NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Thursday, 13th September, 2018, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

Members: Councillors Matt White (Chair), John Bevan (Vice-Chair), Kaushika Amin, Paul Dennison, Khaled Moyeed and Viv Ross

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

Quorum: 3

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. 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 12 below).

3. APOLOGIES FOR ABSENCE

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 - 12)

To confirm and sign the minutes of the meeting held on 23rd July 2018 as a correct record.

7. ADMINISTRATION REPORT (PAGES 13 - 16)

This report presents details of potential new admission to the pension fund. The report also gives a breakdown of the amount of visits made to the Haringey pension fund website.

8. INVESTMENTS REVIEW (PAGES 17 - 24)

This report presents an overview of some of the fund's private market asset class investments: property and private equity, and highlights where the fund is unable to achieve the targets set out in the fund's Investment Strategy Statement through existing committed funds. The report goes on to consider potential options to remedy this.

9. FORWARD PLAN (PAGES 25 - 32)

This report identifies 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.

10. RISK REGISTER (PAGES 33 - 48)

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

11. QUARTERLY UPDATE REPORT (PAGES 49 - 66)

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

12. NEW ITEMS OF URGENT BUSINESS

To consider any items identified at Item 2 on the Agenda.

13. EXCLUSION OF THE PRESS AND PUBLIC

Item 14 is likely to be subject to a motion to exclude the press and public be from the meeting as it contains exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paras 3.

14. QUARTERLY UPDATE (PAGES 67 - 72)

To consider exempt information pertaining to Item 11.

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Bernie Ryan
Assistant Director – Corporate Governance and Monitoring Officer
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Wednesday, 05 September 2018

MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON MONDAY, 23RD JULY, 2018, 7.00 - 8.45 pm

PRESENT:

Councillors: Matt White (Chair), John Bevan (Vice-Chair), Kaushika Amin, Paul Dennison, Khaled Moyeed, Viv Ross, Ishmael Owarish and Randy Plowright

184. 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.

185. APOLOGIES FOR ABSENCE

Apologies for absence was received from Keith Brown.

186. URGENT BUSINESS

There were no items of urgent business.

187. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

No declarations of interest declared.

188. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Bevan, Cllr Dennison, Cllr Ross, Cllr Amin, Randy Plowright and Ishmael Owarish attended a training session delivered by Hymans Robertson on 'Actuarial perspectives and your role'. 23/07

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

<u>Councillor White</u>

- Attended a briefing on the London CIV at their offices in Southwark. 2/07
- Attended the members' induction training at the Civic Centre. 3/07
- Attended the London CIV AGM. 12/07
- Attended a briefing from the LAPFF on workforce and governance issues at Ryanair. 18/07
- Attended LAPFF AGM. 19/07

Councillor Bevan

- IPE Towards a new pension settlement, book launch and briefing. 11/04
- SPS Investment Governance & Fiduciary management for Pension Funds. 12/04
- IPE Factor Investing. 17/04
- Pensions question time.18/04
- SPS DC Pension Investment developments. 19/04
- STOXX Innovate 2 Invest. 25/04
- Pensions question time. 01/05
- MACQUARIE, Macro and Investment Outlook. 17/05
- Attended an AON meeting on Pension Trustee Effectiveness at the Leadenhall Building in the city. 26/05
- EDHEC Infrastructure investment. 07/06
- LGPS Alternative investment and equity protection summit. 19/06
- Haringey pensions training. 03/07
- Russell, investment update meeting 04/07
- LAPFF Ryanair investment issues briefing. 18/07
- LAPFF AGM. 19/07

Councillor Dennison

- Covered the training material from the training session on 3/07
- Completed all the online modules on the Pensions Regulator portal

Ishmael Owarish

- Pensions Committee and Board Induction Training and Local Government Pension Scheme (LGPS) Legislation, Governance, Roles & Responsibilities including the Haringey Joint Pension Committee & Board. 3/7
- Actuarial perspectives and your role presented by Hymans Robertson. 23/07

189. MINUTES

Resolved

That the minutes of the meeting held on the 20th of March 2018 be approved as a correct record of the meeting.

190. PENSION FUND ANNUAL REPORT AND ACCOUNTS

The Committee and Board considered the Pension Fund Annual Report and audited Accounts for 2017/18 for the Committee and Board's approval, presented by Thomas Skeen, Head of Pensions. The annual audit report from the Fund's external auditor BDO was also presented. The Committee was referred to Annex 2 for the full contents of the report and the recommendations as shown at 3.1 – 3.3.

The Committee and Board was referred to the financial statements and notes in Appendix 1 which showed that the value of the Fund's assets increased by £48m to £1,356m as at 31 March 2018. During the year, the rate of return on the Fund's investments was 4.40%. It was noted that this was 1.02% below the Fund's target of 5.42% for the year, however, it was emphasised that when this target figure was compared with that of other funds, it actually performed higher than the average.

The external auditor, BDO, was present to give an update to the Committee on the audit that they carried out on the Council's accounts. The auditor went through the pension fund accounts that has been prepared (Annex 2, Appendix 1). The auditor noted they were impressed with how the Pension team was carrying out the Council's duties as administering authority for Haringey Pension Fund.

With regard to the future, the auditor noted that in looking at the cash balances and investment plans, there was a balance of £3.1 million, which Council Officers had treated as part of the investment portfolio in the accounts, whereas BDO took the view that this should be treated as a current asset. BDO noted that this makes no bottom line difference to the value of the fund overall, but that this was noted in their audit report.

The auditor concluded stating that it was a thoroughly positive audit and that they were ready to sign on the pension fund account, however, would like it to be noted that there appeared to be some discrepancies in the actuaries sum and those presented by Haringey Council's accounts.

The independent legal advisor, John Raisin, spoke to the Committee about the report that he had prepared on 'Market Background 2017/18' for the Committee and Board to consider. Amongst the significant events that affected the market during this time, were:

- The United States Federal Reserve initiating a significant change of direction in monetary policy;
- The unpredictability of current administration in the USA;
- Japan continuing their quantitative easing programme;
- Since the end of last year, emerging markets had performed well.
- Due to the uncertainties surrounding the United Kingdom exiting the European Union, foreign investors were wary of investing in the United Kingdom.

With regard to cash balance, it was noted that the College of Enfield and Haringey was leaving the Fund imminently, which meant that approximately £40 million had to be made available to cover this transfer of pension funds. It was understood that this would now take place in September 2018, later than what was originally planned for. A further £8-10 million was set aside to cover the transfer of pension funds once the Shared Digital Service (SDS) project goes ahead. It was understood that this will now take place in October 2018, again later than what was originally anticipated.

In further discussing Shared Digital Service and the delay in this being delivered, it was noted that, as of 31 March 2018, it was understood that all of the Council's IT staff would move to Camden in April 2018, but this was revised and now only a percentage will. The Pension fund had set aside £8-10 million to cover the move of pension assets attributable to any staff who transfer to Camden Pension Fund. The Committee queried whether assets could be sold as and when funding is needed because if the equity market had performed poorly, money might have been made by investing. It was noted that the Council was not able to foresee such issues and that it tries to prepare as best it can to cover contractual commitments and contingent liabilities. The Council plans on the basis that a bulk transfer was going to go ahead, based on information provided by services and employers, and it was regrettable when delays occur that the Fund cannot control. The Council carefully considers when it is appropriate to make cash available and whilst it could technically reinvest the money set aside for the above two pension fund transfers until the money is needed, there was a risk that the investment market may turn negative and that cash invested could lose value before it was needed.

In discussing the investment strategy and the asset allocation of 1% to renewable energy, the committee questioned why there was a discrepancy between this and the target benchmark allocation of 5% to renewable energy. It was noted that investment is illiquid and can usually take a significant period to meet the benchmark target as the idea behind the benchmark target was that this would be achieved gradually.

In discussing how benchmark figures were allocated, it was noted that it is the committee that sets these in the Fund’s Investment Strategy Statement. The Committee had differing views over whether there would need to be a change in the current allocations to low carbon equity, between a cautious approach to allow the Committee to gain more experience before making such a judgement call and increasing the low carbon equity now to reflect the wishes of residents within the borough of Haringey. It was advised by the Independent Advisor that the Committee and Board could consider environmental factors but that these must not be to the detriment of the Fund. The Committee and Board was reassured that no decision has ever been taken recklessly and that reducing carbon has always been sought in an appropriate, measured way. It was noted that the Committee and Board only recently did a thorough review of stock market investment, including low carbon equity, in March 2018.

After discussion amongst the Committee, the following points were noted:

- In discussing management expenses, it was noted that the Fund previously had not contributed towards the costs of all officers, but this has been revised going forwards to ensure that recharging is fair and accurate. It was also noted that there is an industry wide move to make investment management expenses/fees more transparent;
- Regarding academy employees, the Council would not be able to present to the Committee the proportion of academy employees who are members of the fund, as they are not able to collect information about how many academy employees are not members of the fund; and
- Regarding the use of RPI, as opposed to the use of CPI, the Council’s actuary noted that they do also use CPI. They use the RPI and then make a 1% deduction to this to get the CPI.

Resolved

That the Committee and Board:

- note the findings of the external auditor in their report attached in Annex 1.
- note and approve the Pension Fund Annual Report and Fund Accounts for 2017/18.
- gives the Chair of the Committee and Board and Director of Finance (S151 Officer) authority to sign the letter of representation to the Auditor as set out in paragraph 6.4 of the report.

Reason for Decision
The Committee and Board is required by law to approve the Pension Fund Accounts and Annual Report before the final version is published.

191. LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018

The Committee considered the report, presented by Thomas Skeen, on the Local Government Pension Scheme (LGPS) Regulations. The Committee noted that LGPS Regulations were updated in May 2018 by a new set of 'amendment' regulations – these update the previous 2013 Regulations. The report highlighted changes made within these regulations for the Committee and Board to note for information purposes.

The committee considered 'exit credits'. It was explained that employers who cease to participate as scheme employers can be due a credit payment, if it is assessed that they are leaving the fund in a surplus position – that is to say, that the assets held on behalf of that employer exceed the liabilities accrued to pay pension benefits for its employees. It was noted that the Fund could potentially have to pay exit credits, affecting its liquidity, investments and overall financial standing.

It was further noted that it is probable that some form of policy may need to be created that will address situations regarding exit credit. The new LGPS regulations came out at short notice and the Council was still looking into how to address any impact they might have.

It was queried whether the Fund had made an assumption on the potential sum of credit that it would be liable to pay if any given number of employees were to leave. The Committee was told that the Fund was looking at what the position is now and is considering various factors such as when contracts are due to end.

Resolved
The Committee and Board note the contents of this report.

192. FORWARD PLAN

The Committee and board considered the report, presented by Thomas Skeen, on the Forward Plan. The Forward Plan identified topics that would 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. The plan sets out the key activities anticipated in the coming twelve months in the areas of governance, members/employers, investments and accounting. The Committee and Board was invited to consider whether it wished to amend future agenda items as set out in the work plan.

The Committee was told that this was a standard item that is considered at every meeting. The Committee's attention was drawn to the need for all members to complete the Public Sector Tool Kit and that it was a legal requirement for them to do so.

In discussion, the value of continuing to be a subscriber to the Pensions and Lifetime Savings Association (PLSA) was questioned. It was noted that several of the training courses that Members are invited to participate in are free and at no cost to the Council. With the various number of free training courses available, it was suggested that the Council reviews its continuing subscription to PLSA. In response, the Council highlighted that PLSA do provide a number of live training events and various seminars online but that this subscription could be reviewed to establish cost effectiveness.

It was noted that training provided by the Council is required. Members are not compelled to do any additional training outside of the Public Sector Tool Kit and the training sessions before committee meetings. It was, however, ideal that members participate in training courses, wherever possible to continue development. There was agreement amongst the Committee that the training sessions provided before the sessions were of great value to Members.

Resolved
The Committee noted the report and the forward plan.

193. RISK REGISTER - REVIEW / UPDATE

The committee considered the report on the Risk Register, as presented by Thomas Skeen. This report provided an update on the Fund's risk register and gave the Committee an opportunity to further review the risk score allocation. It was noted that this was a standard item on the agenda and the Committee had a legal duty to review internal controls and the management of risks.

The Committee noted the change in the probability of risk for '*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'* being reduced from 2 to 1 since the last meeting.

In accordance with the Committee's duty, it noted the two red rated risks on the Risk Register, namely:

1. 'Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board' *(further discussed in Item 13);* and
2. 'The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund'.

With regard to the second red rated risk, the Committee was informed that this has since been downgraded to 3 (from 5) following a review. This was due to positive interactions with the CIV in appointing one fund manager in 2017, and the significant savings being made on management expenses negotiated by the CIV on the Fund's behalf.

In discussing the overall outlook of risk at present, it was noted that, generally, the risks had been moving down but certain risks change from time to time and it was important for these to be identified for the Committee and Board to observe.

Resolved

That the Committee and board:

- note the risk register; and
- note the area of focus for this review at the meeting is 'Governance' and 'Legal' risks.

194. PENSION FUND QUARTERLY UPDATE

The Committee considered the Pension Fund Quarterly Update report, presented by Thomas Skeen, which is produced on a quarterly basis. The report provides an update from 31st May 2018, in respect of the following;

- Funding Level Update;
- Investment asset allocation;
- Investment performance; and
- Investment Update.

The Committee noted the indicative funding position of the Fund was 84%, as of 31 March 2018. This has increased from the most recent valuation level of 79%, in 31 March 2016. It was highlighted that this position was a deterioration from 31 December 2017 at 88.2%, following a stock market fall in the first quarter of 2018. It was noted that this showed just how volatile the value of the Fund can be.

The Independent Advisor gave an overview of the market background from January to March 2018. The month of March was affected by various issues, such as:

- rising inflation in the United States; and
- tension over trade tariffs imposed on China by the United states.

The Independent Advisor noted that March was a negative month for global equities. Overseas buyers had been notably absent from the UK's markets which could be attributed to the uncertainty surrounding the issue of the United Kingdom leaving the European Union. Finally, it was noted that emerging markets performed well in the period of January to March.

Resolved

That the information provided in respect of the activity in the three months to 31st

March 2018 is noted.

195. GOVERNANCE UPDATE

The Committee and Board considered a report, introduced by Thomas Skeen, on the governance update on the London Collective Investment Vehicle (CIV) governance structure and on the terms of appointments to the Pensions Committee and Board.

The Committee noted the changes in the governance structure of CIV, notably:

- General meetings, which all of the boroughs attend, will be held twice annually. These meetings will be in July (to approve the accounts), and in January (to approve the Medium Term Financial Strategy). These meetings will continue to be attended by either the Chair or Vice Chair of Haringey Pensions Committee and Board.
- Shareholder Committees will meet on a quarterly basis on a consultative capacity only, with 12 Shareholders represented: four S151 Officers, and eight Pension Chairs. The Pension Chairs would be selected via the collective political processes of the London Councils, providing political, geographical and gender diversity.

It was noted that, under the old system of governance, problems arose due to the sheer number of shareholders (32) trying to make decisions. The new structure of four S151 Officers and eight Pension Chairs was expected to create more effective dialogue by streamlining the number of participants in the decision making. Haringey Council did initially challenge the selection process of the eight Pension Chairs and questioned whether this would secure the best individuals for the committee.

In discussing the selection of the eight Pensions Chairs to attend the quarterly meetings of the shareholder committees, it was noted that, contrary to the objective of selecting chairs that reflect the political balance of London, the proposed chairs do not in fact do this. It was further noted that it was important for the Chair of the Pensions Committee and Board to build effective working relationships with the other Pension Committee Chairs.

<u>Terms of appointment for the Pension Committee and Board</u>

The Chair gave an update on the terms of appointment to the Pensions Committee and Board. Regarding his discussion with both Chief Whips, it was acknowledged of the need for continuity to ensure that members have the necessary knowledge and training to sit on the committee. Both Chief Whips have stated that they are committed to appointing the same members onto the Pensions Committee and Board each year within the election cycle, while recognising that Groups may wish to hold elections for their nominees for the Chair and Vice Chair positions. It was suggested that this would be a better alternative to the cumbersome approach of changing the Constitution of the Council to mandate 4 year terms for members of the Pensions Committee and Board. The Chair stated that this would be reviewed in 2 years' time to ensure that this approach is still a workable and effective one. However, it was noted in discussion that this approach only works for members of the Pensions Committee and Board who wish to remain on the committee.

Resolved

That the Committee and board:

- note the London CIV governance structure updates.
- note the verbal update given by the Chair of the Committee and Board after his conversation with both Chief Whips.

196. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE

The Committee considered the report, introduced by Thomas Skeen, which provided an update on voting activities on behalf of the Fund. The Committee noted that the Fund was a member of the LAPFF and the Committee and Board has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations.

It was noted that the voting shareholders are encouraged to act ethically and responsibly and to vote accordingly. Whilst it is not possible to force fund managers to vote a particular way, the Fund was able to strongly advise them of the position it feels they should take. It was acknowledged that this advice is generally adhered to and voting is, more often than not, done in line with the Fund's position.

In discussion, the question was raised about what happened when a fund manager did not vote in line with the Fund's preferred position. In response, it was noted that, whilst the Fund is unable to force fund managers to vote a particular way, it is mandatory for fund managers to provide detailed reasoning when their vote is that against the preferred choice of the Fund. It was suggested that it might be helpful if future Pensions Committee and Board meetings were provided with an update on the rationale behind why some companies vote in a different way to how the Fund would like them to vote.

The Committee and Board questioned how effective it was to ask companies to vote a certain way, with particular reference drawn to Anadarko, which votes in compliance with the Fund's position only 52% of the time. The Committee was assured that engagement with companies is helpful and can have a positive investment impact. It was also highlighted to the Committee that engagement with companies is important in getting them to change their behaviour.

Resolved

The Committee note this report.

197. ADMINISTRATION REPORT

The Committee considered this report, presented by Janet Richards, which detailed potential new admissions to the pension fund. The Committee noted in the report:

- the steady increase of users visiting Haringey Website.

- the most recent internal audit of the pensions administration service, which showed a substantial assurance rating of the service, this is for members to note.
- the update to the Pensions Administration Discretionary statement to make it clear that Haringey Council will exercise the discretion to abate the pensions of former employees who are retired early, if they are re-employed by any of the scheme employers in the Haringey LGPS Pension fund.

The Committee was informed that this was a regular item on the agenda and that there were certain areas that needed improving, such as employer's provision of information to the fund.

It was drawn to the Committee's attention that, since the publication of the report, there was a new school in Haringey that had started to make some contribution to the Fund.

It was queried why, on page 235 of the Report Pack, Standing data was 'Amber' and not 'Green' (signalling weaker effectiveness of controls). It was noted that attaining information from outside providers can be challenging, and there are various factors that impact the delay or lack of information, such as turnover of staff.

In response to a question regarding the potential admissibility of new employees of ISS Mediclean Ltd as fund members, it was noted that this admission to the fund would be on a closed basis, meaning that new members of staff not employed on the date of the admission would not be eligible to join the fund.

Resolved

That the Committee:

- approve the admission of ISS Mediclean Limited as a new employer to the Pension Fund, subject to an Admission Agreement being entered into and to their securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise.
- approve the admission of Haringey Education Partnership as a new employer to the Pension Fund, subject to an Admission Agreement being entered into, as detailed below, and note they will be included within the Council's pool of employers.
- approve the updated Discretionary Policy Statement.
- note that this report gives a breakdown of the amount of visits made to the Haringey pension fund website.
- note the most recent audit of the pensions administration service.

Reason for decision

<u>New Admission Body to the Fund</u>
<u>ISS Mediclean Ltd</u>

West Green School has tendered its cleaning service and the successful bidder was ISS Mediclean Limited. It is proposed that ISS Mediclean be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the cleaning Service for West Green School, subject to ISS Mediclean Ltd entering into an admission agreement with the Council so that those eligible employees can remain within the Haringey Pension Fund.

That an admission agreement satisfactory to the Council be entered into – in respect of the service contract and that the agreement is a closed agreement, as such that new members cannot be admitted.

The Employer contribution rate is 29% and the bond is £50,000. The staff are required to work no less than 50% of the time on their contract.

<u>Haringey Education Partnership</u>

Haringey Council has made a decision to commission statutory and strategic school improvement functions, and has entered into a contract with Haringey Education Partnership (HEP), under which HEP will carry out those functions for the Council.

It is proposed that HEP be admitted to the Haringey Pension Scheme as an Admission Body from 1 September 2018, subject to HEP entering into an admission agreement with the Council that is satisfactory to the Council, so that those employees designated by HEP as eligible will be entitled to be members of the Haringey Pension Fund.

Under Regulation 3(1)(iii) of the LGPS Regulation 2013, HEP has designated a class of employee eligible to join the pension scheme.

The designated eligible employees that the admission agreement will be open to are the Governor Support Officers and the Senior Governor Support Officers. The admission agreement will be closed to all other employees of HEP.

HEP will be included within the Haringey Council pool of employers, and they will pay the same employer contribution rate as Haringey Council, which is currently 24.9%.

198. NEW ITEMS OF URGENT BUSINESS

None.

199. DATES OF FUTURE MEETINGS

13 September 2018
20 November 2018
21 January 2019
14 March 2019

CHAIR: Councillor Matt White

Signed by Chair ………………………………..

Date …………………………………

Report for: Pensions Committee 13 September 2018
Item number:

Title: Pensions Administration Report

Report authorised by : Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Janet Richards – Pensions Manager

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Ward(s) affected: Not applicable

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report presents details of potential new admission to the pension fund.

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 admission of The Grove School as a new employer to the Pension Fund.

3.2. Note that this report gives a breakdown of the amount of visits made to the Haringey pension fund website.

4. Reason for decision

New Employer to the Fund

The Grove School

4.1. The Grove School will be a new school with effect from 1 September 2018. It will be a Free School and part of the Heartlands High School multi academy trust.

4.2. Twenty Three (23) members of the support staff who are currently members of the Local Government Pension Scheme will transfer to The Grove School and remain in the Local Government Pension Scheme.

4.3. The Grove School will pay an employer pension contribution rate of 16.6% until 31 March 2020. The initial contribution rate will be assessed at each formal valuation of the fund.

4.4. Under the Regulations, a body listed in Part 1, Schedule 2 is unable to choose to cease participation within the fund. However, should the Academy enter insolvency or cease participation for any other reason, a termination valuation will be required under Regulation 64(2). Currently, the Department for Education (DfE) has guaranteed funding to cover cessation debts where these are not met by the Academy or other employer

5. Alternative options considered

Not applicable

6. Background information:

Haringey Website Views

6.1. The visits to the Haringey website www.haringeypensionfund.co.uk for the last two months are as follows:

	users	Page views
June 2018	359	1308
July 2018	313	1310

The average amount of users per month to the pension website is 336 and they view on average 1309 pages, just under 4 pages for each user.

7. Contribution to strategic outcomes

7.1. Not applicable

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

Chief Finance Officer

8.1. Schools which are set up under the Academies Act 2010 must become admitted employers within the Local Government Pension Scheme, and are normally admitted to the fund administered by the Council in which they are geographically located. The Fund therefore has no discretion around admitting The Grove School.

8.2. Normally the Fund would look for indemnification against the risks posed by a new employer by seeking a bond or a guarantee from the new employer, in this case this comes from the Department for Education who are effectively the guarantor for all Academies.

8.3. Any new employer admission poses an additional incremental administrative burden on the fund. The fund now has circa 70 employers.

Assistant Director of Corporate Governance

8.4. The new school , a Free School, will be a Scheme employer within the meaning set out in Part 1 of Schedule 2 of The Local Government Pension Scheme Regulations 2013 being an Academy that has entered into Academy Arrangements within section 1 of the Academies Act 2010. Its employees are therefore eligible to be active members of the LGPS.

9. Use of Appendices

n/a

10. Local Government (Access to Information) Act 1985

Not Applicable

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Agenda Item 8

Report for: Pensions Committee and Board 13 September 2018

Item number:

Title: Investments Review

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. This paper presents an overview of some of the fund's private market investments: property and private equity, and highlights where the fund is unable to achieve the targets set out in the fund's Investment Strategy Statement through existing committed funds. The paper goes on to consider potential options to remedy this.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee and Board consider and note the contents of this report, including any verbal information or advice given by the fund's investment consultant Mercer, in the meeting.

In relation to Property:

3.2. That the Committee and Board agrees to invite representatives of the London Collective Investment Vehicle (CIV) to the November Pensions Committee and Board meeting, in order to discuss in further detail the potential for the CIV to include a residential property investment option.

3.3. That the Committee and Board notes and agrees to adopt two broad principles outlined throughout this report in relation to residential property investment, namely:

- In the first instance, any new investment should be done via the London CIV

- Any new investment should be done in a diversified manner: preferably using a pooled investment vehicle approach, with an experienced specialist fund manager, and with exposure to the UK property market as a whole.

<u>In relation to Private Equity:</u>

3.4. That the Committee and Board note that the existing allocation is underweight and that the S151 Officer will take action to correct this as detailed within this report.

4. Reason for Decision

4.1. The fund's current investment strategy is summarised below:

	Asset Class	Manager	Strategic Allocation
Equity	Passive equity (including low carbon)	Legal and General	**45.0%**
Absolute Return	Multi Asset Absolute Return	London CIV - Ruffer	**7.5%**
Growth Fixed Income	Multi Asset Credit	London CIV - CQS	**7.0%**
Liability Matching	Passive Index Linked Gilts	Legal and General	**15.0%**
Private Markets	Property (Conventional)	CBRE	7.5%
	Property (Long Lease)	Aviva	5.0%
	Private Equity	Pantheon	5.0%
	Renewable Energy Infrastructure	Blackrock	2.5%
	Renewable Energy Infrastructure	CIP	2.5%
	Infrastructure Debt	Allianz	3.0%
		Subtotal:	**25.5%**
		Grand Total:	**100.0%**

4.2. When the fund commits to certain investments it does so based on the size of the fund at that point in time. For example, the 5% allocation to long lease property was made in 2016, and given the fund was approximately £1.0bn in value, 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. 'Private market' investments, such as property are often highly illiquid, and it often takes several years to fully invest committed funds.

4.3. Since the Aviva Commitment was made in early 2016, the fund has grown significantly since then, and based on the current size of the fund, this £50m will equate to roughly 3.5% of total assets. This type of divergence has occurred in a number of the fund's private market asset classes, as is displayed below:

Asset Class	Manager	Strategic Allocation	Actually Invested or Committed*	Variance
Property (Conventional)	CBRE	7.5%	6.5%	-1.0%
Property (Long Lease)	Aviva	5.0%	3.5%	-1.5%
Private Equity	Pantheon	5.0%	4.0%	-1.0%
Renewable Energy Infrastructure	Blackrock	2.5%	2.5%	0.0%
Renewable Energy Infrastructure	CIP	2.5%	2.5%	0.0%
Infrastructure Debt	Allianz	3.0%	3.0%	0.0%
	Subtotal	**25.5%**	**22.0%**	**-3.5%**

**to nearest 0.5% for ease*

4.4. The fund could choose to commit to invest further funds with existing fund managers to bring these amounts in line with the strategic allocation, or it could explore the possibility of further diversifying its private markets portfolio by including a new mandate within the portfolio.

<u>Property</u>

4.5. Property is a very helpful asset class for the fund, as property investments yield income (such as rent), and often this income has a natural inflation linkage (to Consumer Price Index, CPI). All pensions benefits that the fund administers are uplifted by CPI each year, so it is helpful to invest in asset classes which share, or approximate to some extent this inflation linkage. Income is important, as the fund now pays out more in pension benefits than it receives from employer and employee contributions (i.e. what is known as cash flow negative). A constant and predictable cash yield from an investment (such as a rental income) helps to offset the shortfall the fund has from paying out more pensions than it collects in contributions, and helps the fund avoid having to sell other investments to make good this shortfall, (which could happen at an inopportune time e.g. being forced to sell equities after a market correction).

4.6. Currently, the fund has a 12.5% allocation to property, with two fund managers, CBRE (conventional property 7.5%), and Aviva (long lease property 5.0%). The fund currently has 6.5% of total assets invested with CBRE, and has committed to investing an amount equal to 3.5% of total assets to Aviva (expected to be invested later in 2018).

4.7. These allocations are currently all to commercial property, comprising of assets such as office space, retail outlets, warehouses and distribution centres, with there being no exposure to the residential property market. The table above highlights that the two current investments which the fund has committed to will be underweight compared to the fund's strategic allocation by around 2.5% combined. This 2.5% could potentially be deployed to a residential property investment to diversify the property portfolio further.

4.8. Members of the Pensions Committee and Board have previously expressed an interest in exploring the possibility of investing in residential property, in particular in property that would display high ESG credentials, and cover a broad spectrum of affordability levels.

4.9. The Fund's Investment Consultant, Mercer, have advised that residential property often displays a very strong inflation linkage, and that this could sit well within the fund's overall property allocation, provided an investment option can be sourced that will give the fund sufficiently high returns (net of fees) that help meet the fund's overall objectives, is well diversified and managed in a professional manner. They have noted that there are currently few investment options in this are available to institutional investors. Finally, they would also be comfortable with a slightly higher allocation than 2.5%, if this was funded from selling down a portion of the current property portfolio.

4.10. It is suggested, that the best way to approach an initial scoping exercise around residential property, would be to formally approach the London CIV, to initiate discussions. Representatives from the London CIV could be invited to the next Pensions Committee and Board meeting in November 2018 as a first step.

Private Equity

4.11. Private Equity is a growth asset class that allows the fund to gain exposure to companies that are not available to invest in via public stock exchanges. Private equity is an expensive (i.e. high fee) asset class to invest in, however it also typically has the highest levels of returns of all of the fund's investments. The fund has a total 5.0% allocation to private equity. This allocation within the fund's investment strategy is an important driver of returns for the fund, helping the fund with its goal to become 100% funded.

4.12. Private equity is an asset class in which investments are typically made for a set time period (often 10-15 years plus), via a limited partnership agreement in conjunction with other investors. In the early years of the investment, a fund manager will draw down on the funds to be invested, and in the latter years of the investment, funds will be returned to the investor. As such, an allocation to private equity requires periodic 'top ups' as funds mature and are returned to the fund, in order to maintain a given strategic allocation. The fund has done this several times since the private equity portfolio with Pantheon was introduced in 2007, and the last time this was done was in 2014.

4.13. The fund's investment with Pantheon currently equates to around 4.0% of assets. This is forecast to fall, as the existing investments mature and return funds to Haringey. Having less invested in private equity gives rise to the risks that expected returns on the fund's assets will fall below those anticipated modelled within the fund's investment and funding strategies, and the fund not investing in line with the agreed Investment Strategy Statement.

4.14. It is therefore necessary to 'top up' this allocation, to keep the fund's allocation at the appropriate level. It is not currently anticipated that the CIV will have a private equity option available within the next 12 months, so this 'top up' will be done via investing additional funds with Pantheon, the fund's existing fund manager (subject to further consideration of the available options). The S151 Officer, and his officers will effect this, but this will likely take over 12 months to complete given the illiquidity of the asset class.

4.15. In the future, the fund will have to consider making new private equity allocations via the London CIV once it opens private equity sub funds.

4.16. Mercer, the fund's investment consultant, have confirmed to officers that they remain supportive of the fund's allocation to private equity as an asset class, and that Pantheon, the fund's current manager, is one which they rate highly.

5. Other options considered

5.1. The fund currently has a total of 10 mandates, with 9 fund managers, (two of whom are via the London CIV). Whilst increasing the number of asset classes the fund invests in should be seen as a broadly positive move, as it allows for further diversification, increasing the number of fund managers also increases the administration and governance burden on the fund. Private market asset classes such as property and private equity are a disproportionately large drain on resources as they are far more complex investments, with added administration and governance requirements around valuations, audit, financial and performance reporting.

5.2. For a fund of Haringey's size, it is thought that the current number of fund managers is about average; however officers are minded not to seek to increase this further, unless absolutely necessary. New investments through the London CIV, or with existing fund managers should not cause a significant additional drain on resource for the fund.

5.3. Collaboration is an important consideration, investors who pool funds are able to achieve increased diversification, and often able to enjoy other efficiencies (e.g. via reduced fees) by having an increased value of funds available for investment. The majority of Haringey's fund is already invested via pooled investment vehicles for this very reason. Like most LGPS funds, Haringey does not do direct investment, in any asset class.

5.4. Collaboration is clearly something which goes hand in hand with the pooling agenda; it is therefore suggested that the London CIV would be an optimal way to investigate investment in residential property. Alternatively, the fund could examine whether there is any scope to alter the mandates of existing property fund managers. Any new investment would be subject to gaining professional advice from the fund's investment consultant, Mercer Ltd.

6. Background information

6.1. The fund has previously examined the potential of investment in residential property in January 2018, this paper was focussed on what scope there was (if any) to invest in residential property, including the potential to invest locally, and what initiatives have been completed by other Local Authorities. This report highlighted that limited investment had taken place to date in the LGPS sphere, and that diversification (including geographic diversification), is a key factor when considering investment in residential property.

6.2. Any new investment completed by Haringey fund will only be done based on sound investment advice received from the fund's investment consultant, who would assess how a new investment class would impact on the fund's overall risk, return and liability profile.

7. Comments of the Independent Advisor

7.1. I am supportive of the principle that the Fund seek to invest in Residential Property as an Asset Class and would concur with the comments made at Section 4.9 of this report. Residential Property can potentially provide both a good investment return (particularly focussed on income) and also potentially a social benefit.

7.2. Members of the Pensions Committee and Board have previously expressed an interest in exploring the possibility of investing in residential property, in particular in property that would display high ESG credentials, and cover a broad spectrum of affordability levels. The proposal that the London CIV be approached to see if it can facilitate such an approach is, in my view, sensible. The involvement of the London CIV could potentially facilitate interest from other Boroughs which should increase the likelihood of Asset Managers developing a product which meets the Regulatory requirement that investments should be made primarily on financial grounds, but which also includes a positive social impact which is allowed by the relevant Statutory Guidance of July 2017 as follows:

7.3. ***"Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.***

7.4. ***Investments that deliver social impact as well as a financial return are often described as "social investments". In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact. These investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund."***

7.5. I am also supportive of Private Equity as an Asset Class and concur with the comments made at Section 4.11 of this report. The Fund should, however, seek the views of its appointed Investment Consultant (which it has done) with regard to the selection of any particular Asset Manager to provide access to Private Equity investments.

8. Contribution to Strategic Outcomes

8.1. None.

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

Finance and Procurement

9.1. 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.

9.2. This report highlights how the fund's investment commitments have drifted over time from the fund's strategic asset allocation, due to the growing size of the fund. The report highlights the fact that the fund is falling below its allocations to private equity and property, action must therefore be taken in order to comply with the fund's Investment Strategy Statement.

9.3. 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.

Legal

9.4 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.

9.5 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

9.6 There are no equalities issues arising from this report

10. Use of Appendices

10.1. Not applicable

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.

Report for: Pensions Committee and Board 13 September 2018

Item number:

Title: Forward Plan

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The purpose of the paper is to identify topics that will come to the attention of the Committee in the next twelve months and to seek Members input into future agendas. Suggestions on future training are also requested.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. The Committee is invited to identify additional issues & training for inclusion within the work plan and to note the update on member training attached at Appendix 3.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. None

6. Background information

6.1. It is best practice for a Pension Fund to maintain a work plan. This plan sets out the key activities anticipated in the coming twelve months in the areas of governance, members/employers, investments and accounting. The Committee and Board 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.

Pensions Committee and Board - Forward Plan **APPENDIX 1**

13 Sep 2018	20 Nov 2018	21 Jan 2019	14 Mar 2019
Standing Items			
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	Governance Update Report	Governance Update Report	Governance Update Report
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 (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 LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration and Governance			
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
PLSA Membership			Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement

Appendix 1

13 Sep 2018	20 Nov 2018	21 Jan 2019	14 Mar 2019
Investments			
Alternative Investments	Alternative Investments Follow Up report	Fund Managers Internal Control Report	
Funding and Valuation			
	Funding Strategy Statement Update DRAFT - Exit credits, and implications for the fund	Funding Strategy Statement Update FINAL (if required following employer consultation)	External Audit for Pension Fund Accounts - Planning
		Initial Work 2019 Valuation	
Training			
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
John Raisin (Investment Considerations) Mercer (Investment Overview)	Tbc	Hymans Robertson - 2019 Valuation Process	Tbc

TRAINING PROGRAMME **APPENDIX 2**

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
9 October, 14 November	Pension Basics	PLSA	£160	Virtual Training	N/A
https://www.plsa.co.uk/Education/Introductory-Pensions-Training/Pension-basics					
19 September, 11 October, 20 November	Introduction to Trusteeship Part 1 - The Theory	PLSA	£488	London	N/A
https://www.plsa.co.uk/Education/Trustee-Training/Introduction-to-Trusteeship-Part-1-The-Theory					
4 October, 21 November	Introduction to Trusteeship Part 2 - The Practice	PLSA	£488	London	N/A
https://www.plsa.co.uk/Education/Trustee-Training/Introduction-to-Trusteeship-Part-2-The-Practice					
12-Dec-18	LDI (Liability Driven Investment) Breakfast training	LGIM	Free	London	N/A
04-Oct-18	Managing the Investment Challenge	LGIM	Free	London	N/A
https://www.events-lgim.com/lgim/frontend/reg/tOtherPage.csp?pageID=79171&eventID=284					
22-Nov-18	The CIPFA Annual Pensions Conference	CIPFA	Free	London	2 Free
5-7 December	The Annual LAPFF Conference	LAPFF	Free	Bournemouth	2 Free
2-3 October	The Local Government Pensions Investment Forum	KNECT Finance	Free	London	N/A
https://finance.knect365.com/local-government-pension-investment-forum/					

Other Training Opportunities

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

Please contact Thomas Skeen, Head of Pensions, if you wish to attend any of these courses.

Tel No: 020 8489 1341

Emal: thomas.skeen@haringey.gov.uk

Appendix 2

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APPENDIX 3

Pension Committee and Board member's Name	Public Sector Toolkit (Online)	Training Needs Analysis
Cllr Matthew White (Chair)		
Cllr John Bevan (Vice Chair)	✓	✓
Cllr Viv Ross	✓	✓
Cllr Kaushika Amin		
Cllr Paul Dennison	✓	
Cllr Khaled Moyeed		
Keith Brown	✓	✓
Ishmael Owarish	×	✓
Randy Plowright	×	✓

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 13 September 2018

Item number:

Title: Risk Register - Review/Update

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

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

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee note the risk register.

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

4. Reason for Decision

4.1. None

5. Other options considered

5.1. None

6. Background information

6.1. The Pensions Regulator requires that the Committee and Board establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

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

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

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

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

Legal

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

Equalities

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

9. Use of Appendices

9.1. Appendix 1 – Haringey Pension Fund Risk Register (Abridged Version)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Risk Register - Haringey Pension Fund

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

Risk No	Cat Ref	Risk	Risk Ranking
		INVESTMENTS	
39	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	10
40	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	5
41	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	10
42	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	5
43	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	10
44	INV6	Investment Manager Risk - this includes both the risk that the wrong manager is appointed and /or that the manager doesn't follow the investment approach set out in the Investment Management agreement.	10
45	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	4
46	INV8	The risks associated with the Fund’s assets are not understood resulting in the Fund taking either too much or too little risk to achieve its funding objective.	10
47	INV9	Actual asset allocations move away from strategic benchmark.	12
48	INV10	No modelling of liabilities and cash flow is undertaken.	5
49	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	15

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
GOVERNANCE			
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	3
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	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), or other bodies, 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
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	5
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	5

Risk No	Cat Ref	Risk	Risk Ranking
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	12
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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	8
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 fruad/ mismanagement.	8
23	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
24	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
25	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
26	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	5
27	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	8
28	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	12

Risk No	Cat Ref	Risk	Risk Ranking
FUNDING/LIABILITY			
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
		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

Risk No	Cat Ref	Risk	Risk Ranking

Colour	Risk Level
Green	Low
Yellow	Moderate
Orange	High
Red	Very High

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
29	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	Ensure staff are adequately trained. Appropriate checking processes. Professional advice. Close working with other Funds. Policies kept up to date and discussed at PCF.	5	2	10	PCB; HoCF; HoP; PAM	Ongoing
30	ADM2	Pension structure is inappropriate to deliver a first class service	New structure implemented from October 2016. Officers feel the new structure is functioning well, and that having all pensions staff in one team rather than split between HR and Finance is beneficial. The objectives of the pensions teams are being met.	5	1	5	HoP; PAM	Ongoing
31	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	Training programme for staff including CIPD qualification in some places. Regular briefings and updates on LGPS changes from CIPFA and other training providers. Staff in pensions administration and investments/accounting attend events, conferences and training sessions. The Head of Pensions, and Senior Pensions Accountants are both CCAB qualified accountants who complete annual CPD requirements.	4	3	12	DoF; HoP	Ongoing

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
32	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	Pensioner administration system Altair is subject to daily software backups and off-site duplication of records. The business recovery plan once implemented allows the pension administration system to be run from an alternative site.	5	1	5	PAM	Ongoing
33	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	The pension administration system, Altair, allows for all pensioner benefits to be automatically calculated by the administration system. Pension benefits payments are double checked by another team member before payments released. They are also checked by the Pensions Manger and Head of Pensions or S151 Officer before payments are authorised on SAP.	4	2	8	PAM	Ongoing
34	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	Pensioner payroll system is subject to daily software backups and off-site duplication of records. The business recovery plan once implemented allows the pension administration system to be run from an alternative site.	4	2	8	PAM	Ongoing

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
35	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	The Fund has an Internal Dispute Resolution Policy (IDRP) which has been approved by the Committee. This was last approved in Feburary 2017. In attempting to resolve any complaints by members, the IDRP will guide officers to ensure that due process is applied through out the process.	4	2	8	PCB; HoP; PAM	Ongoing
36	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	The Council's data protection policy is issued to and signed by all staff. The Council has in place a system that ensures pension fund data is sufficiently protected. Staff trained in data protection and regularly reminded of its importance.	5	2	10	HoP; PAM	Ongoing
37	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	Robust accounting checks and adherence with best practice including undertaking regular reconciliation of payments undertaken or received into the Fund.	5	1	5	HoP	Ongoing

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
38	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	The selection process for recruiting officers is rigorous and focussed on the requirements of the role. Also detailed job descriptions/person specification are used to wittle down and appoint officers with the right level of skills, knowledge and experience. Training/Personal Development plans are put in place for each staff member following annual performance appraisal. Results of recent My Conversation appraisals within the department have been positive.	5	2	10	HoP	Ongoing

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
50	COM1	Members don’t make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	Communication Strategy in place that outlines the most appropriate mode of communication and how the Fund will communicate with all stakeholders including its members and employers. Member provided with explanatory notes and guidance to enable them to make informed decision and given access to further pension support.	4	3	12	PAM; HoP	Ongoing
51	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	Members and Employers are provided with explanatory notes, factsheets, access to a pension help desk and a dedicated Communications Team. In addition the Fund's website provides a one stop shop for information about the Scheme and benefits.	3	2	6	PAM; HoP	Ongoing

Increasing number of smaller employers in the fund means likelihood of this is increased

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
52	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	Ensure information communicated to Employers is clear and relevant by using simple understandable wording. Where available use standard template/information from the LGA.	4	3	12	PAM; HoP	Ongoing
53	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	Ensure all communication and literature is up to date and relevant and reflects the latest position within the pensions environment including LGPS regulations and other relevant overriding legislation.	3	3	9	PAM; HoP	Ongoing

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
54	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	Provide training to employers that is specific to their roles and responsibilities in the LGPS. Employer access to a portal with regular updates in line with legislation. The Pensions Manager and other staff carry out site visits to employers as necessary to provide information and training to them.	4	2	8	PAM; HoP	Ongoing
55	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	All forms available on our website and Employer has access to specialist support from Fund Officers.	4	3	12	PAM; HoP	Ongoing

RED RATED RISKS								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	The nature of Council appointees to the Fund means that there is likely to be some 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, and the outgoing Committee and Board of April 2018 wrote to the Chief Whips of both parties in relation to this. A comprehensive training programme that is in line with CIPFA guideine/The Pension Regulator has been developed and is continously reviewed/updated. Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted accordingly New members required to complete The Pensions Regulators public service toolkit modules as a minimum requirement. All members are encouraged to attend training events (internal/external) to	4	4	16	PCB; HoP	Ongoing, but review in May 2019

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.	The Fund is a founding member of London CIV and actively engages with them. The CIV is undertaking a Governance review which has yet to be implemented in full, so it is unclear exactly how Haringey members and officers will be represented within the CIV's new governance structures. The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools due to the inefficiencies involved. Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been generally positive. Haringey has benefited from fee savings, and has a number of investments that are either via the CIV or under the CIV's oversight.	5	3	15	HoP	Ongoing

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Agenda Item 11

Report for: Pensions Committee and Board 13 September 2018

Item number:

Title: Pension Fund Quarterly Update

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. To report the following in respect of the three months to 30 June 2018:
- 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 30 June 2018 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 to this end. 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. As appended to this report in Appendix 2

Equalities

8.5. 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.
9.2. Appendix 2: Independent Advisor's Market commentary
9.3. Confidential Appendix 3: Funding and Risk Report from the Fund Actuary

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 79.1% - meaning that the fund's investment assets were sufficient to pay 79.1% of the pension benefits accrued at that date.

11.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 30 June 2018, and this showed an improvement to an 89.0% funding level: the increase being mainly attributable to investment returns. This position was an improvement from 31 March 2018 which showed 84.0%.

11.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has decreased to an indicative £175m as at 31 March 2018.

11.4. Confidential Appendix 3 shows the funding and risk report produced by the fund actuary as at 30 June 2018, giving further detail regarding this.

12. Portfolio Allocation Against Benchmark

12.1. The value of the fund increased by £35.3m million between March and June 2018. The property, renewable energy infrastructure and multi asset absolute return investments performed above benchmark during the quarter.

12.2. The equity allocation exceeds target by 1.14% (down from the last quarter when the corresponding overweight position was in excess of 7%). This was due to the fund's decision in March 2018 to allocate surplus funds being held for new investments in property and renewable energy to the fund's multi asset absolute return and multi asset credit mandates. These two mandates are now showing overweight positions, and funds will be drawn from these investments over the coming years to fund the new investments.

12.3. The fund's property and private equity portfolios are underweight compared to target, this is dealt with in another agenda item for this meeting.

12.4. A higher than usual cash figure was hold as at 30 June 2018, to fund two large bulk transfers form the fund, the larger of which is anticipated to be paid by the end of September.

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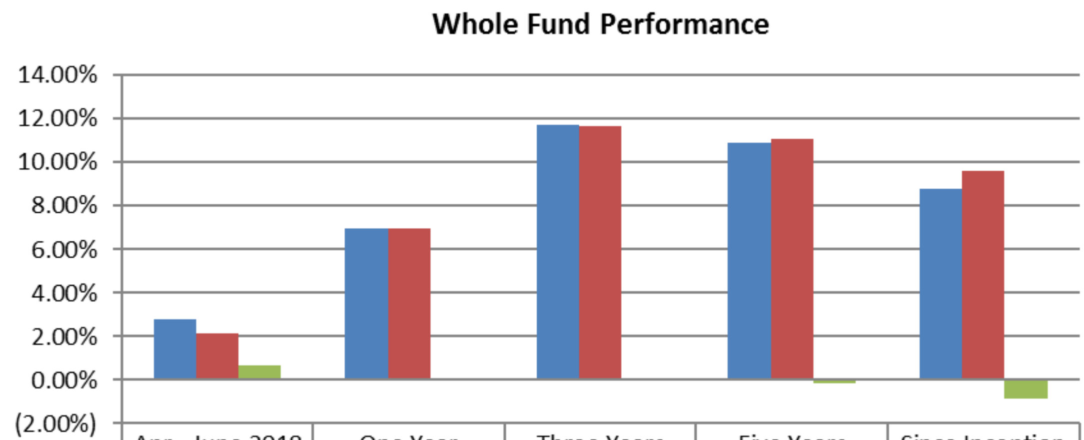
Total Portfolio Allocation by Manager and Asset Class

	Value 31.12.2017 £'000	Value 31.03.2018 £'000	Value 30.06.2018 £'000	Allocation 30.06.2018 %	Strategic Allocation %	Variance %
Equities						
UK	101,109	91,012	82,007	5.89%	5.60%	0.29%
North America	143,203	129,355	120,146	8.63%	8.20%	0.43%
Europe	47,367	43,877	38,249	2.75%	2.80%	-0.05%
Japan	22,571	20,981	18,217	1.31%	1.30%	0.01%
Asia Pacific	22,984	20,328	18,063	1.30%	1.30%	-0.00%
Emerging Markets	120,024	104,762	90,414	6.49%	6.60%	-0.11%
Global Low Carbon Tgt	333,314	302,573	275,568	19.79%	19.20%	0.59%
Total Equities	**790,572**	**712,888**	**642,664**	**46.14%**	**45.00%**	**1.14%**
Bonds						
Index Linked	**184,959**	**185,249**	**183,089**	**13.15%**	**15.00%**	**-1.85%**
Property						
Aviva	**0**	**0**	**0**	**0.00%**	**5.00%**	**-5.00%**
CBRE	**93,098**	**91,084**	**88,668**	**6.37%**	**7.50%**	**-1.13%**
Private equity						
Pantheon	**53,638**	**52,842**	**55,291**	**3.97%**	**5.00%**	**-1.03%**
Multi-Sector Credit						
CQS	**91,999**	**92,564**	**128,220**	**9.21%**	**7.00%**	**2.21%**
Multi-Asset Absolute Return						
Ruffer	**100,629**	**98,065**	**172,193**	**12.36%**	**7.50%**	**4.86%**
Infrastructure Debt						
Allianz	**34,838**	**37,687**	**40,688**	**2.92%**	**3.00%**	**-0.08%**
Renewable Energy						
CIP	**0**	**0**	**1,151**	**0.08%**	**2.50%**	**-2.42%**
Blackrock	**8,127**	**13,930**	**19,751**	**1.42%**	**2.50%**	**-1.08%**
Cash & NCA						
Cash	**27,557**	**73,216**	**61,042**	**4.38%**	**0.00%**	**4.38%**
Total Assets	**1,385,417**	**1,357,525**	**1,392,757**	**100%**	**100%**	**0.00%**

13. Investment Performance Update: to 30 June 2018

13.1. Appendix 1 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter April to June 2018 and for one, three and 5 years for the whole of Fund.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception
Return	2.81%	6.96%	11.70%	10.92%	8.78%
Benchmark	2.16%	6.95%	11.68%	11.10%	9.61%
(Under)/Out	0.65%	0.01%	0.02%	(0.18%)	(0.83%)

13.2. The Fund returned 2.81% in the quarter: above the benchmark of 2.16%. Almost all investments delivered positive returns over the quarter, with private equity and renewable energy being the best performing asset classes, with over 6% returns each.

13.3. Over the last 12 months the Fund returned 6.96%, almost exactly in line with benchmark of 6.95%. The three year performance was similarly in line with benchmark at 11.70%, and five year performance was slightly below benchmark with performance of 10.92% versus benchmark of 11.10%. As much of the fund has historically been 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.

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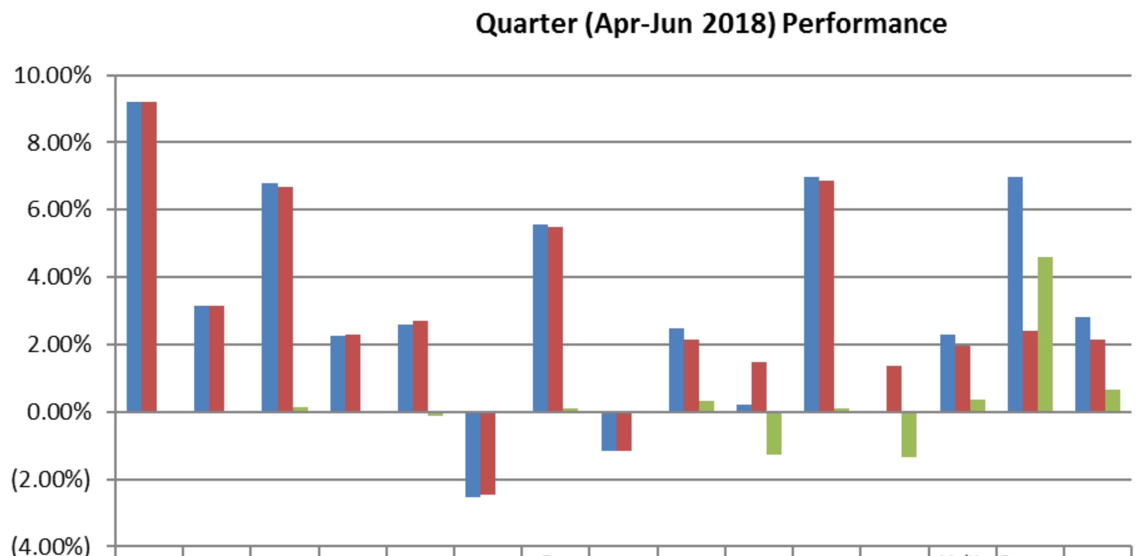
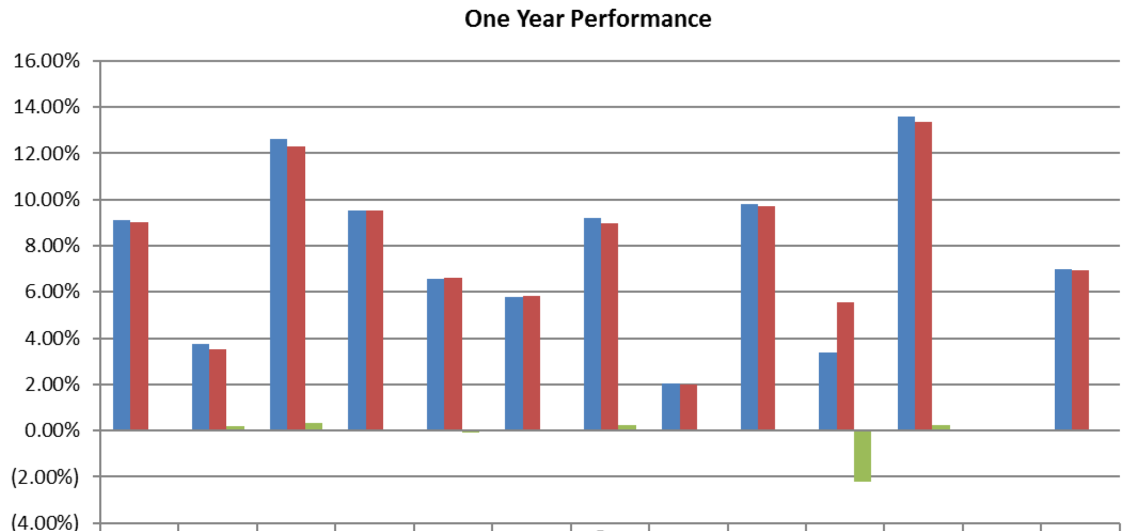
Quarter (Apr-Jun 2018) Performance



	Eq - UK	Eq - Europe	Eq - North America	Eq - Japan	Eq - Asia ex Japan	Eq - Emerging	Eq - Global Low Carbon Tgt	Index Linked Bonds	Property	Multi-sector Credit	Private Equity	Infrastructure	Multi-Asset Absolute Return	Renewable Energy Infrastructure	Total Fund
Fund Return	9.21%	3.15%	6.78%	2.26%	2.59%	(2.52%)	5.58%	(1.17%)	2.48%	0.21%	6.98%	0.00%	2.30%	6.99%	2.81%
Benchmark	9.20%	3.13%	6.66%	2.28%	2.71%	(2.46%)	5.48%	(1.16%)	2.14%	1.49%	6.87%	1.35%	1.94%	2.41%	2.16%
(Under)/out	0.01%	0.02%	0.12%	(0.02%)	(0.12%)	(0.06%)	0.10%	(0.01%)	0.34%	(1.28%)	0.11%	(1.35%)	0.36%	4.58%	0.65%

One Year Performance



	Eq - UK	Eq - Europe	Eq - North America	Eq - Japan	Eq - Asia ex Japan	Eq - Emerging	Eq - Global Low Carbon Tgt	Index Linked Bonds	Property	Multi-sector Credit	Private Equity	Multi-Asset Absolute Return	Total Fund
Fund Return	9.09%	3.74%	12.62%	9.53%	6.56%	5.79%	9.19%	2.02%	9.78%	3.38%	13.58%		6.96%
Benchmark	9.02%	3.53%	12.30%	9.51%	6.63%	5.83%	8.96%	2.01%	9.73%	5.57%	13.35%		6.95%
(Under)/out	0.07%	0.21%	0.32%	0.02%	(0.07%)	(0.04%)	0.23%	0.01%	0.05%	(2.19%)	0.23%	0.00%	0.01%

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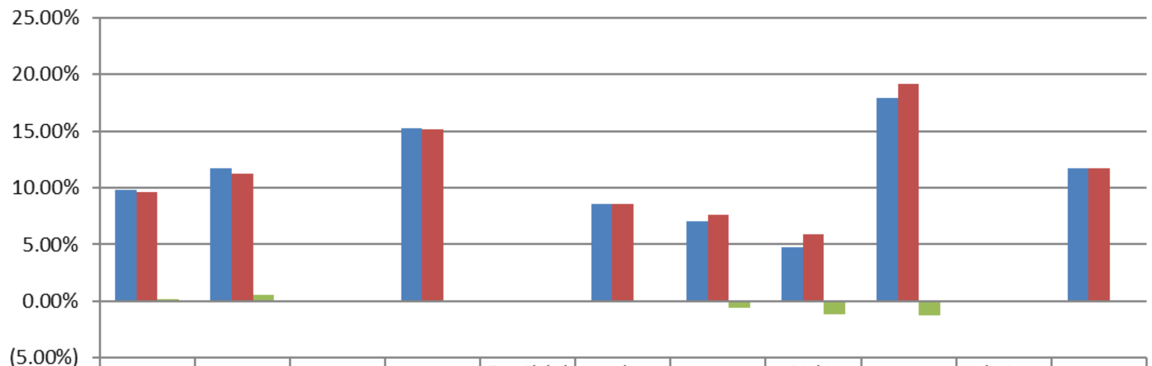
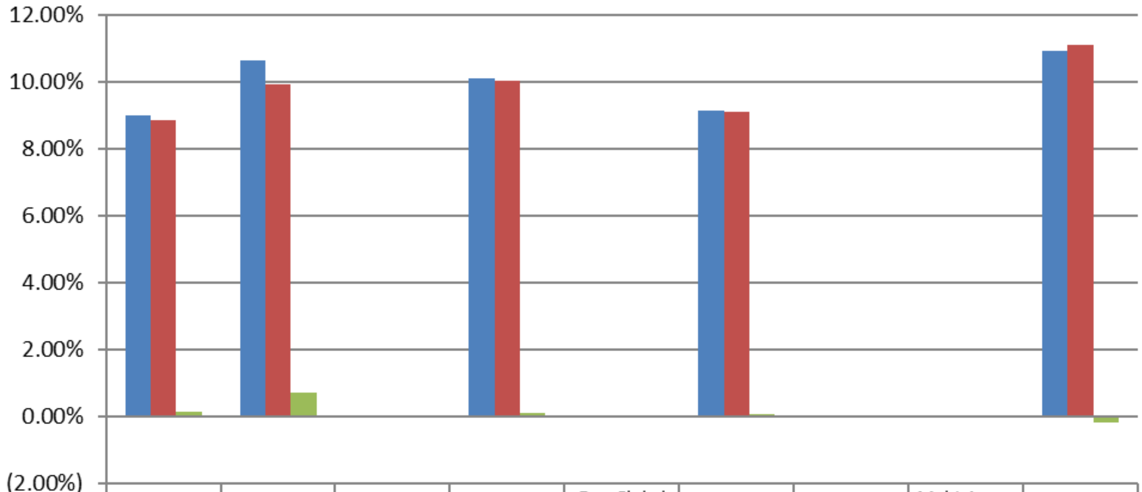
Three Year Performance



	Eq - UK	Eq - Europe	Eq - Japan	Eq - Asia ex Japan	Eq - Global Low Carbon Tgt	Index Linked Bonds	Property	Multi-sector Credit	Private Equity	Multi-Asset Absolute Return	Total Fund
Return	9.77%	11.77%		15.29%		8.57%	7.04%	4.79%	17.92%		11.70%
Benchmark	9.59%	11.24%		15.20%		8.55%	7.62%	5.92%	19.17%		11.68%
(Under)/out	0.18%	0.53%		0.09%		0.02%	(0.58%)	(1.13%)	(1.25%)		0.02%

Five Year Performance



	Eq - UK	Eq - Europe	Eq - Japan	Eq - Asia ex Japan	Eq - Global Low Carbon Tgt	Index Linked Bonds	Multi-sector Credit	Multi-Asset Absolute Return	Total Fund
Return	8.97%	10.64%		10.11%		9.13%			10.92%
Benchmark	8.84%	9.92%		10.01%		9.08%			11.10%
(Under)/out	0.13%	0.72%		0.10%		0.05%			(0.18%)

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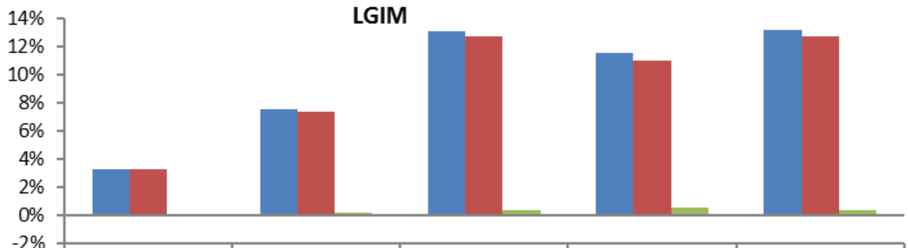
FUND MANAGER PERFORMANCE

Legal & General Investment Management (LGIM)

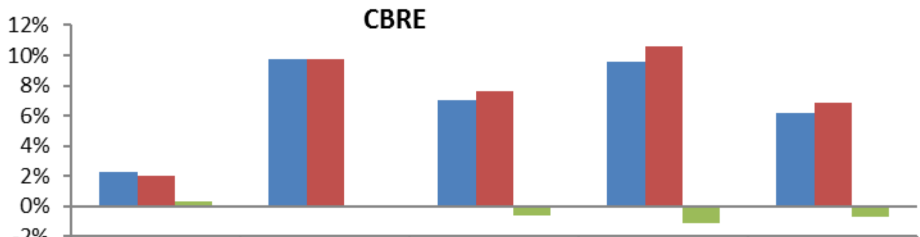
13.4. Legal and General returned 3.28% this quarter and has slightly outperformed composite benchmark of 3.31%.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception (May 12)
Return	3.28%	7.54%	13.03%	11.54%	13.11%
Benchmark	3.31%	7.37%	12.68%	10.99%	12.72%
(Under)/Out)	(0.03%)	0.17%	0.35%	0.55%	0.39%

CBRE

13.5. The manager saw a positive total return of 2.31% in the quarter and outperformed benchmark of 2.00% by 0.31%. CBRE lags slightly behind benchmark over 3, and 5 years, as well as since portfolio inception: however, this position has been steadily improving over recent quarters.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception (Mar 03)
Return	2.31%	9.78%	7.04%	9.54%	6.19%
Benchmark	2.00%	9.73%	7.62%	10.63%	6.90%
(Under)/Out	0.31%	0.05%	(0.58%)	(1.09%)	(0.71%)

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 on performance for some time to come.

Pantheon Private Equity

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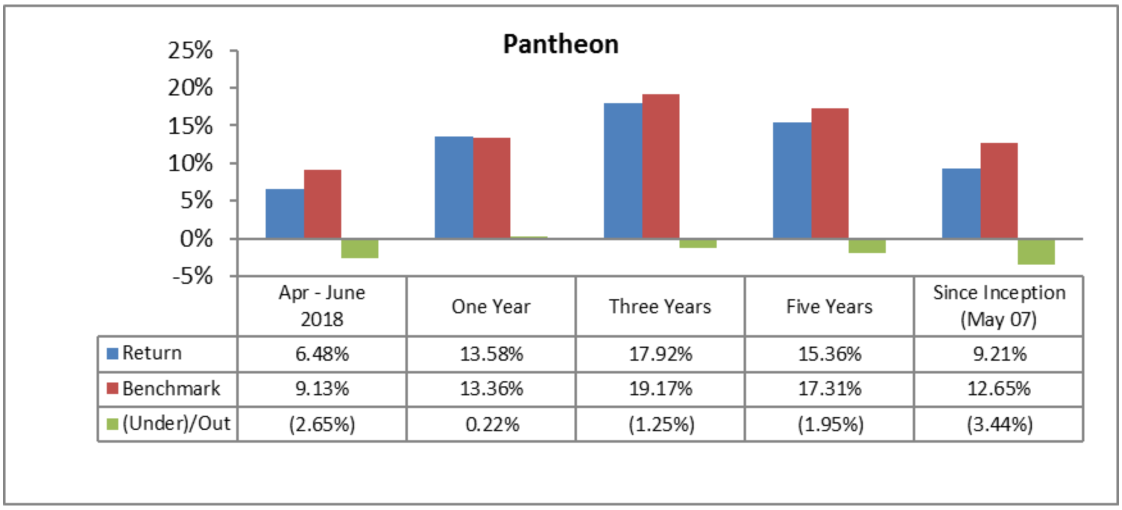
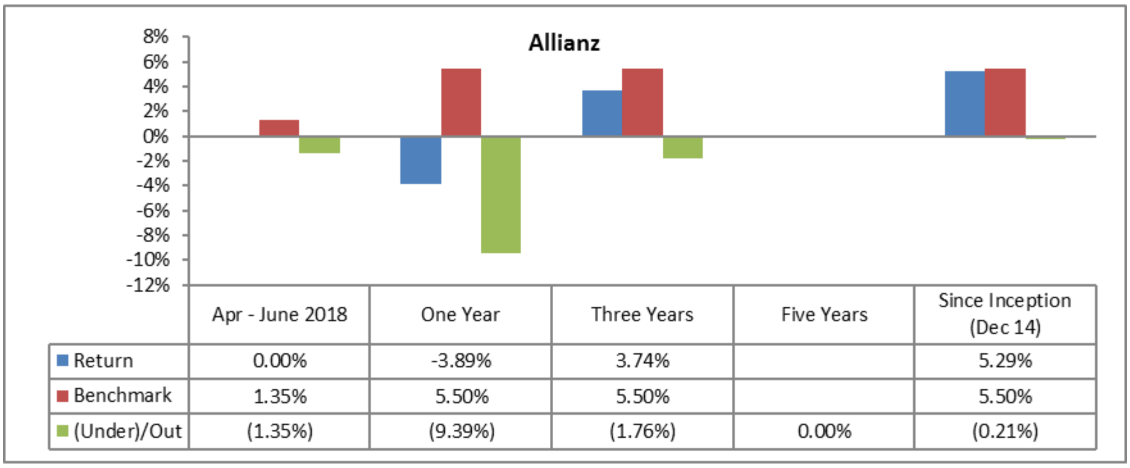
12.5 Pantheon Private Equity underperformed their benchmark by 2.65%, however officers would note this is likely due to delays in issuing valuations for the investments and therefore not being included in the June performance figures. The manager is showing a positive return above benchmark over a 1 year time period, but underperformance over longer timescales.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception (May 07)
Return	6.48%	13.58%	17.92%	15.36%	9.21%
Benchmark	9.13%	13.36%	19.17%	17.31%	12.65%
(Under)/Out	(2.65%)	0.22%	(1.25%)	(1.95%)	(3.44%)

Allianz Infrastructure Debt

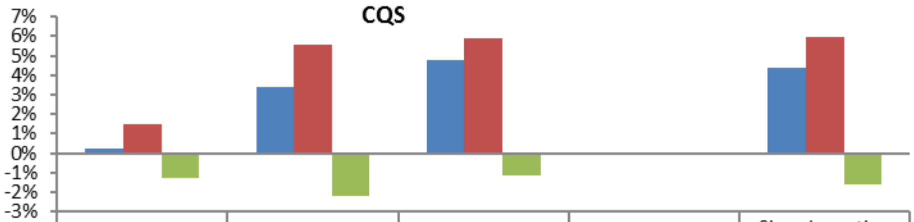
12.6 Allianz has performed poorly compared to benchmark over the past 1 year, however, since portfolio inception the performance is very similar to benchmark of 5.5%.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception (Dec 14)
Return	0.00%	-3.89%	3.74%		5.29%
Benchmark	1.35%	5.50%	5.50%		5.50%
(Under)/Out	(1.35%)	(9.39%)	(1.76%)	0.00%	(0.21%)

CQS Multi Sector Credit

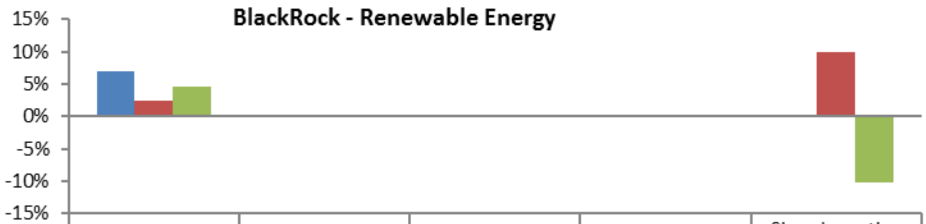
12.7 The manager under-performance relative to benchmark in the quarter achieving a return of 0.21% against the benchmark of 1.49%. The manager lags behind benchmark over all time horizons measured.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception (Aug 14)
Return	0.21%	3.38%	4.79%		4.39%
Benchmark	1.49%	5.57%	5.92%		5.97%
(Under)/Out	(1.28%)	(2.19%)	(1.13%)	0.00%	(1.58%)

BlackRock – Renewable Energy

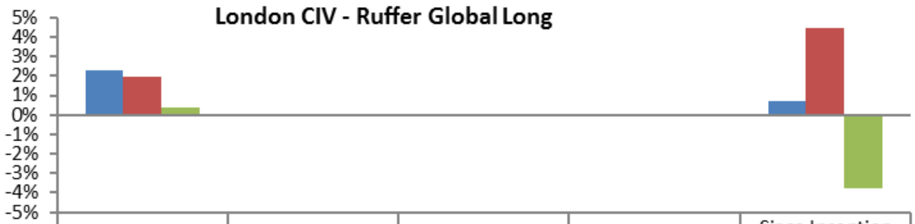
13.7. The manager had outperformed relative to benchmark in the quarter achieving a return of 6.99% against the benchmark of 2.41%, however the portfolio is in the very early stages, and is not fully invested, so it is too early to draw any meaningful conclusions from this at this stage.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception (May 17)
Return	6.99%				-0.23%
Benchmark	2.41%				10.00%
(Under)/Out	4.58%	0.00%	0.00%	0.00%	(10.23%)

London CIV – Ruffer Multi Asset Absolute Return Strategy

13.8. The investment was originally made in December 2017. The manager delivered a performance of 2.30% over the quarter, outperforming benchmark slightly.



	Apr - June 2018	One Year	Three Years	Five Years	Since Inception (Dec 17)
Return	2.30%				0.68%
Benchmark	1.94%				4.46%
(Under)/Out	0.36%	0.00%	0.00%	0.00%	(3.78%)

Appendix 1 – Strategic Asset Allocation (as at 30.06.18)

Manager	**% of Total Portfolio**	**Mandate**	**Benchmark**	**Performance Target**
Legal & General Investment Management	60.0%	Global Equities & Bonds	See overleaf	Index (passively managed)
London CIV - CQS Subfund	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 Subfund	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
Total	**100.0%**			

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

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background April to June 2018

During the period April to June 2018, in the context of continuing positive corporate earnings and economic indicators, Equity markets made further advances. This was despite the imposition of trade Tariffs by the United States.

The US S&P index advanced from 2,641 at the end of March to 2,718 by the end of June 2018 an increase of 3% over the Quarter. The United States continued to experience positive economic activity/data including further clearly positive corporate earnings. US growth, as reported by the US Commerce Department, reached a four year high of 4.1% (per annum) in the Quarter (compared to 2.2% (annualized) in the first Quarter of 2018). This was however clearly aided by one off factors including the stimulus from the tax cuts of late 2017 and a rise in exports as foreign purchasers sought to avoid forthcoming tariffs.

US Unemployment was 4% as at June compared with 4.1% at March 2018. US Core inflation (which excludes volatile energy and food prices) was 2.3% in June. Consumer sentiment (as measured by the authoritative University of Michigan Surveys of Consumers) remained very high, but at slightly lower levels than in the first Quarter of 2018 with concerns about the potential impact of tariffs on the domestic economy having a negative impact.

At its meeting of 12-13 June 2018 the United States Federal Reserve raised interest rates (the target range for the federal funds rate) by 0.25% thus continuing the process of gradual "tightening" monetary policy. Interest Rate forecasts issued after the meeting indicated two further likely increases during 2018. The Press Release issued after the meeting included the positive statement on the US economy that *"the Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term."*

Eurozone Equities experienced a positive Quarter with good corporate earnings providing support together with a backdrop of continuing economic recovery (although GDP growth does appear to be slowing compared to 2017). The Eurozone seasonally adjusted unemployment rate fell further to 8.3% in June compared to 8.5% in March 2018 its lowest level since December 2008. Inflation as measured by the Harmonised Indices of Consumer Prices (HICP) which was 1.3% in March 2018 reached 2% by June 2018 which was a welcome indicator for the European Central Bank (ECB) which has a policy objective of inflation of below, but close to, 2% over the medium term. However, energy prices were the main factor behind this 2% inflation figure and core inflation which excludes the more volatile elements of energy, food, alcohol and tobacco remains around 1%. This suggests a sustained inflation rate of just under 2% is still an objective rather than a reality.

At its meeting on 14 June 2018 the European Central Bank (ECB) made a significant move to both signal and enact a “tightening” of monetary policy when it determined to end its net asset purchases programme (APP) at the end of December 2018. This is a further clear sign that the (present) era of Quantitative Easing by the major Central Banks is drawing nearer to its end.

ECB monetary policy will however continue to be “loose” in historic terms as it was also determined to maintain the *“policy of reinvesting the principal payments from maturing securities purchased under the APP for an extended period of time after the end of the net asset purchases.”* Furthermore, the ECB Press Release also *stated “the Governing Council expects the key ECB interest rates to remain at their present levels at least through the summer of 2019.”*

The FTSE All Share index rose by approximately 8% over the Quarter with further weakening of the £ against the US Dollar over the Quarter providing a boost to UK companies with significant overseas earnings. The oil sector was clearly positive aided by higher crude oil prices.

At both its May and June meetings the Monetary Policy Committee of the Bank of England voted to keep Base Rate at 0.5%. The Committee moved from 7-2 against increasing rates in May to 6-3 in June indicating a building momentum for a rate rise (which occurred at the meeting ending on 1 August 2018).

Great uncertainty remained as to the future relationship of the UK to the European Union and indeed the world as a result of a lack of any clarity as to the likely situation from March 2019 when the UK is due to leave the European Union.

Despite rising world trade tensions Japanese Equities, as measured by the Nikkei 225 Index, advanced by approximately 4%. In contrast to the other major Central Banks the Bank of Japan continued to maintain, at both its April and June meetings, an ultra “loose” approach to monetary policy including a policy of keeping 10 year bond yields capped at around zero percent and an asset purchase programme maintained at an official pace of around 80 trillion Yen per year. This was in the context of Japanese inflation remaining well below the Bank of Japan’s target of 2% despite huge monetary policy stimulus since 2013.

China and Emerging market Equities had a generally negative Quarter with global trade tensions, increasing US interest rates and the strength of the US Dollar weighing against these markets.

Benchmark Government Bonds remained at historically low levels during the Quarter. The 10 year US Treasury yield rose marginally from 2.74% to 2.86% while the UK 10 year Gilt yield fell slightly to 1.28% and the 10 year German Bund fell back to 0.3%. While April saw an increase in yields in the context of rising commodity prices and rising inflation expectations, with the US 10 year Treasury briefly rising above 3% in late April and again in mid May, increased political/trade uncertainty later led to a Benchmark Government Bond rally.

In conclusion notwithstanding the decision of the Bank of Japan to continue with its Quantitative Easing programme the June 2018, decisions and statements of both the United States Federal Reserve and the European Central Bank show that despite continuing “loose” monetary policy the world is now clearly in a “Quantitative Tightening” rather than a “Quantitative Easing” phase. Given that Quantitative Easing both lifted markets and lowered volatility then “Quantitative Tightening” will likely exert an opposite impact. However even though the monetary policy of the major Central Banks has a potentially major impact on financial markets it is far from the sole determinant of market direction and volatility. For example, one issue that has now emerged as a potential significant factor affecting markets is the trade conflict/tariffs arising as a result of President Trump’s “America First” approach.

John Raisin
23 August 2018

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

Document is exempt

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