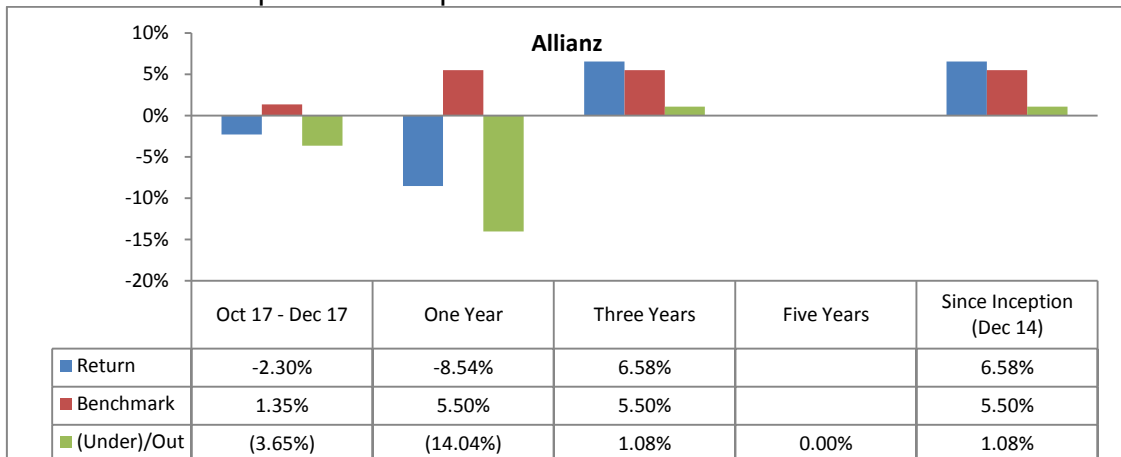
13.7 Pantheon Private Equity underperformed their benchmark by 3.38%. Over all time horizons measured below the manager is showing a negative return compared to benchmark, however, in absolute terms, returns of over 16% over the past five years have added significantly to the fund’s asset base and overall performance metric. It should also be noted that the final valuations for the Pantheon holdings as at 31 December will not be finalised until April 2018, therefore the performance statistics calculated for the last quarter of 2017 will not yet reflect the final valuation of the investments.



**Allianz Infrastructure Debt**

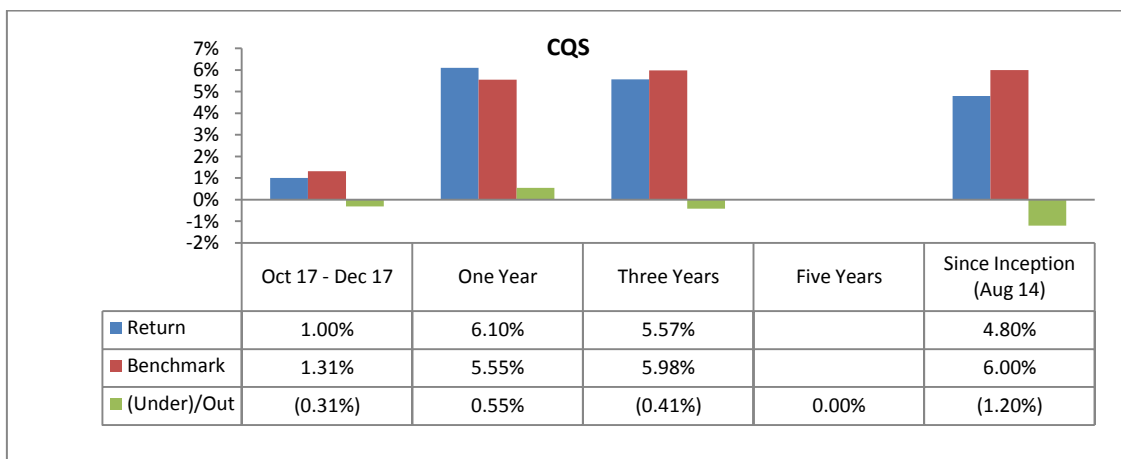


13.8 Allianz has returned -3.65% against benchmark in the quarter. This performance measure does not include the final December valuation of assets, as this was not finalised at the time of writing, and therefore may understate their performance. The manager is still significantly ahead of benchmark since portfolio inception.



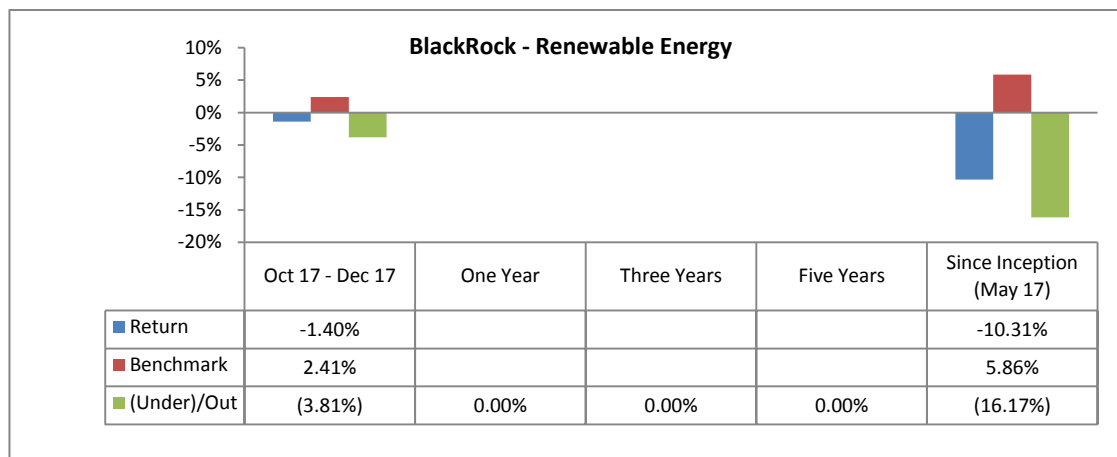
**CQS Multi Sector Credit**

13.9 The manager had a slight under-performance relative to benchmark in the quarter achieving a return of 1.00% against the benchmark of 1.31%. Over the past 12 months the manager is ahead of benchmark by 0.55%.



**BlackRock – Renewable Energy**

13.10 The manager had a slight under-performance relative to benchmark in the quarter achieving a return of -1.40% against the benchmark of 2.41%. The Blackrock investment is a private equity style investment where returns are expected to lag in the initial years of the investment, and then grow significantly as the investment becomes more mature. It is therefore too early in the investment to be able to meaningfully assess performance.



## 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 per annum 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 further fixed income funds to follow shortly. The CIV now has offerings in a number of global equity and multi asset or diversified growth fund products.

14.3. Following the governance review completed at the end of 2017, the CIV has undertaken a consultation exercise with the 32 stakeholders in the CIV in January and February 2018. Further details of this are given in the governance paper which will be tabled at this meeting.

14.4. The London CIV has appointed CQS to manage a liquid multi asset credit mandate: this is the same fund that Haringey currently invests in with CQS. The LCIV CQS subfund will be set up on an ACS platform, and will be under the oversight of the CIV. The CIV currently estimate that this will be up and running in May 2018. Haringey's current investment with CQS will therefore come under the CIV's oversight. The set up of the investment via ACS platform means there is no need to sell or legally transfer the fund's existing investments, there are therefore no transaction costs associated with this, and Haringey will immediately be able to enjoy the various efficiencies associated with having funds which are invested via the CIV pool. This is similar to Haringey's investments with LGIM which are also under the CIV's oversight.

## 15. Aviva Long Lease Property Mandate

- 15.1. 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.
- 15.2. 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 Q2 or possibly later in 2018.

## Appendix 1 – Strategic Asset Allocation (as at 31.12.17)

<b>Manager</b>	<b>% of Total Portfolio</b>	<b>Mandate</b>	<b>Benchmark</b>	<b>Performance Target</b>
Legal & General Investment Management	60.0%	Global Equities & Bonds	See overleaf	Index (passively managed)
CQS	7.0%	Multi Sector Credit	3 month libor + 5.5% 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
London CIV - Ruffer Global Long	7.5%	Multi Asset Absolute Return	8.00% p.a.	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
<b>Total</b>	<b>100.0%</b>			

\* The Fund will invest 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).

<b>Asset Class</b>	<b>Benchmark</b>	<b>Legal &amp; General Investment Management</b>
<b>UK Equities</b>	FTSE All Share	5.60%
<b>North America</b>	FT World Developed North America Index (Unhedged)	4.10%
<b>North America</b>	FT World Developed North America Index (Hedged)	4.10%
<b>Europe ex UK</b>	FT World Developed Europe ex-UK Index (Unhedged)	1.40%
<b>Europe ex UK</b>	FT World Developed Europe ex-UK Index (Hedged)	1.40%
<b>Pacific ex Japan</b>	FTSE Developed Asia Pacific (ex-Japan) Index (Unhedged)	0.65%
<b>Pacific ex Japan</b>	FTSE Developed Asia Pacific (ex-Japan) Index (Hedged)	0.65%
<b>Japan</b>	FTSE Japan Index (Unhedged)	0.65%
<b>Japan</b>	FTSE Japan Index (Hedged)	0.65%
<b>Emerging Markets</b>	FTSE Emerging Markets Index (Unhedged)	6.60%
<b>Global Low Carbon Equities</b>	MSCI World Low Carbon Target Index (Unhedged)	9.60%
<b>Global Low Carbon Equities</b>	MSCI World Low Carbon Target Index (Hedged)	9.60%
<b>Index Linked Gilts</b>	FTA Index Linked Over 5 Years Index	15.00%
<b>Total L&amp;G</b>		<b>60.00%</b>

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**Report for:** Pensions Committee and Board 20 March 2018

**Item number:** 13

**Title:** Governance Report

**Report authorised by:** Jon Warlow, Chief Finance Officer (CFO and S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto: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.
  - on the London CIV Consultation that was sent out in February 2018

## 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.
- 3.2. The Committee and Board should note the London CIV consultation which was circulated in February 2018.

## 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's achievement of KPIs in the SAB model remains steady at 48 out of 59 – an 81% achievement rate.
- 6.4. The London CIV commissioned a governance review which took place during the autumn of 2017. The final review which was undertaken by Willis Towers Watson and was circulated to the Pensions Committee and Board earlier in 2018. In response to this, the CIV has launched a consultation which funds had to respond to before the end of February 2018.

## **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. Although there are no specific legal implications arising from this report there are a number of potential issues highlighted to the CIV in the Haringey response to the London CIV consultation.

### Equalities

8.3. None applicable.

## **9. Use of Appendices**



- 9.1. Appendix 1: Scheme Advisory Board Performance Indicators
- 9.2. Confidential Appendix 2: London CIV Consultation Letter
- 9.3. Confidential Appendix 3: London CIV Consultation Detailed proposals
- 9.4. Confidential Appendix 4: London CIV Consultation Haringey response

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

- 10.1. Not applicable.

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No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score		
1	<b>Risk management</b>	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 to 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		
		<b>Score1 point for each one</b>					<b>4</b>	<b>4</b>	<b>5</b>
2	<b>Funding level and contributions</b>	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 31 December 2017 is 88%	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		
		<b>Score - 1 point for each</b>					<b>6</b>	<b>6</b>	<b>8</b>
			<b>Deficit Recovery</b>	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

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		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
			<b>Score 1 point for each.</b>		<b>1</b>	<b>1</b>	<b>3</b>
4	<b>Investment returns</b>	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
			<b>Score 1 point for each.</b>		<b>2</b>	<b>2</b>	<b>2</b>
5	<b>Pension Committee member competence</b>	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
		<b>Score 1 point for each.</b>		<b>4</b>	<b>4</b>	<b>5</b>	

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
6	Administering authority staff accountability, leadership, experience and training	a) No or only part time Head of Fund and or only part time officers	a) Experienced Head of Fund with full time dedicated officers with at least three years experience.	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.	1	1	1
		b) No or little induction or no on-going training provision or experience recorded on the adoption of CIPFA LGPD knowledge and understanding framework.	b) staff undertake regular CIPFA LGPS TKU or other CPD training recorded across all LGPS skills (governance, benefits administration, funding, investments and communications)	Training undertaken via a variety of sources: e.g. Regular CIPFA conferences, CIV seminars, and ensuring compliance with CIPFA Continuing Professional Development requirements.	1	1	1
		<b>Score 1 point for each.</b>			<b>2</b>	<b>2</b>	<b>2</b>
7	Statutory Governance standards and principles (as per DCLG and TPR Codes)	Several key areas of non-compliance with:					
		a) DCLG LGPS Statutory Guidance	a) Full Compliance with DCLG LGPS statutory guidance	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.	0	0	1
		b)TPR Guidance and codes	b) Full compliance with TPR guidance and codes for public sector pension schemes.	Although progress toward compliance with TPR Code of Practice has been made, the Fund is not yet fully compliant.	0	0	1
		c) No, little or poor key decision taking records and no or poor self, or scheme employers or scheme members assessment of overall fund effectiveness.	c) Meet or exceed other LGPS best practice on recording all key decision taking and annual self, scheme employers, scheme members assessment of effectiveness.	The Haringey Pension Fund Committee/Board has not undertaken any self assessment exercises so far.	0	0	1
<b>Score 1 point for each.</b>				<b>0</b>	<b>0</b>	<b>3</b>	
8	Quality and accessibility of information and statutory statements, strategies, policies (governance, FSS, SIP, Communications, admin authority and employer discretion policies)	a) Statutory publications not all in place or published on fund web site or updated in accordance with regulatory requirements and due timelines.	a) Statutory publications all in place and published on fund web site and updated in accordance with regulatory requirements and due timelines.	All provided for loading on to the Hymans' sponsored member web site	1	1	1
		b) Fund and employers discretions not published.	b) Fund and employers discretions published.	The Council's discretions policy is published. Those for other employers are their responsibility.	1	1	1
		c) Do not seek to meet any recognised 'Plain English' or e-publishing standards.	c) Meet 'Plain English' or and or other recognised e-publishing standards.	The content of the Pension Fund website has been tested readability and above 60 scores well on 'plain english' using the	1	1	1
		<b>Score 1 point for each.</b>			<b>3</b>	<b>3</b>	<b>3</b>

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
9	<b>Adoption and report compliance with Investment Governance Principles (IGP) (was Myners Principles) and voluntary adoption / signatory to FRC Stewardship Code and UNPRI</b>	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	1	1
		c)UN PRI	c) External managers or fund are PRI signatories.	All managers except one are PRI signatories.	1	1	1
		<b>Score 1 point for each.</b>			<b>3</b>	<b>3</b>	<b>3</b>
10	<b>Historic investment returns (last 1,3, 5) and total investment costs compared to other LGPS funds.</b>	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
			<b>Score 1 point for each.</b>		<b>6</b>	<b>6</b>	<b>7</b>
11	<b>Annual report and audited accounts</b>	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
			<b>Score 1 point for each</b>		<b>3</b>	<b>3</b>	<b>3</b>
12	<b>Scheme membership data</b>	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	1	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	1	1
			<b>score 1 point for each.</b>		<b>2</b>	<b>2</b>	<b>2</b>

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
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
		<b>Score 1 point for each.</b>			<b>2</b>	<b>2</b>	<b>2</b>
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
		<b>Score one point for each.</b>			<b>2</b>	<b>2</b>	<b>2</b>
15	Handling of formal complaints and IDRPCs	a) Any Pensions Ombudsman determinations and any appeals or fines were against the action of the fund (not employers)	No stage 2 IDRPCs and no Pensions Ombudsman finding against the fund's actions in the last three years.	There were no IDRPCs on Pension Ombudsman finding against the Funds actions in the last three years.	1	1	1
		<b>Score one point for each.</b>			<b>1</b>	<b>1</b>	<b>1</b>
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
<b>Score one point for each.</b>			<b>3</b>	<b>3</b>	<b>3</b>		
17	Internal and external audit	a) No annual internal audit or qualified internal and external audit opinions.	a) Unqualified annual internal audit report with no or only low priority management action.	Full assurance in most recent internal audit reports.	1	1	1
		b) Urgent management action recommended on high / serious risk.	b) Unqualified annual external audit report with no or only low priority management action.	No recommendations in last external audit report.	1	1	1
		c) Only moderate or low level of assurance and a number of high priority action recommendations.	c) Full or substantial assurance against all key audit areas with no high risk recommendation.	Full assurance in most recent internal audit reports.	1	1	1
		<b>Score one point for each.</b>			<b>3</b>	<b>3</b>	<b>3</b>
	Quality assurance	No evidence of:					
		a) quality management system	a) Fund has formal quality management external certification.	None currently	0	0	1

No	Key Indicator	Examples of Levels of Concern	Examples of good practice for high performing fund	Evidence and Comments	Fund Score	Previous Score	Maximum Score
18		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
			<b>Score one point for each.</b>		<b>3</b>	<b>3</b>	<b>4</b>
				<b>48</b>	<b>48</b>	<b>59</b>	
			Level of Compliance	81%	81%		



**Report for:** Pensions Committee and Board 20 March 2018

**Item number:** 14

**Title:** Investment Consultancy Services Contract

**Report authorised by:** Jon Warlow, Chief Finance Officer (CFO and S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto:thomas.skeen@haringey.gov.uk) 020 8489 1341

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Non Key decision (Pensions Committee)

## 1. Describe the issue under consideration

- 1.1. In order for Haringey (the Council) to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS), the Council must take proper advice in relation to investment of the fund's assets: this is done via procuring the services of an external specialist firm: the fund's investment consultant. The incumbent provider is Mercer Ltd. who has advised the fund for four years.
- 1.2. The current contract for investment consultancy services with Mercer will expire on 31 March 2018. This contract was extended at the Pensions Committee and Board meeting of 18 January 2018, in order to bridge the period to the end of the financial year. At this committee meeting, delegated authority was granted to the CFO to enter into a new two year contract for investment consultancy services (with possible extension for one further year), following a procurement exercise carried out by officers with the involvement of the Independent Advisor to the Fund. The contract will run from 1 April 2018 to 31 March 2020, and will provide for an option to extend the contract for a further year to 31 March 2021.
- 1.3. This report is for noting, to provide members of the Pensions Committee and Board with details of the procurement exercise undertaken.

## 2. Cabinet Member Introduction

- 2.1. N/A

## 3. Recommendations

- 3.1. That the Pensions Committee and Board note the contents of this report, and note that Mercer Ltd will be re-appointed as the fund's Investment Consultant from 1 April 2018, following the competitive procurement exercise carried out by officers.

#### **4. Reason for Decision**

- 4.1. N/A this is a noting item.

#### **5. Other options considered**

- 5.1. The fund must appoint an investment consultant to ensure it is able to access proper investment advice in order to fulfil its duty as Administering Authority for Haringey LGPS Fund. Therefore, not appointing an investment consultant would be an inappropriate course of action.

#### **6. Background information**

- 6.1. This contract award was made following a procurement exercise carried out by officers, using the National LGPS Framework which is hosted by Norfolk County Council. The Framework Agreement is fully compliant with EU procurement processes. The framework hosted by Norfolk is used extensively by LGPS funds. The framework increases transparency when it comes to fees, and comparability between firms.
- 6.2. All costs of the contract will be met fully by the pension fund, i.e. there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as those for investment consultancy services. This is a required practice for LGPS funds under Regulation 6 of the LGPS (Management and Investment of Funds Regulations) 2016.
- 6.3. Officers invited the eight firms signed up to the framework to participate in a mini competition to tender for the contract with Haringey. Five of the firms bid for the contract:
- Hymans Robertson LLP
  - JLT
  - KPMG
  - Mercer Ltd
  - PricewaterhouseCoopers LLP
- 6.4. Three firms did not bid for the contract: Aon Hewitt, Deloitte, and Redington. They did not give reasons for not bidding for the contract.

- 6.5. The procurement exercise consisted of two stages. The first stage assessed written submissions from all firms to assess 'price', and 'quality'. The three firms who had the highest scores at this stage were then invited to take part in the second stage of the procurement.
- 6.6. This second stage consisted of a presentation and interview where 'service fit' was be assessed. Three members of the Pensions Committee and Board attended this session to have oversight of the procurement exercise.
- 6.7. Officers scored the bids with the involvement of the Independent Advisor who has previous experience of participating in procurement processes to appoint Investment Consultants to LGPS Funds, and as is the usual practice for procurements for Haringey Pension Fund.
- 6.8. The results of the procurement exercise are presented in the attached confidential appendix to this report.

## **7. Contribution to Strategic Outcomes**

- 7.1. None.

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

### Finance

- 8.1. The chief finance officer has been consulted over the contents of the report and confirms that the annual costs can be legitimately charged to the pension fund.
- 8.2. The Fund must take proper investment advice in relation to the fund's assets, therefore appointing an investment consultant is necessary.

### Legal

- 8.3 The Assistant Director of Corporate Governance notes the contents of the report. There are no specific legal implications arising from this report.

### Equalities

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

**9. Use of Appendices**

9.1. N/A

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

10.1. N/A

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of the Local Government Act 1972.

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