

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

**Thursday, 14th March, 2019, 7.00 pm - Civic Centre, High Road,
Wood Green, N22 8LE**

Members: Councillors Matt White (Chair), John Bevan (Vice-Chair), 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. APOLOGIES FOR ABSENCE

3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under item X below).

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

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

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

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

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

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

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

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

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

5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Assistant Director of Corporate Governance and Monitoring Officer

When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its

capacity as an Administering Authority, Members must have due regard to their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

6. MINUTES (PAGES 1 - 6)

To confirm and sign the minutes of the meeting held on 21st January 2019 as a correct record.

7. EMERGING MARKET EQUITY REVIEW (PAGES 7 - 10)

This report seeks to review the fund's low carbon equity holdings, with a view to considering the potential to reduce the fund's carbon exposure.

8. PENSION FUND AUDIT PLAN - YEAR TO 31 MARCH 2019 (PAGES 11 - 44)

This report presents the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2018/19 for the Committee's consideration.

9. PENSIONS ADMINISTRATION REPORT (PAGES 45 - 62)

This report gives a breakdown of the amount of visits made to the Haringey pension fund website and presents details of a new admission to the pension fund. The report also contains a review the Internal Resolution Disputes Procedure (IDRP).

10. LONG LEASE PROPERTY INVESTMENTS (PAGES 63 - 66)

This report provides information to members of the pensions committee and board regarding the fund's existing commitment to long lease property investments, and the London Collective Investment Vehicle's (CIV) inflation plus subfund.

11. CONFLICTS OF INTEREST POLICY (PAGES 67 - 82)

This report introduces the proposed Conflict of Interest Policy.

12. FORWARD PLAN (PAGES 83 - 90)

The purpose of this report 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.

13. RISK REGISTER - REVIEW/UPDATE (PAGES 91 - 112)

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

14. PENSION FUND QUARTERLY UPDATE (PAGES 113 - 130)

To report the following in respect of the three months to 31 December 2018:

- Funding Level Update
- Investment asset allocation
- Investment performance

15. EXCLUSION OF THE PRESS AND PUBLIC

That the press and public be excluded from the meeting for consideration of the following items as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paragraph 3; namely information relating to the business or financial affairs of any individual, including the authority holding that information.

16. EMERGING MARKET EQUITY REVIEW (PAGES 131 - 140)

To consider exempt information pertaining to item 7.

17. LONG LEASE PROPERTY INVESTMENTS (PAGES 141 - 162)

To consider exempt information pertaining to item 10.

18. PENSION FUND QUARTERLY UPDATE (PAGES 163 - 168)

To consider exempt information pertaining to item 14.

19. EXEMPT MINUTES (PAGES 169 - 170)

To confirm and sign the exempt minutes of the meeting held on 21st January 2019 as a correct record.

20. NEW ITEMS OF URGENT BUSINESS

Glenn Barnfield, Principal Committee Co-ordinator
Tel – 020 8489 2939
Fax – 020 8881 5218
Email: glenn.barnfield@haringey.gov.uk

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

Wednesday, 06 March 2019

MINUTES OF MEETING PENSIONS COMMITTEE AND BOARD HELD ON Monday, 21st January, 2019, 19:00 – 20:50

PRESENT: Cllr Matt White (Chair), Cllr John Bevan (Vice-Chair), Cllr Khaled Moyeed, Cllr Viv Ross, Cllr Liz Morris, Ishmael Owarish, Keith Brown, and Randy Plowright.

231. 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.

232. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Dennison; Cllr Morris substituted.

Apologies for lateness were received from Cllr Bevan.

233. URGENT BUSINESS

Quentin Given, on behalf of Wood Green Friends of the Earth, presented a petition to the Pensions Committee and Board (PCB). The Chair formally accepted the petition and informed that a response would be provided at the next PCB meeting on the 14th March 2019.

234. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

No declarations of interest were made.

235. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Bevan, Cllr Moyeed, Cllr Morris, Cllr Ross, Randy Plowright, Keith Brown and Ishmael Owarish attended a training session delivered by the Fund's actuary. 21/01/2019.

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

Cllr White

- Attended Local Authority Pension Fund Forum, conference – 5/12/2018 – 7/12/2018

Cllr Bevan

- Attended Local Authority Pension Fund Forum, conference - 5/12/2018 – 7/12/2018

- Attended SPS Private Equity Investors Annual Seminar - 11/12/2018
- Attended SPS Annual Bond Investment Strategies for Pension Funds - 10/01/2019

236. MINUTES

A correction to the minutes of the previous meeting was made to include Cllr Ross in the pre-meeting training session at Item 218.

Resolved

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

237. PENSIONS ADMINISTRATION REPORT

This report, introduced by Janet Richards, Pensions Manager, detailed a breakdown of the number of visits made to the Haringey Pension Fund website. The PCB was informed that, on average, the website received 396 users per month, who each viewed approximately four pages.

The Pensions Manager took the PCB through the document at Appendix 1, 'Pensions Administration Strategy', which had been revised to include new appendices 16 – '*Employer Admissions small TUPE transfers*' and 17, '*Communication*'. This draft updated strategy had been sent to employers for observations, but as yet no response had been received by the Pensions Team.

Following discussion, the following was noted:

- The 'named individual' referenced on page 20 should be amended for clarity to name the relevant officer position or member of the team acting as the employer liaison officer;
- Officers informed the newsletter referenced on page 21 would be sent electronically alongside the Annual Benefit Statement to recipients (unless recipients had opted to continue to receive their statements by post);
- The timescale by which all active and deferred members would be issued their Annual Benefit Statements was 31st August, in accordance with the relevant LGPS regulations. Officers confirmed this date would be included in the strategy;
- Officer informed that employers had an obligation to inform the Fund of material changes in employees' circumstances within 10 working days of receipt of notice;
- Reminders would be sent to members (including those who had left the authority) to create a members' self-service account this year. Through this, members would receive their Annual Benefit Statement electronically from next year, unless they opt to continue to receive this through the post.
- The use of an email address was highlighted as being more consistent than a home address with the former less likely to change. If members sought to change their email address, they would be able to do so on the members' self-service site.

Resolved

1. That the Committee and Board note that the report gives a breakdown of the number of visits made to the Haringey pension fund website.
2. That the Committee Board note and approve the Pension Administration Strategy Statement.

238. EQUITY PROTECTION CONSIDERATION

This report, introduced by Thomas Skeen, Head of Pensions, provided information to members of the Pensions Committee and Board regarding different equity protection strategies. The report sought for the PCB to consider commissioning a paper on the Fund pursuing equity protection options.

This item was further discussed in the exempt part of the session.

Resolved

That the Committee and Board note Confidential Appendix 1, presented by the Fund's Investment Consultant, Mercer.

239. LOCAL GOVERNMENT PENSION SCHEME POOLING CONSULTATION

This report, introduced by the Head of Pensions, provided information to members of the Pensions Committee and Board regarding a recent consultation released by the Ministry and Housing Communities and Local Government (MHCLG) regarding pooling of Local Government Pension Scheme (LGPS) assets. The PCB was informed that the consultation period would be held over a period of twelve weeks and would close on 28th March 2019. After consideration of responses to the Consultation the MHCLG would then proceed to issue formalised Statutory Guidance on Asset Pooling.

The Fund's Independent Advisor, John Raisin, introduced his report prepared for the PCB at Appendix 1. He explained the history and development of asset pooling since guidance was first issued in 2015. The MHCLG was now developing statutory guidance with helpful definitions included, such as of '*Pool*' and '*Pool Fund*'. The statutory guidance also introduced a clear governance structure which would impact on the Fund's pool, the London CIV. It was noted that the governance structure did not accommodate employee representatives and also that the proposed guidance was silent on the provision of "*proper advice*" that individual LGPS Funds must take in formulating their Investment Strategy Statement. Overall, the Independent Advisor claimed the introduction of the statutory guidance was welcomed as it created certainty and would help asset pooling without undermining Fund positions.

Following discussion, it was noted that it was not clear to the PCB how the eight members of the Shareholder Committee of the London CIV were selected. The PCB had concerns over the political balance of that Committee. Officers confirmed the CIV had explained to them that membership had been decided by London Councils putting forward candidates it deemed to have the most relevant knowledge in certain areas.

Consideration had also been given to location, gender and diversity, amongst other factors.

The Head of Pensions would draft a response on behalf of the London Borough of Haringey Pension Fund in consultation with the Chair of the PCB and then circulate that response to PCB members via email (**Action: Head of Pensions**).

Resolved

The Committee and Board note the contents of this report, and any other verbal updates provided by officers and the fund's Independent Advisor in the meeting.

240. LOCAL GOVERNMENT PENSION SCHEME UPDATE

This update on the Local Government Pension Scheme (LGPS), introduced by the Head of Pensions, provided information to members of the PCB regarding recent developments within the LGPS.

The Fund's Independent Advisor outlined his report at Appendix 1 (page 77). The main issues within the report related to the Scheme Advisory Board project, Investment Pooling, Investment Cost Transparency, the Section 13 Review of the 2016 LGPS Actuarial Valuation, and The Pensions Regulator and the LGPS.

Following discussion, the PCB were concerned at the drive to concentrate actuaries and investment consultants, and queried whether this was in the best interests of the Fund. The PCB saw merit in the existing structure as being competitive, such as in the discounts offered, which would become less common if an amalgamation of actuaries and investment consultants were to take place.

Resolved

That the Committee and Board note the contents of this report, and any other verbal updates provided by officers and the Fund's Independent Advisor in the meeting.

241. FORWARD PLAN

This report on the Forward Plan for noting, introduced by the Head of Pensions, detailed the topics that would be brought to the attention of the PCB through March 2020. The report also sought Members' input into future agenda items.

The PCB noted that the 14th March meeting would include a review/update of the Internal Disputes Resolution Policy.

The Head of Pensions requested members update him with regard to any changes in Appendix 3 (Public Sector Toolkit and Training Needs Analysis completion).

Resolved

That the Committee note the report and the Forward Plan.

242. RISK REGISTER REVIEW

The PCB considered this report for noting on the Risk Register, introduced by the Head of Pensions. It was advised this was a standard item on the agenda and that the PCB had a legal duty to review internal controls and the management of risks.

Regarding the red rated risk - '*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 Chair reminded the PCB of the commitment made by the Labour and Liberal Democrat Whips to retain the maximum possible consistency in the membership of the PCB until the next Local Government elections. It was considered to be impractical to amend the terms of reference for the PCB's membership through the Council's Constitution, due to the extensive process this involved. The Head of Pensions informed that this risk would be reviewed in May 2019.

Councillor members raised concerns over PCB meetings clashing with meetings of other Committees (such as the Regulatory Committee) which had prevented their attendance on occasions. (**Action: Clerk to raise**).

Resolved

1. That the Committee note the risk register.
2. That the Committee note the area of focus for this review at the meeting is 'Funding' and 'Liability' risks.

243. EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the press and public be excluded from the meeting for consideration of item 8 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); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

244. EQUITY PROTECTION CONSIDERATION

As per the exempt minutes.

245. EXEMPT MINUTES

Resolved

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

246. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

CHAIR: Councillor Matt White

Signed by Chair

Date

Report for: Pensions Committee and Board 14 March 2019

Item number:

Title: Emerging Market Equity Review

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

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
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 seeks to review the fund's low carbon equity holdings, with a view to considering the potential to reduce the fund's carbon exposure.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee consider the report, and information outlined by Mercer in Confidential Appendix 1.
- 3.2. That the Committee agrees to commission a further report on this topic for the next meeting of the Pensions Committee and Board, reflecting the views expressed by members at this meeting.

4. Reason for Decision

- 4.1. The fund has a commitment to investing in a manner which not only secures sufficient returns to meet the fund's strategy to increase the overall funding level, and keep employer contributions to a minimum, but which also takes serious consideration of Environmental Social and Corporate Governance (ESG) factors. The fund's Investment Strategy Statement states that *'The Fund believes that further reduction in exposure to fossil fuel industries will reduce risk and secure stronger returns for the fund over the long term.'* This paper aims to examine

some potential options for changing the funds strategy in the future, as part of a longer ongoing project to review the fund's exposure to risk, and make positive and proactive changes, wherever these are judged to be consistent with the fund's overriding fiduciary duties. A further report will be able to follow this one at the next meeting of the Pensions Committee and Board with detailed implementation information, and at this point, a change in strategy could be considered.

- 4.2. Mercer has produced a review of three alternative options to the fund's current emerging market equity strategy, the historic performance data of these three options, along with carbon emissions information, is attached in their report at Confidential Appendix 1, in order to provide an evidence base for the Committee and Board to consider.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The most important investment role for the Committee and Board is the setting of an asset allocation strategy. This is the desired allocation to the various asset classed e.g. equities, bonds, property, cash etc. Different assets allocations will have different expected outcomes in terms of future returns and also the predictability of returns.
- 6.2. In setting the current strategy that has a high allocation to equities, whose values, as an asset class, have a long term correlation with economic growth, the Committee and Board is focused on funding the promised benefits primarily from investments returns while seeking to minimise / stabilise employer contributions. The Committee and Board is required to keep the strategy under review considering the impact of funding levels and market conditions.
- 6.3. The fund has undertaken regular reviews of its equity holdings in recent years, both reducing overall allocations, and utilising alternative indexation, currency hedged funds, and low carbon options, with the aim of smoothing returns, and managing overall risk for the fund. Half of the fund's developed market equity is currently invested in a low carbon fund.
- 6.4. The Fund has an overall 6.66% allocation to emerging market equity. Although the percentage of total fund holding has varied as the fund has reduced exposure to equity over time, these holdings have been passively invested in the same emerging markets indexed fund since 2013/14. The current value of these holdings is £92.1m as at 31.12.18.

- 6.5. The report produced by Mercer, attached at Confidential Appendix 1, outlines 3 potential options which the fund could explore utilising in the future to reduce carbon exposure within its emerging markets portfolio. The performance figures, and carbon exposure figures are highlighted in this report. Members of the Pensions Committee and Board will be encouraged to discuss and debate these options in the meeting.

7. Contribution to Strategic Outcomes

- 7.1. None.

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

Finance and Procurement

- 8.1. The Fund has enjoyed strong returns in recent years primarily from rising equity valuations. The Pension Committee and Board's responsibility is to look to the long term when setting an investment strategy, ensuring an appropriate degree of diversification.
- 8.2. Whilst commitment to ESG issues is clearly a key consideration for Haringey Pension Fund, the overriding aim of the fund's investment strategy must be to improve the funding position with the aim of reaching fully funded status, whilst maintaining stability of employer contributions. Any future changes to the Fund's investment strategy must be consistent with these principles.

Legal

- 8.7 The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management & Investment Funds) Regulations 2016.
- 8.8 Any changes to the allocations must comply with the Pension Fund Investment Strategy Statement. There are no legal implications in respect of the recommendation.

Equalities

- 8.5 There are no equalities issues arising from this report

9. Use of Appendices

- 9.1. Confidential Appendix 1 – Emerging Market Equity Investments

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Report for: Pensions Committee and Board 14 March 2019

Item number:

Title: Pension Fund Audit Plan – year to 31 March 2019

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

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

Ward(s) affected: N/A

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

1. Describe the issue under consideration

1.1 This report presents the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2018/19 for the Committee's consideration.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the 2018/19 Audit Plan prepared by BDO be agreed.

4. Reason for Decision

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

5. Other options considered

5.1 None.

6. Background information

6.1 The audit plan will be presented by Leigh Lloyd Thomas the Audit Partner from BDO.

6.2 The plan sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit.

6.3 Officers will provide the auditors with all necessary information during the audit which will take place during June. BDO will then report back to the Pension Committee in July on their findings and any recommendations.

6.4 Members will note that the timescales for the audit and committee sign off of accounts and has moved forward from 30 September, to 31 July compared to prior years. This is the second year of the brought forward timescales, and was a legislative requirement which began from 2017/18 onwards. The Council's Statement of Accounts, and the Pension Fund Accounts, must be submitted to the external auditor by 31 May (previously 30 June), and the audit and committee sign off has moved forward to 31 July (previously 30 September.)

7. Contribution to Strategic Outcomes

7.1 Not applicable.

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

Finance and Procurement

8.1 The BDO fee of £16,170 for the 2018/19 audit is a reduction on the fee of £21,000 which had been paid in the prior three years.

Legal

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

Equalities

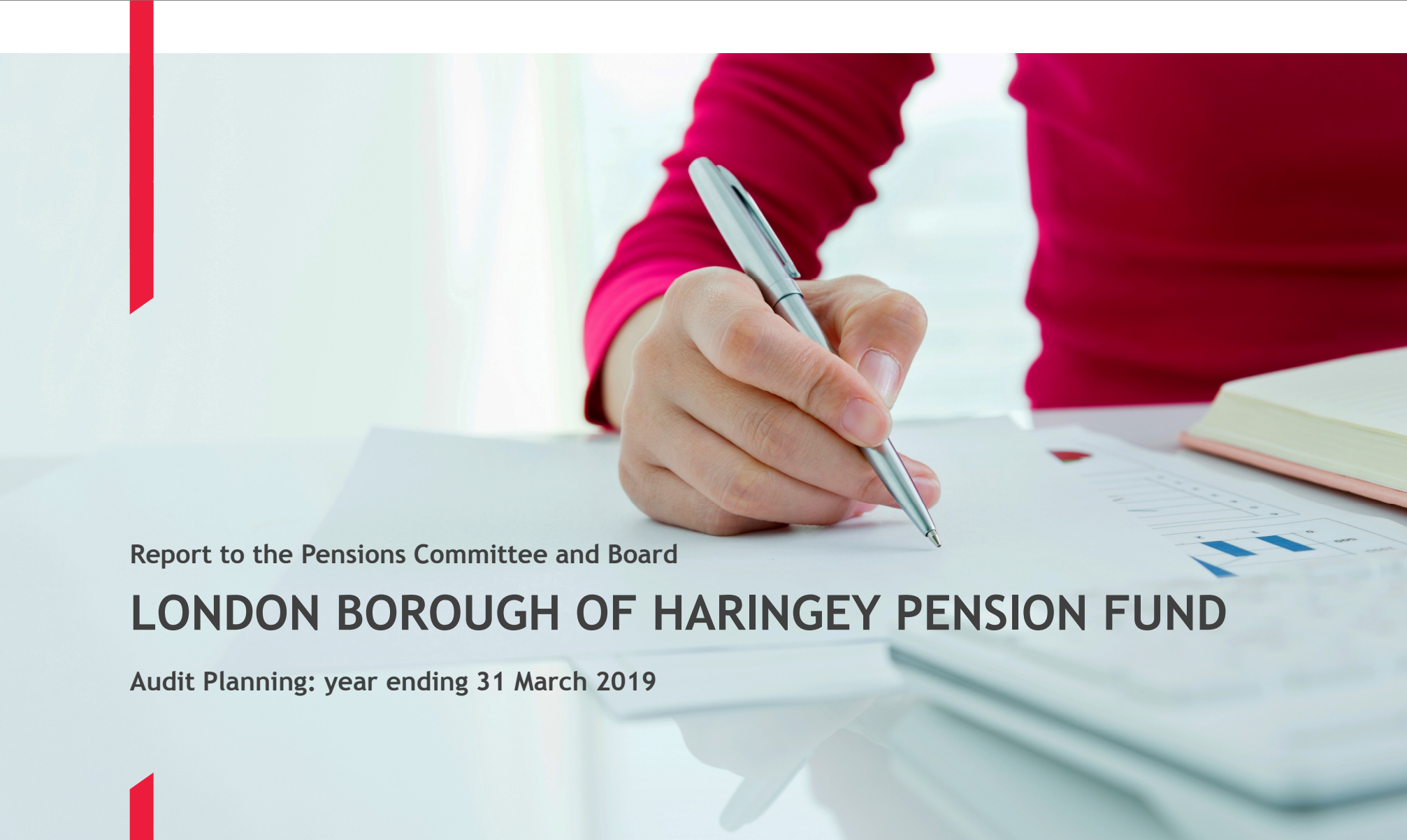
8.3 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 Appendix 1 – BDO Audit Plan

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.



Report to the Pensions Committee and Board

LONDON BOROUGH OF HARINGEY PENSION FUND

Audit Planning: year ending 31 March 2019

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WELCOME

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We have pleasure in presenting our Audit Planning Report to the Pensions Committee and Board of London Borough of Haringey Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of the Pension Fund comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the Pensions Committee and Board meeting on 14 March 2019 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.



Leigh Lloyd-Thomas

28 February 2019



Leigh Lloyd-Thomas

Engagement Partner

t: 020 7983 2616

e: leigh.lloyd-thomas@bdo.co.uk



Simiso Ngidi

Audit Manager

t: 014 7332 0861

e: simiso.ngidi@bdo.co.uk



Grace Quist-Therson

Assistant Manager

t: 020 7893 2993

e: grace.quist-therson@bdo.co.uk

This report has been prepared solely for the use of the Pensions Committee and Board and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

SCOPE AND MATERIALITY

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This summary provides an overview of the key audit matters that we believe are important to the Pensions Committee and Board in reviewing the planned audit strategy for the Pension Fund for the year ending 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

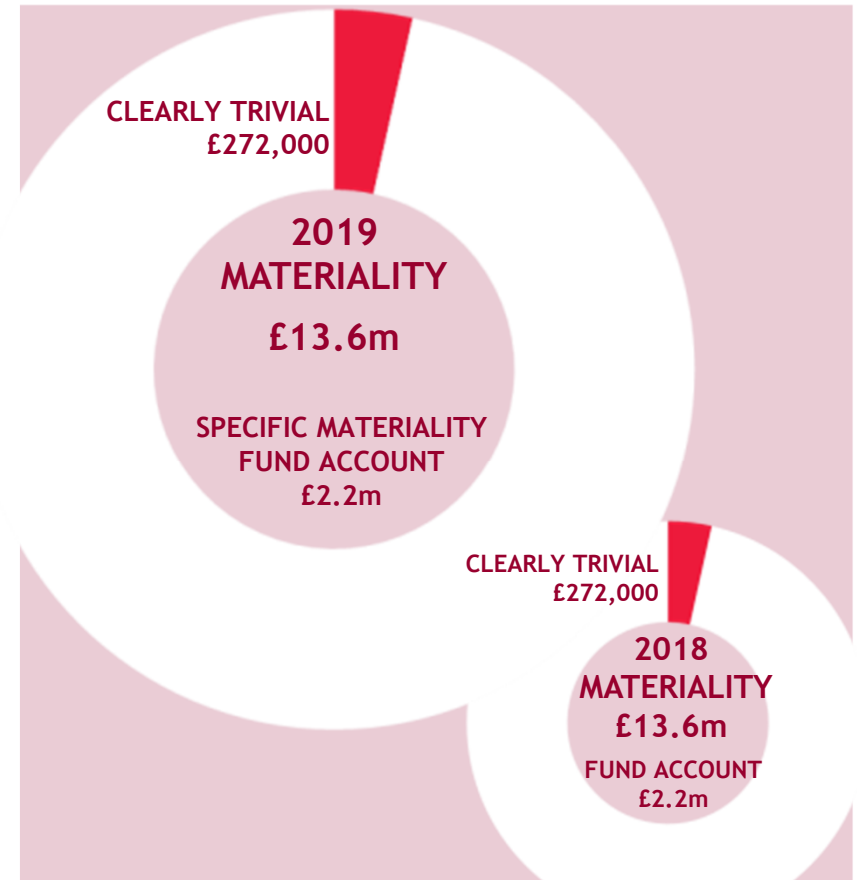
The scope of the audit is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements, ensuring that other information published together with the audited financial statements is consistent with the financial statements and our knowledge obtained during the audit, and reviewing the pension fund to check the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the NAO.

Materiality

Planning materiality for the pension fund financial statements will set at 1% of the valuation of investment assets. Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the fund account at 5% of contributions receivable. This will be revisited when the draft financial statements are received for audit.

Although materiality is the judgement of the engagement lead, the Pensions Committee and Board is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



AUDIT STRATEGY

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Our Audit Strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher.

We have discussed the changes to the organisation, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the pension fund's activities and to determine which risks impact on the numbers and disclosures in the financial statements.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

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Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Pension liability valuation	Significant	No	Substantive	High
Membership disclosure	Normal	No	Substantive	Low
Valuation of investment assets	Normal	No	Substantive	Medium
Benefits payable	Normal	No	Substantive	Low
Classification of financial instruments (IFRS 9)	Normal	No	Substantive	Medium
Contributions receivable	Normal	No	Substantive	Low

INDEPENDENCE AND FEES

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Independence

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

Fees

	2018/19 £	2017/18 £
PSAA scale fees	⁽¹⁾ 16,170	21,000
Total audit fees	16,170	21,000

⁽¹⁾ PSAA has set the 2018/19 fee scale at £16,170 on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18 of £21,000. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

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Key components of our audit objectives and strategy for the pension fund are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

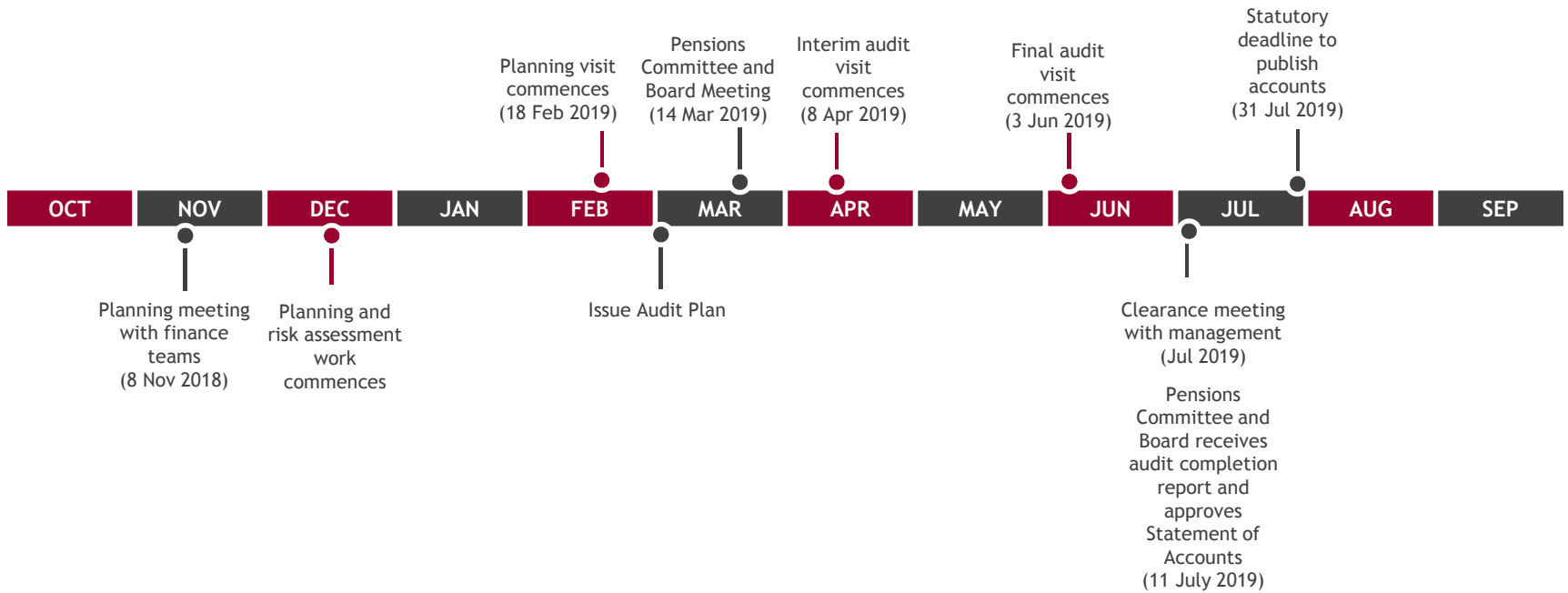
We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO.
Financial statements	We will express an opinion on the pension fund’s financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 and other directions.
Pension fund report	We will review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.
Report to the Pensions Committee and Board	Prior to the approval of the financial statements, we will discuss our significant findings with the Pensions Committee and Board. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.



AUDIT TIMELINE

An overview of the key dates



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BDO TEAM

Team responsibilities



Leigh Lloyd-Thomas
Engagement Lead

t: 020 7893 2616
e: leigh.lloyd-thomas@bdo.co.uk

As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.



Simiso Ngidi
Audit Manager

t: 014 7332 0861
e: simiso.ngidi@bdo.co.uk

I will lead on the audit of the pension fund.

I work closely with Leigh to develop and execute the audit strategy. I will be a key point of contact on a day to day basis for the Pension Fund and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to Management and the Pensions Committee and Board are highlighted on a timely basis.

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We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

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Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Pension liability valuation			There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
3. Membership disclosure			There is a risk that the membership database may not be accurate to support the disclosure in the accounts.
4. Valuation of investment assets			There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.
5. Benefits payable			There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.
6. Classification of financial instruments (IFRS 9)			There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.
7. Contributions receivable			There is a risk that employers may not be calculating contributions correctly and paying over the full amount dues (on normal and deficit rates) or that the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 presumes that Management is in a unique position to perpetrate fraud.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by the pension fund

Risk detail

- ISA (UK) 240 - The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Planned audit approach

Our audit procedures will include the following:

- Review and verification of large and unusual journal entries made in the year and agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.



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There is a risk that the membership data and cash flows provided to the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	□
Fraud risk	□
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	■
Substantive testing approach	■
Risk highlighted by pension fund	■

Risk detail

- An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the 2016 triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.
- Following a ruling on gender discrimination on a Lloyds case, the courts found that UK defined benefit schemes must equalise Guaranteed Minimum Pensions (GMP). Actuaries estimate that this could result in an increase in pension liabilities by up to 0.5% (material) but are not expected to include this in the 31 March 2019 valuation as Government has extended the ‘interim solution’ from December 2018 through to April 2021 to potentially fund this through an alternative long-term methodology known as ‘conversion’.
- Following the ruling on age discrimination on the McCloud case, where members approaching retirement age received protected benefits moving to the CARE scheme from the final salary scheme, Government will have to remedy the discrimination in the LGPS. Government intends to seek leave to appeal this case to the Supreme Court.
- There is a risk the valuation is not based on appropriate membership data where there are significant changes, uses inappropriate assumptions to value the liability or fails to include the potential additional liabilities arising from the GMP and McCloud rulings.

Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Review the controls for providing accurate membership data to the actuary;
- Check whether any significant changes in membership data have been communicated to the actuary; and
- Discuss with the actuary how the impact of the GMP gender discrimination and McCloud age discrimination judgements have been taken into account in the liability assumptions at 31 March 2019 and whether a contingent liability disclosure is required.

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There is a risk that the membership database may not be accurate and up to date to support the disclosure in the accounts.

- Significant risk
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- Risk highlighted by pension fund

Risk detail

- Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed in the financial statements.
- There is a risk that the membership database may not be accurate and up to date to support the disclosure in the accounts.

Planned audit approach

Our audit procedures will include the following:

- Obtain membership records and review the controls over the maintenance of these records; and
- Test a sample of movements of members to transactions recorded in the fund account and other underlying supporting documentation

VALUATION OF INVESTMENT ASSETS

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There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

- Significant risk
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- Significant Management estimates & judgements
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- Risk highlighted by pension fund

Risk detail

- The investment portfolio includes private equity (31 March 2018 £67m) valued by the General Partner or fund manager using valuations obtained from the underlying partnerships. Valuations are provided at 31 December and need to be updated and adjusted to reflect cash transactions (additional contributions or distributions received) up to 31 March.
- The fair value of other funds (31 March 2018 1,217m) comprising unit trusts, unitised insurance policies and pooled investments is provided by individual fund managers and reviewed by the custodian (Northern Trust). These valuation are reported on a quarterly basis although there may be amendments to the final valuations that may be received after the draft accounts have been prepared.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the General Partner or fund managers including any subsequent final valuations to ‘flash’ valuations in the draft accounts; and
- Obtain independent assurance reports over the controls operated by the fund managers for valuations and existence of underlying investments in the funds.

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There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

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 Risk highlighted by pension fund

Risk detail

- Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations.
- Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

Planned audit approach

Our audit procedures will include the following:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, substantively test a sample of calculations of pension entitlement;
- Check the correct application of annual pension uplift for members in receipt of benefits;
- Check a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the checks undertaken by ATMOS on the existence of pensioners;
- Review the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches;
- Review any life certification exercises undertaken for members that are excluded from the National Fraud Initiative; and
- Agree amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

CLASSIFICATION OF FINANCIAL INSTRUMENTS (IFRS 9)

There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.

Significant risk
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 Fraud risk
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 Risk highlighted by pension fund

Risk detail

- IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and receivables) and liabilities (principally payables) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.
- As investment assets in the pension fund are already carried at fair value through profit and loss (FVTPL) this is unlikely to require reclassification of these financial assets. Management will need to determine whether the £150,000 investment in the London CIV represents a direct equity holding and could be classified as FVTPL or fair value through other comprehensive income (FVOCI), or whether this is a loan to the London CIV and held at amortised cost.
- Some receivables carried at amortised cost will require an expected credit loss impairment (ELC) review rather than an incurred credit loss impairment review as in previous years, taking into account future potential losses. This is not required for contributions due from other local authorities and Government bodies as the Code states that these cannot have credit impairments. Therefore, this is likely to impact only on receivables for non-government admitted and scheduled bodies contributions due.
- There is a risk that financial instruments are not classified and measured in accordance with IFRS9 and the new disclosures required by these new standards are omitted.

Planned audit approach

Our audit procedures will include the following:

- Review the work performed by the pension fund, once undertaken, to assess the impact of IFRS 9 on the financial statements; and
- Review the disclosures required relating to the adoption of the new accounting standard.

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There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

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Risk detail

- Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.
- Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.
- There is a risk that employers may not be calculating contributions correctly, not paying over the full amount due to the pension fund or failing to charge employers the capital cost of pension strain due to early retirement.

Planned audit approach

Our audit procedures will include the following:

- Test a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Review contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Perform tests over capital cost due from employers for pension strain due to early retirement; and
- Carry out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

OTHER MATTERS REQUIRING FURTHER DISCUSSION

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Fraud

Whilst the Pensions Committee and Board as those charged with governance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We request confirmation from the Pensions Committee and Board on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Significant estimates

We will report to you on significant estimates. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historic judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Internal audit

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

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

Laws and regulations

We will consider compliance with Laws and regulations. The most significant of these for the Pension Fund includes the Local Government Pension Scheme Regulation 2013. We will make enquiries of Management and review correspondence with the relevant authorities.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Pensions Committee and Board.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

IT GENERAL CONTROLS

IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of IT environment testing.



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INDEPENDENCE

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Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2019. Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Pension Fund.

We also confirm that we have obtained confirmation of independence external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the pension fund.

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

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Fees summary for year ending 31 March 2019

	2018/19 £	2017/18 £
PSAA scale fees	(1) 16,170	21,000
Total audit fees	16,170	21,000

(1) PSAA has set the 2018/19 fee scale at £16,170 on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18 of £21,000. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.





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Financial reporting

The Pension Fund is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the pension fund accounts for its stewardship.

The form and content of the financial statements should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and publishing the Statement of Accounts (including the financial statements) and Pension Fund Annual Report which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on the pension fund's financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts and Pension Fund Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the pension fund and the Pensions Committee and Board and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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COMMUNICATION WITH YOU

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Those charged with governance

References in this report to Those Charged With Governance are to the Council (as the administrating authority of the pension fund) as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pensions Committee and Board.

Communication, Meetings and Feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Planning Report

The Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the Report.

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These tables indicate the latest rotation periods normally permitted under the independence rules for the terms of appointment by PSAA.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place before
Leigh Lloyd-Thomas Engagement Lead	4	5 years (last year will be 2019/20)
Simiso Ngidi Audit Manager	2	10 years

Independence - audit quality control

Role	Number of years involved	Rotation to take place before
Engagement Quality Control Reviewer	2	7 years

MATERIALITY: DEFINITION AND APPLICATION

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Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the pension fund, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

MATERIALITY: DEFINITION AND APPLICATION



If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Pensions Committee and Board confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

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AUDIT QUALITY

BDO's audit quality cornerstones underpin the firm's definition of audit quality.

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at www.bdo.co.uk



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FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7983 2616

e: leigh.lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Report for: Pensions Committee and Board – 14 March 2019

Item number:

Title: Pensions Administration Report

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

Lead Officer: Janet Richards – Pensions Manager,

☐☐ 020 8489 3824

☐☐☐janet.richards@haringey.gov.uk

Ward(s) affected: Not applicable

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

1. Describe the issue under consideration

- 1.1. The report gives a breakdown of the amount of visits made to the Haringey pension fund website.
- 1.2. This report presents details of a new admission to the pension fund.
- 1.3. Review the Internal Resolution Disputes Procedure (IDRP).

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations that members:

Note:

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

Note and Approve:

- 3.2 Approve the admission of Brayborne Facilities Services Limited as a new employer to the Pension Fund, subject 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 or paying an increase contribution rate in lieu of a bond.

- 3.3 **Note and Approve:**

The updated pension fund's Internal Dispute Resolution Procedure notifies that the new stage one adjudicator for Haringey Council's appeals is the Head of Pensions, Treasury and Chief Accountant. The revised procedure is attached.

4. Reason for decision

New Admission Body to the Fund

- 4.1. Mulberry Primary School has tendered its premises and cleaning service and the successful bidder was Brayborne Facilities Services Ltd. It is proposed that Brayborne Facilities Services Ltd be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the Cleaning Service for Mulberry Primary School, subject to Brayborne Facilities Services Ltd entering into an admission agreement with the Council so that those eligible employees can remain within the Haringey Pension Fund.
- 4.2. That an admission agreement satisfactory to the Council, be entered into - in respect of each of the service contracts and that the agreements are closed agreements, as such that new members can not be admitted.
- 4.3. Under the LGPS, if a body is an admission body as defined by the Regulations; the administering authority enter into an admission agreement with that admitted body. The admitted body's employees which have transferred over and providing the service will be eligible for membership of the Scheme if designated under the terms of the agreement. An admitted body will provide a service in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or another arrangement.

5. Alternative options considered

Not applicable

6. Background information:

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

	users	Page views
December 2017	209	1,005
December 2018	310	1,190
January 2018	347	1,515
January 2019	441	1,831

The average amount of users per month to the pension website is 375 and they view on average 1,510 pages, just over 4 pages for each user.

- 6.2. Mulberry Primary School has tendered its cleaning service, which will transfer to Brayborne Facilities Services Ltd on 18th March 2019. Nine staff will be TUPE transferred; seven are members of the LGPS. The admission agreement will be closed and only the TUPE transferred staff can participate in the LGPS. Staff are required to work no less than 50% of their time on the contract. The actuary has

calculated that Brayborne Facilities Services Ltd will pay a rate of 29.2% for employer's pension contributions and secure a bond of £56,000

- 6.3. The admission to Haringey Pension Fund will be conditional upon Brayborne Facilities Services Ltd securing a bond of £56,000 or guarantor which will indemnify the Pension Fund should Brayborne Facilities Services Ltd fail to pay across any amounts due to the pension fund over the course of the contract. Otherwise a 'pass through' arrangement can apply where Brayborne Facilities Services Ltd will be required to pay an additional contribution rate of 5% in lieu of a bond but will not receive an exit credit or be required to pay an exit debit on the termination of the contract, (under this scenario a ceding employer is essentially acting as guarantor).
- 6.4. The pension section has reviewed the Internal Disputes Resolution Procedure (IDRP) process. The new Adjudicator who will deal with Stage One appeals will be the Head of Pensions, Treasury and Chief Accountant, the former Adjudicator was the Head of Human Resources Operations. The Stage Two Specified Pension will still be the Assistant Director for Corporate Governance.

7. Contribution to strategic outcomes

Not applicable

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

Chief Finance Officer

- 8.1. There are no direct financial implications arising from the updated Internal Dispute Resolutions Procedure, however maintain such a document and the associated procedures is a clear indicator of good risk management (including financial) and governance standards. Maintaining these standards over the long term will provide value for money for the Pension Fund, helping to ensure that the scheme remains affordable for fund members and scheme employers.
- 8.2. The admission of new bodies into the Fund will only be done after careful consideration of the risks presented to the fund by new admission bodies, unless their admission is required by statute, and the Fund has no discretion, (i.e. in the case of Academy schools). In the case of outsourcings of services to commercial bodies, admission will only be granted on the basis that the admission body provides a bond, or guarantee from a sufficiently robust third party, to indemnify the Fund against any future liabilities which may arise, e.g. insolvency on the part of employers etc.

Assistant Director of Corporate Governance

- 8.3. The report seeks authority to admit Brayborne Facilities Services Ltd as admitted body to the Haringey Pension Fund. A person is eligible to be an active member of the Scheme in an employment if employed by an admission body and is designated, or belongs to a class of employees that is designated by the body under the terms of an admission agreement, as being eligible for membership of the Scheme;
- 8.4. Brayborne Facilities Services Ltd is a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.
- 8.5. Regulation 74 of the 2013 Regulations requires the administering authority to appoint a person (“the adjudicator”) to consider applications from any person whose rights or liabilities under the Scheme are affected by (a) a first instance decision; or (b) any other act or omission by the administering authority, and to make a decision on such applications. The recommendation is for the Head of Pensions, Treasury and Chief Accountant to be the adjudicator.

9. Use of Appendices

Appendix 1 Updated Internal Dispute Resolution Procedure

10. Local Government (Access to Information) Act 1985

Not Applicable



Haringey Council Pension Fund

Pension Scheme Appeals Procedure

A guide to the appeals procedure under the Local Government Pension Scheme.



Note : *This booklet provides a straightforward guide to how the internal dispute resolution procedures operate in the Local Government Pension Scheme, and is provided for general information only. It does not cover every aspect. It is not an interpretation of the scheme regulations. In the event of any unintentional differences, the scheme regulations will prevail. This booklet does not confer any contractual or statutory rights.*

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP) EMPLOYEES' GUIDE

ENQUIRIES

If you are not sure which benefits you are entitled to, or you have a problem with your benefits, please either phone the number on the letter your employer or administering authority sent you, or contact the Pensions Team of your administering authority on:- **0208 489 3824 (Full Contact Information Below)**

They will try to deal with the problem as quickly and efficiently as possible. The administering authority is the authority that looks after the pension fund.

Many problems that members have are, in fact, resolved in this way. They may be caused by misunderstandings or wrong information, which can be explained or put right easily. An informal enquiry of this kind may save you a lot of time and trouble.

DECISIONS

From the day that you become a member of the Local Government Pension Scheme (LGPS) decisions are made about your pension rights. Some decisions are made by your employer and cover issues such as what part of your pay should be treated as pensionable, to the type of benefits that should be paid to you when you leave the scheme. Some are made by Haringey Council Pension Section as the administering authority and cover issues such as the amount of benefits to which you are entitled. When you (this includes dependants) are notified of a decision you should check, as far as you can, that it is based on the correct details and that you agree with the decision.

Any decision about rights or liabilities under the Pension Scheme concerning a person's previous service or employment; the crediting of additional pension and the amount of benefit, or return of contributions a person is or may be entitled to out of a pension fund is the responsibility of the administering authority.

Decisions about any other matter concerning the person's rights or liabilities under the scheme are made by the person's employer.

All decisions made about rights or liabilities notified to you will include:

- The address where further information about the decision can be obtained;
- Your right to appeal and who you need to appeal to;
- The time limits within which you must lodge any appeal; and
- The job title and address of the person to whom you must send your appeal.

Decisions made by the employer or administering authority must be made as soon as reasonably practicable.

If an initial decision is that you are not entitled to a benefit, the letter must explain the grounds for that decision.

A notification about the amount of a benefit must contain a statement showing how it is calculated.

COMPLAINTS

If you are not satisfied with any decision affecting you made in relation to the Scheme, or the administering authority or employer has not done something they should have, or has done something they shouldn't have and failed to correct the act or omission you have the right to ask for it to be looked at again under the formal complaint procedure. The complaint procedure's official name is the "Internal Dispute Resolution Procedure" (IDRP).

There are also a number of other regulatory bodies, such as the Pensions Advisory Service (TPAS) and the Office of the Pensions Ombudsman, which may be able to help you. They are described in the "Additional Help" section.

The formal complaint procedure has two stages. Many complaints are resolved at the first stage. Any complaint you make should be treated seriously, and considered thoroughly and fairly.

You can ask someone to take your complaint forward on your behalf. This could be, for instance, a trade union official, welfare officer, your husband, wife or partner, or a friend.

No charge is made at any stage for investigating a complaint under the internal dispute resolution procedure. But expenses that you will have to meet are your own (and/or your representative's) time, stationery and postage.

At any stage during the formal complaint procedure you can contact the Pensions Advisory Service (TPAS) for information and advice (see "Additional Help" section).

Please remember that, before going to the trouble of making a formal complaint, your employer or the Pensions Section may welcome the opportunity to try to resolve the matter about which you are dissatisfied in an informal way. It may be worth checking again that they know you are concerned, and why.

First stage

If you need to make a formal complaint, you should make it :

- in writing, using the application form provided by the Pensions Team, and
- within 6 months of the day when you were told of the decision you want to complain about, or within 6 months of the act or omission which has caused a disagreement.

The Adjudicator does have the discretion to extend the 6 month period for making an application in exceptional circumstances.

Your complaint will be considered carefully by a person nominated by the body that took the decision against which you wish to complain. This guide calls them the "Adjudicator". That person is required to give you their decision in writing within 2 months of receiving all the paperwork surrounding the complaint. It is possible for the adjudicator to extend the two month period if they set out the reasons for the delay and the expected date for their decision, but this must be reasonable in the circumstances. The adjudicator must also give written notice of their decision to the employer and administering authority (if appropriate). The person designated to be the adjudicator of complaints at the first stage is the Head of Pensions, Treasury and Chief Accountant

The decision letter must include:

- A statement setting out the decision
- A reference to any legislation on which the adjudicator relied
- Where the disagreement relates to the exercise of discretion, the regulation in the legislation that provides that discretion
- A reference to the applicants right to refer the matter to a second stage review and the time within which they must do so
- A statement that the Pensions Advisory Service is available to give assistance and their address.

If the Adjudicator's decision differs from the original decision you complained about, your employer or the Pension Section, who made that original decision will now have to deal with your case in accordance with the decision of the Adjudicator.

If the decision you complained about concerned the exercise of discretion by your employer or the Pension Section, the Adjudicator may decide that they should reconsider the decision.

Second Stage

You can ask the authority to take a fresh look at your complaint:

You must make your second stage application within 6 months of the first stage decision, or, where an interim reply gave an expected decision date, seven months from that date, or where you have not received any first stage reply, within 9 months of your original application.

This review will be undertaken by a person not involved in the first stage decision. The person designated to consider complaints at the second stage is the Assistant Director of Corporate Governance.

You will need to send your complaint to the Pension Section in writing. . You will need to include:

- a) Your name, address and date of birth;
- b) If you are not the scheme member, your relationship to that person, and include their name, address, date of birth, national insurance number and the name of the scheme employer.
- c) A statement that you wish the adjudicator's decision to be reconsidered;
- d) The details of why you think the decision should be reconsidered (your grounds of appeal)
- e) The First Stage decision.

The application for a second stage review should be signed by the applicant or by someone acting on their behalf.

The designated person will consider your complaint and within two months of your application will give you and the administering authority their decision in writing. It is possible for the designated person to provide an interim reply within the two month period, explaining that there will be a slight delay in the decision, explaining the reasons for that and providing a new expected decision date.

Notice of the decision will include:

- a) A statement of the decision;
- b) A reference to any legislation relied upon;
- c) Where the disagreement relates to the exercise of a discretion, the provisions of the LGPS Regulations which confer that discretion;
- d) A statement that the Pensions Advisory Service is available to give assistance in connection with any difficulty with the Scheme that remains unresolved
- e) A statement that the pensions ombudsman may investigate and determine any complaint or dispute of fact or law in relation to the Scheme made or referred under the Pensions Act 1993; and
- f) The address of the Pensions Advisory Service and the Pensions Ombudsman.

If you are still unhappy following the second stage decision, you can take your case to the Pensions Ombudsman provided you do so within 3 years from the date of the original decision (or lack of decision) about which you are complaining.

ADDITIONAL HELP

The Pensions Advisory Service (TPAS)

At any time if you are having difficulties in sorting out your complaint, you may wish to contact TPAS. TPAS can provide free advice and information to explain your rights and responsibilities. To get information or guidance, you can look at the website on www.tpas.org.uk or you can contact TPAS by phone, post, email or fax.

The **Pensions Helpline phone number** is 0800 011 3797, lines are manned Monday to Friday 9am to 5pm. Outside of these times, you can leave your number and someone will phone back later.

You can write to:
TPAS
11 Belgrave Road
London
SW1V 1RB

Tel : 0800 011 3797 Fax : 020 7233 8016
Email : enquiries@pensionsadvisoryservice.org.uk

If you have received a second-stage decision under the Local Government Pension Scheme internal dispute resolution procedure, are not satisfied with that decision, and still think your complaint is well-founded, TPAS may be able to help to resolve your pensions complaint or dispute. Before asking for TPAS' help in resolving a dispute, you must have already tried to settle it using the LGPS internal disputes resolution procedure described above.

A TPAS adviser cannot force a pension scheme to take a particular step but, if they think your complaint is justified, they will try to resolve the problem through conciliation and mediation. TPAS would need copies of all relevant documents, including the correspondence about your complaint under the internal complaints procedure and how it was dealt with.

Pensions Ombudsman

The Pensions Ombudsman investigates complaints and settles disputes about pension schemes. However, before contacting the Ombudsman, the Pensions Ombudsman's Office would normally expect you to have :

- been given first-stage and second-stage internal dispute resolution procedure decisions by the Local Government Pension Scheme; and
- asked for the help of TPAS.

The Pensions Ombudsman is completely independent and acts impartially. His role and powers have been decided by Parliament. There is no charge to you for using the Pensions Ombudsman's services.

The Ombudsman cannot investigate matters where legal proceedings have already started but, subject to that, he can settle disputes about matters of fact or law as they affect occupational pension schemes.

He can also investigate and decide any complaint or dispute about the maladministration of a pension scheme. "Maladministration" is about the way that a decision is taken, rather than about the merits of the decision. Examples of maladministration would be unreasonable delay, neglect, giving wrong information and discrimination.

The Pensions Ombudsman's decision is final and binding on all the parties, subject to any appeal made to the High Court on a point of law.

You must refer your complaint to the Pensions Ombudsman within 3 years of the event about which you are complaining, or within 3 years of when you first became aware of the problem.

You can contact The Pension Ombudsman:

In writing at :

The Office of the Pensions Ombudsman,

10 South Colonnade

Canary Wharf,

London,

E14 4PU

By Telephone : 020 7630 2200

By Fax : 020 7821 0065

Alternatively, you can email : enquiries@pensions-ombudsman.org.uk or visit the Pensions Ombudsman website for further information

DISCLAIMER

This guide is for information only and does not give you any contractual or legal rights. The appropriate legislation will apply to your pension benefits.

Contact Details for the Haringey Council Pensions Section:

Tel no: 0208 489 1700

E-mail: Pensions.mailbox@haringey.gov.uk

Address: Alexandra House, 10 Station Road, London N22 7TR

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INTERNAL DISPUTE RESOLUTION PROCEDURE

Application to the Adjudicator (First Stage)

The Local Government Pension Scheme

This form is for the purpose of making an appeal to the Adjudicator and it includes all those items of information which must be included in an appeal application. Please complete the form clearly and in ink.

1 Scheme Members Details:

(Please complete this box in all cases.) if you are the scheme member (the person who is or was in the scheme), please give your details in this box, and then go to section 4.

If you are the scheme member's dependent (for example husband, wife, civil partner, eligible cohabiting partner or child) please give the members details in this box then go to section 2.

If you are representing the person with the complaint, please give the member's details in this box and then go to section 3.

Please complete the details using Capital Letters	
Surname	
Forename(s)	
Home Address	
Contact email address	
Job Title	
Where Employed	
Date of Birth	National Insurance No
If you are the Scheme Member, please go straight to Box 4 If you are the Scheme Member's dependent*, please go to Box 2 If you are representing the Scheme Member, or his/her dependants, please go to Box 3	

* A Dependant is the Scheme Member's, Widow; Widower; or Child.



2 Dependants Details.

(Please enter details if the appeal is about dependants benefits.).

Please complete the details using Capital Letters	
Surname	Date of Birth
Forename(s)	
Home Address	
Contact email	
Relationship to Scheme Member	
If you are the Scheme Member's dependant please go to Box 4 If you are acting as a representative, please go to Box 3	

3 Representative's Details:

(If you are acting as the representative of the Scheme Member or Dependant, please enter your details)

Please complete the details using Capital Letters	
Surname	
Forename(s)	
Address (including postcode)	
Address to which correspondence should be sent (if different)	
Contact email	
Please complete the details in Box 4	

4 Your complaint

Please give full details of your complaint in this box. Try to explain exactly why you are aggrieved, giving any dates or periods of scheme membership that you think are relevant. If there is not enough space, please go onto a separate sheet. Ensure the members name and national insurance number is on the top of each additional page.

Declaration :

Please tick the statement which applies to you:

- I am a scheme member / prospective scheme member / former scheme member
- I am a dependent of a former member
- I am the members or dependant's representative*

I would like the Adjudicator to look at this complaint and make a decision about it:

Signed:	Date:
---------	-------

*If you are the member's or dependant's representative we require written permission from the member or dependant to disclose information to you. The member or dependant should complete the declaration below:

I, _____(member or dependant's name)

give permission for _____(representative's name) to represent me.

I would/would not (delete as applicable) like to receive a copy of all correspondence.

Signed:	Date:
---------	-------

Please enclose a copy of any notification you received from your employer or Haringey Council Pension Section about the decision you are complaining about, together with any evidence in support of your appeal.

Please return this form to : -

The Pensions Section
Alexandra House,
10 Station Road,
London
N22 7TR.

BOX 1: This box must be completed in all cases.

If you are the Scheme member or prospective member, you must give your full name, address, job title, and date of birth and National Insurance Number.

the Scheme member.

Please give your full name and address, your date of birth and your relationship to the Scheme member.

BOX 3: This box must be completed if you are the Scheme member's or dependant's representative. Boxes 1 and 2 above must also be completed if you are representing scheme member's dependant(s).

Please give your own name and address and the appropriate address for correspondence. Please also send evidence of your authority to act for the complainant. Such as a signed letter from the complainant, or a certificate of Power of Attorney.

BOX 4: If you need more space to state your case, please continue on a separate sheet, and attach it to the application form. **Also attach the original decision that is the subject of the complaint.**

BOX 5: Finally, either you or your representative must sign the form.

What happens next?

The Adjudicator will consider your appeal. You may be asked to provide more information, or to provide some further explanation so that the issues are fully understood. If the state of your health has a bearing on your appeal, you may be asked to attend a medical examination or to give consent for your medical records to be released to a doctor chosen by the Adjudicator.

Time limits under the Internal Dispute Resolution Procedure

Your situation	To complain to	Time Limit
You have received a decision on your benefits under the pension section or from your employer and there seem to be good grounds for complaining.	The Adjudicator under the first stage of the procedure.	6 months from the date when you were notified of the decision.
You have received a first stage decision on your complaint from the Adjudicator, but you are not satisfied.	Haringey Council Pension Section as the administering authority under the second stage of the procedure.	6 months from the date of the Adjudicator's decision.
You made your complaint in writing to the Adjudicator with all the information they needed but, 3 months later, you have not received their decision on your complaint or any interim reply.	Haringey Council Pension Section as the administering authority under the second stage of the procedure.	9 months from the date when you submitted your complaint.
You received an interim reply to your complaint to the Adjudicator, within 2 months of applying to them. Their reply promised you a decision by a specified date but, one month after the specified date, you still have not received their decision.	Haringey Council Pension Section as the administering authority under the second stage of the procedure.	7 months from the date by which you were promised you would receive a decision
Your complaint is that your employer or Haringey Council Pension Section as the administering authority has failed to make any decision about your benefits under the pension scheme.	The Adjudicator under the first stage of the procedure.	6 months from the date when the employer or Haringey Council Pension Section, as the administering authority should have made the decision.
Your complaint went to the Haringey Council Pension Section as the administering authority under the second stage of the procedure. You received their decision but you are still not satisfied.	The Pensions Ombudsman. Note that the Ombudsman will normally expect you to have asked TPAS for help first.	3 years from the date of the original decision about which you are complaining.
You have taken your complaint to Haringey Council Pension Section as	The Pensions Ombudsman. Note that the Ombudsman	3 years from the date of the original decision about which

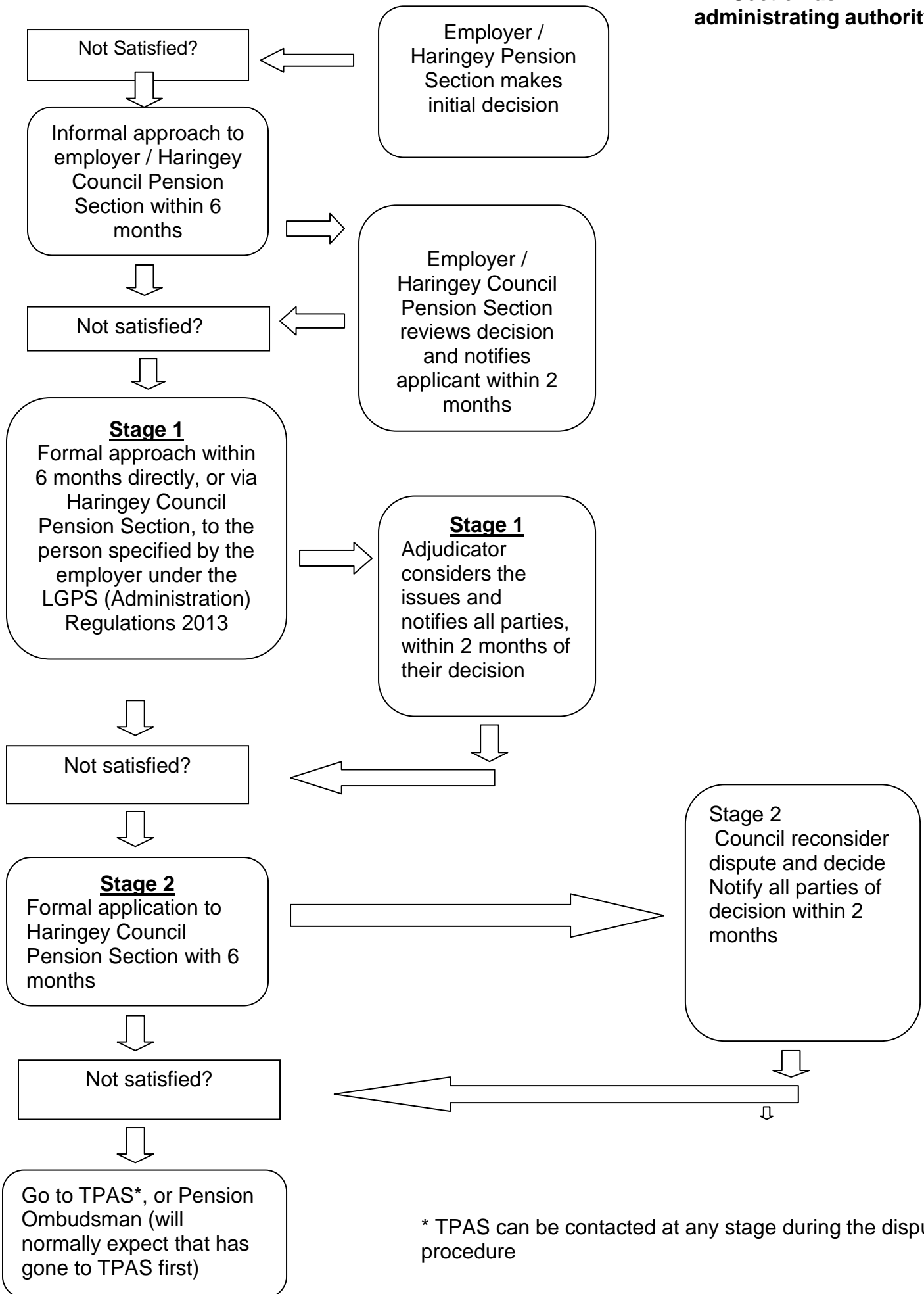
<p>the administering authority under the second stage of the procedure but, 2 months after your complaint was received by the authority; you have not received their decision on your complaint or any interim reply.</p>	<p>will normally expect you to have asked TPAS for help first.</p>	<p>you are complaining.</p>
<p>You received an interim reply to your second stage complaint to Haringey Council Pension Section, as the administering authority, within 2 months of applying to them. Their reply promised you a decision by a certain date but, by that date, you still have not received their decision.</p>	<p>The Pensions Ombudsman. Note that the Ombudsman will normally expect you to have asked TPAS for help first.</p>	<p>3 years from the date of the original decision about which you are complaining.</p>

Internal Dispute Resolution Procedure Flowchart

Applicant

Respondent

**Haringey Council Pension
Section as
administrating authority**



Report for: Pensions Committee and Board 14 March 2019

Item number:

Title: Long Lease Property Investments

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

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
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 information to members of the pensions committee and board regarding the fund's existing commitment to long lease property investments, and the London Collective Investment Vehicle's (CIV) inflation plus subfund.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee consider the report, and information and advice outlined by Mercer, the fund's Investment Consultant in Confidential Appendix 1.

4. Reason for Decision

- 4.1. N/A this is an information item.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. 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 Aviva Commitment was made in early 2016, and £50m was agreed to be invested in the Aviva Lime Fund. The CBRE investments are outside the scope of this report.
- 6.2. It should be noted that although in early 2016, 5% of total assets equated to £50m, 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 has been noted at previous pensions committee and board meetings (in particular September 2018).
- 6.3. The £50m has been in an investment queue since 2016, and has not yet been invested. The latest update is that this is expected to be invested in Q2 or Q3 of 2019. Although, the timescales for drawdown on the funds have continually been pushed back since 2016.
- 6.4. The London CIV has recently completed a procurement process to appoint a fund manager for an inflation plus subfund, as part of their range of investment product offerings. Aviva are the proposed manager for this mandate, and there are some similarities between this, and the Lime fund which Haringey has committed to invest in.
- 6.5. Under the government's pooling agenda, Haringey is required to pool investment assets. The Ministry for Housing, Communities and Local Government (MHCLG) released statutory guidance for funds in January 2019 which is currently being consulted on, (as reported to the Pensions Committee and Board in the prior meeting). This statutory guidance makes clear that new investments should normally be made via the pool, and that assets should be transitioned to the pool in as expedient a manner as possible. However, the guidance also makes it clear that funds should not unduly disadvantage themselves simply to pool all assets, and if the costs of such transition outweighs the benefits, then some assets may remain outside the pool temporarily, and should be subject to regular review.
- 6.6. The Fund's commitment to the Lime Fund was made in 2016, so should not be considered a 'new' investment, however, it will be outside the pool. As Aviva has been appointed by the CIV to manage a similar product to the Lime fund, officers have commissioned a review and advice from the fund's Investment Consultant, Mercer, to highlight whether there is any action that the fund should take at this time, cognisant of the pooling agenda, and with the aim of not holding assets outside the pool where it is possible instead to use CIV options, unless that are clear benefits for doing so.
- 6.7. Given the content of the advice produced by Mercer in Confidential Appendix 1, it is not proposed that any change to current strategy is

made at this time, and that the fund will invest the £50m in the Aviva Lime fund later in 2019 (or later should the investment queue push out to a later timescale). At a future stage, the fund will be able to review whether to make a commitment to the London CIV inflation plus fund separately, and whether there is any further action that can be taken regarding the investment in the Lime Fund, which will sit outside the pool initially. Officers will report back to the Pensions Committee and Board with an update on this matter over the course of 2019/20.

- 6.8. The Independent Advisor has considered the contents of the information in the confidential appendix provided by Mercer the Investment Consultants to the Fund. The Independent Advisor is satisfied that the contents of the Mercer paper are both considered and logical.

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 Pension Committee and Board has previously made the decision to invest £50m in the Aviva Lime Fund. This is a highly rated investment product by the Fund's Investment Consultant, and will be a positive addition to the fund's investment portfolio, once invested, as it will provide the fund will highly creditworthy asset backed security, and an inflation linked income stream.
- 8.2. Transitioning investment assets can incur significant transaction costs, so this should be avoided unless absolutely necessary. The Fund would not, for example, wish to invest in the Lime Fund outside the pool, and then shortly afterwards sell this investment, to move funds into the London CIV subfund. This has been a key consideration in commissioning the advice from the fund's Investment Consultant, Mercer.
- 8.3. The fund is required to pool assets, as mentioned earlier in this report. The fund's approach with the Aviva investment will be consistent with the MHCLG statutory guidance on pooling.

Legal

- 8.4 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.

- 8.5 Any changes to the allocations must comply with the Pension Fund Investment Strategy Statement. There are no legal implications in respect of the proposal.

Equalities

- 8.6 There are no equalities issues arising from this report

9. Use of Appendices

- 9.1. Confidential Appendix 1 – Long Lease Property Review

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

Report for: Pensions Committee and Board 14 March 2019

Item number:

Title: Conflicts of Interest Policy

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

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

Ward(s) affected: N/A

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

1. Describe the issue under consideration

1.1 This report introduces the proposed Conflict of Interest Policy.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Committee adopt the Conflicts of Interest Policy at Appendix 1.

4. Other options considered

4.1 N/A.

5. Background information

5.1 From April 2015 certain public sector pension schemes must be governed and administered under the Public Service Pensions Act 2013 ("Act"). Therefore managers and Pensions Committee members must comply with a number of legal requirements. One of the requirements is ensure that no individual has a Conflict of Interest.

5.2 A Conflicts of Interest Policy has been established to guide Pensions Committee members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance,

encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund

- 5.3 A copy of the Conflict of Interest Policy can be found at Appendix 1.
- 5.4 A copy of this policy will be sent to all Pensions Committee members, senior Managers and advisors, who will then complete 'Conflicts of Interest Declaration Form. This is a process that is repeated annually.
- 5.5 A Register of Interests has been established and will be updated when required. It will be available for inspections before all meetings of the Board, and any material interests will be disclosed on the annual report.
- 5.6 The last version of the conflicts of interest policy was approved at the Pensions Committee and Board meeting in March 2017, it is good practice to regularly review the policy to ensure it remains current.

6. Comments of the Chief Financial Officer and financial implications

- 6.1 There are no financial considerations.

7. Comments of the Assistant Director of Corporate Governance

- 7.1 The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and makes the following comments.
- 7.2 The Assistant Director of Corporate Governance supports the recommendation made in the report, as a key tool in ensuring good governance in decision making.
- 7.3 The Act in Section 7 (5) defines "conflict of interest", relation to a person, as a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme). The policy follows guidance issued by the LGPS, and contains the 3 minimum aspects to what a policy should contain, namely:
 - examples of scenarios giving rise to conflicts of interest
 - examples of scenarios how conflicts may arise specifically in relation to a member of the Board;
 - how to deal with such conflicts when they arise

8. Equalities and Community Cohesion Comments

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

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None applicable.

11. Use of Appendices

11.1 Appendix 1: Conflicts of Interest Policy and Declaration of Interests Form.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

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London Borough of Haringey Pension Fund Conflicts of Interest Policy

1. Introduction

- 1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.
- 1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.
- 1.3 This is the Conflicts of Interest Policy of the London Borough of Haringey Pension Fund (LBHPF), which is managed by London Borough of Haringey (LBH). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the LBHPF whether directly or in an advisory capacity.
- 1.4 This Conflicts of Interest Policy is established to guide the Pensions Committee and Board, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

2. Aims and Objectives

- 2.1 In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:
 - All members of the Pensions Committee and Board and staff charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
 - The Fund is open in all its dealings and readily provides information to interested parties.
 - All relevant legislation is understood and complied with.
 - The Fund is at the forefront of best practice for LGPS funds.

- All Conflicts of Interest are managed appropriately.

The identification and management of potential and actual conflicts of interest is therefore integral to the Administering Authority achieving its governance objectives.

3. Application of this policy

- 3.1 This Conflicts of Interest Policy applies to all Pensions Committee and Board members including employee and employer representatives, whether voting members or not. It applies to all staff supporting the LBHPF.
- 3.2 This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.
- 3.3 The Head of Pensions will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as appropriate.
- 3.4 This Policy also applies to all advisers and suppliers to the Fund, in relation to their role in advising or supplying the Fund.
- 3.5 In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.
- 3.6 In accepting any role covered by this Policy, those individuals agree that they must:
 - acknowledge any potential conflict of interest they may have;
 - be open with the Administering Authority on any conflicts of interest they may have;
 - adopt practical solutions to managing those conflicts; and
 - plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

4. Legislative and related context

- 4.1 There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

5. Other administering Authority Requirements

5.1 Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- Pensions Committee and Board members who are required to adhere to the LBH Members' Code of Conduct.
- Employees who are required to adhere to the LBH Staff Code of Conduct.
- Advisers who are expected to have their own policies or protocols.

Further information is provided in Appendix 2.

6. What is a Conflict or potential Conflict and how will it be managed?

6.1 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:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LBHPPF, and
- 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. Some examples of potential conflicts are included in Appendix 3.

6.2 LBH encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

6.3 LBH will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Pension Fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue.
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue.
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen).

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, LBH shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively

managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

7. Responsibility

7.1 The Administering Authority for the LBHPF must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Assistant Director Corporate Governance is the designated individual for ensuring the procedure outlined below is adhered to. However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

8. Operational procedures

8.1 Declaration at Appointment

8.1.1 On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest form. See Appendix 4. The information contained in this declaration will be collated into the Pension Fund's Register of Conflicts of Interest.

8.2 Declaration at Meetings

8.2.1 At the commencement of any Pensions Committee and Board or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts.

8.2.2 These will be recorded in the Fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available to the Chair of every meeting prior to that meeting.

8.2.3 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. The Chair should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.

8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Assistant Director Corporate Governance and where it relates to the business of any meeting, also to the Chair of that meeting. The Assistant Director Corporate Governance, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict.

8.2.5 Where information relating to any potential or actual conflict has been provided, the Assistant Director Corporate Governance may seek such professional advice as he or she thinks fit on how to address any identified conflicts.

8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the Fund's Register of Conflicts of Interest.

8.3 Annual Declaration

8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration.

8.4 Conduct at Meetings

8.4.1 There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pensions Committee and Board meeting, and that this will be recorded in the minutes.

9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to LBH as Administering Authority
- notify the Assistant Director Corporate Governance immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of Conflicts of Interest.

10. Monitoring and reporting

10.1 The Fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition information relating to conflicts of interest will be published in the Fund's Annual Report and Accounts.

10.2 In order to identify whether the objectives of this Policy are being met the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

11. Key Risks

11.1 The key risks to the delivery of this Policy are outlined below all of which could result in an actual conflict of interest arising and not being properly managed. Head of Pensions will monitor these and other key risks and consider how to respond to them, taking advice from the Assistant Director Corporate Governance as appropriate.

The key risks are:

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters.
- Insufficient training or failure to communicate the requirements of this Policy.
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this Policy.
- Failure by the Chair of the Pensions Committee and Board to take appropriate action when a conflict is highlighted at a meeting.

12. Costs

- 12.1 All costs related to the operation and implementation of this Policy will be met directly by LBHPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Legislation, Regulation and Guidance on Conflicts of Interest

The requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose. Haringey Pensions Committee and Board carries out the functions of the local pension board.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).” Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue.

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. The shadow LGPS national scheme advisory board has issued guidance relating to the creation of local pension boards including a section on conflicts of interest. This Conflicts of Interest Policy has been developed having regard to that guidance. The guidance can be viewed at:

<http://www.lgpsboard.org/index.php/board-publications/board-guidance>

The Pensions Act 2004

The Public Service Pensions Act 2013 added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code. The code can be viewed at <http://www.thepensionsregulator.gov.uk/public-service-schemes/pension-board-conflicts-of-interest-and-representation.aspx>

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (set out below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all staff in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services. Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Information about these requirements can be viewed at:

www.actuaries.org.uk/regulation/pages/conflicts_of_interest

Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

In addition to the requirements of this Policy, Pensions Committee and Board members (including employer and employee representatives) are required to adhere to the LBH Members' Code of Conduct or the LBH Code of Conduct for Staff.

Pensions Committee and Board Members

In addition to the requirements of this Policy, Pensions Committee and Board members are required to adhere to the Terms of Reference of the Pensions Committee and Board.

Employees

In addition to the requirements of this Policy, officers of LBH are required to adhere to the LBH Code of Conduct for Staff.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to LBH or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters.

Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the LBHPF and on which advice is required. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person, or organisation as is appointed to advise the Investment advisory Panel or joint advisory Group or Fund officers as long as there is no conflict of interest between the two roles.

The key advisers are all expected to have their own policies or protocols on how conflicts of interest will be managed in their relationships with their clients, and these must be shared with the Fund.

Examples of potential Conflicts of Interest

- a) An elected member on the Pensions Committee and Board is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.
- b) A member of the Pensions Committee and Board is on the board of a Fund Manager that is being considered for appointment.
- c) An officer of the Fund or member of the Pensions Committee and Board accepts a dinner invitation from a service provider who has submitted a bid as part of a tender process.
- d) An employer representative on the Pensions Committee and Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pensions Committee and Board is reviewing the standards of service provided by that company.
- e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- f) An employer representative employed by the administering authority and appointed to the Pensions Committee and Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Committee and Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.
- g) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, providing assistance with monitoring the covenant of employers.
- h) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pensions Committee and Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Committee and Board.

London Borough of Haringey Pension Fund

Declaration of Interests relating to the management of London Borough of Haringey Pension Fund

I, [insert full name], am:

- an officer involved in the management
- Pensions Committee and Board Member

of London Borough of Haringey Pensions Committee and Board and I set out below under the appropriate headings my interests, which I am required to declare under LB Haringey Pension Fund Conflicts of Interest Policy. I have put “none” where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) Relating to me

B) Relating to family members or close colleagues

Undertaking:

I declare that I understand my responsibilities under the LB Haringey Pension Fund Conflicts of Interest Policy. I undertake to notify the Head of Pensions of any changes in the information set out above.

Signed

Date

Name

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Report for: Pensions Committee and Board 14 March 2019

Item number:

Title: Forward Plan

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

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
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.

14 Mar 2019	11 July 2019	19 September 2019	19 November 2019	20 January 2020	5 March 2020
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	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies
	Governance Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Risk Register Review / Update (Governance & Legal)	Risk Register Review / Update (Administration & Communication)	Risk Register Review / Update (Accounting & Investments)	Risk Register Review / Update (Funding/Liability)	Risk Register Review / Update (Governance & Legal)	Risk Register Review / Update (Administration & Communication)
Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update		Quarterly Pension Fund Performance & Investment Update
	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration and Governance					
Review/update of Internal Disputes Resolution Policy	Annual Pension Fund Accounts and Annual Report (including various statutory documents)			Review/update of Fund Conflicts of Interest Policy (if necessary)	Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement

14 Mar 2019	11 July 2019	19 September 2019	19 November 2019	20 January 2020	5 March 2020
Review/update of Fund Conflicts of Interest Policy (if necessary)				Fund Administration Strategy Review (if necessary)	Investment Consultancy Services Contract
Investments					
Equity portfolio Review					
Long Lease Property mandate					
Funding and Valuation					
External Audit for Pension Fund Accounts Planning	External Audit for Pension Fund Accounts Final Audit Report	2019 Valuation Assumptions proposal, and initial results	2019 Valuation Draft results (including Council's results)	2019 Valuation Final Sign off	External Audit for Pension Fund Accounts Planning
			Funding Strategy Statement Draft version Following 2019 Valuation	Funding Strategy Statement Final Version Following Results of 2019 Valuation	
			Ill Health Liability Insurance Contract		
Training					
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Blackrock Renewable Energy Investments	Pantheon Private Equity Investments	Tbc	Tbc	Tbc	Tbc

TRAINING PROGRAMME

APPENDIX 2

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
04-Sep-19	LDI and Cashflow Training	Legal and General Investment Management	Free	London*	N/A
https://www.events-igim.com/igim/frontend/reg/tOtherPage.csp?pageID=87062&eventID=305					
08-Oct-19	A Refresher on DB & DC Pension Investments & Trends	Legal and General Investment Management	Free	London*	N/A
https://www.events-igim.com/igim/frontend/reg/tOtherPage.csp?pageID=87062&eventID=305					
20-Nov-19	LDI and Cashflow Training	Legal and General Investment Management	Free	London*	N/A
https://www.events-igim.com/igim/frontend/reg/tOtherPage.csp?pageID=87062&eventID=305					
2-4 Jul 2019	LAPF Strategic Investment Forum	DG Publishing	Free	Hertfordshire	3
https://www.dgpublishing.com/lapf-strategic-investment-forum/request-a-delegate-place/					
*(other locations available different dates)					

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

Email: thomas.skeen@haringey.gov.uk

APPENDIX 3

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

Link to the public sector toolkit:

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

[emes.aspx#s16691](#)

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Report for: Pensions Committee and Board 14 March 2019

Item number:

Title: Risk Register - Review/Update

Report

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

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant

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 'Governance' and 'Legal' 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.
- 6.4. Members should note in particular the newly added risk, LEG4 'Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities'. Officers have flagged this as a new red risk.

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 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

Risk No	Cat Ref	Risk	Risk Ranking
INVESTMENTS			
41	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	10
42	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	5
43	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	10
44	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	5
45	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	10
46	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
47	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	4
48	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
49	INV9	Actual asset allocations move away from strategic benchmark.	12
50	INV10	No modelling of liabilities and cash flow is undertaken.	5

Risk No	Cat Ref	Risk	Risk Ranking
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	4

Risk No	Cat Ref	Risk	Risk Ranking
51	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

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	5
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	10

COMMUNICATION			
52	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
53	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	6
54	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	12
55	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	9
56	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	8
57	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	12

LEGISLATION

Risk No	Cat Ref	Risk	Risk Ranking
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
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	8
21	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities	16
21	LEG5	Risk of legislation change post Brexit having negative impact on the fund	12

Risk No	Cat Ref	Risk	Risk Ranking
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ACCOUNTING			
23	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	5
24	ACC2	Internal controls are not in place to protect against fraud/ mismanagement.	5
25	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
26	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
27	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
28	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

FUNDING/LIABILITY			
58	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
59	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
60	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	10
61	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	10
62	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	10
63	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	10

Risk No	Cat Ref	Risk	Risk Ranking
29	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	8
30	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
64	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	5
65	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	5
66	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	8
67	FLI10	Processes not in place to capture or review covenant of individual employers.	8
68	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	5

ADMINISTRATION			
31	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
32	ADM2	Pension structure is inappropriate to deliver a first class service	5
33	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	12
34	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	5
35	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	8
36	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	8
37	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	8

Colour	Risk Level
	Low
	Moderate
	High

Risk No	Cat Ref	Risk	Risk Ranking
38	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	10
39	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
40	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	10

Risk No	Cat Ref	Risk	Risk Ranking
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 Very High

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
1	GOV1	Pension Fund Objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	Objectives defined in the Funding Strategy Statement, Investment Strategy Statement and approved by the Pensions Committee. The Committee has approved updated versions of both of these documents in the last 12 months.	3	1	3	PCB	Mar-19

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	<p>The nature of Council appointees to the Fund means that there is likely to be 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.</p> <p>A comprehensive training programme that is in line with CIPFA guidance/The Pension Regulator has been developed and is continuously reviewed/updated.</p> <p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted accordingly</p> <p>New members required to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p>	4	4	16	PCB; HoP	Ongoing, but review in May 2019

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	<p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted as required.</p> <p>New members are requested to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p> <p>Officers and advisers (statutory, independent, actuarial) are always present at meetings to provide guidance and assist Members through decision making process.</p>	4	3	12		Mar-19

New members appointed to the PCB in May 2018 have not all completed the pensions regulator training, which is a legal requirement, hence prob. May have to be increased

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
4	GOV4	Member non-attendance at training events.	<p>A record of training events attended is a standing agenda item.</p> <p>The importance of attending training events is highlighted to all members on an ongoing basis.</p> <p>The Committee also runs a series of internal training events which precede or are included on the Committee meeting agenda.</p> <p>Member training is reported as part of the Annual Fund report.</p>	4	2	8	PCB	Ongoing
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	<p>Job descriptions are used at recruitment to appoint officers with relevant skills and experience. The recruitment process would have identified key knowledge/skills that the successful applicant would need to demonstrate that they possess before being offered a role.</p> <p>Training and improvement plans are in place for all officers as part of the Council's performance appraisal programme.</p>	4	1	4	CFO	Ongoing

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
6	GOV6	Committee members have undisclosed conflicts of interest.	Declaration of conflict of interest is a standing item on the agenda. All members of the Committee are required to complete an annual declaration of interest form.	3	1	3	PCB	Quarterly
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	There are five Committee/Board meetings scheduled for 2018/19 municipal year. Where urgent decisions are required this can be done either by organising an additional meeting outside the scheduled meetings or canvassing opinions and votes electronically following dissemination of relevant information to Members. Delegation of necessary authority can be granted to relevant officers for extremely time critical matters too.	4	1	4	PCB	Ongoing
8	GOV8	Known risks not monitored leading to adverse financial, reputational or resource impact.	The Committee has agreed to have the risk register on the agenda for all future meetings including a review of all high risk items and a periodic review of risks by category of risk.	4	1	4	PCB	Quarterly

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
9	GOV9	Failure to recognise new Risks and/or opportunities.	<p>Quarterly Committee/management meeting to identify new risks/opportunities.</p> <p>Attendance at regional and national forums to keep abreast of current issues and their potential impact on the Fund.</p>	4	1	4	HoP; PCB	Quarterly
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	All procurement carried out in line with the Council's procurement rules and guidance. Expert legal and procurement advice sought where appropriate.	5	1	5	HoP	Periodically

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	<p>The Pension Fund reviews contracts regularly to ensure that the Fund receives good value. This include soft market testing where applicable to access opportunities that may benefit the Fund.</p> <p>A number of key contracts have been reprocured recently: the Administration system contract, the actuarial contract and the investment consultancy contract. Savings were achieved on the systems administration contract. The actuarial and investment consultancy contracts were procured via the national LGPS frameworks which offer value for money via a reduced and simplified procurement process, and bulk negotiated fees for all LGPS clients.</p>	4	1	4	HoP; PAM	Periodically
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	<p>All Committee/Board minutes to be published within 10 days.</p> <p>Publication of an pension fund annual report on the Council's and Fund websites.</p>	3	1	3	PAM	Quarterly

Probability has been reduced to a '1', do not feel this is an area where we are likely to fail, all contract review dates are flagged on the forward plan so both officers and members are clear on when deadlines are for reprocurement of key contracts

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	<p>The Communications Strategy sets out how the Fund will engage with all stakeholders.</p> <p>Employees and employers are represented on the Fund's Committee/Board with full voting rights.</p>	3	3	9	HoP; PAM	Annually
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	<p>Officers maintain knowledge of legal framework for routine decisions.</p> <p>The Council's legal team is involved in reviewing Committee papers and other legal documents.</p> <p>The Fund has engaged a team of experts (Independent Advisor, Actuary, Investment Consultant) that are highly experienced and knowledge about the LGPS and pension fund investments.</p>	5	1	5	HoP; PCB	Ongoing

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
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.	Guidance (included updates) issued by TPR and SAB is reported to the Committee with gaps identified and clear timetables to address weaknesses agreed.	5	2	10	HoP	Ongoing
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	<p>The London CIV is planning to have as wide a range of mandates as possible and also that there will be a choice of manager for each mandate/asset class.</p> <p>The Fund will be able to retain mandates not currently appointed to by the London CIV, or where moving a mandate to the CIV would not be financially beneficial. The new Government guidance makes clear that a small proportion of assets may remain under local control (provided there is a clear rationale for doing so, and financial benefits can be demonstrated). New guidance has also allowed for the potential of cross pool investments, which is a helpful option for funds/pools to consider.</p>	5	1	5	HoP	Ongoing

Reduced probability to '1' there is now more clarity from the gvt on how pooling will work in practice, and this gives a number of flexibilities to both funds and pools, so do not

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	<p>The Investment Strategy is in accordance with LGPS investment regulations and it takes into consideration the Funds liabilities and funding levels among other things.</p> <p>The Investment Strategy is documented, reviewed and approved by the Pensions Committee/Board.</p>	5	2	10	HoP	Mar-19

LEGISLATION: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
18	LEG1	Failure to adhere to LGPS legislation (including regulations, order from the Secretary of State and any updates from The Pension Regulator) leading to financial or reputational damage	<p>Officers maintain knowledge of the LGPS legal framework for routine decisions.</p> <p>Use of tools available on the TPR website including the Public Service Toolkit and Scheme Advisory Board Model.</p> <p>The Committee and Board receives reports regarding any changes to necessary legislation, and the Council's legal team is involved in reviewing Committee papers and other legal documents.</p> <p>The Fund has engaged a team of experts (Independent Advisor, Actuary, Investment Consultant) that are highly degree of experience and knowledge about the LGPS and pension fund investments.</p>	5	1	5	HoP: PAM; PCB	Quarterly

LEGISLATION: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training presentation on impact and implementation of new legislation. Collaborative working with other Funds to assess requirement and impact of new legislation.	5	1	5	HoP; PAM	Ongoing
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	The Pensions Service has been restructured in 2016 to ensure appropriately skilled staff are recruited and to ensure that there is a concentration of knowledge between the pensions administration and investment teams.	4	2	8	CFO; HoP; PAM	Ongoing
21	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities	There are currently judicial reviews in the Judges and Firefighters pension schemes, which will potentially impact on all public sector schemes, and could potentially impact on the new career average benefits frameworks put in place in 2014 in LGPS. Officers will remain abreast of this situation and keep members informed.	4	4	16	CFO; HoP; PAM	Ongoing

New risk

LEGISLATION: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
22	LEG5	Risk of legislation change post Brexit having negative impact on the fund	Brexit is still a significant known unknown, although the fund has not received any intelligence about specific issues that may affect the fund to date, it is possible that regulatory divergence following the exit from the EU has negative consequences for the fund.	4	3	12	CFO; HoP; PAM	Ongoing

New risk

RED RATED RISKS								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	<p>The nature of Council appointees to the Fund means that there is likely to be 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.</p> <p>A comprehensive training programme that is in line with CIPFA guideine/The Pension Regulator has been developed and is continously reviewed/updated.</p> <p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted accordingly</p> <p>New members required to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p>	4	4	16	PCB; HoP	Ongoing, but review in May 2019

3	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities	There are currently judicial reviews in the Judges and Firefighters pension schemes, which will potentially impact on all public sector schemes, and could potentially impact on the new career average benefits frameworks put in place in 2014 in LGPS. Officers will remain abreast of this situation and keep members informed.	4	4	16	CFO; HoP; PAM	Ongoing
51	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	<p>The Fund is a founding member of London CIV and actively engages with them.</p> <p>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.</p> <p>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.</p> <p>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.</p>	5	3	15	HoP	Ongoing

Report for: Pensions Committee and Board 14 March 2019

Item number:

Title: Pension Fund Quarterly Update

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

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

Ward(s) affected: N/A

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

1. Describe the issue under consideration

1.1. To report the following in respect of the three months to 31 December 2018:

- Funding Level Update
- Investment asset allocation
- Investment performance

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the information provided in respect of the activity in the three months to 31 December 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 31 December 2018, and this showed an improvement to an 82.6% funding level. This position was a decline from 30 September 2018 which showed 90.4%. The performance of equity markets in the final quarter of 2018 led to the fund's assets decreasing in value and this funding level drop.
- 11.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has increased slightly to an indicative £279m as at 31 December 2018.
- 11.4. Confidential Appendix 3 shows the funding and risk report produced by the fund actuary as at 31 December 2018, giving further detail regarding this.

12. Portfolio Allocation Against Benchmark

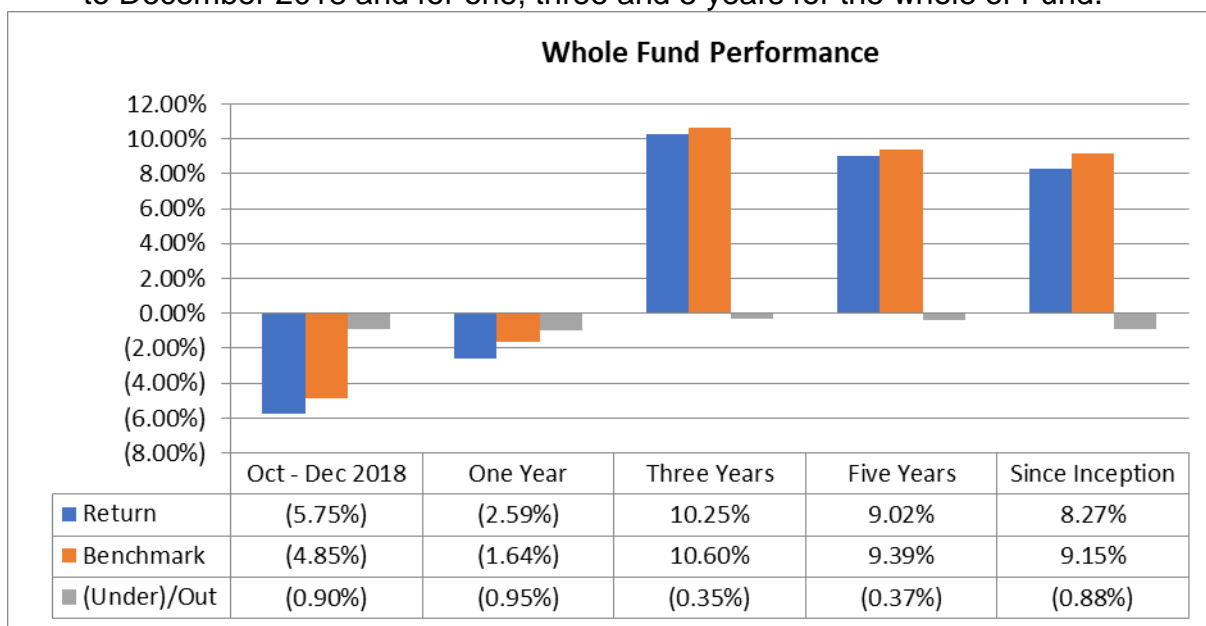
- 12.1. The value of the fund decreased by £123.3m between September and December 2018. A decrease in value was expected due to the bulk transfer from the College of Haringey, Enfield and North East London which left the fund during the quarter (£40.4m), the remaining decrease in value is attributable to the fund's investments' performance, most notably, equity holdings. The fund's private equity, property and index linked gilts delivered positive returns over the quarter, all other investments delivered negative returns.
- 12.2. The equity, multi sector credit and multi asset absolute return allocations exceed their strategic allocation, these represent funds which are yet to be called upon by the funds managers for property, private equity and renewable energy which are beneath their strategic allocation.

Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Allocation	Strategic	Variance
	30.06.2018	30.09.2018	31.12.2018	31.12.2018	Allocation	
	£'000	£'000	£'000	%	%	%
Equities						
UK	82,007	0	0	0.00%	0.00%	0.00%
North America	120,146	0	0	0.00%	0.00%	0.00%
Europe	38,249	0	0	0.00%	0.00%	0.00%
Japan	18,217	0	0	0.00%	0.00%	0.00%
Asia Pacific	18,063	0	0	0.00%	0.00%	0.00%
Multi Factor Global	0	284,607	249,997	19.17%	19.20%	-0.03%
Emerging Markets	90,414	95,831	92,094	7.06%	6.60%	0.46%
Global Low Carbon Tgt	275,568	291,609	255,867	19.62%	19.20%	0.42%
Total Equities	642,664	672,047	597,958	45.86%	45.00%	0.86%
Bonds						
Index Linked	183,089	180,552	184,210	14.13%	15.00%	-0.87%
Property						
Aviva	0	0	0	0.00%	5.00%	-5.00%
CBRE	88,668	87,989	96,033	7.36%	7.50%	-0.14%
Private equity						
Pantheon	55,291	59,135	60,312	4.63%	5.00%	-0.37%
Multi-Sector Credit						
CQS	128,220	130,236	127,629	9.79%	7.00%	2.79%
Multi-Asset Absolute Return						
Ruffer	172,193	171,630	153,061	11.74%	7.50%	4.24%
Infrastructure Debt						
Allianz	40,688	41,304	40,339	3.09%	3.00%	0.09%
Renewable Energy						
CIP	1,151	1,912	2,595	0.20%	2.50%	-2.30%
Blackrock	19,751	20,705	22,111	1.70%	2.50%	-0.80%
Cash & NCA						
Cash	61,042	61,676	19,685	1.51%	0.00%	1.51%
Total Assets	1,392,757	1,427,186	1,303,933	100%	100%	0.00%

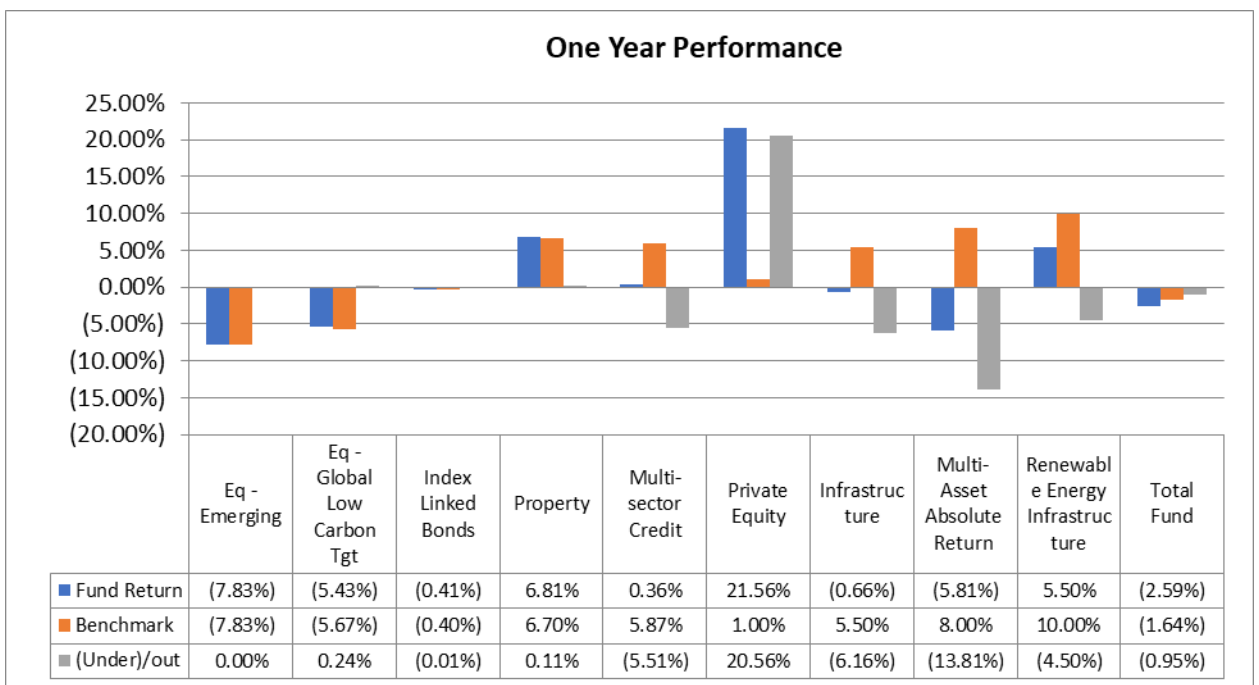
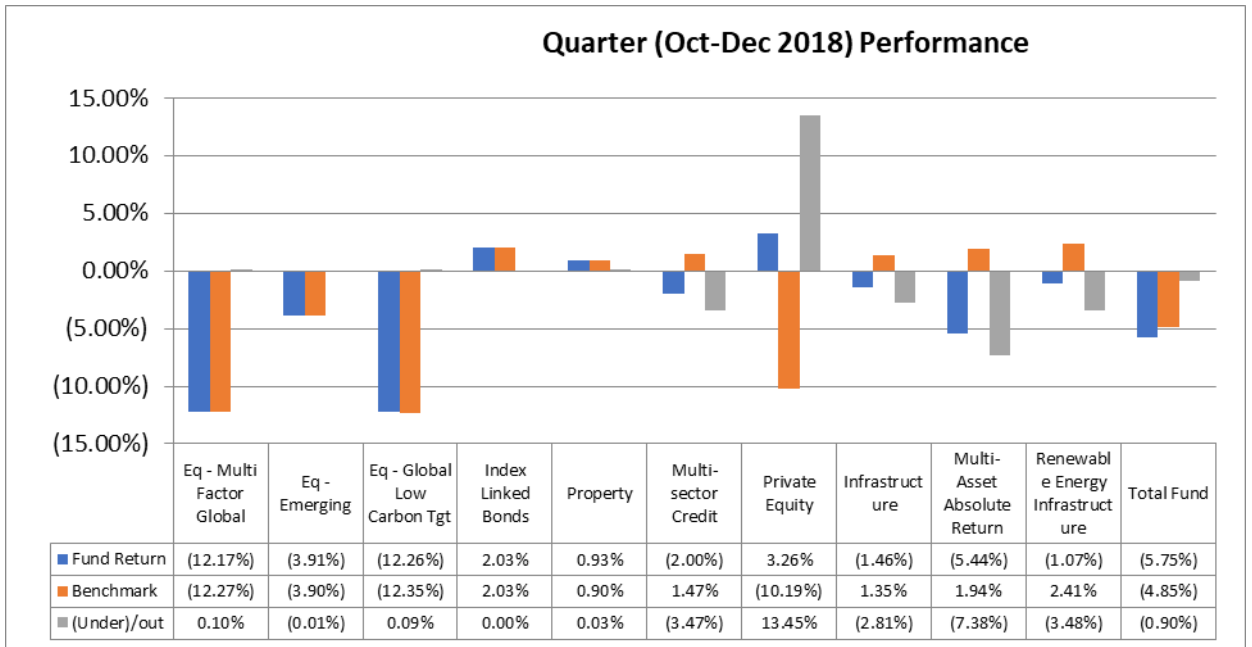
13. Investment Performance Update: to 31 December 2018

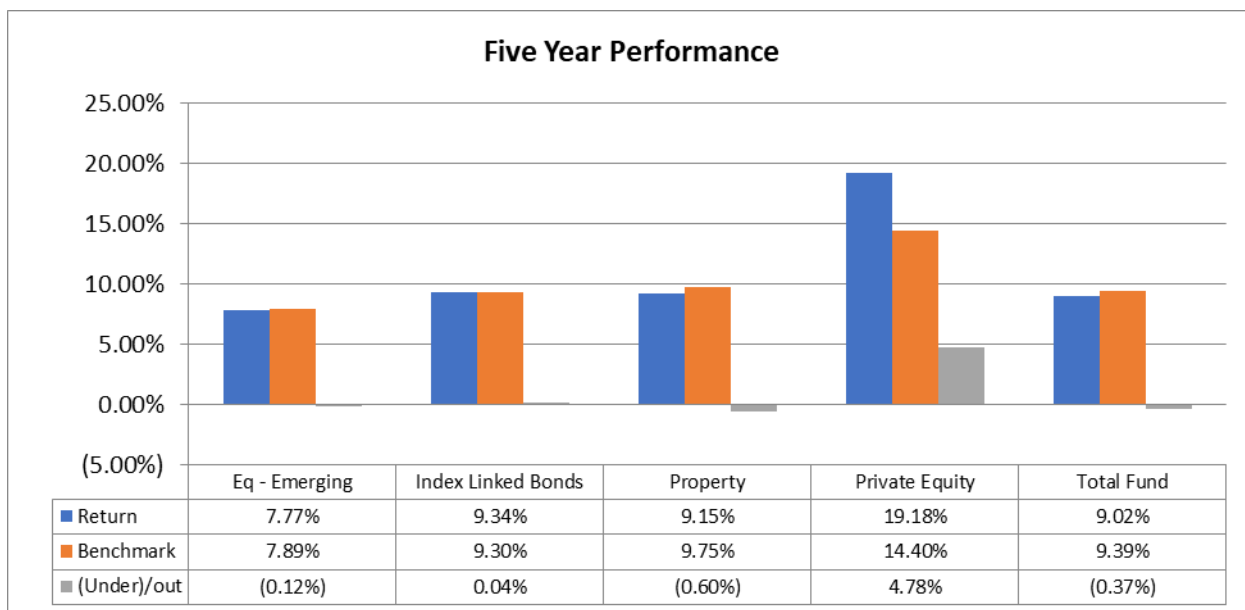
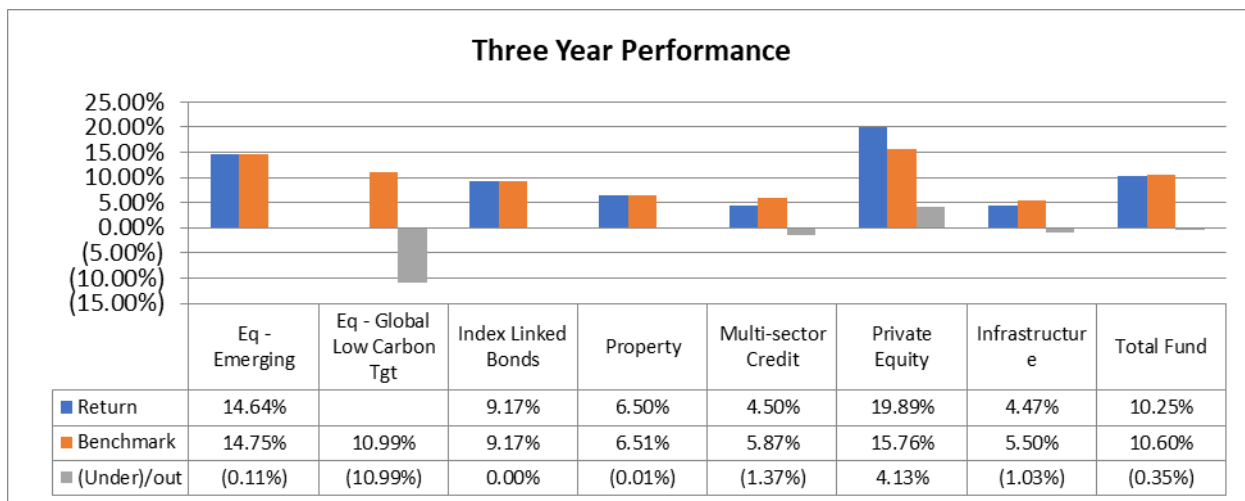
13.1. Appendix 1 provides details of the benchmarks and targets the fund managers have been set. The tables below show the performance in the quarter October to December 2018 and for one, three and 5 years for the whole of Fund.



13.2. The Fund returned -5.75% in the quarter: below the benchmark of -4.85%. Almost all investments delivered negative returns over the quarter, with private equity, property and index linked gilts delivering the only positive returns.

13.3. Over the last 12 months the Fund returned -2.59%, below benchmark of -1.64%. The three year and five year performance is more closely aligned to the benchmark, as demonstrated in the table above.

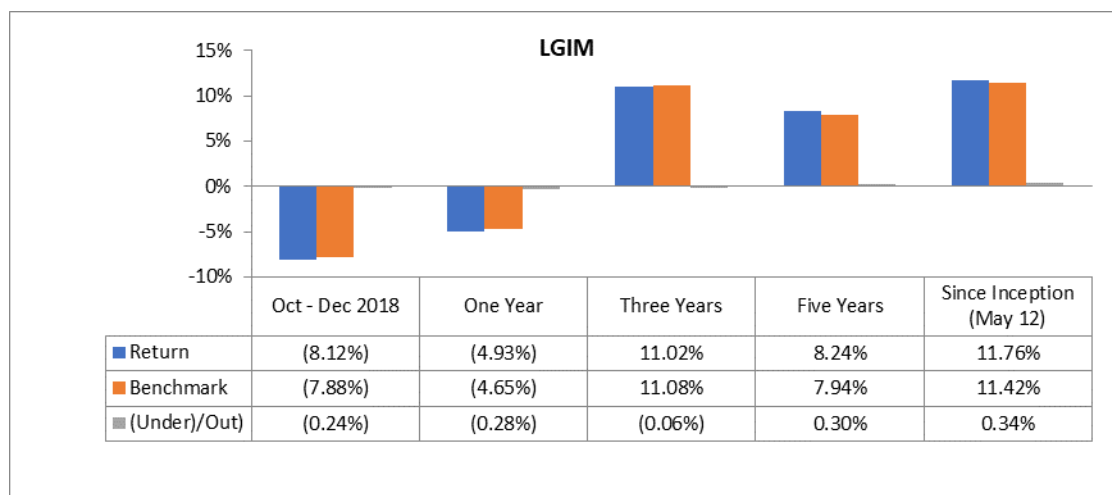




FUND MANAGER PERFORMANCE

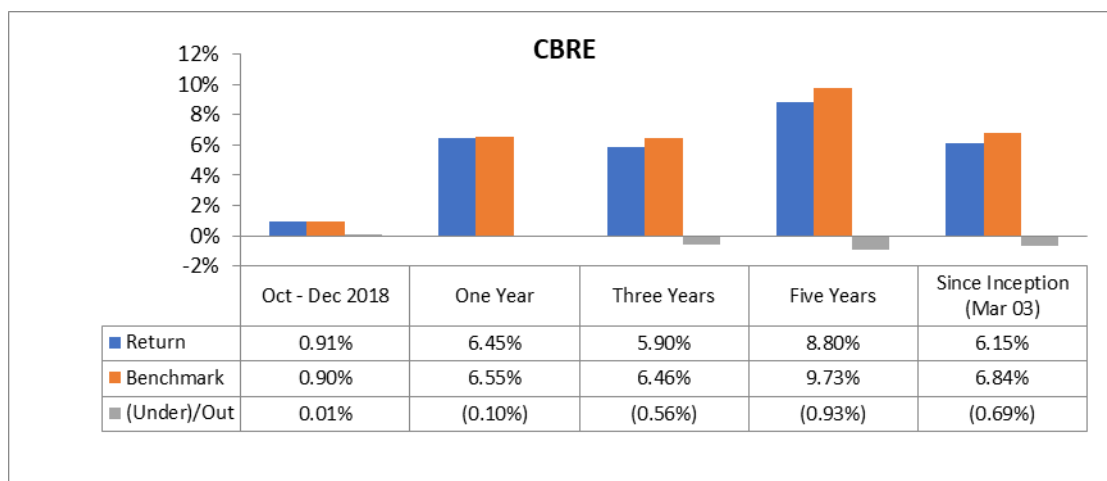
Legal & General Investment Management (LGIM)

13.4. Legal and General returned -8.12% this quarter and has slightly underperformed composite benchmark of -7.88%. This negative performance is to be expected due to global stock market decline in the final quarter of 2018.



CBRE

13.5. The manager saw a positive total return of 0.91% in the quarter, almost exactly in line with their benchmark of 0.90%. 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.

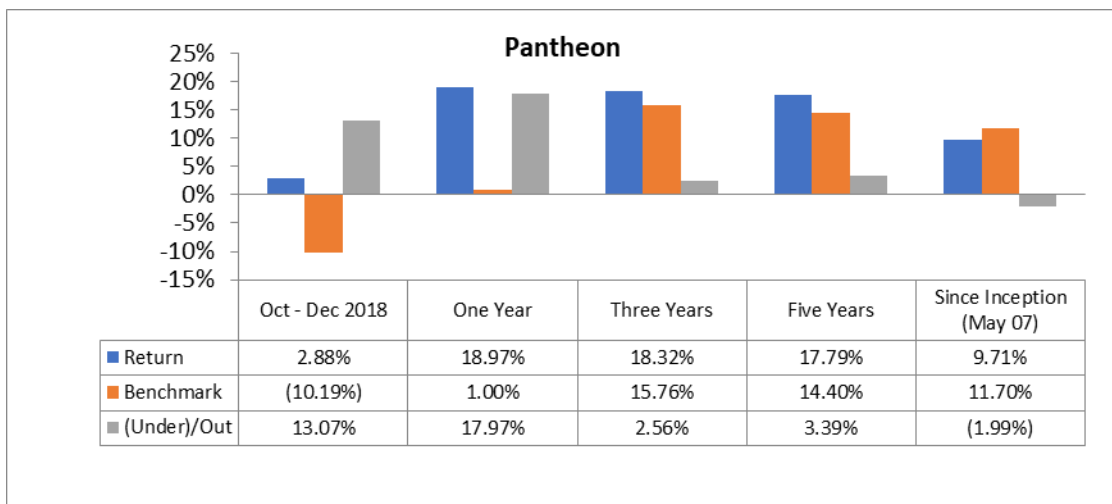


13.6. The relative performance of the property portfolio was affected by two European funds that suffered significant loss, the final holdings in which were

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

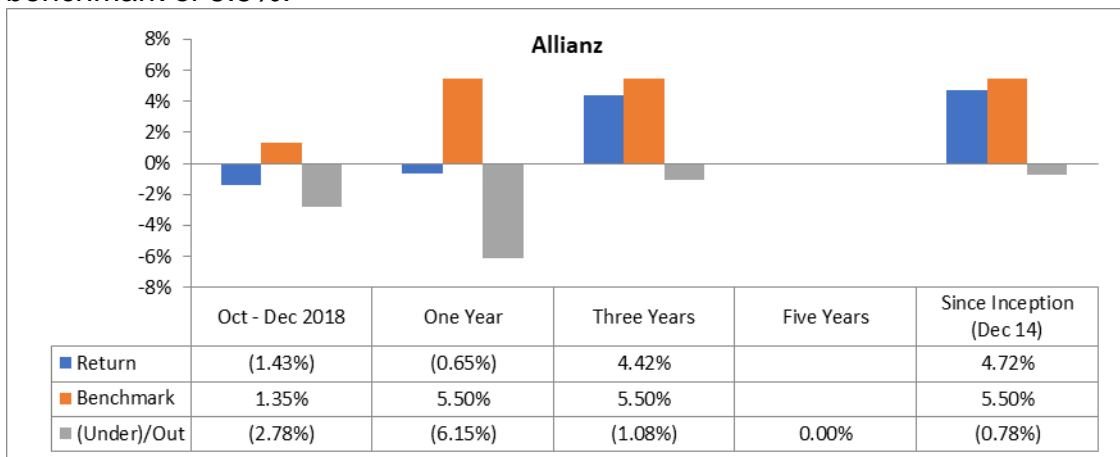
Pantheon Private Equity

13.7 Pantheon Private Equity outperformed their benchmark by 13.07%, showing little correlation to global stock market performance during the quarter. Officers note that private equity is an asset class where valuations take significant amounts of time to be available however, so the December valuations for private equity are not finalised, which will be captured in the following quarter. The manager is showing a positive return above benchmark over a 1, 3 and 5 year time period, which is pleasing, and is an improved position compared to previous quarters.



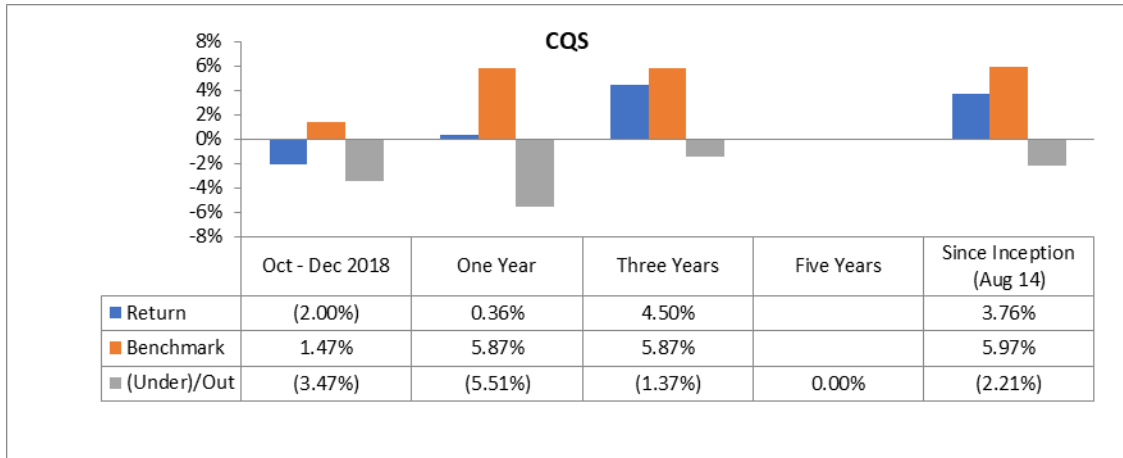
Allianz Infrastructure Debt

13.8 Allianz has performed poorly compared to benchmark over the past 1 year, however, since portfolio inception the performance has fallen below the benchmark of 5.5%.



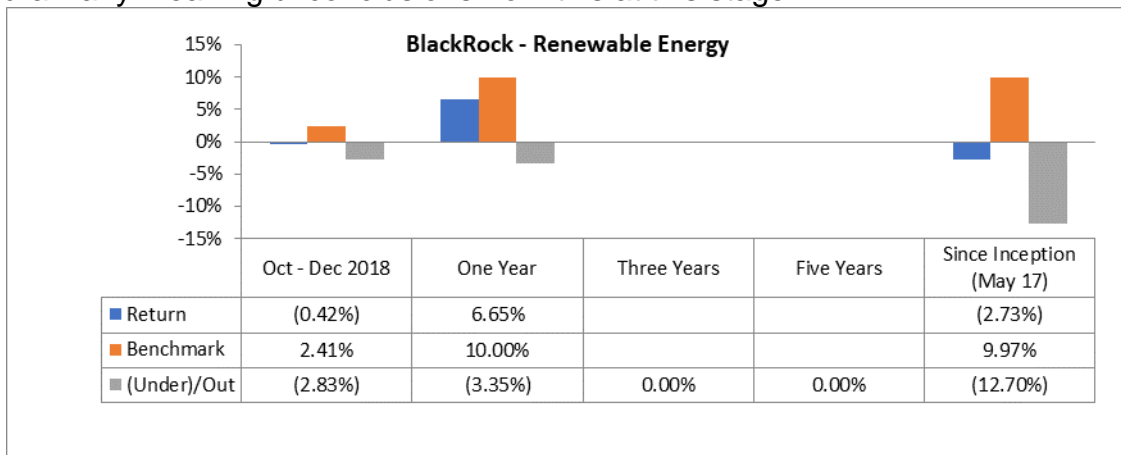
CQS Multi Sector Credit

13.9 The manager underperformed relative to benchmark in the quarter achieving a return of -2.00% against the benchmark of 1.47%. The manager lags behind benchmark over all time horizons measured.



BlackRock – Renewable Energy

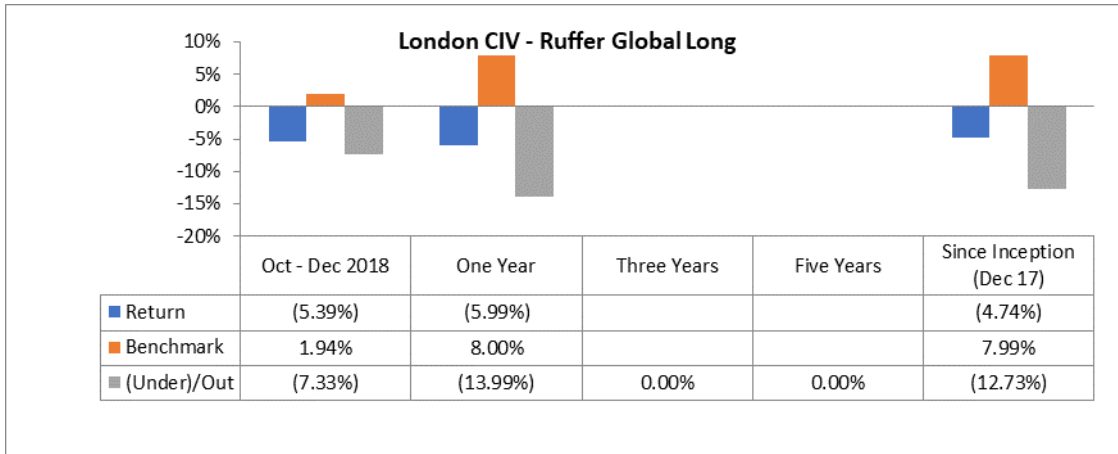
13.10. The manager had underperformed relative to benchmark in the quarter achieving a return of -0.42% against the benchmark of 2.41%, however the portfolio is in the very early stages, and is not fully invested, so it is too early to draw any meaningful conclusions from this at this stage.



London CIV – Ruffer Multi Asset Absolute Return Strategy

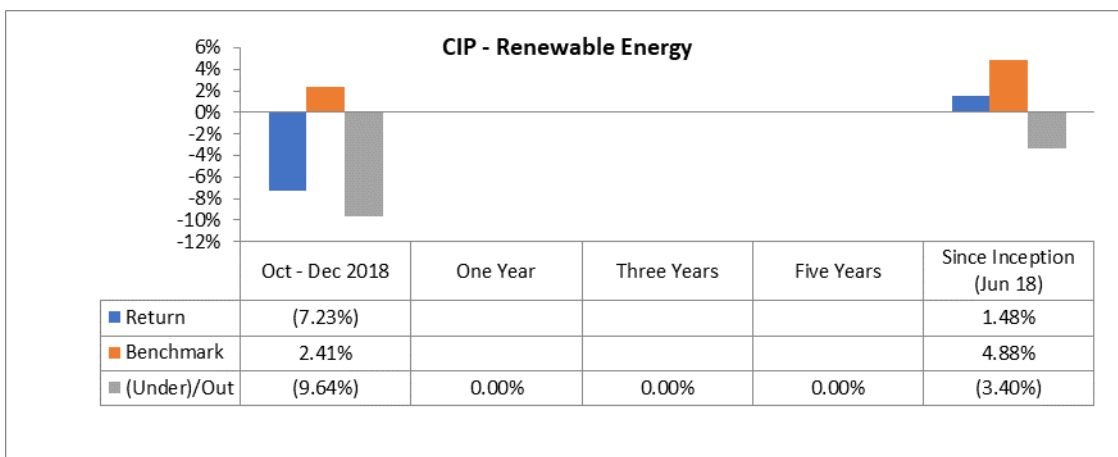
13.11. The investment was originally made in December 2017. The manager delivered a performance of -5.39% over the quarter, underperforming benchmark, however preserving capital when compared to equity market performance. Providing diversification from listed equity investment and protection in downward markets, relative to listed equity performance, is an objective of the Ruffer investment which was achieved in the October to

December quarter. The investment allocation was made by reducing the fund's equity investments.



CIP – Renewable Energy

13.12. The manager has underperformed relative to benchmark in the quarter achieving a return of -7.23% 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.



Appendix 1 – Strategic Asset Allocation (as at 31.12.18)

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
Multi Factor Global	RAFI Multi Factor (Unhedged)	9.6%
Multi Factor Global	RAFI Multi Factor (Hedged)	9.6%
Emerging Markets	FTSE Emerging Markets Index (Unhedged)	6.6%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Unhedged)	9.6%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Hedged)	9.6%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	15.0%
Total L&G		60.0%

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background October to December 2018

In contrast to the two previous quarters the period October to December 2018 saw a sharp decline in equity markets. Concerns regarding a global slowdown in economic growth, US trade policy, the rate of future interest rate rises by the US Federal Reserve, Brexit, the budget standoff between Italy and the European Union all weighed against equity markets. The MSCI World Index fell by 13% over the period. US, European and Japanese equities all experienced significant declines. As in the previous Quarter UK and emerging market equities continued to experience difficulties. The price of 2, 10 and 30 year major Government Bonds – US, UK, Germany - all rose during the quarter indicating risk aversion and uncertainty.

The US S&P 500 Index fell from 2,914 at the end of September to 2,507 at the end of December a fall of 14% over the quarter. Both October and December were torrid months for US equities. Factors weighing on US markets included fears over slower earnings growth (which is not surprising as the effects of the late 2017 tax cuts fade), continuing US China trade conflicts, concerns about the rate of interest rate rises and continued political tensions in Washington. Technology stocks which had previously been very positive endured a difficult quarter with expectations of a slowdown in expansion.

US unemployment which had been 3.7% in September had risen to 3.9% by December but this was largely due to more people coming into the labour market. The share of the adult population either employed or looking for work increased to 63.1%, its highest level for almost five years. US core inflation which had been 2.2% in September was still 2.2% in December. The University of Michigan Surveys of Consumers continued to indicate positive views. The December survey report indicated that consumer confidence remained at *“record favourable levels”* and referred to *“consumers very favourable evaluations of their personal financial situation.”*

There are however some possible early warning signs appearing in both the US consumer and corporate economy. House prices have increased by more than 50% since 2012 but the level of house sales at December 2018 was 10.3% lower than a year ago. Also, some commentators, including former Federal Reserve Chair Janet Yellen, raised concerns in late 2018 about the level of leveraged loans – loans to highly indebted companies – which are also “covenant light” meaning creditors have little protection. This market has massively expanded and in a downturn, investors may seek to rush out of the asset class creating a liquidity crunch. Whether either of these issues are indicators of, or possible contributors to a future downturn only time will tell.

Notwithstanding demands from President Donald Trump for unchanged rates the US Federal Reserve confirmed its independence at its December meeting by voting unanimously to increase its benchmark interest rate by 0.25% from 2.0-2.25% to 2.25-2.50% the ninth increase in the current cycle.

Eurozone equities adversely affected by European and wider issues experienced a poor quarter with the MSCI EMU Index down over 12%. Although Eurozone seasonally adjusted unemployment was 7.9% in November and December 2018, its lowest rate since October 2008 inflation appears as a continuing negative indicator. As measured by the Harmonised Indices of Consumer Prices (HICP), inflation, which had been 1.3% in March 2018 and had reached 2.1% in September fell back to 1.5% in December compared to the European Central Bank (ECB) policy objective of inflation below, but close to, 2% over the medium term. Additionally, core inflation which excludes the more volatile elements of energy, food, alcohol and tobacco and is seen as a better indicator of longer term inflationary pressure was 0.9% at the end of December having remained close to 1% throughout 2018.

Evidence of a slowdown in the Eurozone became clearer. Growth was at a four year low of 0.2% during the quarter. There was also fall in German industrial activity during the quarter. This is noteworthy as the heavily manufacturing reliant German economy accounts for about a third of Eurozone output.

At its December meeting the European Central Bank, as expected, ended its asset purchase programme (APP) of monthly purchases of new government and corporate bonds after nearly four years. The ECB will however continue to reinvest the principal payments from maturing securities purchased under the APP and maintain extremely low interest rates.

The FTSE All Share Index fell by over 10% during the quarter. Concerns over global growth and trade adversely affected those UK listed stocks significantly exposed to world markets while continuing and increasingly serious Brexit concerns will not have aided the UK focused mid cap (FTSE 250) stocks.

UK unemployment remained at 4% during the quarter - its lowest rate since 1975. Consumer Price Index (CPI) inflation which had remained above the Bank of England's target of 2% since February 2017 was only 2.1% at December 2018. At its December 2018 meeting the Monetary Policy Committee (MPC), as expected, voted unanimously to maintain Bank Rate at 0.75%.

The Nikkei 225 Index, adversely affected by the strength of the yen as well as wider global issues fell by over 17% during the quarter. Japan's export driven economy is particularly vulnerable to economic slowdown and the adverse effects of trade disputes. At its October and December monetary policy meetings the Bank of Japan continued to maintain its commitment to what might be described as financial crisis-era stimulus policies. This was in the context of Japanese inflation continuing to remain well below the Bank of Japan's target of 2% despite huge monetary policy stimulus since 2013.

China and Asian emerging markets had another generally negative but overall less negative quarter than developed markets despite continuing US-China trade tensions and concerns about a slowing global economy. Further evidence emerged of slowing Chinese economic activity with the Chinese government announcing that growth in the July to September quarter had slowed to 6.5% the lowest since the 2009 crisis. There were also indications of weakening consumer confidence and of a weakening housing market across the country with the Financial Times (online) reporting (27 December 2018) that *“housing developers across all city tiers reported that sales fell for a sixth month, while those in second-tier and smaller cities reported fresh price falls.”*

In conclusion, the fourth quarter of 2018 highlighted that the continuation of the positive economic backdrop, which had been facilitated by unprecedented monetary support by the world’s major Central Banks is now in doubt. Equity markets are now also subject to a number of significant potentially negative factors and this raises clear questions regarding how long the trend of generally upward equity prices witnessed for several years can continue.

John Raisin Financial Services Limited
Company Number 7049666 registered in England and Wales.
Registered Office 130 Goldington Road, Bedford, MK40 3EA
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