NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Monday, 23rd July, 2018, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

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

Employer / Employee Members: Ishmael Owarish, Keith Brown and Randy Plowright

Quorum: 3 Council Members and 2 Employer / Employee Members

Please note that prior to the meeting, starting at 6pm, there will be training for all Committee and Board Members.

1. FILMING AT MEETINGS

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE

3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under item 15 below).

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

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

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

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

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

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

i) Has a responsibility or duty in relation to the management of, or provision of advice to, the LBHPF, and

ii) At the same time, has:
    - a separate personal interest (financial or otherwise) or
    - another responsibility in relation to that matter,

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

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

5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Assistant Director of Corporate Governance and Monitoring Officer

When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

6. MINUTES (PAGES 1 - 10)

To approve the minutes of the meeting held on 20 March 2018.

7. PENSION FUND ANNUAL REPORT AND ACCOUNTS (PAGES 11 - 154)

This report presents the Pension Fund Annual Report and audited Accounts for 2017/18 for the Committee and Board's approval. The annual audit report from the Fund's external auditor BDO is also presented.

Annex 1 BDO Audit Report (ISA 260) – to follow

8. LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018 (PAGES 155 - 158)

The Local Government Pension Scheme (LGPS) Regulations were updated in May 2018 by a new set of 'amendment' regulations – these update the previous 2013 Regulations. This report highlights changes made within these regulations for the Committee and Board to note for information purposes.

9. FORWARD PLAN (PAGES 159 - 166)

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.

10. RISK REGISTER - REVIEW / UPDATE (PAGES 167 - 184)

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

11. PENSION FUND QUARTERLY UPDATE (PAGES 185 - 208)

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

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

12. GOVERNANCE UPDATE (PAGES 209 - 214)

The purpose of the paper is provide an update to Committee and Board:

- on the London Collective Investment Vehicle (CIV) governance structure
- on the terms of appointments to the Pensions Committee and Board

13. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 215 - 216)

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

14. ADMINISTRATION REPORT (PAGES 217 - 240)

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

Update of Haringey Council's Discretionary Policy Statement.

The report also gives a breakdown of the amount of visits made to the Haringey pension fund website.

This report includes the most recent internal audit of the pensions administration service, which showed a substantial assurance rating of the service, this is for members to note.

15. NEW ITEMS OF URGENT BUSINESS

16. DATES OF FUTURE MEETINGS

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

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

Monday, 16 July 2018

MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON TUESDAY, 20TH MARCH, 2018

PRESENT:

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

Employer / Employee Members: Keith Brown, Ishmael Owarish and Randy Plowright

165. 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.

166. APOLOGIES FOR ABSENCE

There were apologies for absence submitted from Cllr McShane and in accordance with Committee Standing order 53 and 54 Councillor Adamou substituted.

There were also apologies for absence from John Raisin, the financial adviser to the Committee.

167. URGENT BUSINESS

There were no items of urgent business submitted.

168. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

There were no declarations of interest put forward.

169. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

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

Cllr Bevan

- Pensions CIV Sectoral Joint Committee 31/01/18
- LAPF Strategic Investment Forum 07/02/18
- AON Pension Conference 2018
- London Councils Pensions CIV Sectoral Joint Committee 14/03/18
- SPS Local Authority Pension Fund Investment Issues 15/03/18

Cllr Viv Ross attended a round table dinner discussion on 'longevity' for Chairs of Pension Schemens and experienced Trustees at AON Hewitt offices, Leandenhall Building London EC3.

170. MINUTES

The Committee noted that correspondence, relating the Pensions Board and Committee views that it should be mandatory for the Chair of Corporate and the Chair Staffing & Remuneration Committee to sit on the Pensions Committee & Board and that the term should be for 4 years. It was agreed appropriate for the letter be submitted to both political party whips and this issue be discussed at group meetings in May.

Action : Vice Chair

RESOLVED

That the minutes of the meeting held on the 18th of January 2018 be approved as a correct record of the meeting.

171. AUDIT PLAN

The Committee considered a report which set out the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2017/18 for the Committee's consideration.

The Committee noted the scope of the audit and the areas of risk which would be investigated. There was not yet a position reached whereby the pension accounts could be included in the council statement of accounts.

The Auditor outlined the type of investigations that would be taken including: valuations, data, market average as manipulative, testing contributions to make sure employees making correct payments, membership data will be checked, indirect costs will be analysed, whether fund managers are being transparent on unit price. Also related party transactions would be looked at to check that benefits paid were correct

The Auditor would report back findings to Committee in July 2018.

In response to a question, noted that an example of indirect costs was stamp duty and the auditor would review what was being claimed on the Council's behalf. It was important to understand the elements of the unit price.

RESOLVED

To approve the 2017/18 Audit Plan prepared by BDO

172. PENSIONS ADMINISTRATION REPORT, INCLUDING REVIEWED/UPDATED PENSIONS ADMINISTRATION STRATEGY

The Committee considered a report which set out a review of the Pensions Administration Strategy Statement. The report also provided a breakdown of the amount of visits made to the Haringey Pension Fund website.

The new strategy took account of the updated rules on data protection as outlined at page 68. It was noted that pensions records of staff and staff who had left the authority , would be kept according to LGA guidelines. The Committee noted the importance of keeping to these requirements as an employee may have left the authority but their contributions may continue to make a return and would be claimable in the future by the ex- employee or their relative, if they are deceased.

In response to a question from Cllr Ross regarding Urban Futures employee contributions, it was noted that the council were seeking these through the insolvency process. Assurance was provided that this payment was being pursued and the Council would expect to obtain these payments in full.

RESOLVED

1. To approve the updated Administration Strategy Statement.
2. To note and approve the application of the Local Government Association's (LGA) guidance on retaining pensions data for the Data Protection Act 2018 purposes.
3. To note the cessation of Urban Futures (London) as an Admitted Employer to the Pension Fund.
4. To note the contents of this report in respect of the administration of the Pension Fund.

173. EQUITY STRATEGY REVIEW AND TACTICAL REBALANCING

The Chair agreed to vary the agenda to consider item 9, immediately after consideration of the minutes as Cllr Bevan would need to leave the meeting to attend Planning Committee.

The Head of Pensions introduced the public part of the report which set out a review of the fund's existing equity strategy, along with actions that could be taken in relation to this.

The Committee noted that Haringey Pension Fund had increased in value by roughly £350m since the 2016 valuation, and the majority of this increase was attributable to continued global stock market growth. This had materially improved the fund's funding level , however, these gains could be reversed before the date of the next triennial valuation in 2019, should stock markets decline and this would impact on employer contribution rates.

The Committee noted that the Fund's equity was currently all invested passively in market cap weighted index linked funds, with set percentages allocated to different geographic regions. 50% of the developed market equity was invested in global low carbon funds, this was also market cap weighted, however with a tilt away from certain stocks to create a significant decrease in exposure to carbon emissions and carbon reserves.

The Committee were asked to consider potential changes to the strategy of investing only in line with market cap indices, as well as the use of fixed allocations to specific geographic regions, and were asked to consider both alternative index use and active equity management.

Following presentation of the exempt information from Mercers attached at item 16 , and discussion on the merits and draw backs of the 3 models of investment proposed, which concentrated on the management fees applicable following a change in strategy, and the general risks perceived around an active style management, ,there was a vote on the proposed strawman equity portfolios, set out in the exempt part of the report.

Strawman 3 **-** [set out as a recommended option at 3.2] received 2 votes and Strawman 2 received 4 votes.

RESOLVED

1. To approve a change to the fund's investment strategy to implement strawman **2** equity portfolio as shown in the exempt appendix 1 attached at item 16, namely to;

- Allocate 42.6% to multi factor portfolio.
- Allocate 14.8% to market cap portfolio
- Retain the current allocations to emerging market equity and low carbon equity, but to switch all of the low carbon portfolio into a currency hedged fund, to retain the fund's overall 50% currency hedged position in developed markets

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

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

<u>Tactical Rebalancing:</u>

4. To agree to a tactical rebalancing of the portfolio, as detailed in Confidential Appendix 2 as 'option 3', but namely to complete a rebalancing of 75% of the fund's overweight equity position:
    - Allocate 50% of the fund's overweight equity position to the fund's multi asset absolute return strategy
    - Allocate 25% of the fund's overweight equity position to the fund's multi asset credit strategy
    - Retain 25% of the fund's current overweight equity position as equity holdings.

Reason for Decision

Equity Strategy Review

The fund has a commitment to investing in a manner which not only secures sufficient returns to meet the fund's strategy to increase the overall funding level, but which also takes serious consideration of environmental, social and corporate governance (ESG) factors. Mercer has previously reviewed the fund's low carbon strategy, and this was increased from 33% of developed market equity to 50% of developed market equity in the summer of 2017. This paper does not propose any change to this part of the equity strategy.

The equity portfolio is all invested in market cap index linked funds: this essentially means that the portfolio invests in line with the stock market as a whole, and therefore produces returns that should be equal to the average stock market performance. For example, the Fund's UK equity holdings track the FTSE All share index, so the returns are equal to the performance of the FTSE All share. Broadly, this means that the fund's equity portfolio is only exposed to one 'style' of equity investment. Utilising a number of different styles or factors in the portfolio which are complimentary and can counterbalance one another, could reduce the volatility of returns for the fund as a whole. This is detailed further in Mercer's report.

One of the downsides of investment in market cap indices is that the fund is increasingly exposed to the largest and most expensive companies in each index. Over the past few years this has been strategy that has greatly benefitted the fund, due to prevailing market conditions, and sustained stock market growth. However, this strategy is unlikely to perform well if we enter a period of equity market decline, and in this scenario, the fund could actually suffer disproportionate losses: reversing some of the recent gains made.

It is therefore sensible to reconsider the current equity strategy of investing 100% in market cap indices, (albeit with a partial low carbon tilt), and consider other equity investment strategies with the aim of hopefully smoothing the fund's returns, and trying to reduce the fund's dependence on one particular style of equity investment. This is a move to diversify the fund's equity strategy further: in the best interests of the fund's membership, and particularly employer base, as investment returns impact on employer contributions to the fund.

The current equity strategy also has fixed allocations to specific geographic regions. This is problematic, as the allocations made in the strategy at one point in time are not agile, and do not allow for the fluctuating size of different geographies within the global economy. For example, the Fund's current allocation to UK equity is significantly overweight when considered within a global context, as the weighting to UK equity was determined prior to the Brexit vote in 2016, and the UK stock market has since shrunk as proportionally. This can be overcome by the use of a global index which automatically rebalances different geographic weightings. A global index is currently used by the fund currently within the low carbon portion of the portfolio. Strawman portfolios 2 and 3 in the paper produced by Mercer address this problem fully, strawman portfolio 1 partially addresses this.

<u>Tactical Rebalancing:</u>

Mercer have produced Confidential Appendix 2 with advice to the Committee and Board regarding the fund's current overweight position in equity.

The fund has appointed a number of private market or real asset fund managers in recent years: the long lease property and renewable energy infrastructure mandates. These mandates are illiquid and take a number of years to fully invest. The funds waiting to be drawn down to these investments are all currently held temporarily within the equity portfolio, and this equates to roughly £141.6m at the time of writing. This takes account two bulk transfers that will occur later in the year, and which will both be funded by equity drawdowns, estimated at £50m. However, as Mercer suggest in confidential appendix 2, this £141.6m figure should be updated in light of the 28 February valuation as soon as this becomes available (it was not at the time of writing).

The fund has allocated 5% to renewable energy infrastructure (with Copenhagen Infrastructure Partners and Blackrock), but it will take a number of years before this is all invested. The fund has also allocated 5% to a long lease property mandate (with Aviva). This is likely to be invested later in 2018. The funding for these investments is currently all held and invested within the fund's equity portfolio, on a temporary basis, until these fund managers have sourced appropriate assets, and are able to invest the funds.

The equity portfolio is the most volatile section of the investment portfolio overall. There is therefore a risk that equity markets may decline, and consequently the valuation of these funds temporarily allocated to equity will drop.

To hedge against this risk, it is therefore recommended that the Committee and Board consider a tactical rebalancing of the portfolio, in order to rebalance this temporary overweight position in equity, and to move a portion of this £141.6m into funds held with Ruffer and CQS, to hedge this risk that the equity holdings fall in value. Moving the funds would be a relatively quick exercise due to the liquidity of all three investments.

The paper produced by Mercer has looked at a number of options:

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

- Option 2 essentially rebalances 50% of the overweight position in equity, and splits this as follows:

    - 25% allocated to the fund's multi asset absolute return strategy (London CIV – Ruffer)
    - 25% allocated to the fund's multi asset credit mandate (CQS).
    - 50% remains within equity.

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

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

Other options considered

The exempt paper from Mercers at item 16 contained a number of options for the fund's equity strategy.

174. WORK/FORWARD PLAN

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

In response to a suggestion by the Pensions Auditor to have training on governance strength, it was noted that this had already been covered in recent training sessions.

RESOLVED

To note the work plan and Committee members to, separately, advise the Pensions Manager of training needs.

175. RISK REGISTER REVIEW/UPDATE

The Committee considered an update on the Fund's risk register and were given the opportunity to further review the risk score allocation.

The Committee noted that there were no new issues since the previous report. The only risk was the growing number of employers in the fund which now stood at 71.

RESOLVED

1. To note the risk register.

2. To note the area of focus for this review at the meeting is 'Funding and Liability' risks.

176. QUARTERLY PENSION FUND PERFORMANCE & INVESTMENT UPDATE

The Committee and Board noted the quarterly Pension Fund update report, as introduced by Thomas Skeen , Head of Pensions. It was noted that at the most recent valuation, the fund had a funding position of 79% - meaning the fund's investment assets were sufficient to pay 79% of the pension benefits accrued at that date.

The Pensions Manager continued to refer to paragraphs 11.1 to 11.3 which outlined the improvement to an 88.2% funding level for the Pension Fund and the increase being mainly attributable to investment returns. This position was improved slightly from 30 September 2017 at 86.5%to a net deficit of £277m, which has decreased to £186m as at 31 December 2017 when the indicative funding level was 88.2%.

Good decision making in relation to investments was further cemented with the Council's current investment with CQS now coming under the CIV's oversight. This meant that the Council immediately starts to benefit from the various efficiencies associated with having funds which are invested via the CIV pool. This was similar to Haringey's investments with LGIM which are also under the CIV's oversight

In relation to a query about paragraphs 8.7 to 8.8, noted that this outlined that Japan contained a better market to invest in due to deflation, compared to the UK . It was also noted that gilts were calculated according to RPI.

RESOLVED

To note the information provided in respect of the activity in the three months to 31st December 2017 .

177. GOVERNANCE REVIEW

The Committee noted that there was no movement in the Key performance indicators relating to compliance with Scheme Advisory Board.

The London CIV consultation was circulated in February 2018 and the response provided by the council was included in exempt item. This had been accompanied by a strongly worded letter from the Council which highlighted that the proposals were incompatible with the Council's ESG funding activities and blended mandates being taken forward.

The CIV business plan proposals had generally been viewed negatively by local authorities and the CIV were now redrafting proposals, set out in page 201 to 205 of the agenda pack.

Noted that the Council would be responding to the new consultation before the local elections.

RESOLVED

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

To note the London CIV consultation which was circulated in February 2018.

178. INVESTMENT CONSULTANT PROCUREMENT

[Mercer representatives left the meeting at this point]

The Committee were reminded that the current contract for investment consultancy services with Mercer expires on 31 March 2018. This contract had been extended at the Pensions Committee and Board meeting of 18 January 2018, in order to bridge the period to the end of the financial year. At this Committee meeting, delegated authority was granted to the CFO to enter into a new two year contract for investment consultancy services (with possible extension for one further year), following a procurement exercise carried out by officers with the involvement of the Independent Advisor to the Fund. The contract will run from 1 April 2018 to 31 March 2020, and will provide for an option to extend the contract for a further year to 31 March 2021.

The attached report to provided members of the Pensions Committee and Board with details of the procurement exercise undertaken.

Following consideration of exempt information at item 18 , there were no questions or queries from members of the committee and Board relating to the procurement exercise.

RESOLVED

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

Reason for Decision

N/A this is a noting item.

Other options considered

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

179. NEW ITEMS OF URGENT BUSINESS

None.

180. EQUITY STRATEGY REVIEW AND TACTICAL REBALANCING

181. GOVERNANCE REVIEW

As per item 177.

182. INVESTMENT CONSULTANT PROCUREMENT

183. NEW ITEMS OF EXEMPT URGENT BUSINESS

None

CHAIR: Councillor Clare Bull

Signed by Chair ………………………………..

Date …………………………………

Agenda Item 7

Report for: Pensions Committee and Board 23 July 2018

Title: 2017/18 Pension Fund Accounts and Annual Report

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. This report presents the Pension Fund Annual Report and audited Accounts for 2017/18 for the Committee and Board's approval. The annual audit report from the Fund's external auditor BDO is also presented.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee and Board notes the findings of the external auditor in their report attached in Annex 1.

3.2. That the Committee and Board note and approve the Pension Fund Annual Report and Fund Accounts for 2017/18.

3.3. That the Committee and Board gives the Chair of the Committee and Board and Director of Finance (S151 Officer) authority to sign the letter of representation to the Auditor as set out in paragraph 6.4 of this report.

4. Reason for Decision

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

5. Other options considered

5.1. None.

6. Background information

Haringey LONDON

6.1. The Local Government Pension Scheme Regulations 2013 require local government pension funds to produce an annual report every year to be published by 1st December following the year end (regulation 57 (2)). One of the key components of the annual report is the audited pension fund accounts for the year. The pension fund accounts are also required to be part of the Council's main statement of accounts, even though they are audited separately. The deadline for the publication of the Council's audited accounts is now 31 July each year (previously 30 September).

6.2. In previous years, the Committee and Board received a draft version of the annual report and accounts in the July committee meeting, prior to the final version and audit report being presented at the September meeting for approval. The Audit and Accounts regulations 2015 require that all Local Authorities publish draft accounts by 31 May, and final audited accounts by 31 July each year. Hence, the Committee and Board will approve a final set of accounts in the July meeting going forwards.

6.3. At the Pensions Committee and Board meeting on 15th March 2018, BDO, the Council's auditors, presented their plan detailing how they would undertake the audit of the 2017/18 accounts.

6.4. The Committee and Board is to authorise the Chair and the Director of Finance (S151 Officer) to sign a letter of representation to acknowledge the Council's responsibility for the fair presentation of the information in the financial statement and the Pension Fund Annual Report. A proposed draft of this letter is shown at Annex 3 for the Committee and Board's information.

Contribution to Strategic Outcomes

6.5. None.

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

<u>Finance and Procurement</u>

7.1 The comments of the Chief Finance Officer have been incorporated in the main text of the report.

<u>Legal</u>

7.2 As the report confirms the Authority is required under Regulation 57 of the Local Government Pension Scheme Regulations 2013 to publish a pension fund annual report in a specific format annually on or before 1 December of the year following the year end to which the annual report relates. The Regulation also sets out the information that should be contained within the report.

Equalities

7.3 There are no equalities issues arising from this report.

8. Use of Appendices

Annex 1 BDO Audit Report (ISA 260)
Annex 2 2017/18 Annual Pension Fund Report and Accounts.
Annex 3 Draft Letter of Representation

9. Local Government (Access to Information) Act 1985

Not applicable.

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Annual Pension Fund Report and Accounts

For the year ended 31 March 2018

Contents

Introduction

Haringey Council presents its Annual Report and Accounts of the Haringey Local Government Pension Fund for the year ended 31st March 2018.

The Local Government Pension Scheme (LGPS) is a defined benefit pension scheme for the employees of local government and related organisations within the UK. It is a national scheme run locally by councils nominated as "Administering Authorities". Haringey Pension Fund was established on 1st April 1965.

Haringey Council is the Administering Authority in the London Borough of Haringey and runs the Scheme to provide retirement benefits to all eligible employees of Haringey Council and other scheme employers who participate in the fund in the borough. More detail about these organisations can be found in the Membership section on page 13. The Management report on page 11 provides further information about how the scheme is run. The Scheme's registration number is 00329316RX.

Scheme Rules

The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index. For service prior to April 2014 benefits are based on final salary and years of service. Other than in accordance with legislative requirements, there were no increases to benefits in payment in the year. The Administration report on page 29 provides details about the administration of the Scheme.

Membership

There were 6,716 active members (2017: 6,167), 8,719 (2017: 8,769) deferred members, and 7,742 (2017: 7,508) pensioners and dependents receiving benefits. More details can be found in the Membership section on page 13.

Financial position

The financial statements and notes in Appendix 1 show that the value of the Fund's assets increased by £48m to £1,355m as at 31 March 2018. The majority of the Fund's investments delivered positive single digit performance over the year, with the fund's property and private equity investments performing the best.

Investments

During the year the rate of return on the Fund's investments was 4.40%. This was 1.02% below the Fund's target of 5.42% for the year. The Fund participates in a benchmarking group maintained by the Pensions and Investment Research Consultants (PIRC): around two thirds of all LGPS Funds take part in this benchmarking group. The median performance in the benchmarking group in

2017/18 was a return of 4.0% - which Haringey exceeded. Over the course of 2017/18, Haringey's investment performance was in the 30th percentile out of all the funds which took part in this benchmarking (1st percentile being the best performing fund, 100th being the worst). Haringey's performance was in the 8th and 9th percentiles over the rolling three and five year periods which ended on 31 March 2018 respectively, showing consistently strong performance. In the 2016/17 financial year, Haringey's investment performance was the second highest of all the funds which took part in the benchmarking over both a one and three year period. More details of the investment strategy and the performance can be found on page 18.

Funding position

The last formal valuation of the funding position took place as at 31st March 2016, when the funding level was 79%. Details can be found in the Funding report on page 34. The next formal valuation will be carried out as at 31st March 2019.

Management and Financial Performance Report

- Governance Arrangements
- Service Delivery
- Pension Fund Advisers
- Management report for 2017/18
- Membership

Governance Arrangements

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2017/18 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The committee fulfils the duties required by regulations for the Council to operate a Pensions Board. The Committee and Board consists of elected Councillors, and employer and employee representatives all with equal voting rights. Councillors are selected by their respective political Groups and their appointments are confirmed at a meeting of the full Council. They were not appointed for a fixed term but the membership is reviewed regularly by the political groups. The other representatives were appointed by their peer groups. The membership of the Committee during the 2017/18 year was:

Councillor Clare Bull	Chair
Councillor John Bevan	Vice Chair
Councillor Mark Blake	
Councillor Liz McShane	
Councillor Viv Ross	
Councillor Noah Tucker	

Randy Plowright	Employee Representative
Ishmael Owarish	Employee Representative
Keith Brown	Employer Representative

Contact Details for Pensions Committee and Board

Pensions Committee and Board

C/O: Pensions Team

London Borough of Haringey

8th Floor, River Park House,

London, N22 8HQ.

Governance Compliance Statement

The Pension Fund has published a Governance Compliance Statement in accordance with the LGPS Regulations and this is set out in Appendix 2. The objective of the statement is to make the administration and stewardship of the Pension Fund transparent and accountable to all stakeholders.

Service Delivery

Haringey Council Pension Service is composed of two streams of work: the first being investments and accounting, the second being pensions administration. These two functions now both operate out of Corporate Finance, previously pensions administration was part of the Human Resources department.

The key tasks for the investments and accounting work of the fund include:

- Support to the Committee and Board to set investment strategy and monitor investment performance;
- Managing the contracts with the Pension Fund's advisers;
- Producing the annual Pension Fund workplan and Annual report and accounts; and
- Maintaining the key governance statements the Pension Fund is required to publish (the current versions can be found in the Appendices to this report).

The Scheme Administration report on page 29 sets out the key tasks of the pensions administration service.

The Pension Fund's internal auditors are Mazars Public Sector Internal Audit Limited. Regular audits are carried out on both pension fund investments and pensions administration.

<u>Key Officer Contacts</u>

Interim Director of Finance (S151 Officer)	Jon Warlow
Assistant Director Corporate Governance (Monitoring Officer)	Bernie Ryan
Head of Pensions	Thomas Skeen
Pensions Manager	Janet Richards

Pension Fund Advisers

The Pension Fund retains a number of advisers to provide specialist advice and services. The contracts with these advisers are reviewed on a regular basis. A list of all advisers is provided below:

Secretary to the Committee	Assistant Director Corporate Governance (Monitoring Officer)
Scheme Administrator	Director of Finance (S151 Officer)
Actuary	Hymans Robertson LLP
Investment Managers	Legal & General Investment Management (LGIM) CBRE Global Investors Pantheon CQS Allianz Global Investors Blackrock London CIV
Custodian	Northern Trust
Investment Consultants	Mercer UK Limited
Independent Adviser	John Raisin Financial Services Limited
Bankers	Barclays Bank Plc
Legal advisers	Assistant Director Corporate Governance (Monitoring Officer)
Additional Voluntary Contribution providers	Clerical and Medical Equitable Life Assurance Society Prudential Assurance
Internal Auditors	Mazars Public Sector Internal Audit Limited
External Auditors	BDO LLP

Pensions Committee and Board Attendance 2017/18

Attendee	Voting Right	20 Jul 2017	14 Sep 2017	21 Nov 2017	18 Jan 2018	20 Mar 2018
Councillor Clare Bull	√	√		√	√	√
Councillor John Bevan	√	√	√	√	√	√
Councillor Noah Tucker	√		√	√		√
Councillor Liz McShane	√	√	√			
Councillor Mark Blake	√				√	√
Councillor Viv Ross	√	√	√	√	√	√
Keith Brown	√	√	√	√	√	√
Randy Plowright	√	√			√	√
Ishmael Owarish	√	√	√	√	√	√

Training was provided to committee members on a wide range of topics. Training sessions are generally held prior to meetings of the committee, or on half day slots as is deemed necessary consistent with the committee's work plan at a given point. Committee members are also able to receive training from external providers, and this was the case throughout 2017/18. Training was provided in line with CIPFA's knowledge and skills framework to ensure that the committee members received appropriate training.

Management Report for 2017/18

Financial Performance

The investment performance during the year was positive at 4.40% relative to benchmark of 5.42% - so the Fund underperformed its target by 1.02%. The majority of the Fund's investments delivered positive single digit returns, the best performance came from the fund's property investments which delivered a return of 10.02%.

In the medium to long term, the Fund has underperformed target slightly with returns of 9.70% against target of 9.85% over 3 years and returns of 9.96% against 10.28% over five years. All fund managers who have been engaged over 3 and 5 year periods have delivered positive returns over these timescales.

The Fund participates in a benchmarking group maintained by the Pensions and Investment Research Consultants (PIRC): around two thirds of all LGPS Funds take part in this benchmarking group. The median performance in the benchmarking group in 2017/18 was a return of 4.0% - which Haringey exceeded. Over the course of 2017/18, Haringey's investment performance was in the 30th percentile out of all the funds which took part in this benchmarking, (1st percentile being the best performing fund, 100th being the worst). Haringey's performance was in the 8th and 9th percentiles over the rolling three and five year periods which ended on 31 March 2018 respectively, showing consistently strong performance.

In 2017/18, the fund's assets increased by £48m from £1,308bn to £1,356bn. In the 2016/17 financial year, the corresponding figure was an increase of £262m, and investment performance of 25.46%. The 2016/17 year's performance was exceptional, and in a large part attributable to the devaluation in Sterling after the Brexit vote which took place during 2016/17: all of the fund's overseas investments gained value relative to sterling due to the change in exchange rate.

Administrative Management Performance

The Fund's maintains a Pension Administration Strategy Statement, which was last updated in early 2018 and is reviewed regularly. During the financial year 2017/18 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally. The timeliness of contribution payments from employers in the Fund has been monitored by the Pensions Committee and Board and issues have been followed up by the Fund's officers. Membership of the Fund has increased by 733 in the financial year (from 22,444 in 2016/17 to 23,177 in 2017/18).

Risk Management

Investment risk is a key risk which the Fund is exposed to due to the range of different types of assets the Fund has chosen to invest in. All investments are undertaken in line with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016 and in consideration of advice from the Fund's investment adviser and from the Independent Adviser.

The Committee and Board has set an investment strategy which involves a wide range of asset classes and geographical areas. This provides diversification which reduces the risk of low and volatile returns. Following the decision to invest a large portion of the Fund on a passive basis, the risk of underperforming the benchmark has been reduced.

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide audited internal controls reports regularly to the Council, which set out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The Committee and Board consider reports on investment performance, responsible investment activities and other pertinent matters relating to investments and fund managers at each committee meeting.

Membership

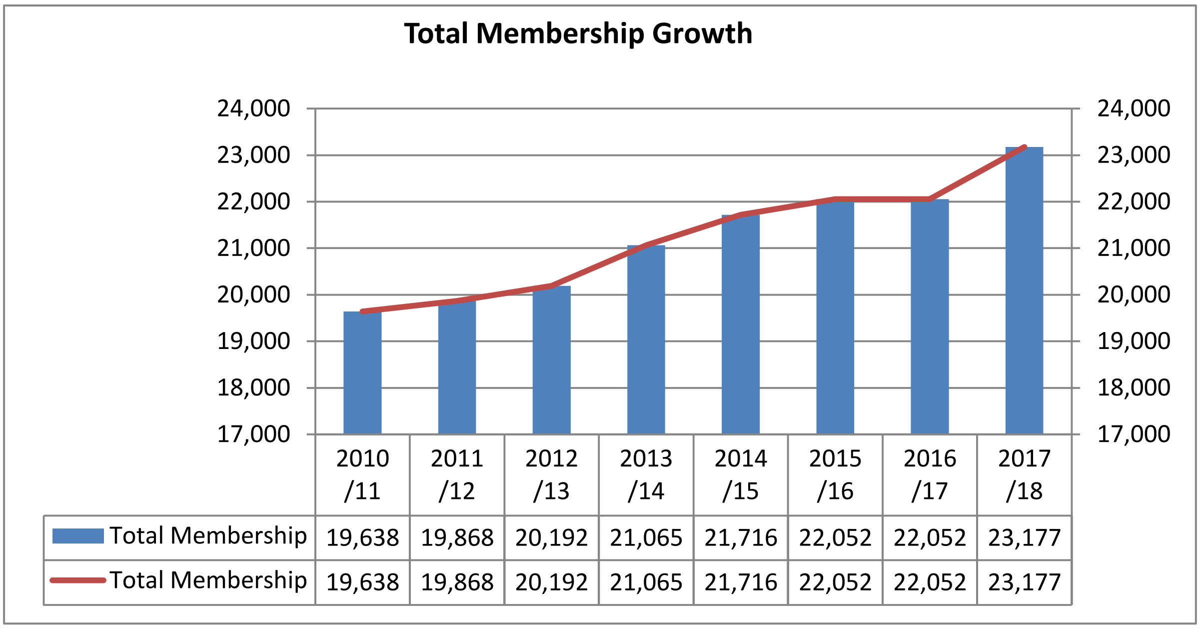
Haringey Council is the Administering Authority for the Haringey Pension Fund and eligible staff are members of the scheme. In addition the Pension Fund has a number of other organisations (scheduled and admission bodies) participating in the Fund.

A scheduled body is a public body which is required by law to participate in the LGPS. Each scheduled employer is listed in the LGPS regulations. The most common type of scheduled employers are academy schools.

A transferee admission body is an employer permitted to participate in the LGPS. This might be a non profit making body carrying out work that is similar in nature to a public service like local government, or it might be a private company to which a service or assets have been outsourced.

A community admission body is an organisation providing a public service in the UK otherwise than for gain. The organisation is expected to have sufficient links with the Council such that it is regarded as having a community interest.

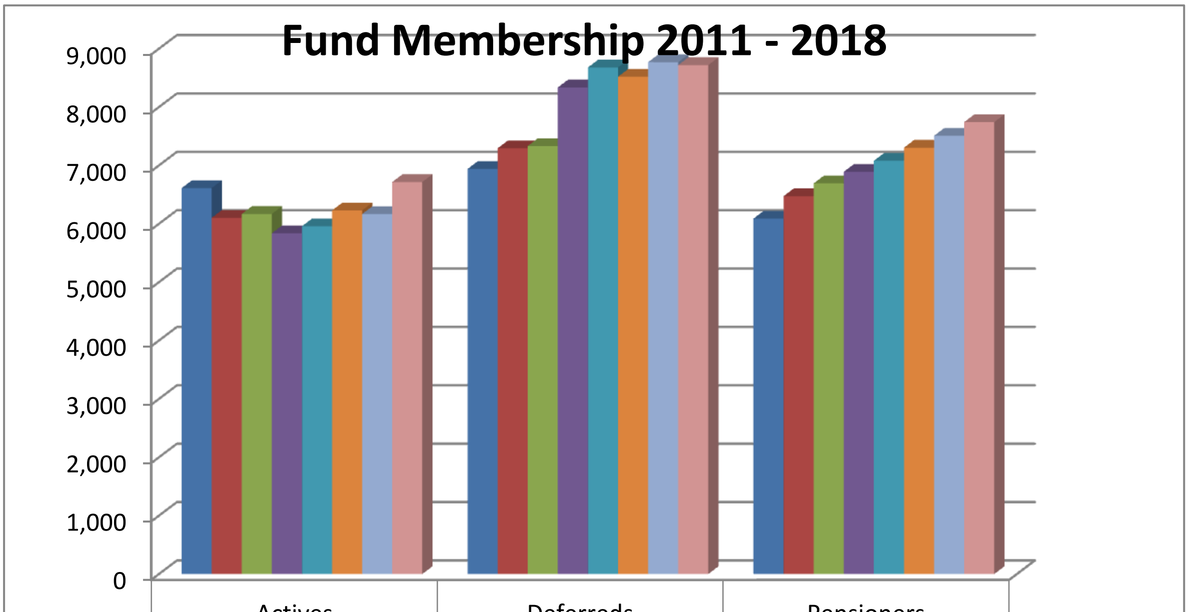
The membership of the Pension Fund at 31st March 2018 compared with the previous financial year is shown in the table below.



The table above shows an overall increase in membership of 3.3% over the past year due to staff increases at academy employers and auto enrolment of new joiners. Deferred and pensioner members are on an upward trend as expected.

Overall membership number has consistently risen over the last eight years as expected and projected to continue to grow into the future as new employers are admitted into the Fund and as more staff move into the deferred and pensioner groups.

The table below shows the breakdown of membership between active members, deferred and pensions.



	Actives	Deferreds	Pensioners
2010/11	6,610	6,939	6,089
2011/12	6,102	7,293	6,473
2012/13	6,168	7,332	6,692
2013/14	5,838	8,336	6,891
2014/15	5,958	8,678	7,080
2015/16	6,229	8,519	7,304
2016/17	6,167	8,769	7,508
2017/18	6,716	8,719	7,742

A schedule of the membership from each of the employers is shown below:

	Active Members	**Deferred Beneficiaries**	**Pensioners and Dependants**	**Employee Contributions £**	**Employer Contributions £**
Scheduled Bodies					
Haringey Council	4,811	7,712	6,996	6,669,182	26,399,202
Haringey Magistrates	-	18	17	-	-
College of Haringey, Enfield and North East London	171	272	150	178,845	726,318
Greig City Academy	56	38	5	66,331	212,694
Homes for Haringey	568	242	244	1,240,538	4,214,997
John Loughborough School	-	11	8	-	-
Fortismere School	45	31	12	84,332	256,184
Alexandra Park School	76	20	9	91,852	327,774
Woodside School	77	7	7	97,716	293,508
Eden School					

	16	6	-	13,368	39,830
Harris Academy Coleraine	40	17	2	26,906	99,599
Harris Academy Philip Lane	38	15	4	19,044	70,957
AET Trinity Primary	33	7	4	26,582	105,587
AET Noel Park	53	7	2	41,864	143,463
Haringey 6th Form Centre	63	22	2	69,337	201,551
St Pauls & All Hallows Infants Academy	22	1	2	17,987	60,063
St Pauls & All Hallows Junior Academy	13	3	-	7,039	25,616
St Michaels N22 Academy	19	6	3	8,844	32,111
St Ann CE Academy	13	7	4	10,068	36,811
Holy Trinity CE Academy	15	6	-	15,839	53,706
Brook House Primary (formally Hartsbrook)	31	6	-	34,266	82,341
St Thomas More School	43	5	9	58,679	233,009
Heartlands High School	100	33	-	113,714	306,216
Milbrook Park Primary School	19	-	-	14,005	50,019
Harris Academy Tottenham	16	-	-	23,586	88,544
The Octagon	17	1	-	21,098	64,280
Dukes Aldridge Academy	88	-	-	111,071	412,400
Scheduled Bodies Total:	**6,443**	**8,493**	**7,480**	**9,062,092**	**34,536,780**
Admitted Bodies					
Haringey Age UK	-	2	18	-	-
CSS (Haringey) Ltd	-	25	55	-	-
Haringey Citizen Advice Bureau	3	-	9	6,317	82,071
Jarvis Workspace Ltd	-	19	27	-	-
Alexandra Palace Trading Co.	2	7	13	4,629	93,289
Urban Futures London Ltd	-	9	2	7,943	18,180
Enterprise (formerly Accord) Ltd	-	37	45	-	-
Capita Business Services	-	-	-	-	-
Mittie (formerly Trident) Securities Ltd	-	-	2	-	-
Initial Catering Ltd	-	1	1	-	-
OCS Group Ltd					

	-	1	1	-	-
Harrisons Catering	-	1	2	-	-
R M Education PLC	-	3	-	-	-
TLC At Cooperscroft (formerly Rokeley Dene)	5	12	8	7,890	-
Ontime Parking Solution	-	2	2	-	-
Europa	-	-	1	-	-
Veolia	75	40	31	140,545	35,699
Churchills	-	1	3	257	720
Fusion Lifestyle	23	33	7	13,263	-
Cofely Workplace Limited(formally Balfour Beatty Workforce)	3	16	24	-	-
Lunchtime St Gildas School	2	-	-	1,411	3,468
Lunchtime St Francis De Sales School	4	1	-	2,985	4,267
Lunchtime St Marys School	3	1	1	3,067	2,811
Lunchtime St Pauls RC School	2	-	1	2,281	6,379
Lunchtime Ferry Lane School	3	-	-	3,037	8,071
Lunchtime Bounds Green School	4	-	-	3,069	7,932
ABM Weston Park School	1	-	1	1,034	92
ABM Muswell Hill	1	1	-	1,162	601
Caterlink Bruce Grove School	-	3	-	-	-
ISS Crowland School	1	-	-	-	-
Superclean Willow School	2	-	-	-	-
Absolutely Catering Rokesly School	3	-	-	1,342	3,911
Caterlink Holy Trinity School	1	1	-	1,341	2,614
Caterlink St Michaels School	2	1	-	1,361	5,354
Caterlink St Pauls and All Hallows School	5	-	-	2,999	7,562
Totteham University Technical College	7	2	-	13,858	47,372
Lunchtime Seven Sisters	2	-	1	1,885	1,971
Lunchtime Welbourne	4	-	-	2,268	6,698
Lunchtime Earlsmead	2	1	-	1,733	1,494
Amey Community Ltd	70	4	3	64,376	16,105

K M Cleaning	4	-	1	1,653	3,646
Pabulum Lea Valley Primary	3	-	-	2,285	10,255
Pabulum St John Vianney	2	1	-	1,279	5,955
Pabulum St Martin de Porres	2	-	-	1,682	8,177
Pabulum South Harringay	3	-	1	1,675	8,068
Pabulum Earlham School	2	-	2	645	4,106
Pabulum Belmont School	3	-	-	1,155	7,437
Pabulum Tetherdown	3	-	-	2,265	12,405
Pabulum Alexandra Primary	3	-	-	1,345	6,308
Pabulum St Peter in Chains	2	-	-	1,812	9,545
Hillcrest Cleaning Chestnuts	2	-	-	3,073	16,336
Lunchtime St Marys Priory School	4	1	-	3,207	21,325
Ategi Ltd	4	-	-	6,676	33,577
Hertfordshire Cleaning Ltd	6	-	-	4,929	28,643
Admitted Bodies Total	**273**	**226**	**262**	**323,737**	**532,443**
Grand Total	**6,716**	**8,719**	**7,742**	**9,385,829**	**35,069,223**

Investment Policy and Performance Report

Investment Strategy

Responsible Investment

Fund Managers

Investment Performance

Market Developments 2017/18

Investment Strategy

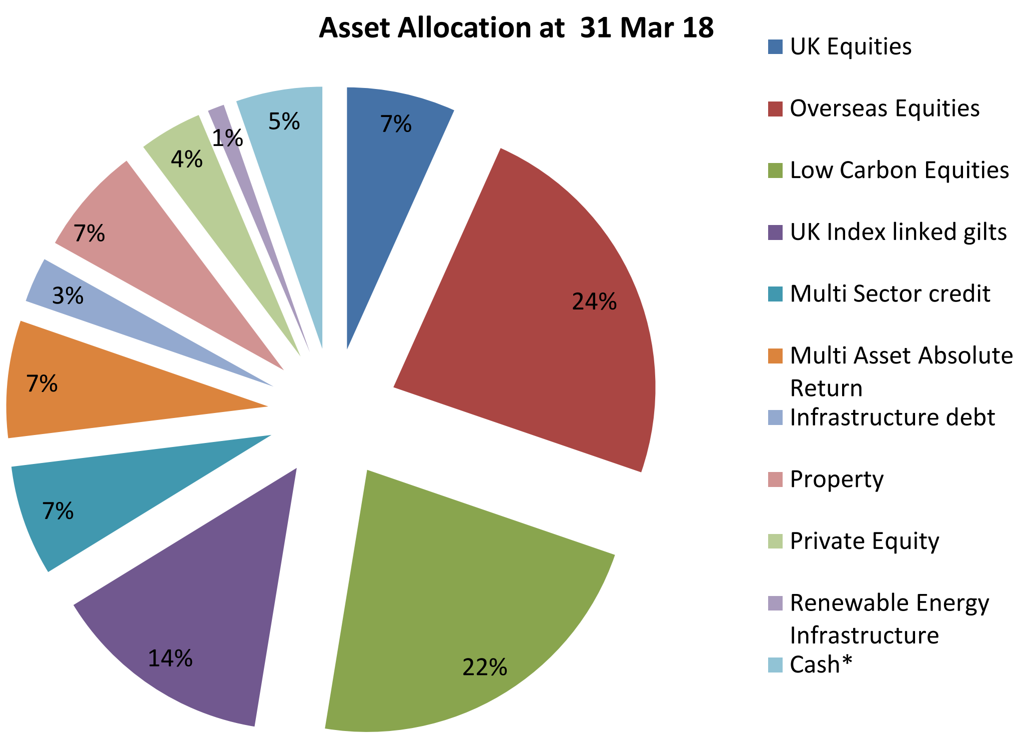
The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Pensions Committee and Board is responsible for setting the investment strategy with the aid of independent advice from the Pension Fund's advisers. Day to day investment decisions are delegated to fund managers.

The strategy is set out in detail in the Investment Strategy Statement, which is shown in Appendix 3 to this report. All investments were externally managed, with the exception of a small allocation of cash used to meet benefit payments, which was held in-house.

The current strategic asset allocation includes allocations to passively managed equity, index linked gilts, multi sector credit, private equity, infrastructure debt, renewable energy infrastructure, a multi asset absolute return fund, and UK property. A further allocations to UK long lease property was agreed in 2016, however this investment had not been funded as at 31st March 2018. The renewable energy infrastructure mandate has begun to be funded in 2017/18, but will take some years before the fund is fully invested.

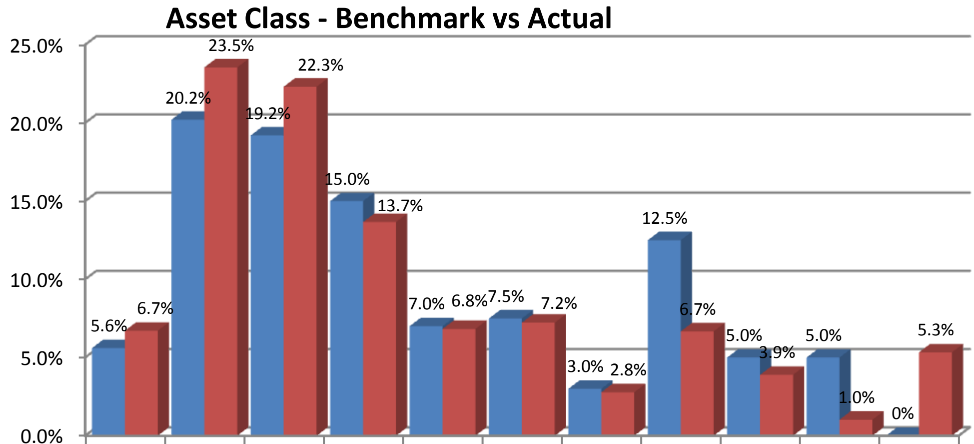
The actual asset allocation as at 31st March 2018 is illustrated by the below chart.



*includes current asset/liability balances

The Fund's benchmark showing target asset allocation during 2017/18 is shown below, alongside the actual allocation of the Fund's investments at 31st March 2018.

The financial statements show that the Fund is invested in pooled funds and the breakdown in the table below shows the allocation of the underlying holdings.



	UK Equities	Overseas Equities	Low Carbon Equities	UK Index linked gilts	Multi Sector credit	Multi Asset Absolute Return	Infrastructure debt	Property	Private Equity	Renewable Energy	Cash*
Benchmark % at 31 Mar 18	5.6%	20.2%	19.2%	15.0%	7.0%	7.5%	3.0%	12.5%	5.0%	5.0%	0%
Actual % at	6.7%	23.5%	22.3%	13.7%	6.8%	7.2%	2.8%	6.7%	3.9%	1.0%	5.3%

* includes current asset/liability balances

Custodial Arrangements

The Council employs Northern Trust to act as independent custodian of the Pension Fund's investments. As professional custodians, they employ a rigorous system of controls to ensure the safekeeping of assets entrusted to them. The custodian is responsible for the settlement of all day-to-day investment transactions, collection of investment income and the safe custody of the Pension Fund's investments.

Responsible Investment

The Pension Fund believes that the adoption by companies of positive Environmental, Social and Governance (ESG) principles can enhance their long term performance, sustainability and increase their financial returns. These issues are of concern to the Fund because it is considered that companies who do not have regard for the social and environmental impact of their business, or who conduct their business in a way which is not sustainable over the longer term are in danger of adversely affecting the future prospects of the company, and potentially the company's long term valuation.

Due to the need to prioritise the fiduciary duty, the Fund does not participate in stock screening or exclusionary approaches. Instead the Fund seeks to influence the behaviour of companies through engagement. This engagement is undertaken through the following parties:

- The Fund's investment managers
- Local Authority Pension Fund Forum (LAPFF)
- National Association of Pension Funds (NAPF)

The Fund maintains membership of the LAPFF and the NAPF in order that engagement can be undertaken on its behalf.

In addition to this, all but one of the Fund's managers are signatories to the 'United Nations Principles for Responsible Investment' initiative.

At each committee meeting the Pensions Committee and Board receive reports on the engagement activity undertaken on behalf of the Fund, by the fund managers in relation to voting alerts from LAPFF, covering environmental issues, governance and remuneration and all other responsible investment issues.

The Fund incorporates ESG considerations into all decision making when making alterations to the investment strategy, but the fund is mindful of the fact that the fiduciary duty must take precedence over any other considerations when investing the fund. However, the fund has made a number of investments in recent years which have a clear ESG benefit. The fund has committed circa £70m to be invested in renewable energy infrastructure funds, and 50% of the fund's developed market equity investments are held within a low carbon fund, which reduces the carbon emissions associated with these investments by approximately 70%. All investments must be judged solely on their own merit, and while some investments may have a clearly identifiable ESG aspect, ESG is considered for all investments that the Fund makes: for example ensuring that equity managers vote in line with LAPFF recommendations.

For further information regarding the Fund's approach to investing responsibly, please see the Investment Strategy Statement at Appendix 3.

Fund Managers

The Pension Fund has appointed external fund managers to undertake day to day management of the Fund's investments. Each fund manager is appointed with a mandate covering a defined asset class or classes with a target set that relates to a benchmark covering the asset class or classes they are managing. The fund managers in place during the 2017/18, the asset classes they cover, their percentage of the Fund's investments at 31st March 2018 and targets are shown in the table below (the remaining 5% was invested cash):

Investment Manager	Mandate	Asset Class	Passive /Active	Benchmark	Target (3 Yr Rolling Period)	Strategic Allocation	Allocation at 31 Mar 2018
LGIM	Passive Global Equities & Bonds	UK Equities	Passive	FTSE All Share	Benchmark	5.60%	6.71%
LGIM	Passive Global Equities & Bonds	North American Equities	Passive	FT World Developed North America GBP Unhedged	Benchmark	4.10%	4.77%
LGIM	Passive Global Equities & Bonds	North American Equities	Passive	FT World Developed North America GBP Hedged	Benchmark	4.10%	4.77%
LGIM	Passive Global Equities & Bonds	European Equities	Passive	FT World Developed Europe ex UK GBP Unhedged	Benchmark	1.40%	1.62%
LGIM	Passive Global Equities & Bonds	European Equities	Passive	FT World Developed Europe ex UK GBP Hedged	Benchmark	1.40%	1.62%
LGIM	Passive Global Equities & Bonds	Japanese Equities	Passive	FT World Developed Japan GBP Unhedged	Benchmark	0.65%	0.77%
LGIM	Passive Global Equities & Bonds	Japanese Equities	Passive	FT World Developed Japan GBP Hedged	Benchmark	0.65%	0.77%
LGIM	Passive Global Equities & Bonds	Pacific ex Japan Equities	Passive	FT World Developed ex Japan GBP Unhedged	Benchmark	0.65%	0.75%
LGIM	Passive Global Equities & Bonds	Pacific ex Japan Equities	Passive	FT World Developed ex Japan GBP Hedged	Benchmark	0.65%	0.75%
LGIM	Passive Global Equities & Bonds	Emerging Markets Equities	Passive	FT World Global Emerging Markets GBP Unhedged	Benchmark	6.60%	7.73%
LGIM	Passive Global Equities & Bonds	Global Low Carbon Equities	Passive	MSCI World Low Carbon Target Index Unhedged	Benchmark	9.60%	11.16%

LGIM	Passive Global Equities & Bonds	Global Low Carbon Equities	Passive	MSCI World Low Carbon Target Index Hedged	Benchmark	9.60%	11.16%
LGIM	Passive Global Equities & Bonds	Index Linked Gilts	Passive	FTA Index Linked Over 5 Years Index	Benchmark	15.00%	13.66%
CBRE	Property	Property	Active	HSBC/APUT Balance Funds Index	+1% (Gross) of Fees p.a	7.50%	6.67%
Pantheon	Private Equity	Private Equity	Active	MSCI World Index plus 3.5%	Benchmark	5.00%	3.90%
CQS	Multi Sector Credit	Multi Sector Credit	Active	LIBOR plus 5%	Benchmark	7.00%	6.83%
London CIV - Ruffer subfund**	Multi Asset Absolute Return	Multi Asset	Active	8.00%	Benchmark	7.50%	7.23%
Allianz	Infrastructure Debt	Infrastructure Debt	Active	5.50%	Benchmark	3.00%	2.78%
Aviva*	Long lease UK Property	Long lease UK Property	Active	50% FTSE Actuaries 5-15 Year Gilt Index, 50% FTSE 15 year + Gilt Index plus 1.5%	Benchmark	5.00%	0.00%
Copenhagen Infrastructure Partners*	Renewable Energy	Renewable Energy	Active	10.00%	Benchmark	2.50%	0.00%
Blackrock**	Renewable Energy	Renewable Energy	Active	10.00%	Benchmark	2.50%	1.03%
					Total	**100%**	**95%*** **

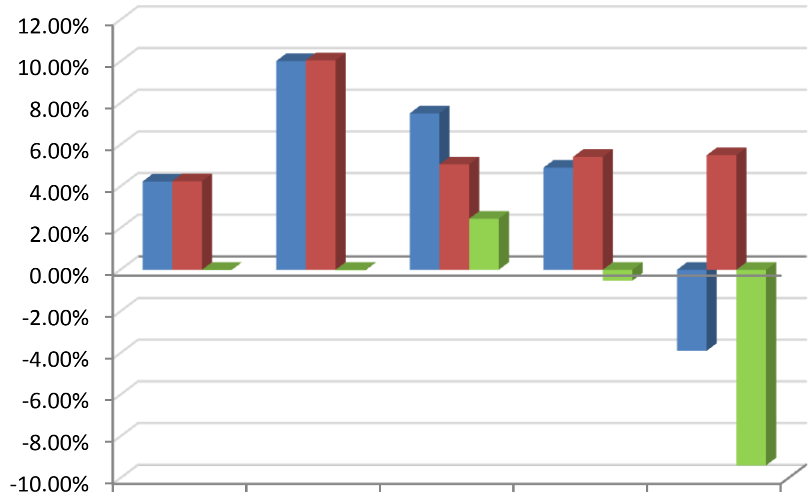
*Investment had not yet begun with these fund managers as at 31 March 2018

**Investment with these fund managers began in 2017/18

***Remaining 5% held in cash as at 31/3/18

The fund had invested funds with five managers for the whole of 2017/18, and made new investments with two fund managers during the year. Of the five who were invested with for the whole year, four achieved positive returns. The fund's property and private equity investments performed best in 2017/18.

Fund Manager Performance Against Benchmark



	LGIM	CBRE	Pantheon	CQS	Allianz
Actual (2017/18)	4.24%	10.02%	7.51%	4.90%	-3.89%
Benchmark (2017/18)	4.25%	10.05%	5.06%	5.42%	5.50%
(Under)/ Over Performance	-0.01%	-0.03%	2.45%	-0.52%	-9.39%

ALLIANZ (Infrastructure Debt) – The manager underperformed benchmark in the year by 9.39%. As at March 2017, (the corresponding performance figure for 2016/17 was around 14% outperformance). Around 80% of the £45m allocation to this investment had been invested in a total of five assets, which included two road, a port and two university halls of residence. The investment is expected to be completed shortly, and will then continue to yield income to the fund for the remainder of the life of the investment which is anticipated to be in the region of 25 years.

CBRE (Property)– The manager achieved positive returns of 10.02% in the year which was almost exactly in line with the benchmark of 10.05%.

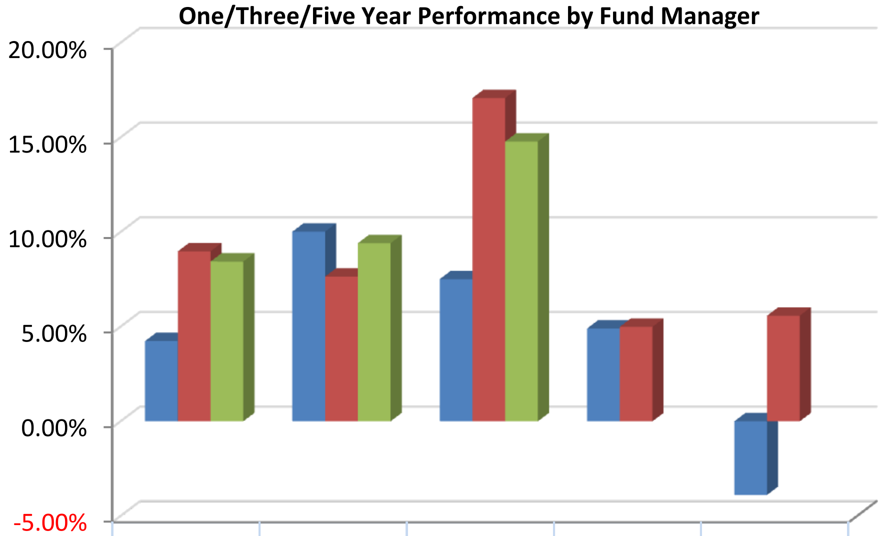
CQS (Multi Sector Credit) – The multi sector credit portfolio lagged slightly behind benchmark in 2017/18, with a 0.52% underperformance. The corresponding figure for 2016/17 was outperformance of 2.32%.

LGIM (Passive equity (including low carbon), and index linked gilts) – The manager performed broadly in line with target as expected as the portfolio is invested passively. Equity markets delivered strong returns for the first three quarters of 2017/18, but then declined in the final quarter Jan-March 2018.

PANTHEON (Private Equity) – the private equity manager delivered a positive return of 7.51% in the year, this significantly above the benchmark of 5.06%. This was especially pleasing as the manager underperformed their benchmark in 2016/17.

Fund managers' performance over the past five years is illustrated by the below chart.

One/Three/Five Year Performance by Fund Manager



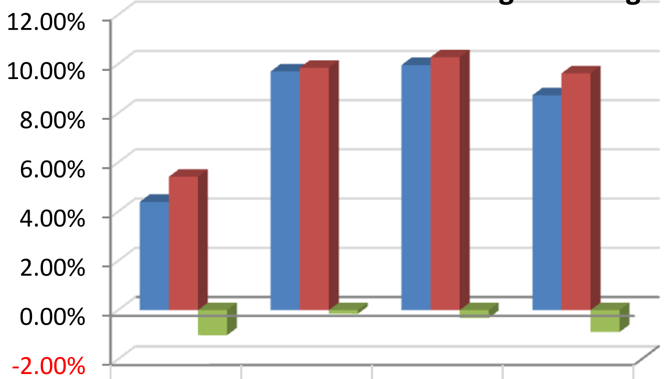
	LGIM	CBRE	Pantheon	CQS*	Allianz**
One Year	4.24%	10.02%	7.51%	4.90%	-3.89%
Three Years	8.98%	7.65%	17.08%	4.99%	5.58%
Five Years	8.44%	9.41%	14.78%		

* Commenced Dec 2014; ** Commenced Aug 2014

Investment Performance

The investment performance of the Pension Fund and the fund managers is regularly reviewed by Committee members. Performance reports to compare actual performance against the targets set for the fund managers are provided to and discussed by the Committee quarterly. The overall Pension Fund performance is summarised in the table below. All figures shown are annualised performance figures over the various periods to 31st March 2018.

Overall Fund Performance against Target



	One Year	Three Years	Five Years	Since Inception
Overall Fund Performance	4.40%	9.70%	9.96%	8.73%
Target	5.42%	9.85%	10.28%	9.62%
Under/Over Performance	-1.02%	-0.15%	-0.32%	-0.89%

Market Developments 2017/18

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2017-18

The financial year 1 April 2017 to 31 March 2018 saw yet further gains in Listed Equity Markets across the world with the “equity bull market” (an upward trending market) completing over nine years of overall positive return. This is exemplified by the major United States Index the S&P 500 which closed (for Easter) at 2,641 on Thursday 29 March 2017 compared to a low of 666 touched on Friday 6 March 2009 the lowest level the US stock market hit following the crisis that centred on the 2008 fall of Lehman Brothers.

April to December 2017 was very positive for Listed Equity markets worldwide supported by good corporate earnings, healthy economic indicators and loose monetary policy by the major Central Banks. While January 2017 was again positive February and March were difficult with markets negatively affected first by concerns about rising inflation in the United States (related specifically to possible faster than expected wage growth) and then tensions over trade as the US imposed tariffs on China. Overall 2017-18 was clearly positive for Listed Equities worldwide, with, for example the S&P 500 up 12% over the whole period. 2017-18 was also notable for signs that the major Central Banks, and particularly the United States Federal Reserve, are gradually moving away from the ultra loose monetary policies of recent years. Overall however monetary policy remains extremely loose by historical standards.

The United States experienced another year of generally positive economic activity including clearly positive corporate results/earnings. Unemployment fell from 4.5% in March 2017 to 4.1% by March 2018 its lowest level since January 2001. Consumer sentiment (as measured by the authoritative University of Michigan Surveys of Consumers) was by March 2018 at its highest level since 2004. In December 2017, the Tax Cuts and Jobs Act 2017, the most radical overall of the US Tax Code since 1986 was signed into law. This Act included large corporate tax cuts. The extent to which these will result in additional capital investment rather than increased share buy backs will, however, only become clear with the passage of time.

The United States Federal Reserve, the world’s most important Central Bank initiated a significant change of direction in monetary policy at its September 2017 meeting by voting to no longer reinvest all principal payments from its bond and debt holdings. This was a fundamental decision as in contrast to approaching ten years of huge expansion the Balance Sheet of the Federal Reserve will now in the words of its then Chair Janet Yellon (at a press conference on 20 September 2017) *“decline gradually and predictably”.* In addition, *“In view* *of realized and expected labor market conditions and inflation"* the Federal Open markets Committee, raised interest rates by 0.25% at its June and December 2017 and March 2018 meetings compared to twice in 2016-17. Notwithstanding this clear "tightening" of monetary policy by the US Federal Reserve its monetary stance remains "loose" in historic terms.

Supported by positive corporate earnings and generally positive economic data as well as accommodative monetary policy from the European Central Bank (ECB) 2017-18 was, overall, a moderately positive year for Eurozone Listed Equities. The Eurozone continued its economic recovery. At a press conference on 8 March 2018 Mario Draghi the President of the ECB stated *"incoming information……confirms the strong and broad-based growth momentum in the euro area economy….*" The Eurozone seasonally-adjusted unemployment which had been 9.4% in March 2017 fell to 8.5% in March 2018 its lowest level since December 2008. However, headline inflation at 1.3% in March 2018 (compared to 1.5% a year earlier) was clearly below the ECB target which aims at inflation rates of below, but close to, 2% over the medium term. This combination of positive economic indicators but weak inflation helps explain the ECBs very tentative approach to tightening monetary policy.

The ECB Governing Council slightly tightened Monetary Policy. Interest rates remained unchanged throughout 2017-18 with the Press Release issued after the March 2018 meeting stating *"the Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time….."* Net asset purchases continued but at the October 2017 meeting it was determined to reduce these to 30 billion Euros a month from January 2018 *"until the end of September 2018, or beyond, if necessary"* however principal payments will continue to be reinvested *"for an extended period of time after the end of its net asset purchases."*

In contrast to the significant gains in 2016-17 (facilitated by a weaker £ following the EU Referendum of June 2016 and subsequent loosening of Monetary Policy by the Bank of England) both the FTSE 100 and FTSE All Share indices declined slightly over 2017-18. Uncertainty over the economic outlook together with the limited progress of the "Brexit" negotiations exacerbated by divisions within the UK Government (which also lost its overall majority at the June 2017 General Election) were not supportive of UK Listed Equities during 2017-18.

The Bank of England's Monetary Policy Summary of March 2018 stated *"Developments regarding the United Kingdom's withdrawal from the European Union – and in particular the reaction of households, businesses and asset prices to them – remain the most significant influence on, and source of uncertainty about, the economic outlook."* Notwithstanding such uncertainty unemployment during 2017-18 fell from 4.6% to 4.1% its lowest in over 40 years while inflation (as measured by the CPI index) remained clearly above the Bank of England's target of 2% throughout the year. Inflation which had been 2.3% in March 2017 was 3.0% by September 2017. Consequently, at its meeting ending on 1 November 2017 the Bank of England Monetary Policy Committee (MPC) voted 7 to 2 to increase Bank Rate by 0.25% to 0.5% stating in their minutes *"a majority of members judged that a small reduction in stimulus was therefore warranted at this meeting to return inflation sustainably to the target. Monetary policy would continue to provide significant support to jobs and activity in the current exceptional circumstances."* By March 2018 inflation was 2.5%.

Clearly positive corporate earnings supported Japanese Equity markets during 2017-18. The Bank of Japan's "Tankan" survey of large manufacturers sentiment was very positive throughout the period. Equity markets also responded positively to the decisive election victory of Prime Minister Shinzo Abe in October 2017. The Nikkei 225 index increased by 13% over the year following its 15% increase the previous year.

Despite positive economic activity, very low unemployment – 2.5% at March 2018 and huge monetary stimulus in the form of asset purchases from the Bank of Japan, inflation in March 2018 was only 0.9% compared with the Bank of Japan's target of 2%. The reappointment of Haruhiko Kuroda for a second term as Governor of the Bank of Japan should, however, ensure a continuation of supportive monetary policy to seek to achieve target inflation.

Chinese, Asian (excluding Japan) and Emerging Market Listed Equities overall enjoyed a positive 2017-18 assisted by generally supportive corporate/ economic data.

Benchmark Government Bonds remained at historically low yields. The major Central Banks maintained an overall loose monetary policy approach but indications of a gradual "tightening" of policy by the US, UK and European Central Banks exerted an upward pressure on yields. The 10 year German Bund yield rose from 0.33% to 0.43%, the UK 10 year Gilt yield from 1.14% to 1.39%, and the 10 year US Treasury yield from 2.39% to 2.75% during the financial year.

John Raisin Financial Services Limited

Independent Advisor

25 May 2018

John Raisin Financial Services Limited

Company Number 7049666 registered in England and Wales.

Registered Office 130 Goldington Road, Bedford, MK40 3EA

VAT Registration Number 990 8211 06

"Strategic and Operational Support for Pension Funds and their Stakeholders"

www.jrfspensions.com

Scheme Administration Report

- Local Government Pension Scheme
- Administration Service Delivery
- Communications Policy
- Pensions Administration Strategy

Local Government Pension Scheme

The Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme which provides defined pension benefits based on membership and pay levels. The benefits are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2013 and Local Government Pension Scheme (Transitional, Provision Savings and Amendment) Regulations 2014. Haringey Pension Fund cannot make changes to the scheme, and may only exercise such discretions as are prescribed by the LGPS regulations.

Membership is open to the non-teaching employees of the Administering Authority, all scheduled bodies and certain employees of admitted bodies until the day before age 75. From April 2014, the benefit structure changed from a final salary scheme to career average revalued earnings based scheme, with changes to the accrual rate and to align the normal retirement date with the age at which the state pension commences.

Administration Service Delivery

The Pension Administration service calculates and pays pension benefits, maintains a database of members and is responsible for the interpretation and implementation of the Local Government Pension Scheme regulations and related legislation for the administration of the scheme.

The service operates in accordance with their professional standards and within the regulations laid down by the Local Government Pension Scheme.

Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, an Internal Disputes Resolution Procedure has been established. In the first instance, members are expected to take up matters with the Pensions Manager, Janet Richards at the following address:

Level 9 Alexandra House
10 Station Road
Wood Green
London
N22 7LR

Alternatively email janet.richards@haringey.gov.uk. If the matter remains unresolved, a stage 1 appeal may be made to the Head of Human Resources and thereafter, if necessary a further appeal may be made to Bernie Ryan, Assistant Director, Corporate Governance at

Level 5 River Park House
225 High Road
Wood Green

London
N22 8HQ

If the problem remains unresolved, members then have the facility to refer the matter to The Pensions Ombudsman, who can be contacted at:

11 Belgrave Road
London
SW1V 1RB

The statutory body responsible for the regulation of pension schemes in the United Kingdom is The Pensions Regulator and can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

A central tracing agency exists to help individuals keep track of deferred pension entitlements from previous employers' pension schemes. An application for a search can be submitted to:

Pension Tracing Service
The Pension Service
Whitley Road
Newcastle upon Tyne
NE98 1BA

The Haringey Pension Fund's details are registered with the tracing agency.

Further information

For information about the Scheme generally, further information about resolving disputes, or an individual's entitlement to benefit, please refer to the Employee's guide, which can be found on the council's website (details below) or contact the Pensions Team, at

Level 9 Alexandra House
10 Station Road
Wood Green
London
N22 7LR

telephone 020 8489 5916 or refer to the Council's website:
www.haringey.gov.uk/pensionfund

Communications Policy

Effective communication between the Administering Authority, the scheme members, and the employers within the Fund is essential to the proper management of the Local Government Pension Scheme on a transparent and accountable basis.

The current policy, which has been prepared in accordance with the LGPS regulatory requirement is attached in Appendix 4, and sets out the policy framework within which the Pension Fund communicates with:

- Members of the scheme;
- Representatives of scheme members;
- Scheme employers; and,
- Prospective scheme members.

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and scheme employers.

The Communications Policy includes the provision of a pension's page on the Haringey website www.haringeypensionfund.co.uk. This facility enables staff to access information about the Local Government Pension Scheme in their own home with families and partners who may also have an interest in the benefits of the scheme.

The below table provides further information about the number of visits to the pension fund website in 2017/18:

	Individual Users	Page views
April 2017	271	1,391
May 2017	310	1,347
June 2017	296	1,415
July 2017	307	1,481
August 2017	277	1,438
September 2017	358	1,702
October 2017	423	2,058
November 2017	337	1,382
December 2017	209	1,005
January 2018	347	1,515
February 2018	309	1,655
March 2018	329	1,790

Pensions Administration Strategy

The Fund implemented a Pensions Administration Strategy Statement on 1st April 2011, following consultation with the employers participating in the Fund and approval by Committee, this is regularly reviewed and updated.

This statement sets out the performance standards expected of the Council in its role of Administering Authority for the Fund and those expected of employers participating in the scheme. It seeks to promote good working relationships, improve efficiency and ensure quality of service and data. It sets out details of how performance will be monitored and what action might be taken in the event of persistent failure.

During the financial year 2017/18 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally.

The Pensions Administration Strategy Statement can be found on the Haringey Pension Fund website www.haringeypensionfund.co.uk

Actuarial Funding Report

- Funding Position
- Funding Strategy Statement
- Statement of the Fund Actuary

Funding Position

The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's assets to meet its long term obligations.

The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2016 in a report dated 29 March 2017.

The 2016 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The resulting contribution rates reflected the cost of providing year by year accrual of benefits for the active members and the level of funding for each employer's past service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2016 was £1,046m. Against this sum liabilities were identified of £1,323m equivalent to a funding deficit of £277m. The movement in the actuarial deficit between 2013 and the last valuation in 2016 is analysed below:

Reason for change	£m
Interest on deficit	(53)
Contributions greater than cost of accrual	13
Investment returns higher than expected	67
Change in demographic assumptions	6
Change in base mortality assumptions	17
Actual membership higher than expected	57
Experience items	1
Change in financial assumptions	(17)
Total	**91**

The level of funding on an ongoing funding basis increased to 79% from 70% between the triennial actuarial valuations as at 31st March 2013 and as at 31st March 2016. The main reason for the improved position was improved investment returns and membership experiences that were better than projected.

The funding objective of the Fund is to be fully funded. As this objective had not been achieved at the last valuation date it was agreed with the actuary that the past service deficit would be recovered over a period not exceeding 20 years. Further information about the principles for achieving full funding is set out in the Funding Strategy Statement in Appendix 5.

Following the valuation as at 31 March 2016, the actuary agreed that the Council's contribution rate should increase by approximately 1.5% over a three year period from April 2017, from 24.9% in 2016/17 (made up of 17.1% of pensionable salaries in 2016/17 plus a cash amount of £8.6m to cover past service deficit), to 26.4% in 2019/20 (17.1% plus a cash amount of £10.2m in 2019/20).

The main assumptions used in the 2016 valuation were:

Investments	**Annual nominal rate of return %**
Discount rate	4.0

	Annual change %
Pay increases	2.8
Price Increases (pension increases)	2.1

Funding Strategy Statement

The Local Government Pension Scheme Regulations require Local Government Pension Funds to prepare, publish and maintain a Funding Strategy Statement in accordance with guidance issued by CIPFA.

The purposes of a Funding Strategy Statement are:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and,
- to take a prudent longer-term view of funding those liabilities.

The Funding Strategy Statement is reviewed in detail every three years alongside the triennial valuation. It is reviewed in collaboration with the Pension Fund's actuary, and after consultation with the Pension Fund's employers and investment advisers. The current statement was reviewed and agreed in March 2017.

The objectives of the Funding policy set out in the Statement are:

- to ensure the long-term solvency of the Fund (and of the share of the Fund notionally allocated to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The policy is shown in full in Appendix 5.

Statement of Fund Actuary

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2018	31 March 2017
Active members (£m)	736	666
Deferred members (£m)	523	515
Pensioners (£m)	647	668
Total (£m)	**1,906**	**1,849**

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are the same as at 31 March 2018 and 31 March 2017. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	3.0%	3.0%
Discount Rate	2.6%	2.6%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.8 years	24.1 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.8 years	26.0 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	155
0.5% p.a. increase in the Salary Increase Rate	1%	22
0.5% p.a. decrease in the Real Discount Rate	10%	186

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies our covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Douglas Green FFA

27 April 2018

For and on behalf of Hymans Robertson LLP

Financial Report

- Director of Finance's Responsibilities
- Appendix 1 Pension Fund Accounts and Auditor's Report

Director of Finance's Responsibilities

The financial statements are the responsibility of the Director of Finance (S151 Officer). Pension scheme regulations require that audited financial statements for each Scheme year are made available to Scheme members, beneficiaries and certain other parties, which:

"show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom".

The Director of Finance has supervised the preparation of the financial statements and has, agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Director of Finance is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Director of Finance is responsible for ensuring that records are kept in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Administering Authority and other participating scheme employers by the due dates.

The Director of Finance is responsible for the maintenance and integrity of the financial information of the Scheme included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Director of Finance also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Statement of the Director of Finance

I certify that the financial statements set out in Appendix 1 have been prepared in accordance with the accounting policies set out below and give a true and fair view of the financial position of the Pension Fund at the reporting date and of its expenditure and income for the year ended 31st March 2018.

Jon Warlow, FCPFA
Director of Finance (S151 Officer)
31 May 2018

Appendices

Current approved versions of key policy statements

1. Pension Fund Accounts 2017/18 and Auditors Report
2. Governance Compliance Statement
3. Investment Strategy Statement
4. Communications Policy
5. Funding Strategy Statement

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF HARINGEY

[TO BE INSERTED AT END OF AUDIT]

2017/18	Pension Fund Account	Note	2016/17
£000			£000
	Dealings with members, employers and others directly involved in the fund		
44,455	Contributions	7	47,249
5,436	Transfers in from other pension funds	8	2,839
49,891			50,088
(49,145)	Benefits	9	(47,223)
(6,421)	Payments to and on account of leavers	10	(3,662)
(55,566)			(50,885)
(5,675)	**Net withdrawals from dealings with members**		**(797)**
(7,124)	Management expenses	11	(4,646)
(12,799)	**Net withdrawals including fund management expenses**		**(5,443)**
	Returns on Investments:		
5,853	Investment Income	12	4,146
(5)	Taxes on income	13	(4)
55,370	Profit and losses on disposal of investments and changes in market value of investments	14a	262,508
61,218	**Net return on investments**		**266,650**
48,419	**Net increase in the net assets available for benefits during the year**		**261,207**
1,307,484	**Opening net assets of the scheme**		**1,046,277**
1,355,903	**Closing net assets of the scheme**		**1,307,484**

31/03/18	Net Asset Statement	Note	31/03/17
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,283,610	Investment assets	14	1,275,186
73,879	Cash deposits	14	33,907
1,357,489			1,309,093
944	Current assets	21	1,488
(2,680)	Current liabilities	22	(3,247)
1,355,903	**Net assets of the fund available to fund benefits at the period end**		**1,307,484**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the year end. The actuarial present value of promised benefits is disclosed at note 20.

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2018

1. Description of the fund and effect of any changes during the period

Introduction

Haringey Local Government Pension Fund is part of the Local Government Pension Scheme and is administered by Haringey Council. The Council is the reporting entity for this pension fund. However, the Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's accounts. The following description of the fund is for summary only. For more detail, reference should be made to Haringey Annual Pension Fund Report and Accounts.

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2017/18*, which is based on International Financial Reporting Standards as amended for the UK public sector. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Net Asset Statement sets out the assets and liabilities for the Fund as at 31st March 2018.

Investments and Statement of Investment Principles

The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Pensions Committee and Board is responsible for setting investment strategy with the aid of independent advice from the Pension Fund's advisers. Day to day investment decisions are delegated to fund managers.

The strategy is set out in detail in the Investment Strategy Statement (ISS), (previously the Statement of Investment Principles), which is published in the Pension Fund Annual Report. The ISS is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits, which is managed internally. The Fund awarded one new mandate in 2017/18, to a multi asset absolute return London Collective Investment Vehicle (CIV) sub-fund, managed by Ruffer. This mandate was funded during 2017/18.

Fund administration and membership

At 31st March 2018, there were 6,716 (2017: 6,167) active fund memberships with employees contributing to the Fund and 7,742 (2017: 7,508) pensioner and dependent memberships with individuals receiving benefits. There were also 8,719 (2017: 8,769) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

Employees in the following organisations, in addition to Council staff contribute to and accordingly benefit from the fund.

Transferee Admission Bodies:

- Cofely Workplace Limited
- Fusion Lifestyle
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (nine school contracts)
- ABM (two school contracts)
- Caterlink (four school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- Superclean Services
- ISS Catering (two school contracts)
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (ten school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- College of Haringey, Enfield & North East London
- Greig City Academy
- Fortismere School
- Alexandra Park Academy
- Woodside Academy
- Eden Free School
- Harris Academy Coleraine
- Harris Academy Philip Lane
- AET Trinity Primary
- AET Noel Park
- Haringey 6th Form Centre
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Michael's Academy
- St Ann CE Academy
- Holy Trinity CE Academy
- Heartlands High School
- St Thomas More RC Academy
- Brook House Primary
- Millbrook Primary School
- Harris Academy Tottenham
- The Octagon
- Dukes Aldridge Academy

Scheduled bodies are public bodies required by law to participate in the LGPS. Admitted bodies are in the LGPS either because services have been outsourced or because they have sufficient links with the Council to be regarded as having a community interest.

Description of the Fund

The Fund is a defined benefit scheme and was established on 1st April 1965 to provide retirement pensions and lump sum allowances, survivor dependants' and death benefits to all eligible employees of Haringey Council. Certain other organisations also participate in the Fund and details of these are set out above. The Fund's income is derived contributions from employees, contributions from employing organisations and income from investments.

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2017/18 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consists of six elected Councillors and four employer and employee representatives, (one of which was vacant in 2017/18). Councillors are selected by their respective political groups and their appointment is confirmed at a meeting of the full Council. Councillors are not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The membership of the Committee and Board during the 2017/18 year was:

Cllr Clare Bull	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Mark Blake	-	Member
Cllr Liz McShane	-	Member
Cllr Viv Ross	-	Member
Cllr Noah Tucker	-	Member
Randy Plowright	-	Employee representative
Ishmael Owarish	-	Employee representative
Keith Brown	-	Employer representative

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Significant accounting policies

The principal accounting policies of the Fund are set out below.

<u>Contributions</u>
Employer and employee contributions are included on an accruals basis relating to wages and salaries payable for the financial year. Employers' capital cost payments are also accounted for on an accruals basis relating to the period in which the liability arises.

<u>Transfers in and out</u>
Transfers in and out are accounted for on a cash basis whenever the transfer value is paid or received.

<u>Investment income</u>
Interest on cash and short term deposits is accounted for on an accruals basis. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date. Income retained within pooled funds is accounted for as part of the change in the market value of investments posted to the fund account. Interest is recognised on an effective interest rate basis.

Benefits

Benefits are shown on an accruals basis relating to the date on which they become payable.

Taxation

The Fund is exempt from UK income tax on interest received and capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

Management expenses

Administrative, governance and oversight expenses are shown on an accruals basis. A proportion of relevant Council officers' time, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters. Up front charges paid to HMRC in respect of scheme members breaching the Pensions Lifetime allowance are disclosed under administrative expenses.

Fund managers' fees are based on the market values of the portfolios under management. Where managers invest in in-house investment vehicles, e.g. unit trusts where management fees are covered in the price of the units, the market value of such holdings are deducted from the portfolio value before calculating chargeable fees. All the investment management expenses are shown on an accruals basis.

Financial assets and liabilities

Financial assets and liabilities are included in the net assets statement and carried at fair value or amortised cost on the reporting date. A financial asset or liability is recognised in the net assets statement on the date the fund became party to the contractual acquisition of the asset or party to the liability. From this date any gains or losses from changes in the fair value of the asset or liability are recognised by the Fund. See note 16 for further detail including the valuation methodology for different investments.

The value of these holdings is based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers adjusted for draw-downs paid and distributions received in the period from the date of the private equity financial statements to 31st March 2018. Infrastructure holdings are valued by third parties appointed by the fund manager using mark to market modelling.

The valuation of securities denominated in overseas currencies is calculated by using the overseas bid or mid price current at the year-end date and the exchange rate for the appropriate currency at the year-end to express the value as a sterling equivalent.

Foreign currency transaction

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. These are used in the day-to-day cash management of the Fund.

Actuarial Present Value of Promised Retirement Benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and a roll forward approximation is applied in the intervening years. This is done in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26 and CIPFA guidance, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements, however a brief summary of this is also included as note 20 in these accounts.

Additional Voluntary Contributions ("AVCs")
Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in.

Further details about the AVC arrangements are disclosed in note 23 to the financial statements.

4. Critical judgements in applying accounting policies

There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:

Private Equity valuations – the value of the Fund's private equity holdings is calculated by the General Partners of the Private Equity Fund using valuations provided by the underlying partnerships. The variety of valuation bases adopted and quality of management data of the underlying investments in the partnership means that there are inherent difficulties in determining the value of these investments. Given the long term nature of these investments, amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference may be material. Further detail is given in note 16.

Actuarial present value of promised retirement benefits – the liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The liability is calculated by the Fund's qualified Actuary on a three yearly basis with annual updates in the intervening years. The three yearly triennial valuation provides the basis for setting employer contributions for the following three year period. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits. Further detail is given in Annex 1 to these accounts.

5. Assumptions made about the future and other major sources of estimation uncertainty (as shown in the CIPFA example accounts).

Items	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% increase in the discount rate would result in a decrease in the pension liability of £186m (10%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £22m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £155m (8%)
Private Equity	Private Equity investments are valued at fair value in accordance with international Private Equity and Venture Capital Guidelines. These assets are not publicly listed, and as such there is a degree of estimation.	The total private equity investments in the financial statements are £66m. There is a risk that this may be over or understated. Further detail is shown in Note 16 regarding the sensitivity of this valuation.

6. Events after the reporting date

Bulk Transfer

- The College of Haringey, Enfield and North East London (CoHENEL) ceased to be a participating employer in Haringey's fund following its merger with another larger London College from 1st November 2017. The college applied for a Directions order from the then Secretary of State for Communities and Local Government to transfer all pension assets and liabilities relating to CoHENEL to the London Pension Fund Authority (LPFA) who administers the other college's pensions. This Directions Order was granted. Haringey continued to administer CoHENEL's pensions in the interim period from 1st November 2017 to 31st March 2018 until the bulk transfer concludes. All pensions benefits paid to the college's fund members during this period will be recouped in the bulk transfer of pension assets between Haringey and the LPFA Funds. The bulk transfer is likely to take place in the summer of 2018, and is estimated at circa £40m. Bulk transfers are accounted for on a cash basis as per the Pensions SoRP, and hence are not disclosed as a balance sheet item in these accounts.

7. Contributions receivable

2017/18		2016/17
£000	**By category**	£000
9,386	Employee contributions	9,341
	Employer contributions	
23,625	- Normal contributions	25,469
10,267	- Deficit recovery contributions	10,494
1,177	- Augmentation contributions	1,945
35,069	Total employers' contributions	37,908
44,455	**Total**	**47,249**

2017/18		2016/17
£000	**By authority**	£000
33,069	- Administering authority	33,501
10,530	- Scheduled bodies	11,231
856	- Admitted bodies	2,517
44,455	**Total**	**47,249**

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2017/18 of £5.436 million (£2.839 million in 2016/17) and these all related to individuals.

9. Benefits payable

2017/18		2016/17
£000	**By category**	£000
39,088	- Pensions	37,194
8,309	- Commutation and lump sum retirement benefits	8,040
1,748	- Lump sum death benefits	1,989
49,145	**Total**	**47,223**

2017/18		2016/17
£000	**By authority**	£000
44,536	- Administering authority	42,192
3,488	- Scheduled bodies	3,904
1,121	- Admitted bodies	1,127
49,145	**Total**	**47,223**

10. Payments to and on account of leavers

2017/18		2016/17
£000		£000
87	Refunds to members leaving service	87
6,334	Individual transfers	3,575
6,421	**Total**	**3,662**

11. Management expenses

2017/18		2016/17
£000		£000
1,335	Administrative costs	865
5,457	Investment management expenses	3,493
332	Oversight and governance costs	288
7,124	**Total**	**4,646**

This analysis of the costs of managing the Haringey Pension Fund during the period has been prepared in accordance with CIPFA guidance. The oversight and governance costs category includes £21k for external audit fees in 2017/18 (£21k in 2016/17).

2017/18		2016/17
£000		£000
4,605	Management Fees	3,237
0	Performance Related Fees	0
57	Custody fees	57
795	Transaction Fees	199
5,457	**Total**	**3,493**

12. Investment income

2017/18		2016/17
£000		£000
5,836	Pooled investments - unit trusts and other managed funds	4,113
17	Interest on cash deposits	33
5,853	**Total**	**4,146**

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £3.515 million in 2017/18 (£3.768 million in 2016/17). The Fund does not directly own property, and no contingent rents were recognised as income during the period.

13. Taxes on income

The income tax shown on the face of the Pension Fund Account relates to withholding tax (pooled).

14. Investments

14a. Reconciliation of movements in investment assets and liabilities

The changes in market value during the year comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

2017/18	Value at 1st April 2017	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2018
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,275,149	178,868	(225,854)	55,483	1,283,646
Cash deposits	33,907	118,798	(78,695)	(131)	73,879
Other investment assets/ liabilities	37	0	(91)	18	(36)
Total	**1,309,093**	**297,666**	**(304,640)**	**55,370**	**1,357,489**

2016/17	Value at 1st April 2016	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2017
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,022,300	13,310	(22,832)	262,371	1,275,149
Cash deposits	20,694	63,364	(50,292)	141	33,907
Other investment assets	2,583	5	(2,547)	(4)	37
Total	**1,045,577**	**76,679**	**(75,671)**	**262,508**	**1,309,093**

14b. Analysis of investments

31/03/2018	By category	31/03/2017
£000		£000
	Pooled Investment Vehicles	
90,383	Unit Trusts - Property - UK	90,876
276,260	Unitised Insurance Policies - UK	329,747
621,877	Unitised Insurance Policies - Overseas	721,999
0	Other managed funds - Property - Overseas	0
37,687	Other managed funds - Other - UK	27,819
190,629	Other managed funds - Other - Overseas	50,467
66,774	Private Equity	54,278
1,283,610		**1,275,186**
	Cash Deposits	
65,705	Sterling	29,771
8,174	Foreign Currency	4,136
73,879		**33,907**
1,357,489	**Total Investments**	**1,309,093**

14c. Analysis by Fund Managers

31/03/2018		By fund manager	31/03/2017	
£000	%		£000	%
5	0.00	Capital International	5	0.0
951,471	70.1	Legal and General	1,051,745	80.3
94,846	7.0	CBRE Global Investors	113,023	8.6
38,078	2.8	Allianz Global Investors	27,814	2.1
92,564	6.8	CQS	50,467	3.9
60,006	4.4	Pantheon	58,424	4.5
14,862	1.1	BlackRock	0	0.0
98,065	7.2	Ruffer	0	0.0
7,592	0.6	In house cash deposits	7,615	0.6
1,357,489	**100.0**	**Total**	**1,309,093**	**100.0**

The managed funds in which the Scheme has invested are all operated or managed by companies registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the scheme.

31/03/2018		Name of holding	31/03/2017	
£000	%		£000	%
104,762	7.7%	Legal & General World Emerging Equity Index	138,965	10.6%
91,012	6.7%	Legal & General UK Equities Index	151,526	11.6%
0	0.0%	Legal & General North American Equities	222,584	17.0%
0	0.0%	Legal & General European (ex UK) Equities	74,404	5.7%
185,249	13.6%	Legal & General Index Linked Gilts	183,837	14.0%
302,573	22.3%	Legal & General Low Carbon Index	214,432	16.4%
98,065	7.2%	London CIV Ruffer Subfund	0	0.0%
92,564	6.8%	CQS Multi Asset Credit Fund	0	0.0%

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2018.

16. Fair Value Hierarchy

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques, which represent the highest and best price available at the reporting date.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled equity and index linked gilts (unitised insurance policies)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset credit fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset absolute return fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Infrastructure Debt (other managed funds)	Level 2	Most recent valuation	NAV published, cashflow transactions, i.e. distributions or capital calls	Not Required

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled UK property unit trusts	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period	NAV published, cashflow transactions, i.e. distributions or capital calls	Valuations could be affected by material events between the date of the financial statements fund's own reporting date, and by differences between audited and unaudited accounts. Valuations of underlying property assets.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager.	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's own reporting date, and by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data, current market trends and information received regarding the valuation techniques of the fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2018	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	90,423	92,232	88,615
Private Equity	5%	66,771	70,110	63,433
		157,194	**162,341**	**152,047**

16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. Criteria utilised in the instrument classifications are detailed below.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (private equity), and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The figures below do not include the cash holdings of the fund.

Values as at 31/03/18	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	(36)	1,126,451	157,194	1,283,610
Total	**(36)**	**1,126,451**	**157,194**	**1,283,610**

Values as at 31/03/17	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	37	1,130,026	145,123	1,275,186
Total	**37**	**1,130,026**	**145,123**	**1,275,186**

16b. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

16c. Reconciliation of fair value measurements within level 3

2017/18	Value at 1st April 2017 restated	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2018
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	90,845	2,011	(1,732)	(1,262)	561	90,423
Private Equity	54,278	26,071	(15,301)	(2,960)	4,683	66,771
Total	**145,123**	**28,082**	**(17,033)**	**(4,222)**	**5,244**	**157,194**

17. Financial Instruments

17a. Classification of financial instruments

The majority of the Fund's financial assets and liabilities are classified as "fair value through profit and loss". This means that the assets can be exchanged between parties at a market price. The Accounting Policies describe how fair value is measured. Assets which have fixed payments and are not quoted in an active market are classified as "Loans and Receivables". The only financial assets in this class held by the Fund are cash deposits and debtors. Creditors to the Fund are classified as financial liabilities at amortised cost because they are not held for trading.

31/03/2018 Carrying Value	Name of holding	31/03/2017 Carrying Value restated
£000		£000
	Long Term Investments	
150	- London CIV	150
150		**150**
	Financial assets or liabilities at fair value through profit or loss	
1,283,646	- Pooled investment vehicles	1,275,149
(36)	- Other investment balances	37
1,283,610		**1,275,186**
	Loans and receivables	
73,879	- Cash deposits	33,907
944	- Debtors	1,488
74,823		**35,395**
	Financial liabilities at amortised cost	
(2,636)	- Creditors	(2,736)
(44)	- Cash overdrawn	(511)
(2,680)		**(3,247)**
1,355,903	**Net Assets**	**1,307,484**

The fair values shown above are the same as the carrying value for each line.

17b. Net gains and losses on financial instruments

2017/18		2016/17
£000		£000
	Financial Assets	
55,483	Fair value through profit or loss	262,512
(113)	Loans and receivables	(4)
55,370		262,508

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18. Nature and extent of risks arising from Financial Instruments

The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level, although this leads to a potential higher volatility of future funding levels and therefore contribution rates.

a) Management of risk

The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme Management and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. The latest version is attached to the Pension Fund Annual Report and Accounts.

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The listed equity and index linked portfolios held within pooled investment vehicles, representing 66% of the fund's investment strategy (this mandate is currently overweight in actual terms as newer investment mandates are funded from the passive portfolios), are managed on a passive basis to minimise the volatility of returns compared with market indices and to reduce the fees and governance requirements.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the values of the investments fluctuate due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years.

As at 31/03/2018	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	91,011	13.9	103,682	78,340
Overseas equities	621,877	18.3	735,617	508,137
UK bonds	185,249	12.0	207,428	163,070
Cash	73,879	0.0	73,879	73,879
Property	90,383	4.6	94,551	86,215
Alternatives	295,090	8.4	319,824	270,356
Total Assets	**1,357,489**		**1,534,981**	**1,179,997**

As at 31/03/2017	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	145,910	13.2	165,214	126,606
Overseas equities	721,999	17.4	847,696	596,301
UK bonds	183,837	11.4	204,715	162,959
Cash	33,907	0.0	33,907	33,907
Property	90,876	5.5	95,836	85,917
Alternatives	132,564	5.3	139,565	125,563
Total Assets	**1,309,093**		**1,486,933**	**1,131,253**

A number of controls have been put in place to minimise this risk. A key method to reduce risk is to diversify the Pension Fund's investments. This is achieved through the setting of a benchmark, which incorporates a wide range of asset classes and geographical areas. Nine (2016/17: eight) investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with the new fund manager appointed in 2017/18 as at 31st March 2018, however investment had not yet commenced with two of the previously appointed fund managers, meaning that as at 31st March 2018 there were actual investments with seven different fund managers.

In addition to diversification, parameters have been set for the investment managers to work within to ensure that the risk of volatility and deviation from the benchmark are within controlled levels.

Investment values and performance of the fund managers is measured on a quarterly basis through reporting to Pensions Committee and Board.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 56% of the Fund value on 31st March 2018, equivalent to £761 million (2016/17: £793 million). These arise from passive pooled equities, private equity, property and cash. From 2017/18 going forwards, foreign currency exposures are hedged in the equity asset class only, via the purchase of units in hedged versions of index tracking funds.

The main non-sterling currency exposures at 31st March 2018 was the US dollar. Other major exposures were the Euro, and Asian and emerging market countries.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

As at 31/03/2018	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	621,877	10.0	684,065	559,689
Multi-sector credit	92,564	10.0	101,820	83,308
Private equity	38,198	10.0	42,018	34,378
Cash	8,174	10.0	8,991	7,356
Total Assets	**760,813**	**10.0**	**836,894**	**684,732**

As at 31/03/2017	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	721,999	10.0	794,198	649,799
Multi-sector credit	50,467	10.0	55,514	45,420
Private equity	16,116	10.0	17,727	14,504
Cash	4,136	10.0	4,550	3,723
Total Assets	**792,718**	**10.0**	**871,989**	**713,446**

The cash balances managed internally are only permitted to be in sterling.

d) Interest Rate risk

Movements in interest rates affect the income earned by the Fund and can have an impact on the value of net assets. To demonstrate this risk, the table below shows the impact on income earned of a 1% increase and decrease in interest rates.

	Interest earned 2017/18	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	17	86	(52)
Total	**17**	**86**	**(52)**

	Interest earned 2016/17	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	33	127	(61)
Total	**33**	**127**	**(61)**

e) Credit risk and counterparty risk

Credit risk is the risk a counterparty fails to fulfil a transaction it has committed to entering into. This risk is particularly relevant to the Council's non-sovereign bonds (including those held in pooled funds) and cash investments.

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2018 and 31st March

2017. The majority of bonds (2018: £185 million, 2017 £184m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

	Market value 31/03/2018	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	277,813	67	2	2	29
Total / Weighted Average	**277,813**	**67**	**2**	**2**	**29**

	Market value 31/03/2017	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	183,837	79	0	1	20
Total / Weighted Average	**183,837**	**79**	**0**	**1**	**20**

The cash that the Council manages internally on behalf of the Pension Fund is invested in line with the Council's Treasury Management Strategy, which sets out very strict limits on the counterparties which can be used and the amounts that can be invested with them. The amount of cash held by fund managers is kept to a minimum and when held for a period of time is invested in the custodian bank's AAAm rated money market fund. The table below details the credit ratings of the institutions the cash was held with.

31/03/2018			31/03/2017	
Exposure	**Credit rating**		**Exposure**	**Credit rating**
£000			£000	
66,287	AA-	Northern Trust	26,292	AA-
3,147	A	Barclays Bank Plc	-	-
4,445	AAAm	Money Market Funds	7,615	AAAm
73,879			**33,907**	

The limits for cash is kept under constant review to be able to respond quickly to changes in the creditworthiness of counterparties which may increase risk.

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time. Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. All of the internally managed cash held on 31st March 2017 was in money market funds and bank accounts with the main bank or custodian, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

The majority of the Council's non cash investments are in pooled funds whose underlying holdings are listed equities or bonds. These funds have regular (at least monthly) trade dates, which ensure it is possible to realise the investments easily if necessary.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2016. The next valuation will take place as at 31st

March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering body considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the tax payer from an employer defaulting on its pension obligations.

The market value of the Fund at the time of the last triennial valuation as at 31st March 2016 was £1,046 million. Against this sum liabilities were identified of £1,323 million equivalent to a funding deficit of £277 million. The movement in the actuarial deficit between 2013 and the last valuation in 2016 is analysed below:

Reason for change	£m
Interest on deficit	(53)
Contributions greater than cost of accrual	13
Investment returns higher than expected	68
Change in demographic assumptions	6
Change in base mortality assumptions	17
Actual membership higher than expected	57
Experience items	1
Change in financial assumptions	(17)
Total	**92**

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investments returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding is less than 100% of the funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2016 actuarial valuation, the fund was assessed as 79% funded (70% at the 31st March 2013 valuation). This corresponds to a deficit of £277m (2013 valuation: £369m) at that time.

Contribution increases or decreases may be phased in over the three-year period ending 31 March 2020 for scheme employers, or changes may take immediate effect from 1 April 2017. The actuary agreed that the Council's contribution rate could increase by 1.5% over a three year period from April 2017, from 24.9% of pensionable salaries to 26.4% in March 2019. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

Individual employer's rates will vary depending on the demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2016 actuarial valuation report.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows.

Future assumed rates as at 31st March 2016	%
Discount rate (annual nominal return rate)	4.0
Pay increase (annual change)	2.8
Pay increase - Pension (annual change)	2.1
Retail Price Index (RPI)	3.3

*An allowance is also made for promotional pay increases.

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

31/03/18		31/03/17
£m		£m
(1,906)	Present Value of promised retirement benefits	(1,849)
1,356	Fair Value of scheme assets	1,307
(550)	**Net Liability**	**(542)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Please see Annex 1 to these accounts for more information.

21. Current assets

31/03/18		31/03/17
£000		£000
	Debtors	
77	- Contributions due - employees	89
783	- Contributions due - employers	1,351
84	- Sundry debtors	48
944	**Total**	**1,488**

The below is an analysis of debtors.

31/03/18		31/03/17
£000		£000
26	Central government bodies	48
47	Public corporations and trading funds	165
871	Other entities and individuals	1,275
944	**Total**	**1,488**

22. Current liabilities

31/03/18		31/03/17
£000		£000
(1,751)	Sundry creditors	(1,260)
(885)	Benefits payable	(1,476)
(44)	Bank overdraft	(511)
(2,680)	**Total**	**(3,247)**

The below is an analysis of creditors.

31/03/18		31/03/17
£000		£000
(353)	Other local authorities	(92)
(477)	Public corporations and trading funds	(745)
(1,850)	Other entities and individuals	(2,410)
(2,680)	**Total**	**(3,247)**

23. Additional Voluntary Contributions ("AVCs")

Separately invested AVCs are held with the Equitable Life Assurance Society, Prudential Assurance, and Clerical Medical in a combination of With Profits, Unit Linked and Building Society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Movements by provider are summarised below:

31/03/2018	Equitable Life Assurance Society	31/03/2017
£000		£000
247	Value as at 6 April	258
0	Contributions received	0
(22)	Retirement benefits and changes	(30)
6	Changes in market value	19
231	**Value as at 5 April**	**247**
110	Equitable with profits	121
0	Equitable with deposit account fund	0
121	Equitable unit linked	126
231	**Total**	**247**
1	Number of active members	2
30	Number of members with preserved benefits	32

31/03/2018	Prudential Assurance	31/03/2017
£000		£000
721	Value as at 1 April	754
143	Contributions received	213
(26)	Retirement benefits and changes	(281)
17	Changes in market value	35
855	**Value as at 31 March**	**721**
514	Prudential with profits cash accumulation	483
154	Prudential deposit fund	85
187	Prudential unit linked	153
855	**Total**	**721**
73	Number of active members	73
21	Number of members with preserved benefits	23

31/03/2018	Clerical and Medical	31/03/2017
£000		£000
49	Value as at 1 April	42
2	Contributions received	2
(23)	Changes in market value	5
28	**Value as at 31 March**	**49**
6	Clerical Medical with profits	6
22	Clerical Medical unit linked	43
28	**Total**	**49**
2	Number of active members	2
2	Number of members with preserved benefits	3

24. Agency Services

There were no agency services provided by the fund in the year.

25. Related party transactions

Haringey Council

In 2017/18 the Pension Fund paid £0.672 million to the Council for administration and legal services (£0.571 million in 2016/17). As at 31st March 2018 an amount of £0.242 million was due from the Council to the Fund (£0.858 million in 2016/17).

Governance

During 2017/18 no Council members who served on the Pensions Committee and Board were also members of Haringey Pension Fund. Two of the employer and employee representatives for the Committee and Board were fund members. Committee and Board members are required to declare their interests at the beginning of each Committee meeting and as necessary during the discussion of individual items of business at Committee meetings if it becomes clear that a conflict of interest has arisen.

Key Management Personnel

The key management personnel for the fund is the Section 151 Officer for Haringey Council. The Council recharges the pension fund for a portion of this officer's costs. The post was filled by agency staff members in 2017/18 who did not have the right to join Haringey Pension Fund.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £149.9 million (£35.9 million with Pantheon – Private Equity, £9.7 million with Allianz – Infrastructure debt, £18.1 million with Blackrock, and £36.2m with Copenhagen Infrastructure Partners and £50m with Aviva Property at 31st March 2018 (2017: £122.7 million). The commitments relate to outstanding call payments due in relation to the private equity, renewable energy infrastructure, property and infrastructure debt portfolios.

The Shared Digital Service (SDS) is a joint initiative between the London Boroughs of Haringey, Camden and Islington, to manage the IT services for all three authorities. SDS may involve a TUPE transfer of staff from Haringey to Camden Council, and as such, the pension assets attributable to any staff who transfer will transfer to Camden Pension Fund. The timing of this potential TUPE transfer is unknown, however the bulk transfer for this group of staff is likely to be in the range of circa £8m.

27. Contingent assets

Twelve admitted body employers in the Haringey Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Annex 1 to the Financial Statements

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Present value of Promised Retirement Benefits	Year ended 31/03/2018	Year ended 31/03/2017
Active members	736	666
Deferred pensioners	523	515
Pensioners	647	668
Total	**1,906**	**1,849**

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are the same as at 31 March 2018 and 31 March 2017. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended	31 Mar 2018 % p.a.	31 Mar 2017 % p.a.
Inflation/Pensions Increase Rate	2.4	2.4
Salary Increase Rate	3.0	3.0
Discount Rate	2.6	2.6

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.8 years	24.1 years
Future Pensioners	23.8 years	26.0 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10	186
0.5% increase in salary increase rate	1	22
0.5% increase in pensions increase rate	8	155

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Douglas Green FFA

27 April 2018

For and on behalf of Hymans Robertson LLP

Governance Compliance Statement

1 Introduction

This Governance Compliance Statement document sets out how governance of the Pension Fund operates in Haringey. It is prepared in accordance with paragraph 55 of the Local Government Pension Scheme Regulations 2013 and the associated statutory guidance issued by the Department for Communities and Local Government.

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to the stakeholders.

2 Council delegation

Haringey Council, in its role as Administering Authority, has delegated responsibility for administering the Local Government Pension Scheme to the Pensions Committee and Board. The terms of reference for the committee were adopted by the Council in 2017, are included in the Council's constitution and are set out in the section below:

3 Terms of reference

The responsibilities for Pensions Committee and Board are set out below from the terms of reference for the committee:

a. all the functions which are stated not to be the responsibility of The Executive in Regulation 2 and Schedule 1 paragraph H of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) and in any Statute or subordinate legislation further amending these Regulations relating to those matters concerning the Local Government Pension Scheme.

b. Exercising all the Council's functions as "Administering Authority" and being responsible for the management and monitoring of the Council's Pension Fund and the approval of all relevant policies and statements. This includes:

   i. Selection, appointment and performance monitoring of investment managers, AVC scheme providers, custodians and other specialist external advisers;
   ii. Formulation of investment, socially responsible investment and governance policies and maintaining a statement of investment principles and funding strategy statement;
   iii. Determining the allocation of investments between each asset class;
   iv. Reviewing specialist external advisers performance;
   v. Publicising statements and policy documents as required by legislation, government directives and best practice.

c. Monitoring and as appropriate to decide upon Pensions Administration issues.

d. Monitoring the Pension Fund Budget including Fund expenditure and actuarial valuations; and to receive the Pension Fund Budget annually.

e. Agreeing to the admission of bodies into the Council's Pension scheme.

f. Receiving actuarial valuations.

g. Ensuring that members receive appropriate training to undertake their responsibilities.

h. Approving the Annual Accounts of the Local Government Pension Scheme and consider recommendations from the Auditor.

i. To secure, and to assist in securing compliance with:

   i. the Regulations,
   ii. and any other legislation relating to the governance and administration of the Scheme and any connected scheme,
   iii. any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme, and

j. To ensure, and to assist in securing the effective and efficient governance and administration of the Scheme and any connected scheme.

4 Membership of Committee

The Committee's membership is made up of six elected members of Haringey Council and two employee and two employer representatives.

5 Compliance with statutory guidance

The Council is fully compliant with the statutory guidance issued by the Department for Communities and Local Government in 2008. Annex 1 details this compliance in each area of the guidance.

6 Local Pension Board

The Local Government Pension Scheme Regulations 2013 (paragraph 53 (4)) requires the Council to establish a Local Pension Board to assist the Pensions Committee. The Council applied under paragraph 106(2) of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to operate a combined Board and Committee, this request was approved, and the joint Pensions Committee and Board is now fully operational.

Annex 1: Compliance with Statutory Guidance

A. Structure
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council. *b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.* *c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.* *d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.*
Haringey position Fully compliant. The terms of reference for Pensions Committee and Board are clear that administration of benefits and strategic management of fund assets are part of the remit. In addition to elected members, there are members on the Committee representing Scheduled & Admitted Bodies, Active members and Pensioners. There is no secondary committee dealing with pension issues.
B. Representation
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- *i) employing authorities (including non-scheme employers, e.g. admitted bodies);* *ii) scheme members (including deferred and pensioner scheme members);* *iii) independent professional observers, and* *iv) expert advisers (on an ad-hoc basis).* *b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.*
Haringey position Fully compliant. In addition to elected members, there are four employer and employee positions on the committee representing Scheduled & Admitted Bodies, Active members and Pensioners. Independent and expert advisers attend as required by the Committee. All members of the committee have equal voting rights and access to all of the same papers, meetings and training.
C. Selection and role of lay members
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.
Haringey position Fully compliant. The terms of reference for the Pensions Committee and Board sets out the role and function of the Committee in relation to Pensions. This is supplemented by induction training offered to all new members of the Committee. Training is reported on at every meeting, members of the committee are actively encouraged to complete wider training sessions, as well as those organised for committee members prior to committee meetings.

D. Voting
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
Haringey position Fully compliant. The policy regarding voting rights is clearly set out and all members of the Pensions Committee and Board have equal voting rights. The nature of the decision making by the committee is such that almost all decision making is done by a reached consensus among the group of committee members, rather than by voting.
E. Training, Facility time, Expenses
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. *b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.*
Haringey position Fully compliant. There is a clear policy on reimbursement of expenses for elected members of the Pensions Committee and Board. All members of the committee, have equal access to training.
F. Meetings (frequency/quorum)
a) That an administering authority's main committee or committees meet at least quarterly. *b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.* *c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.*
Haringey position Fully compliant. The committee meets at least four times a year (recently this has been five times per annum). Additional formal or informal e.g. training meetings or manager selection days are held when necessary.
G. Access
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
Haringey position Fully compliant. All members of the committee have equal access to all papers, documents and advice.
H. Scope
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.
Haringey position Fully compliant. The Pensions Committee and Board's terms of reference include the wide range of

pension's issues – investment, funding, administration, admission and budgeting.
I. Publicity
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.
<u>Haringey position</u> Fully compliant. The Governance Compliance Statement is circulated to all employers in the Pension Fund and published on the Council's website.

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LONDON BOROUGH OF HARINGEY PENSION FUND

INVESTMENT STRATEGY STATEMENT

1. Introduction

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

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

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

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

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

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

Key Investment Beliefs

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

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

(i) Investment Governance

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

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

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

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

(ii) Long Term Approach

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

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

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

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

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

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

(iii) Appropriate Investments

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

Diversification across asset classes and asset types is expected to reduce the volatility of the overall Fund return.

(iv) Management Strategies

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

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

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

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

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

Objectives

The primary objective of the Fund is:

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

The investment objective of the Fund is:

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

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

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

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

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

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

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

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

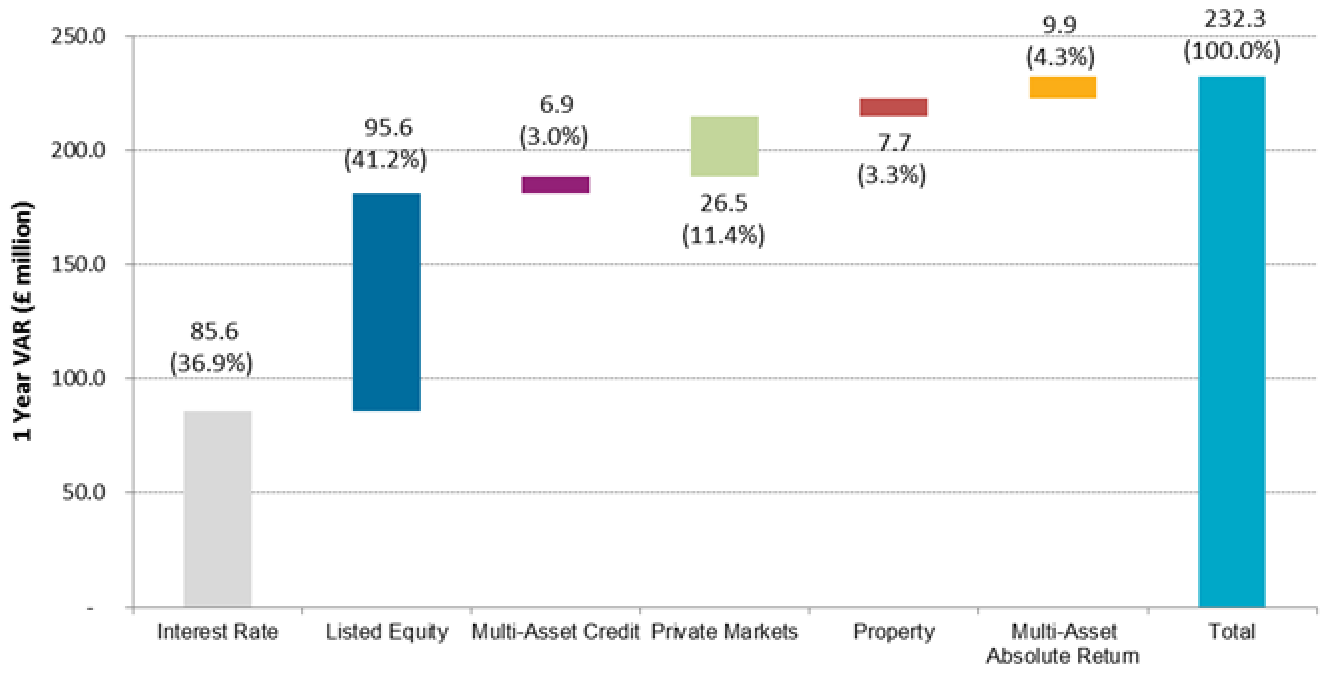
Note: Full details of the asset allocation of the Fund, including the investment managers and their respective performance benchmarks, are included in Appendix B.

3. Risk measurement and management

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

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

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



The following risks are recognised and considered by the Committee:

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

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

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

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

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

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

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

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

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

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

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

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

4. Approach to asset pooling

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

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

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

5. Social, environmental and corporate governance policy

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

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

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

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

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

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

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

Stewardship Code Statement

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

Statement of Compliance with the UK Stewardship code

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

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

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

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

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

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

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

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

Principle 3 - Institutional investors should monitor their investee companies.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Fund also expects its investment managers to take steps to report publicly on their stewardship activity. The Fund's listed equity manager, Legal and General Investment Management publishes various documents periodically on their website at the below web address:
http://www.lgim.com/uk/en/capabilities/corporate-governance-responsible-investment/stewardship-integration/

Advice Taken

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

Appendix A - Myners Investment Principles – Compliance Statement

Principle 1: Effective Decision-making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and

- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Haringey Position - Compliant

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

Principle 2: Clear Objectives

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

Haringey Position - Compliant

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

Principle 3: Risk and liabilities

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

Haringey Position - Compliant

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

Principle 4: Performance assessment

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

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

Haringey Position - Compliant

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

Principle 5: Responsible ownership

Administering authorities should:

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

Haringey Position - Compliant

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

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

Principle 6: Transparency and reporting

Administering authorities should:

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

Haringey Position - Compliant

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

Appendix B – Investment Manager Performance Targets and Benchmarks

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

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

Appendix C – Global Equity and Bond Benchmarks

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

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

Local Government Pension Scheme Regulations 2013 Regulation 61

Policy Statement on Communications with Scheme Members and Employers

Effective communication between Haringey Council, the scheme members, and the employers within the fund is essential to the proper management of the LGPS on a transparent and accountable basis.

This document sets out a policy framework within which the Council will communicate with :-

- Members of the scheme and their family units.
- Representatives of members
- Employing bodies and
- Prospective members

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

Members of the scheme:

A. Points of Contacts:

i. Pension Team for day-to-day contact and visits.

ii. Ad hoc briefings and workshops

iii. Harinet

iv. Pensions Web Page

A pensions page is maintained on Harinet and on the Haringey Web Site which provides:-

- Guides to the LGPS including Pension Sharing on Divorce, Increasing Pension Benefits and the Appeals Process
- Forms which allow members to :-
    - Join or leave the scheme or opt to join the 50/50 scheme.
    - Indicate to the Council how any death grant should be disbursed.
- Policy Statements on the use of the Council's Discretionary Powers, Investment Principles. The Financial Strategy Statement and the Communications Strategy
- Annual Reports and Pensions Bulletins
- Notice of events
- Contact details for the Pensions Team

- Links to other useful sites including the scheme regulations and on-line to the Local Government Pension Scheme.

The information held on the Harinet and Pensions Web Pages is reviewed and updated on a regular basis. Although the web page mirrors the information held on Harinet, it extends to a wider audience and allows the family unit to access pensions information relevant to them.

B. Levels of Communication:

i. General day to day administration of the scheme

ii. Annual payslips and annual newsletter to Pensioner Members

iii. Statutory notices and statements e.g : individual notices regarding entry to the scheme or hours changes and Annual Benefits Statements .

iv. Formal notice of significant proposals to change the scheme

v. Life certificates to Pensioners living abroad.

C. Medium of communication

i. Telephone and e-mail

ii. Hard copy dispatches

iii. Workshops/ Employee Briefings

iv. Face to face meetings

D. Timing

i. General policy is to issues statutory notifications and statements within the prescribed limits and to respond to written enquiries within 10 working days.

ii. An Annual Report on the Fund is published annually.

iii. Pension Bulletins on items of significance are issued as the need arises.

vi. The Pensions Newsletter is published in April of each year to coincide with pensions increase awards.

v. The Deferred Members Newsletter is published each year and coincides with the distribution of the Deferred Members Annual Benefits Statements

Representatives of members

A. Points of Contact

i. The Corporate Industrial Relations Group

ii. Council and Staff Joint Consultative Committee

iii. Pensions Committee and General Purposes Committee

iv. Face to face meetings or issues raised in correspondence or by telephone.

v. Ad hoc presentations to Trade Union Officers and work place representatives.

B. Levels of communication

i. Consultation on proposed scheme changes and significant policy issues on the use of employer discretions.

ii. Joint meetings with staff affected by TUPE transfers

iii. Response to employee complaints or queries via their representatives.

iv. Semi- formal meetings to brief employee representatives on scheme changes or to explain existing scheme rules.

C. Medium of communication

i. Telephone and e-mail

ii. Hard copy dispatches

iii. Group meetings at Officer level

iv. Committee meetings at Elected Member level

v. Face to face meetings

D. Timing

Formal meetings are dictated by pre determined dates. Informal meetings as an when required.

Employers

A. Points of contact:

Day to day contact falls into three categories:-

i. Pensions Team for day to day administration

ii. Pay Support (where the Council provides a payroll service)

iii. Finance for FRS 17 disclosure and funding issues.

B. Levels of Communication:

i. General day to day administration of the scheme

ii. Formal notification of discussion documents and consultation papers

iii. Employer briefings on issues affecting the scheme including an Employers Guide to the LGPS

iv. Pre and post fund valuation meetings.

C. Medium of communication

i. Telephone and e-mail

ii. Site visits

iii. Hard copy dispatches

D. Timing

The general policy is to keep employers informed of issues as they arise or are expected to arise in good time for the appropriate action to be taken or comments considered.

We are proposing to improve the data quality from the employers through the implementation of iconnect which is a system to interface between employer payroll systems and the pension systems and should improve data quality at source.

Prospective Members and promoting the LGPS

i. All new starters are issued with a leaflet Important Pensions Information as part of their new starter packs. This gives a brief outline of the scheme benefits and the alternative choices available.

ii. An Annual Benefits Statement are issued yearly. This ensures that members appreciate the value of being a scheme member which they can share with colleagues.

iii. Promotions of the Additional Voluntary Contributions Scheme are held in conjunction with the Council's AVC providers. These events are open to all staff and act to attract non members to the LGPS.

London Borough of Haringey Pension Fund

Funding Strategy Statement

March 2017

Contents

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Haringey Pension Fund ("the Fund"), which is administered by the London Borough of Haringey, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 1 April 2017.

1.2 What is the London Borough of Haringey Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Haringey Fund, in effect the LGPS for the Haringey area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A. This FSS has been prepared taking account of the revised guidance on preparing and maintaining a FSS issued by CIPFA in 2016.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Thomas Skeen, Head of Pensions in the first instance at e-mail address thomas.skeen@haringey.gov.uk or on telephone number 020 8489 1341.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1. Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3. Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

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2.5 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	**Scheduled Bodies**			**Community Admission Bodies and Designating Employers**		**Transferee Admission Bodies**
Sub-type	**Local Authority**	**Academies**	**Colleges**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	Yes - see Note (b)	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	20 years	20 years	Future working lifetime	Outstanding contract term
Secondary rate – Note (d)	Monetary amount	Percentage of pay	Monetary amount	Monetary amount	Monetary amount	Percentage of pay
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority			Reduce contributions by spreading the surplus over the remaining contract term, unless time horizon passes next valuation in which case limit to Primary rate
Probability of achieving target – Note (e)	70%	70%	75%	75%	80%	50%
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	3 years	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Council	Academies
Starting rate	24.9% (2016/17 rate)	28.9% (2016/2017 rate)
Max contribution increase from one year to the next	+1% of pay*	+2% of pay
Max contribution decrease from one year to the next	-1% of pay	-2% of pay**

*In practice the Council contribution rate will be held at the current level for 2 years, followed by a 1.5% increase in 2019-20.

**Reductions in contribution rate will be limited such that the Academy is paying at least the Primary rate.

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect a reducing time horizon (i.e. the same target date) to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Where stabilisation applies, the resulting employer contribution rate would be amended to comply with the stabilisation mechanism.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a prudent period to be agreed with the body or its successor.

For academies where written notice has been served terminating their funding agreement with the Department for Education, the period is reduced to the period of notice (with immediate effect).

For Community Admission Bodies without a guarantor, the period will generally be equal to the average future working lifetime of their active employee members.

Note (d) (Secondary rate)

The Administering Authority reserves the right to amend the Secondary rate between valuations and/or to require these payments in monetary terms (if they are paid in percentage of pay terms), for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;

- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion;

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policy (iv) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

At the Administering Authority's discretion, where the employer is not able to provide an appropriate bond or security, the Fund may accept the Admission Body on the basis that it pays a premium reflecting the added risk being borne by the Awarding Authority or Fund. This premium will typically be 5% of pensionable pay.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and does not pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would spread they payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- Non-academy schools are generally pooled with Haringey Council, however there may be exceptions for specialist or independent schools.
- Haringey Council may be pooled with the legacy liabilities and assets of ceased employers.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

In general, the Administering Authority does not permit other pools, but will consider new proposals on a case by case basis.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Normally the additional strain contribution is payable as an immediate single lump sum and is not spread.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains for all employers other than the Council will now be met via external insurance (see 3.8 below).

3.8 External Ill health insurance

All employers other than the Council are covered by an external insurance policy covering ill health early retirement strains. In effect, the premiums are covered by the employer's contribution to the Fund each year.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see Appendix E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;

Affordability – how much can employers afford;

Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and

Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, annually. It reports this to the regular Pensions Committee meetings.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

*"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting. As a result of Section 13 of the Public Service Pensions Act 2013, the FSS must have as the primary objective the setting of employer contributions at an appropriate level to ensure both the solvency and the long-term cost-efficiency of the Pension Fund.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers on 22 February 2017 for comment;

b) Comments were requested within 14 days;

c) There was an Employers Forum on 28th February 2017 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published by 1 April 2017.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website, at http://www.haringeypensionfund.co.uk;

A copy sent by post or e-mail to each participating employer in the Fund;

A full copy included in or linked from the annual report and accounts of the Fund;

Copies sent to investment managers and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles/Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at http://www.haringeypensionfund.co.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a SIP/ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;

6. advise on the termination of employers' participation in the Fund; and

7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;

2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP/ISS;

3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;

4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;

5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;

6. the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this

Risk	Summary of Control Mechanisms
	risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).

Risk	Summary of Control Mechanisms
	For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or	The Administering Authority maintains close contact

Risk	Summary of Control Mechanisms
is not heeded, or proves to be insufficient in some way	with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D:

1. The **funding target** is based on a set of assumptions about the future, eg investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then it's funding target may be set on a more prudent basis, so that it's liabilities are less likely to be spread among other employers after it's cessation of participation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;

3. The required **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. within the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;

5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

1. the actual timing of employer contributions within any financial year;
2. the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.8% per annum greater than gilt yields at the time of the valuation (this is higher than that used at the 2013 valuation – 1.6% per annum - which gives a lower funding target, all other things being equal). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by
2. 1.0% above the retail prices index (RPI) per annum p.a. thereafter.

This gives a single blended rate of RPI less 0.4%, and is a change from the previous valuation, which assumed a flat assumption of RPI plus 1.0% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we propose a reduction of 1.0% per annum. This is a larger reduction than at 2013, which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

The combined effect of the above changes from the 2013 valuation approach, is a slight reduction to the average overall life expectancies in the Fund. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

e) General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/basis The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **the funding target**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.

Administering Authority The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".

Admission Bodies Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).

Covenant The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Designating Employer Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.

Discount rate The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **funding target** which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the **Primary and Secondary rates**.

Employer An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.

Funding target The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.

Gilt A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.

Guarantee / guarantor A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.

Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. In broad terms, this relates to the shortfall of its asset share to its **funding target**. See

Appendix D for further details.

Stabilisation Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Valuation An actuarial investigation to calculate the liabilities, Primary and Secondary contribution rates for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

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Jon Warlow
Director of Finance (S151 Officer)
London Borough of Haringey Pension Fund
5th Floor, River Park House,
225 High Road,
London, N22 8HQ.

BDO LLP
55 Baker Street
London
W1U 7EU

Dear Sirs,

Financial statements of London Borough of Haringey Pension Fund for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the pension fund's financial statements for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Director of Finance has fulfilled their responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial transactions of the scheme and the amount and disposition at the end of the year of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the pension fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the pension fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either requires changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving members of the Council, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by members of the Council, employees, former employees, analysts, regulators or any other party.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- RPI increase 3.4%
- CPI increase 2.4%
- Salary increase 3.0%
- Pension increase 2.4%
- Discount rate 2.6%
- Mortality: Current pensioners - male 21.8 years and female 24.1 years / future pensioners - male 23.8 years and female 26.0 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 75%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19 and IAS 26.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Jon Warlow
Director of Finance (S151 Officer)
31 July 2018

Cllr Matthew White
Chair
Signed on behalf of the Pensions Committee and Board
31 July 2018

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Report for: Pensions Committee and Board 23 July 2018

Title: Local Government Pension Scheme (Amendment) Regulations 2018

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The Local Government Pension Scheme (LGPS) Regulations were updated in May 2018 by a new set of 'amendment' regulations – these update the previous 2013 Regulations. This report highlights changes made within these regulations for the Committee and Board to note for information purposes.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee and Board note the contents of this report.

4. Reason for Decision

4.1. N/A noting item.

5. Other options considered

5.1. N/A noting item.

6. Background information

6.1. The Local Government Pension Scheme (LGPS), is a national pension scheme administered on a local basis by 'Administering Authorities' (usually County Councils or London Boroughs), but sharing the same benefit structure. The form and structure of retirement benefits afforded to scheme members is prescribed by the LGPS Regulations: pieces of legislation created by the Secretary of State and the Ministry of Housing Communities and Local Government (MHCLG) and predecessor Departments. The LGPS regulations are updated from time to time, either when the scheme undergoes large scale change, or to make more minor changes to amend existing regulations. This update is of the latter category.

6.2. The last large scale update to the administration regulations was in 2013, when the scheme changed from a final salary pension scheme to a career average revalued earnings structure.

6.3. Haringey Pension Committee and Board has constitutional responsibilities for the administration and governance of the fund, hence, changes to the key legislation under which the fund operates are important for the Committee and Board to note.

6.4. The new regulations are published at the below link:
http://www.legislation.gov.uk/uksi/2018/493/contents/made

6.5. The Local Government Association (LGA) has carried out a detailed review and analysis of these regulations on behalf of all funds, and this analysis is at the below link:
http://lgpslibrary.org/assets/bulletins/2018/171.pdf

6.6. There are two particularly pertinent matters raised by these new regulations which are highlighted in further detail below:

<u>Age at which deferred members can draw their pension</u>

6.7. Previously, deferred members of the LGPS had different ages at which they could draw their pension, depending on the date when they left their employment. Members of the scheme who left their employment post 1 April 2014 have the option to access their pension at any age from 55 (with a corresponding actuarial reduction depending on the number of years this is paid early.) Members of earlier schemes, i.e. those who left their employment prior to 1 April 2014 have not automatically had this option, with many only able to access their pension from age 60.

6.8. The new regulations have attempted to harmonise this situation, allowing all members of the scheme to draw their pensions from age 55 (with appropriate actuarial reduction), and this is now the case for those who left employment on or after 1 April 1998. However, the drafting of the new regulations means that members of the scheme who left employment prior to 1 April 1998 will only be able to access their pension during the year of their 55th birthday, or at their normal retirement date. It is understood that this anomaly is a drafting error that was unintended. The LGA has raised this with MHCLG, who have confirmed their intention to allow members who left the LGPS before 1 April 1998 to also be allowed to take early payment of their deferred benefits from age 55 rather than only at age 55.

6.9. Haringey has a legal duty to communicate these changes, officers will do this via the fund's website and annual benefit statements.

<u>Exit Credits</u>

6.10. The new regulations introduce the concept of 'exit credits'. Employers who cease to participate as scheme employers can be due a credit payment, if it is assessed that they are leaving the fund in a surplus position – that is to say, that the assets held on behalf of that employer exceed the liabilities accrued to pay pension benefits for its employees.

6.11. Employers may cease to participate in LGPS in a number of scenarios including:

- when their contract to provide services for a public body ends (i.e. in cases of outsourcing);
- if their last active member the pension scheme leaves their employment;
- if the employer enters insolvency proceedings.

6.12. The more common scenario is that employers cease to participate as LGPS employers, and a pension deficit exits – these employers are then required to make good this deficit by paying a sum across to the fund. However, in the case of a pension surplus existing, previously, no repayment of surplus could be made to employers. This is now made possible from 14 May 2018 under the amendment regulations.

6.13. This could potentially have wide reaching effects on LGPS funds generally, especially those with higher numbers of scheme employers who are providers of outsourced services. Exit credits will be highly sensitive actuarial assumptions which are set with reference to the market on the relevant cessation dates, so funds will have to work with their appointed actuaries to agree the calculation bases to be used when completing exit calculations.

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

8.1 The Fund will ensure it complies with the updated LGPS regulations.

8.2 The concept of 'exit credits' which are introduced by these regulations are of particular importance, and could impact on the fund's liquidity, investments and overall financial standing. Work is still ongoing within the LGPS community to understand how this new regulation can be implemented effectively and equitably. As this is a developing issue, Haringey officers will maintain up to date knowledge on this issue, and seek relevant guidance or advice on this matter, for example from the Local Government Association or the Fund Actuary (Hymans Robertson).

Legal

8.3 The assistant director of Corporate Governance has been consulted on the content of this report. The report highlights some of the amendments made. The 2018 Regulations which came into effect on 14 May 2018 and made amendments to both the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

Equalities

8.4 There are no equalities issues arising from this report

9. Use of Appendices

9.1 None

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

Agenda Item 9

Report for: Pensions Committee and Board 23 July 2018

Title: Forward Plan

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

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

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

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

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. None

6. Background information

6.1. It is best practice for a Pension Fund to maintain a work plan. This plan sets out the key activities anticipated in the coming twelve months in the areas of governance, members/employers, investments and accounting. The Committee and Board is invited to consider whether it wishes to amend future agenda items as set out in the work plan.

Haringey LONDON

6.2. Members will recall that the governance review recommended that the Committee should be provided with an update on member training. This information is provided in Appendix 3 of the report.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

Finance and Procurement

8.1. There are no financial implications arising from this report.

Legal Services Comments

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

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Forward Plan
9.2. Appendix 2: Training Plan.
9.3. Appendix 3: Update on TPR Public Service Toolkit/Training Needs Analysis

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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

19 Jul 2018	13 Sep 2018	20 Nov 2018	21 Jan 2019	14 Mar 2019
Standing Items				
Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies
Governance Update Report	Governance Update Report	Governance Update Report	Governance Update Report	Governance Update Report
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	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)
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				
Annual Pension Fund Accounts and Annual Report (including various statutory documents)	Final - Pension Fund Annual Report (if necessary)		Review/update of Fund Conflicts of Interest Policy (if necessary)	Review/update of Investment Strategy Statement if necessary

19 Jul 2018	13 Sep 2018	20 Nov 2018	21 Jan 2019	14 Mar 2019
LGPS Regulations 2018				Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement
Investments				
		Fund Managers Internal Control Report		
Funding and Valuation				
External Audit for Pension Fund Accounts				External Audit for Pension Fund Accounts - Planning
Training				
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Actuarial Matters	Tbc	Tbc	Tbc	Tbc

TRAINING PROGRAMME

APPENDIX 2

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

Other Training Opportunities

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

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

Tel No: 020 8489 1341
Emal: thomas.skeen@haringey.gov.uk

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APPENDIX 3

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

Link to the public sector toolkit:

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

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Report for: Pensions Committee and Board 23 July 2018

Title: Risk Register - Review/Update

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

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

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee note the risk register.

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

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

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

10. Local Government (Access to Information) Act 1985

Not applicable.

Risk Register - Haringey Pension Fund

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

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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
GOVERNANCE			
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	3
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	9
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB), or other bodies, resulting in reputational damage.	10
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	10
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	10

Risk No	Cat Ref	Risk	Risk Ranking
COMMUNICATION			
50	COM1	Members don't make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	8
51	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	6
52	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	12
53	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	9
54	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	8
55	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	12

LEGISLATION			
18	LEG1	Failure to adhere to LGPS legislation (including regulations, order from the Secretary of State and any updates from The Pension Regulator) leading to financial or reputational damage	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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
		ACCOUNTING	
21	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	10
22	ACC2	Internal controls are not in place to protect against fruad/ mismanagement.	8
23	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
24	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
25	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
26	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	5
27	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	8
28	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	12

Risk No	Cat Ref	Risk	Risk Ranking
		FUNDING/LIABILITY	
56	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
57	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
58	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	10
59	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	10
60	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	10
61	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	10
62	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	5
63	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	5
64	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	8
65	FLI10	Processes not in place to capture or review covenant of individual employers.	8
66	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	5

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
ADMINISTRATION			
29	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	10
30	ADM2	Pension structure is inappropriate to deliver a first class service	5
31	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	12
32	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	5
33	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	8
34	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	8
35	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	8
36	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	10
37	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	5
38	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	10

Risk No	Cat Ref	Risk	Risk Ranking

Colour	Risk Level
	Low
	Moderate
	High
	Very High

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	Timescale
GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
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

Risk Register - Haringey Pension Fund

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

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted as required. New members are requested to complete The Pensions Regulators public service toolkit modules as a minimum requirement. All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund. Officers and advisers (statutory, independent, actuarial) are always present at meetings to provide guidance and assist Members through decision making process.	4	3	12		Jul-18
4	GOV4	Member non-attendance at training events.	A record of training events attended is a standing agenda item. The importance of attending training events is highlighted to all members on an ongoing basis. The Committee also runs a series of internal training events which preceed or are included on the Committee meeting agenda. Member training is reported as part of the Annual Fund report.	4	2	8	PCB	Ongoing

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	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. Training and improvement plans are in place for all officers as part of the Council's performance appraisal programme.	4	1	4	CFO	Ongoing
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 revelant officers for extremely time critical matters too.	4	1	4	PCB	Ongoing

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	Timescale
GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
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
9	GOV9	Failure to recognise new Risks and/or opportunities.	Quarterly Committee/management meeting to identify new risks/opportunities. Attendance at regional and national forums to keep abreast of current issues and their potential impact impact on the Fund.	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
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	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. 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.	4	2	8	HoP; PAM	Periodically

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	All Committee/Board minutes to be published within 10 days. Publication of an pension fund annual report on the Council's and Fund websites.	3	1	3	PAM	Quarterly
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	The Communications Strategy sets out how the Fund will engage with all stakeholders. Employees and employers are represented on the Fund's Committee/Board with full voting rights.	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	Officers maintain knowledge of legal framework for routine decisions. The Council's legal team is involved in reviewing Committee papers and other legal documents. 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.	5	1	5	HoP; PCB	Ongoing
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

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	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. The Fund will be able to retain mandates not currently appointed to by the London CIV, for example niche illiquids such as renewable energy infrastructure. The Fund will not be able to invest in any other regional pools, recent Government guidance has made it clear that Funds may only invest in their own geographic pool. The Secretary of State has stated that where transfer of assets result in significant loss to a Fund, then the assets should be retained under existing arrangements - this may provide an opportunity for the Fund to pursue a strategy that is dissimilar to the London CIV.	5	2	10	HoP	Ongoing
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	The Investment Strategy is in accordance with LGPS investment regulations and it takes into consideration the Funds liabilities and funding levels among other things. The Investment Strategy is documented, reviewed and approved by the Pensions Committee/Board.	5	2	10	HoP	Mar-19

Risk Register - Haringey Pension Fund

LEGISLATION: RISK MANAGEMENT FRAMEWORK									
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	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	Officers maintain knowledge of the LGPS legal framework for routine decisions. Use of tools available on the TPR website including the Public Service Toolkit and Scheme Advisory Board Model. 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. 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.	5	1	5	HoP: PAM; PCB	Quarterly	Probability of this risk was previously a '2', reduced to a '1' given experiences with recent legislation updates.

Risk Register - Haringey Pension Fund

LEGISLATION: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	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

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

49	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	The Fund is a founding member of London CIV and actively engages with them. The CIV is undertaking a Governance review which has yet to be implemented in full, so it is unclear exactly how Haringey members and officers will be represented within the CIV's new governance structures. The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools due to the inefficiencies involved. Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been generally positive. Haringey has benefited from fee savings, and has a number of investments that are either via the	5	3	15	HoP	Ongoing	Downgraded risk after review, seems the probability of this occurring is unlikely to be a '5' now

Report for: Pensions Committee and Board 23 July 2018

Title: Pension Fund Quarterly Update

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. To report the following in respect of the three months to 31st March 2018:
- Funding Level Update
- Investment asset allocation
- Investment performance
- Investment Update

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the information provided in respect of the activity in the three months to 31st March 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% - meaning that the fund's investment assets were sufficient to pay 79% of the pension benefits accrued at that date.

11.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 31 March 2018, and this showed an improvement to an 84.0% funding level: the increase being mainly attributable to investment returns. This position was a deterioration from 31 December 2017 at 88.2%, following a stock market fall in the first quarter of 2018.

11.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has decreased to £255m as at 31 March 2018.

11.4. Confidential Appendix 3 shows the funding and risk report produced by the fund actuary as at 31 March 2018, giving further detail regarding this.

12. Portfolio Allocation Against Benchmark

12.1. The value of the fund decreased by £27.9m million between December and March 2018. The private equity investments performed above benchmark during the quarter.

12.2. The equity allocation exceeds target by 7.51%. This partly due to equity performing more strongly than other asset classes meaning that this portion of the portfolio has grown disproportionately compared to other asset classes. At 31 March 2018, the equity portfolio also included funds allocated for investment in infrastructure debt, long lease property and private equity, which is drawn down gradually over several years. At the March 2018 committee meeting, the committee agreed that these funds should be held in multiple investments rather than only in the equity investments, so after the reporting date of this report, this overweight equity position was further reduced.

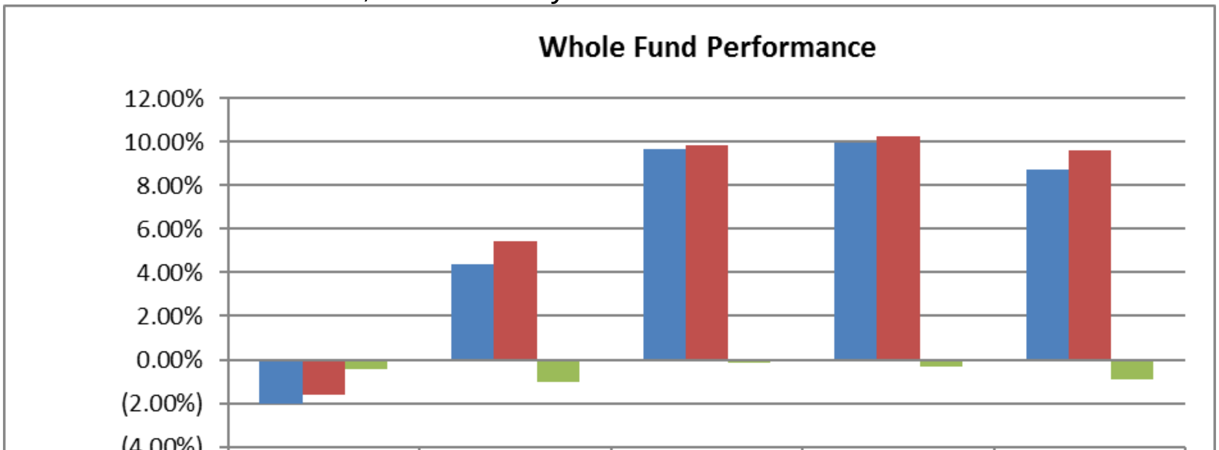
12.3. A higher than usual cash figure was hold as at 31 March 2018, to fund two large bulk transfers form the fund, which are anticipated to be paid within coming months.

Total Portfolio Allocation by Manager and Asset Class

	Value 30.06.2017 £'000	Value 30.09.2017 £'000	Value 31.12.2017 £'000	Value 31.03.2018 £'000	Allocation 31.03.2018 %	Strategic Allocation %	Variance %
Equities							
UK	139,345	107,047	101,109	91,012	6.70%	5.60%	1.10%
North America	200,198	156,434	143,203	129,355	9.53%	8.20%	1.33%
Europe	71,219	52,912	47,367	43,877	3.23%	2.80%	0.43%
Japan	33,378	24,845	22,571	20,981	1.55%	1.30%	0.25%
Asia Pacific	31,981	24,041	22,984	20,328	1.50%	1.30%	0.20%
Emerging Markets	123,444	120,292	120,024	104,762	7.72%	6.60%	1.12%
Global Low Carbon Tgt	235,450	363,086	333,314	302,573	22.29%	19.20%	3.09%
Total Equities	**835,015**	**848,657**	**790,572**	**712,888**	**52.51%**	**45.00%**	**7.51%**
Bonds							
Index Linked	**179,349**	**177,922**	**184,959**	**185,249**	**13.65%**	**15.00%**	**-1.35%**
Property							
Aviva			**0**	**0**	**0.00%**	**5.00%**	**-5.00%**
CBRE	**97,405**	**94,556**	**93,098**	**91,084**	**6.71%**	**7.50%**	**-0.79%**
Private equity							
Pantheon	**53,139**	**54,416**	**53,638**	**52,842**	**3.89%**	**5.00%**	**-1.11%**
Multi-Sector Credit							
CQS	**89,727**	**91,088**	**91,999**	**92,564**	**6.82%**	**7.00%**	**-0.18%**
Multi-Asset Absolute Return							
Ruffer	**0**	**0**	**100,629**	**98,065**	**7.22%**	**7.50%**	**-0.28%**
Infrastructure Debt							
Allianz	**36,038**	**35,918**	**34,838**	**37,687**	**2.78%**	**3.00%**	**-0.22%**
Renewable Energy							
CIP	**0**	**0**	**0**	**0**	**0.00%**	**2.50%**	**-2.50%**
Blackrock	**5,985**	**8,248**	**8,127**	**13,930**	**1.03%**	**2.50%**	**-1.47%**
Cash & NCA							
Cash	**13,280**	**33,637**	**27,557**	**73,216**	**5.39%**	**0.00%**	**5.39%**
Total Assets	**1,309,938**	**1,344,442**	**1,385,417**	**1,357,525**	**100%**	**100%**	**0.00%**

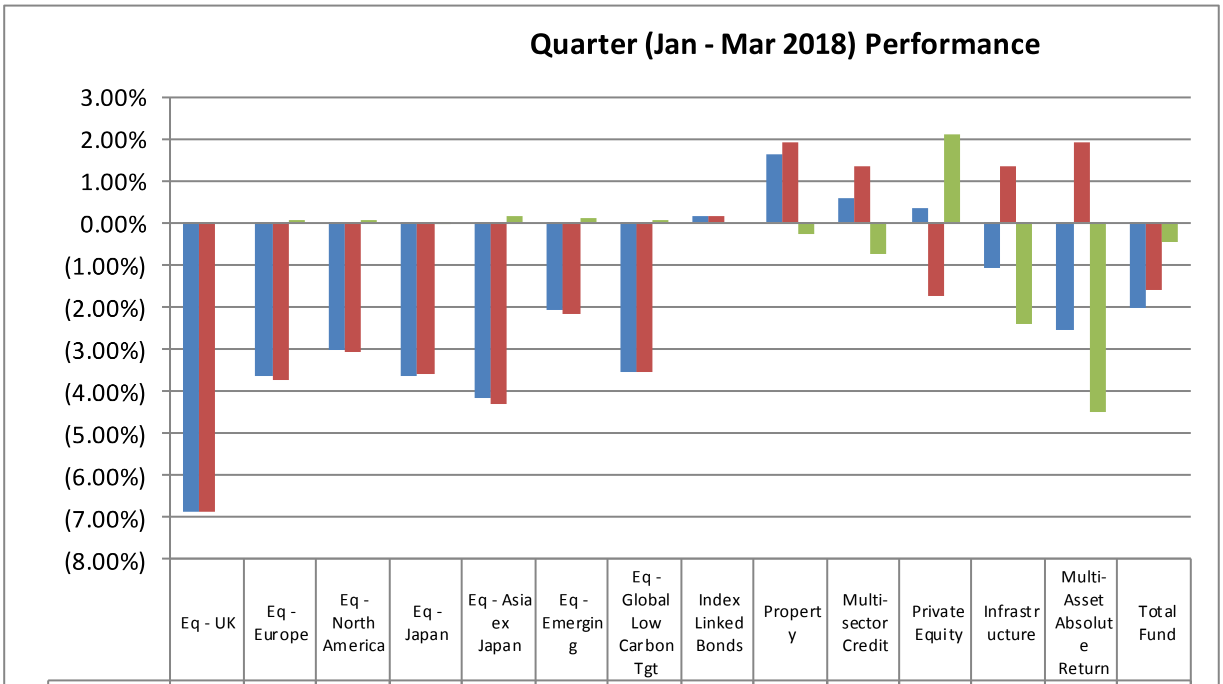
13. Investment Performance Update: to 31st March 2018

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 January to March 2018 and for one, three and 5 years for the whole of Fund.



	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception
Return	(2.05%)	4.40%	9.70%	9.96%	8.73%
Benchmark	(1.61%)	5.42%	9.85%	10.28%	9.62%
(Under)/Out	(0.44%)	(1.02%)	(0.15%)	(0.32%)	(0.89%)

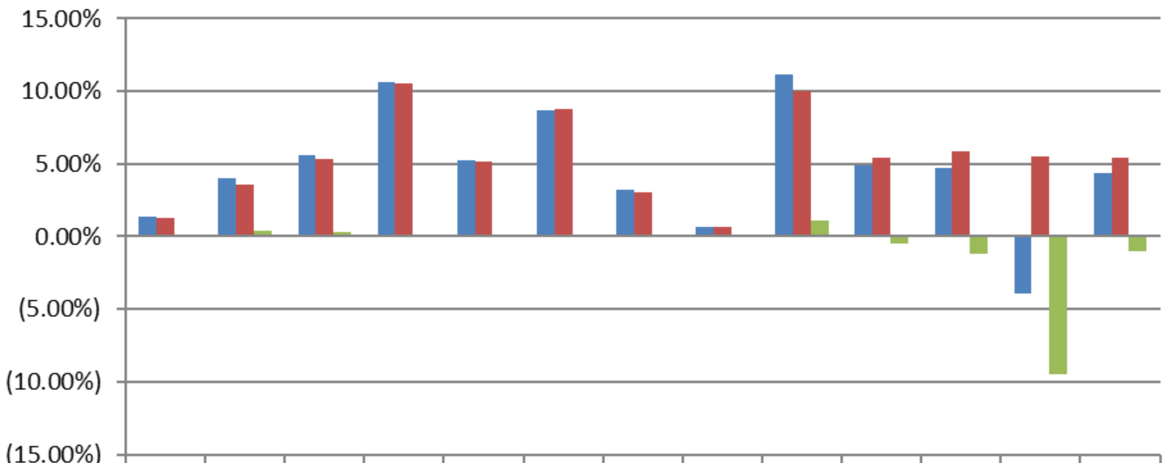
13.2. The Fund returned -2.05% in the quarter: slightly less than the benchmark of -1.61%. All equity investments performed poorly over the quarter, with UK equity showing returns of nearly -7%. Property had the best return in the quarter with 1.63%.



	Eq - UK	Eq - Europe	Eq - North America	Eq - Japan	Eq - Asia ex Japan	Eq - Emerging	Eq - Global Low Carbon Tgt	Index Linked Bonds	Property	Multi-sector Credit	Private Equity	Infrastructure	Multi-Asset Absolute Return	Total Fund
Fund Return	(6.87%)	(3.66%)	(3.05%)	(3.64%)	(4.17%)	(2.06%)	(3.54%)	0.16%	1.63%	0.61%	0.37%	(1.07%)	(2.55%)	(2.05%)
Benchmark	(6.87%)	(3.72%)	(3.08%)	(3.62%)	(4.31%)	(2.15%)	(3.57%)	0.16%	1.90%	1.35%	(1.76%)	1.35%	1.94%	(1.61%)
(Under)/out	0.00%	0.06%	0.03%	(0.02%)	0.14%	0.09%	0.03%	0.00%	(0.27%)	(0.74%)	2.13%	(2.42%)	(4.49%)	(0.44%)

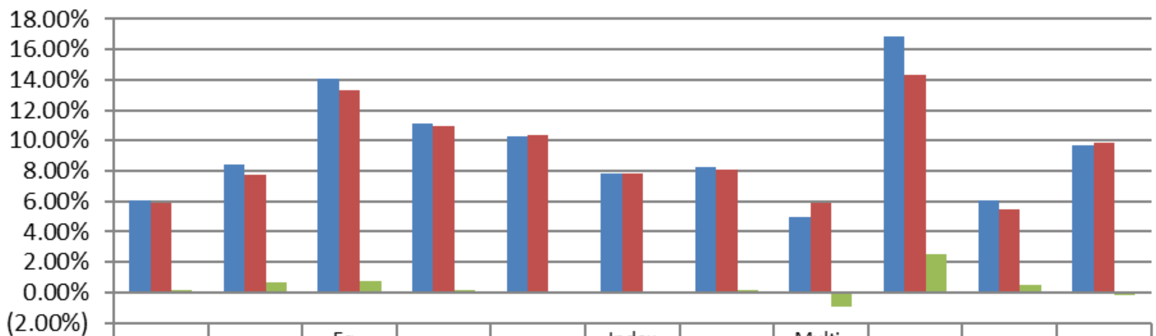
13.3. Over the last 12 months the Fund returned 4.40% and under performed benchmark of 5.42% by 1.02%. Three and five year underperformance is 0.15% and 0.32% respectively. As much of the fund is invested passively, one would expect returns to be largely in line with benchmark. The Fund has benefitted from its overweight position in equities over the past five years.

One Year Performance

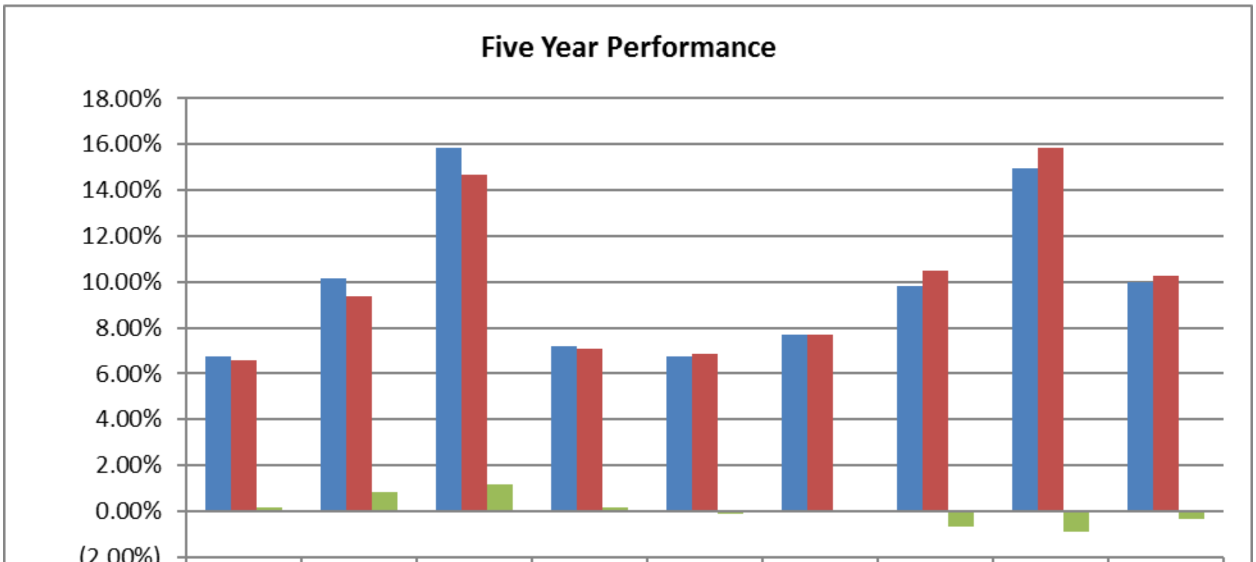


	Eq - UK	Eq - Europe	Eq - North America	Eq - Japan	Eq - Asia ex Japan	Eq - Emerging	Eq - Global Low Carbon Tgt	Index Linked Bonds	Property	Multi-sector Credit	Private Equity	Infrastructure	Total Fund
Fund Return	1.33%	4.00%	5.61%	10.65%	5.24%	8.70%	3.21%	0.70%	11.16%	4.93%	4.72%	(3.94%)	4.40%
Benchmark	1.25%	3.59%	5.34%	10.54%	5.16%	8.75%	3.07%	0.70%	10.05%	5.42%	5.88%	5.50%	5.42%
(Under)/out	0.08%	0.41%	0.27%	0.11%	0.08%	(0.05%)	0.14%	0.00%	1.11%	(0.49%)	(1.16%)	(9.44%)	(1.02%)

Three Year Performance



	Eq - UK	Eq - Europe	Eq - North America	Eq - Asia ex Japan	Eq - Emerging	Index Linked Bonds	Property	Multi-sector Credit	Private Equity	Infrastructure	Total Fund
Return	6.03%	8.41%	14.08%	11.09%	10.25%	7.79%	8.23%	4.99%	16.89%	6.02%	9.70%
Benchmark	5.86%	7.72%	13.31%	10.92%	10.36%	7.79%	8.07%	5.92%	14.36%	5.50%	9.85%
(Under)/out	0.17%	0.69%	0.77%	0.17%	(0.11%)	0.00%	0.16%	(0.93%)	2.53%	0.52%	(0.15%)

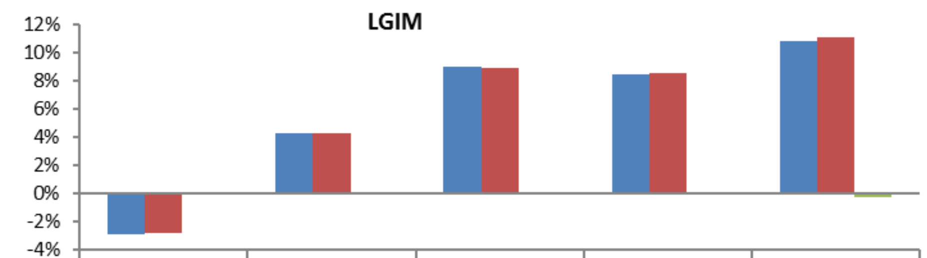


	Eq - UK	Eq - Europe	Eq - North America	Eq - Asia ex Japan	Eq - Emerging	Index Linked Bonds	Property	Private Equity	Total Fund
Return	6.73%	10.17%	15.82%	7.22%	6.77%	7.72%	9.82%	14.98%	9.96%
Benchmark	6.59%	9.36%	14.68%	7.07%	6.88%	7.72%	10.49%	15.87%	10.28%
(Under)/out	0.14%	0.81%	1.14%	0.15%	(0.11%)	0.00%	(0.67%)	(0.89%)	(0.32%)

FUND MANAGER PERFORMANCE

<u>Legal & General Investment Management (LGIM)</u>

13.4. Legal and General returned -2.88% this quarter and has slightly underperformed composite benchmark of -2.81%.

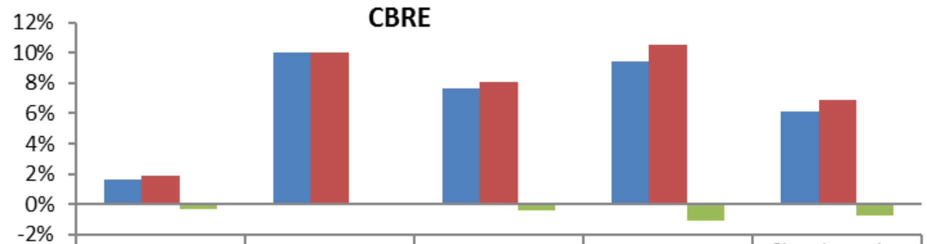


	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception (May 12)
Return	-2.88%	4.24%	8.98%	8.44%	10.78%
Benchmark	-2.81%	4.25%	8.90%	8.51%	11.04%
(Under)/Out)	(0.07%)	(0.01%)	0.08%	(0.07%)	(0.26%)

<u>CBRE</u>

13.5 The manager saw a positive total return of 1.61% in the quarter and underperformed benchmark of 1.90% by 0.29%. CBRE lags slightly behind benchmark over 1, 3, and 5 years, as well as since portfolio inception: however, this position has been steadily improving over recent quarters.

Haringey LONDON

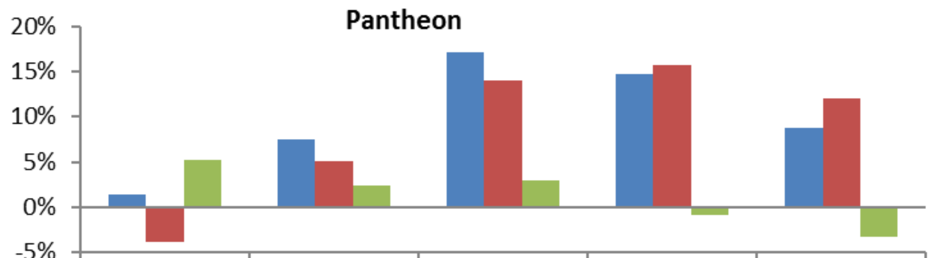


	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception (Mar 03)
Return	1.61%	10.02%	7.65%	9.41%	6.13%
Benchmark	1.90%	10.05%	8.07%	10.51%	6.88%
(Under)/Out	(0.29%)	(0.03%)	(0.42%)	(1.10%)	(0.75%)

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 5.25%. The manager is showing a positive return above benchmark over a 1 and 3 year time period, but underperformance over longer timescales.



	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception (May 07)
Return	1.44%	7.51%	17.08%	14.78%	8.80%
Benchmark	-3.81%	5.06%	14.06%	15.69%	12.05%
(Under)/Out	5.25%	2.45%	3.02%	(0.91%)	(3.25%)

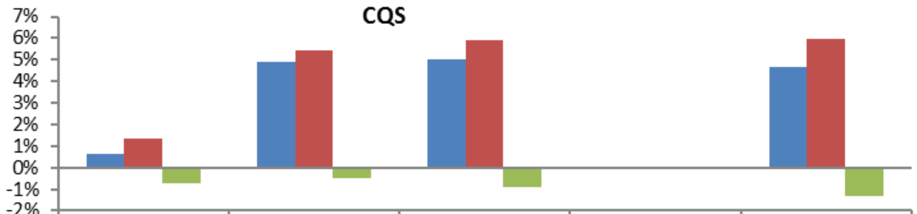
Allianz Infrastructure Debt

13.8 Allianz has returned -2.41% against benchmark in the quarter, and underperformed over the past 12 months. However, the manager remains above benchmark over a 3 year time horizon, and since inception.

	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception (Dec 14)
Return	-1.06%	-3.89%	5.58%		5.71%
Benchmark	1.35%	5.50%	5.50%		5.50%
(Under)/Out	(2.41%)	(9.39%)	0.08%	0.00%	0.21%

<u>CQS Multi Sector Credit</u>

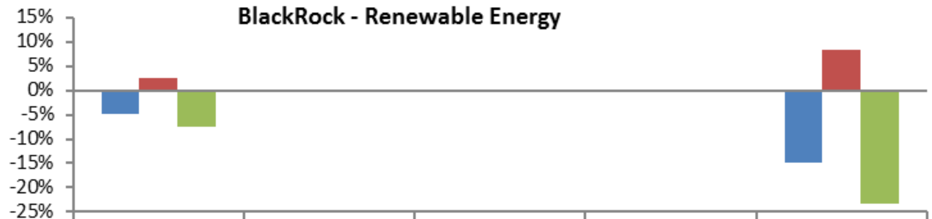
13.9 The manager had a slight under-performance relative to benchmark in the quarter achieving a return of 0.61% against the benchmark of 1.35%. The manager lags behind benchmark over all time horizons measured.



	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception (Aug 14)
Return	0.61%	4.90%	4.99%		4.64%
Benchmark	1.35%	5.42%	5.92%		5.97%
(Under)/Out	(0.74%)	(0.52%)	(0.93%)	0.00%	(1.33%)

<u>BlackRock – Renewable Energy</u>

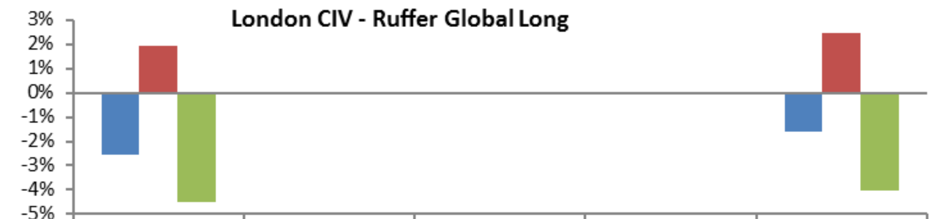
13.10 The manager had under-performance relative to benchmark in the quarter achieving a return of -4.98% against the benchmark of 2.41%, however the portfolio is in the very early stages, and is not fully invested, so it is too early to draw any meaningful results from this at this stage.



	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception (May 17)
Return	-4.98%				-14.78%
Benchmark	2.41%				8.42%
(Under)/Out	(7.39%)	0.00%	0.00%	0.00%	(23.20%)

<u>London CIV – Ruffer Multi Asset Absolute Return Strategy</u>

13.11 The investment was originally made in December 2017. manager delivered a negative performance over the quarter of -2.55%. The investment was originally made to deliver less volatile returns than those in the fund's equity portfolio. All investments should be measured over longer time horizons than single quarters, however it is pleasing to note that this return compares favourably to the equity performance over the quarter.



	Jan 18 - Mar 18	One Year	Three Years	Five Years	Since Inception (Dec 17)
Return	-2.55%				-1.58%
Benchmark	1.94%				2.47%
(Under)/Out	(4.49%)	0.00%	0.00%	0.00%	(4.05%)

Investment Related Update

14. Pooling (London CIV)

14.1. The Fund was one of the early investors in the London CIV (LCIV). The Fund has achieved substantial fee savings as a result of being part of the LCIV.

14.2. The LCIV continues with its programme of opening sub funds and recruiting fund managers to operate these sub funds. The CIV now has 8 operational global equity subfunds with a range of different mandates, 4 multi asset subfunds, and 5 fixed income subfunds (4 of which are shortly to be launched). Haringey is invested with the Ruffer multi asset absolute return subfund, and the CQS Multi Asset Credit subfund (one of the 5 fixed income funds).

14.3. Details of the London CIV's governance structure is given within the Governance Report which will be tabled at this meeting.

15. Aviva Long Lease Property Mandate

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

15.2. Members may recall that the waiting time to invest had moved from the initial range of 6-9 months that was pitched to the Committee during the selection process. Although, Aviva's deal pipe is strong with the team working on "a lot of deals", the pace of decision making within counterparties that Aviva are dealing with has slowed down the investment process. Currently, there is £270m of committed funds ahead of LB Haringey in the queue. Aviva have confirmed that funding commitment from LB Haringey will likely be drawn down in Q2 or possibly later in 2018.

Appendix 1 – Strategic Asset Allocation (as at 31.03.18)

Manager	**% of Total Portfolio**	**Mandate**	**Benchmark**	**Performance Target**
Legal & General Investment Management	60.0%	Global Equities & Bonds	See overleaf	Index (passively managed)
CQS	7.0%	Multi Sector Credit	3 month libor + 5.5% p.a*	Benchmark
Allianz	3.0%	Infrastructure Debt	5.5% p.a.	Benchmark
CBRE Global Investors	7.5%	Property	IPD UK Pooled Property Funds All Balanced Index	+1% gross of fees p.a. over a rolling 5 yr period
Pantheon Private Equity	5.0%	Private Equity	MSCI World Index plus 3.5%	Benchmark
London CIV - Ruffer Subfund	7.5%	Multi Asset Absolute Return	8.00% p.a.	Benchmark
Aviva	5.0%	Long Lease Property	50% FTSE Actuaries 5-15 Year Gilt Index, 50% FTSE 15 Years + Gilt Index*	+1.50% p.a. over the medium to long term
Copenhagen Investment Partners	2.5%	Renewable Energy	10.0% p.a.	Benchmark
Blackrock	2.5%	Renewable Energy	10.0% p.a.	Benchmark
Total	**100.0%**			

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

Haringey LONDON

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2017-18

The financial year 1 April 2017 to 31 March 2018 saw yet further gains in Listed Equity Markets across the world with the "equity bull market" (an upward trending market) completing over nine years of overall positive return. This is exemplified by the major United States Index the S&P 500 which closed (for Easter) at 2,641 on Thursday 29 March 2017 compared to a low of 666 touched on Friday 6 March 2009 the lowest level the US stock market hit following the crisis that centred on the 2008 fall of Lehman Brothers.

April to December 2017 was very positive for Listed Equity markets worldwide supported by good corporate earnings, healthy economic indicators and loose monetary policy by the major Central Banks. While January 2017 was again positive February and March were difficult with markets negatively affected first by concerns about rising inflation in the United States (related specifically to possible faster than expected wage growth) and then tensions over trade as the US imposed tariffs on China. Overall 2017-18 was clearly positive for Listed Equities worldwide, with, for example the S&P 500 up 12% over the whole period. 2017-18 was also notable for signs that the major Central Banks, and particularly the United States Federal Reserve, are gradually moving away from the ultra loose monetary policies of recent years. Overall however monetary policy remains extremely loose by historical standards.

The United States experienced another year of generally positive economic activity including clearly positive corporate results/earnings. Unemployment fell from 4.5% in March 2017 to 4.1% by March 2018 its lowest level since January 2001. Consumer sentiment (as measured by the authoritative University of Michigan Surveys of Consumers) was by March 2018 at its highest level since 2004. In December 2017, the Tax Cuts and Jobs Act 2017, the most radical overall of the US Tax Code since 1986 was signed into law. This Act included large corporate tax cuts. The extent to which these will result in additional capital investment rather than increased share buy backs will, however, only become clear with the passage of time.

The United States Federal Reserve, the world's most important Central Bank initiated a significant change of direction in monetary policy at its September 2017 meeting by voting to no longer reinvest all principal payments from its bond and debt holdings. This was a fundamental decision as in contrast to approaching ten years of huge expansion the Balance Sheet of the Federal Reserve will now in the words of its then Chair Janet Yellon (at a press conference on 20 September 2017) *"decline gradually and predictably"*

In addition, *"In view of realized and expected labor market conditions and inflation"* the Federal Open markets Committee, raised interest rates by 0.25% at its June and December 2017 and March 2018 meetings compared to twice in 2016-17. Notwithstanding this clear "tightening" of monetary policy by the US Federal Reserve its monetary stance remains "loose" in historic terms.

Supported by positive corporate earnings and generally positive economic data as well as accommodative monetary policy from the European Central Bank (ECB) 2017-18 was, overall, a moderately positive year for Eurozone Listed Equities. The Eurozone continued its economic recovery. At a press conference on 8 March 2018 Mario Draghi the President of the ECB stated *"incoming information……confirms the strong and broad-based growth momentum in the euro area economy….*" The Eurozone seasonally-adjusted unemployment which had been 9.4% in March 2017 fell to 8.5% in March 2018 its lowest level since December 2008. However, headline inflation at 1.3% in March 2018 (compared to 1.5% a year earlier) was clearly below the ECB target which aims at inflation rates of below, but close to, 2% over the medium term. This combination of positive economic indicators but weak inflation helps explain the ECBs very tentative approach to tightening monetary policy.

The ECB Governing Council slightly tightened Monetary Policy. Interest rates remained unchanged throughout 2017-18 with the Press Release issued after the March 2018 meeting stating *"the Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time….."* Net asset purchases continued but at the October 2017 meeting it was determined to reduce these to 30 billion Euros a month from January 2018 *"until the end of September 2018, or beyond, if necessary"* however principal payments will continue to be reinvested *"for an extended period of time after the end of its net asset purchases."*

In contrast to the significant gains in 2016-17 (facilitated by a weaker £ following the EU Referendum of June 2016 and subsequent loosening of Monetary Policy by the Bank of England) both the FTSE 100 and FTSE All Share indices declined slightly over 2017-18. Uncertainty over the economic outlook together with the limited progress of the "Brexit" negotiations exacerbated by divisions within the UK Government (which also lost its overall majority at the June 2017 General Election) were not supportive of UK Listed Equities during 2017-18.

The Bank of England's Monetary Policy Summary of March 2018 stated *"Developments regarding the United Kingdom's withdrawal from the European Union – and in particular the reaction of households, businesses and asset prices to them – remain the most significant influence on, and source of uncertainty about, the economic outlook."* Notwithstanding such uncertainty unemployment during 2017-18 fell from 4.6% to 4.1% its lowest in over 40 years while inflation (as measured by the CPI index) remained clearly above the Bank of England's target of 2% throughout the year. Inflation which had been 2.3% in March 2017 was 3.0% by September 2017. Consequently, at its meeting ending on 1 November 2017 the Bank of England Monetary Policy Committee (MPC) voted 7 to 2 to increase Bank Rate by 0.25% to 0.5% stating in their minutes *"a majority of members judged that a small reduction in stimulus was therefore warranted at this meeting to return inflation sustainably to the target. Monetary policy would continue to provide significant support to jobs and activity in the current exceptional circumstances."* By March 2018 inflation was 2.5%.

Clearly positive corporate earnings supported Japanese Equity markets during 2017-18. The Bank of Japan's "Tankan" survey of large manufacturers sentiment was very positive throughout the period. Equity markets also responded positively to the decisive election victory of Prime Minister Shinzo Abe in October 2017. The Nikkei 225 index increased by 13% over the year following its 15% increase the previous year.

Despite positive economic activity, very low unemployment – 2.5% at March 2018 and huge monetary stimulus in the form of asset purchases from the Bank of Japan, inflation in March 2018 was only 0.9% compared with the Bank of Japan's target of 2%. The reappointment of Haruhiko Kuroda for a second term as Governor of the Bank of Japan should, however, ensure a continuation of supportive monetary policy to seek to achieve target inflation.

Chinese, Asian (excluding Japan) and Emerging Market Listed Equities overall enjoyed a positive 2017-18 assisted by generally supportive corporate/ economic data.

Benchmark Government Bonds remained at historically low yields. The major Central Banks maintained an overall loose monetary policy approach but indications of a gradual "tightening" of policy by the US, UK and European Central Banks exerted an upward pressure on yields. The 10 year German Bund yield rose from 0.33% to 0.43%, the UK 10 year Gilt yield from 1.14% to 1.39%, and the 10 year US Treasury yield from 2.39% to 2.75% during the financial year.

John Raisin Financial Services Limited
Independent Advisor
25 May 2018

John Raisin Financial Services Limited
Company Number 7049666 registered in England and Wales.
Registered Office 130 Goldington Road, Bedford, MK40 3EA
VAT Registration Number 990 8211 06

"Strategic and Operational Support for Pension Funds and their Stakeholders"

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Agenda Item 12

Report for: Pensions Committee and Board 23 July 2018

Title: Governance Report

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The purpose of the paper is provide an update to Committee and Board:

- on the London Collective Investment Vehicle (CIV) governance structure
- on the terms of appointments to the Pensions Committee and Board

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. The Committee and Board should note the London CIV governance structure updates.

3.2. That the Committee and Board discuss the appointment terms for the Pensions Committee and Board to agree further steps on this matter.

4. Reason for Decision

4.1. None.

5. Other options considered

5.1. None

6. Background information

London CIV Governance Structure Update

6.1. The London CIV commissioned a governance review which took place during the autumn of 2017. This was undertaken by Willis Towers Watson and was circulated to the Pensions Committee and Board earlier in 2018. In response to this, the CIV has launched a consultation which funds responded to, this consultation in part dealt with the governance structure of the CIV.

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6.2. Haringey, along with the other London Boroughs is a shareholder of the CIV. The previous shareholder representative body for the CIV was the Pensions CIV Sectoral Joint Committee (PSJC), which met quarterly, and was attended by the Chairs or Vice Chairs of the 32 London Borough Funds and the City of London. In March 2018, the PSJC voted for this body to be dissolved in line with the recommendations from the governance review work. In accordance with London Councils' Governing Agreement, under which the PSJC was established, this will require all the participating London local authorities to give written notice to London Councils that they have agreed to revoke the delegation of the discharge of the relevant functions to the sectoral joint committee. All Borough pensions Chairs, S151 Officers and Chief Executives were written to on 13 June 2018 to this end.

6.3. The new governance structure will function as follows:

General Meetings

6.4. All of the boroughs will meet twice annually in their capacity as shareholders of the CIV. These meetings will be in July (to approve the accounts), and in January (to approve the Medium Term Financial Strategy). Shareholders will also vote on such matters as appointments to the CIV Board of Directors. These meetings will continue to be attended by either the Chair or Vice Chair of Haringey Pensions Committee and Board.

Shareholder Committee

6.5. Quarterly meetings will be held in a consultative capacity only, with 12 Shareholders represented: 4 S151 Officers, and 8 Pension Chairs. The aim of this meeting will be to promote effective dialogue between the boroughs and the CIV. Formal decision making will remain with the Board of the CIV and the General Meetings.

6.6. The S151 Officers will be appointed by the Society of London Treasurers, (a body of all S151 Officers in London). The 8 Pensions Chairs will be appointed via the collective political processes of the London Councils, providing political, geographical and gender diversity. This is similar to the appointments process for other external bodies such as the Lee Valley Regional Park Authority.

6.7. At the General Meeting in July 2018, the appointments to the Shareholder Committee will be agreed. As the Shareholder Committee consists of only 12 members, not all boroughs will not be represented upon this body, and Haringey will not be represented initially, although this could change from year to year. Those boroughs who do not have a S151 Officer, or a Chair present at the Shareholder Meetings will have to work with those boroughs who do, to ensure their interests are represented in this forum.

Terms of Appointment

6.8. Haringey Pensions Committee and Board has discussed the matter of terms of appointment on several occasions over the past year. Appended to this report is a letter (confidential appendix 1) sent on behalf of the committee in April 2018 to both party whips.

6.9. The letter requested that both political groups gave due consideration to cementing the expectation that appointments to the Pensions Committee and Board would be a longer than one year commitment, and preferably a four year commitment (in line with the local elections cycle). This received positive affirmation in response from one of the groups, the other did not respond.

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 direct 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. Members should note the CIV shareholder meetings referred to in paragraphs 6.5 and 6.6. Those meetings will be consultative in nature only and only 12 shareholders will be represented at such meetings.

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Letter on behalf of Haringey Pensions Committee and Board

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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

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Agenda Item 13

Report for: Pensions Committee and Board 23 July 2018

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

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

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

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee note this report.

4. Reason for Decision

4.1. None.

5. Other options considered

5.1. None.

6. Background information

6.1. The voting alert received from LAPFF and outcome of votes, as well as how the fund's equity manager, Legal and General Investment Management (LGIM), is detailed below.

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Company	Description	LAPFF Recommendation For/Oppose	LGIM Vote For/Oppose	AGM Vote outcome
TESLA	Oppose proposal to approve stock option grant to Elon Musk	Oppose	Oppose	For (80%)
Rio Tinto	Constitutional Amendment	For	For	Oppose (84%)
Anadarko	Climate Change Analysis	For	For	For (52%)
Royal Dutch Shell	Set and publish targets aligned to Paris Agreement	Abstain	Oppose	Oppose (87%)
Chevron	Adapt business model to decarbonising economy	For	Oppose	Oppose (90%)
Tesla	Independent Chair, and for proxy access	For	For	Oppose (83%, 74%)
General Motors	Greenhouse gas emissions	For	For	Oppose (73%)
WPP PLC	Remuneration Report	Oppose	For	For (73%)

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

8.1 There are no further finance or procurement comments arising from this report.

Legal

8.2 The Assistant Director of Governance was consulted on the content of this report. There are no legal issues directly arising from this report.

Equalities

8.3 There are no equalities issues arising from this report.

9. Use of Appendices

None

10. Local Government (Access to Information) Act 1985

Not applicable.

Report for: Pensions Committee 23 July 2018

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

Describe the issue under consideration

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

1.2. Update of Haringey Council's Discretionary Policy Statement.

1.3. The report also gives a breakdown of the amount of visits made to the Haringey pension fund website.

1.4. This report includes the most recent internal audit of the pensions administration service, which showed a substantial assurance rating of the service, this is for members to note.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations that Members:

3.1. Approve the admission of ISS Mediclean Limited as a new employer to the Pension Fund, subject an Admission Agreement being entered into and to their securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise.

3.2. Approve the admission of Haringey Education Partnership as a new employer to the Pension Fund and subject to an Admission Agreement being entered into, as detailed in paragraphs 4.4 to 4.8 of this report, and note they will be included within the Council's pool of employers.

3.3. Approve the updated Discretionary Policy Statement.

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

3.5. Note the most recent audit of the pensions administration service.

4. Reason for decision

New Admission Body to the Fund
ISS Mediclean Ltd

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

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

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

Haringey Education Partnership

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

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

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

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

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

5. Alternative options considered

Not applicable.

6. Background information:

Discretionary Policy Statement

6.1. The Local Government Pension Scheme Regulations 2013 requires scheme employers to formulate, review and update their Pensions Discretionary Statements.

6.2. The Pensions Administration Discretionary Statement has been reviewed and updated, to make it clear that Haringey Council will exercise the discretion to abate the pensions of former employees who are retired early, if they are re employed by any of the scheme employers in the Haringey LGPS Pension fund.

Haringey Website Views

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

	users	Page views
February 2018	309	1655
March 2018	329	1790
April 2018	332	1724
May 2018	357	1766

The average amount of users per month to the pension website is 331 and they view on average 1733 pages, just over 5 pages for each user.

Internal Audit Report

6.4. The pensions administration service is regularly audited in line with the Council's audit plan. The most recent audit was performed in April and May 2018. This provided a substantial assurance rating for the service. Members are asked to note this.

7. Contribution to strategic outcomes

7.1. Not applicable.

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

Chief Finance Officer

8.1. All Administering Authorities within the Local Government Pension Scheme (LGPS), must publish and maintain a discretionary policy statement, it is good practice to keep this under regular review, as is done within this report.

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. Occasionally, the Fund may include new employers within the Council pool of employers for pensions purposes, as is the case for all Haringey schools other than Academies, meaning that all assets and liabilities for these groups of employers are pooled, and a common contribution rate is paid.

8.3. The pensions administration service are the gatekeepers of the fund's circa £1.6bn of pension liabilities, ensuring that pension benefits are administered accurately and efficiently. It is therefore pleasing to note the high standards of work within the service, as reported in the internal audit report.

Assistant Director of Corporate Governance

8.4 The report seeks authority to admit two employers 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;

8.5 Both ISS Mediclean Ltd and the HEP are eligible to become admission bodies because:

8.5.1 ISS Mediclean 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;

8.5.2 The HEP is a body which is owned by the Council and which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise).

8.6 Regulations 60 requires a scheme employer to prepare a written statement of its policy in relation to the exercise of its functions under regulations in respect of funding of additional pension, flexible retirement, waiving of actuarial reduction and award of additional pension. The administering authority must prepare such a statement in relation to the exercise of its functions in respect of waiving of actuarial reduction in cases where a former employer has ceased to be a scheme employer. The body must then keep the statement under review. In preparing, or reviewing and making revisions to its statement, a body must have regard to the extent to which the exercise of these functions in accordance with its policy could lead to a serious loss of confidence in the public service.

9. Use of Appendices

9.1. Appendix 1 - Haringey Council Discretionary Statement
9.2. Appendix 2 – Internal Audit Report

10. Local Government (Access to Information) Act 1985

Not Applicable

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Appendix 1

The Local Government Pension Scheme Regulations 2013

The Local Government Pension Scheme Regulations 2013 came into effect on 1st April 2014. Although the Local Government Pension Scheme is a national scheme there are some discretionary elements. The 2013 regulations introduced or amended a number of discretions which the Council as the Employing Body can exercise. Under regulation 60 the London Borough of Haringey is required to prepare and publish its policies under the following regulations. These policy discretions are, where appropriate as close to the previous discretions as possible and were subject to consultation with trade unions.

The current policy statement is attached as appendix A

<u>Policy Decisions</u>

Regulation 16(2)e

Voluntary funding of additional pension contributions via Shared Cost Additional Pension Contributions (by regular ongoing contribution)

Policy decision

The council's policy is not to fund additional pension via shared cost APC

Regulation 16(4) d

Voluntary funding of additional pension contributions via Shared Cost Additional Pension Contributions (by one off lump sum)

Policy decision

The council's policy is not to fund additional pension contributions via Shared Cost Additional Pension Contributions

Regulation

Switching on the 85 year rule for members voluntarily drawing benefits on or after age 55 and before age 60

Policy decision

Although the term compassionate grounds is not defined in the regulations, the Council's policy is to apply the following definition:-

'Compassionate Grounds means that the scheme member is required to look after a sick dependant relative on a whole time basis, is therefore unable to take up gainful employment, and in consequence is suffering financial hardship.'
In addition, the Council will satisfy itself that the sick dependant relative has a permanent long-term condition with a reasonable life expectancy having regard to his/her age.
Each case will be considered on its merits and will be subject to approval by the Chief Financial Officer acting under delegated powers.

Regulation 30(6)

Flexible retirement

Policy decision

The Council will consider applications for Flexible Retirement from scheme members age 55 and over. Flexible Retirement is linked to the Council's existing policies on

Flexible Working and extending employment beyond age 65 or state pension age if later. It provides opportunities for re-skilling and redeploying older workers across the workforce as well as retaining skills and experience as part of a transition towards retirement.

Flexible Retirement allows scheme members age 55 and over to apply to transfer to a lower graded post or to reduce hours of employment and at the same time access their retirement benefits. Both the transfer to a lower graded post or reduction in hours of work and the early release of retirement benefits is an employer discretion. As a minimum requirement, a member's pay must reduce by at least four spinal points or the equivalent in reduced hours.

In considering Flexible Retirement both the needs of the member and the Service must be taken into account. Initial approval rests with the Service Chief Officer e.g. Assistant Director or equivalent with final approval by the Deputy Head of Personnel.

The early release of benefits before age 65 or state pension age if later has the potential to incur an actuarial reduction in benefits. The Council's Section 151 Officer has delegated authority to waive any actuarial reduction, but only in exceptional circumstances that benefit the business and operational needs of the service. The cost to the Fund will be met from the Service budget.

Acceptance of Flexible Retirement debars the member from changing their job to a post offering higher pay within the Council or from returning to employment on higher pay with the Council for a period of not less then three years.

The procedure and criteria for approving Flexible Retirement applications is available on Harinet.

Regulation 30(8)
Waiving of actuarial reductions
Policy Decision:

The Council's policy is only to consider waiving an actuarial reduction by applying 'in the Interest of efficiency of the service' policy in exceptional circumstances where switching on the 85 year rule would leave someone in financial hardship

Each case will be considered on its merits and will be subject to approval by the Chief Financial Officer acting under delegated powers.

Any Capital Cost arising will be met from Service/Business Unit budgets and will be paid into the Fund within a three month period.

First and second tier Officers will require Member approval.

Regulation 31
Awarding additional pension (via an Additional Pension) at whole cost to the employer

The council's policy is not to fund additional pension (via an Additional Pension) at whole cost to the employer

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Appendix A

POLICY STATEMENT ON THE USE OF ITS DISCRETIONARY POWERS:

This Policy Statement sets out the Council's use of its discretionary powers under the Local Government Pension Scheme Regulations[1] and Local Government Pension Scheme Compensation Regulations.

The document can be viewed on the Intranet Pensions Page (click Pensions and follow the links) and the Haringey Pensions Web Page (www.haringeypensionfund.co.uk)
The current policy was reviewed and updated by Corporate Committee on 20th January 2013

This policy statement only applies to scheme members employed by Haringey Council. Scheme members not employed by the Council must refer to the Policy Statement issued by their employing body.

Councillor Members should refer to Part 2

Part 1.A Pensions Discretions	
Employee Members	
1.	<u>Choice of early payment of pension (Regulation 30)</u>
	This applies to members who cease employment after age 55 and before age 60 who elect for early payment of their retirement benefits. **The Council's policy is to allow early payment of benefits as provided by Regulation 30 where there is a clear financial or operational advantage to the Council in doing so.** **The Council will consider waiving any actuarial reduction on 'compassionate grounds' as defined in Paragraph 5 of the Policy Statement below.** Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers. **Any Capital Cost arising will be met from Service / Business Unit budgets and will be paid into the Fund within a three month period.** First and second tier Officers will require Member approval.
2.	<u>Early Retirement on Redundancy and Business Efficiency (Reg 19)</u>
	Members age 55 and over who are retired on redundancy or efficiency grounds have entitlement to immediate payment of unreduced benefits. **Any Capital Cost arising from an early retirement on redundancy or business efficiency will be met from Service/Business Unit budgets and must be paid into the Fund within a three month period.** **Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers.**

[1] The main scheme regulations referred to are :-
The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
The Local Government Pension Scheme (Administration)) Regulations 2008 (as amended)
The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales)) Regulations 2006 (as amended).

	First and second tier Officers will require Member approval
3.	Early payment of Deferred Benefits (Regulations 30 : 30A)
	A member who left with entitlement to Deferred Benefits or whose Tier 3 Ill Health Retirement Pension was suspended under Regulation 20(9)) can elect from age 55 to have the benefits put into payment early. An election made before age 60 requires employer consent. **Benefits claimed before age 65 may be subject to an actuarial reduction unless the Council agrees to waive the reduction** **The Council's policy is to allow early payment of Deferred Benefits only if the case can be considered on 'Compassionate Grounds' as defined in paragraph 5 below or otherwise where there is no financial disadvantage to the Council for doing so.** **Deferred Member Benefits which began before 1st April 1997 can only be released early on 'compassionate grounds as defined in paragraph 5 below. There is no discretion to waive any actuarial reduction if an election to receive early payment of benefits from age 60 is made** Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers**.**
4.	Flexible retirement (Regulation 18)
	The Council will consider applications for Flexible Retirement from scheme members age 55 and over. **As a minimum requirement, a member's pay must reduce by at least four spinal points or the equivalent in reduced hours** **Both the transfer to a lower graded post or reduction in hours of work and the early release of retirement benefits is an employer discretion** **In considering Flexible Retirement both the needs of the member and the Service must be taken into account. Initial approval rests with the Service Chief Officer e.g. Assistant Director or equivalent with final approval by the y Head of Human Resources.** **The early release of benefits before age 65 has the potential to incur an actuarial reduction in benefits. The Section 151 Officer has delegated authority to waive any actuarial reduction, but only in exceptional circumstances that benefit the business and operational needs of the service. The cost to the Fund will be met from the Service budget.** **Acceptance of Flexible Retirement debars the member from changing their job to a post offering higher pay or increasing their hours within the Council or from returning to employment on higher pay with the Council for a period of not less then three years**. The full Flexible Retirement Policy, Procedure and Documentation is available on Harinet (click Personnel and follow the links)
5.	Discretion to waive an actuarial reduction under Regulation 30
	Although the term compassionate grounds is not defined in the regulations, the Council's policy is to apply the following definition:- **'Compassionate Grounds means that the scheme member is required to look after a sick dependant relative on a whole time basis, is therefore unable to take up gainful employment, and in consequence is suffering financial hardship.'** **In addition, the Council will satisfy itself that the sick dependant relative has a permanent long-term condition with a reasonable life expectancy having regard to his/her age.** **Each case will be considered on its merits and will be subject to approval by the Section 151 Officer acting under delegated powers**

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6.	Awards of Added Membership Reg. 12
	The Council's policy is not to award additional membership
7.	Awards of Additional Pension Reg.13
	The Council's policy is not to award additional pension
8.	Payment of Death Grants for Active Members Regulation 23, Deferred Members Reg.32 and Pensioner Members Regulation 35,
	A death grant will usually be paid in accordance with the member's nomination or, where there is no nomination, to the legal personal representatives. However where it is considered that: **a) an existing nomination may no longer reflect the member's intentions (for example there is a subsequent marriage, divorce or children) or,** **b) there is a deserving recipient (who must be have been his relative or dependant at some time) who would otherwise be excluded by payment to the Estate or,** **c) payment to the Estate may be inappropriate for other reasons (for example where inheritance tax may be a factor if payment were made to the Estate).** **Payment may be made in the manner and proportions the Council believe appropriate in the circumstances of the case.** **In all cases, the release of the Death Grant is delegated for approval to the Section 151 Officer.**
9.	Disregarding a break in full-time education for a Childs Pension to continue in payment.
	a. **Where there is a break in full-time education or training, the Chief Financial Officer will decide whether such a break can be ignored on the child's return to full-time education or training** b. **The Chief Financial Officer will have regard to the circumstances of each case within the guideline that the break should not generally extend beyond 12 months from the beginning of one academic year to the end of one academic year, or include periods of full-time employment of more then three months** c. **Where the gap extends beyond the 12 month limit as described above, the child must be able to clearly demonstrate a clear intention to return to full-time education or training and has not undertaken paid employment as an alternative career option to returning to fill-time education or training** d. **Where the Chief Financial Officer deems it appropriate to ignore a break in full-time education or training, the child's pension will be reinstated from the re-commencement of full-time education or training or such earlier date as the Chief Financial Officer deems appropriate based on the individual circumstance of the case.** e. **The exercise of this discretion will be reported to the Corporate Committee.**
10.	Abatement (reduction) of pensions on re-employment
	Members of the Fund who commence re-employment or who return to Office after 31st March 1998 will be liable for an abatement in their pension in the circumstances described below. **The abatement will be calculated in accordance with the provisions of Schedule 5 to the Local Government Pension Scheme Regulations 1995.** **Pensioner members who commence re-employment or return to Office in local government following retirement on medical grounds. or** **re-employment or return to Office with Haringey Council or scheme employers in the Haringey Local Government Pension Fund in circumstances where the member has retired early with no percentage reduction to the retirement benefits will be subject to an abatement except in cases of Flexible Retirement agreed in accordance with Regulation 18.**

11.	Waiving of time limits
	The Council's policy is to waive time limits set within the Pension Scheme Regulations[2] where it is satisfied that the individual could not have known of the requirement to make an election at the proper time.
12.	Medical clearance to purchase Additional Pension (ARCs) Regulation 23 (Administration Regulations)
	An application to purchase additional pension will only be accepted if the member makes a declaration that he/she is in reasonably good health and has not been seen by a medical practitioner within the last 12 months or otherwise where the member provides a report by a registered medical practitioner of the results of a medical examination undertaken at the member's own expense
13.	Attributing salary bands
	Salary bands are attributed on 1st April based on basic annual pensionable pay plus variable pensionable pay over the last twelve months. **New starters to be attributed a salary band on the first day of membership based on basic annual pensionable pay.** **That with the exception of back-dated pay awards to 1st April, no variation will be made to a member's attributed salary band other then at each annual review date on 1st April of each subsequent year.** **To ensure the smooth implementation of this change any variation to this policy is delegated to the Head of Human Resources subject to approval at the next available meeting of Corporate Committee**
14.	**Shared Cost Additional Voluntary Contribution Scheme**
	The Council's policy is not to provide a Shared Cost AVC scheme
Part 1.B Compensation Discretions	
Discretions exercised by Haringey Council in accordance with provisions of **The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended) and the Local Government (Discretionary Payments) Regulations 1996 as amended**	
1.	Compensation for Redundancy
	Compensation on redundancy will be based on ; 1 weeks pay for each complete year of service up to a maximum of 20 years total service.
2.	Rate of Pay for Redundancy Purposes
	The redundancy payment is based on the actual weekly rate of pay at the relevant date. (This is usually but not always, the date notice is given).
Injury Allowances	
3.	**An Injury allowance may be paid to an employee who sustains an injury or contracts a disease as a result of anything he/she was required to do in carrying out their work; and either:-** **Is certified as being permanently incapacitated and ceases employment. or** **Suffers a reduction in pay.** **In deciding on the amount of Injury Allowance payable, the Council takes into account all the circumstances of the case.** The maximum amount payable is 85% of Final Pay. **Injury Allowances in payment are reviewed annually, and at age 65.** **Each case is referred for a decision to the Section 151 Officer acting under delegated authority.**
4.	Gratuity Payments

5.	Gratuities for Non- Pensionable Service: Summary of current Policy**:** **Gratuities are paid to retiring employees for service with the Council during which they were not eligible to join the Local Government Pension Scheme.** **Part Time employees who worked at least 15 hours per week for 35 weeks a year can count service up to 31/3/1987 for gratuity entitlement.** **Part Time employees who worked less 15 hours per week can count service up to 16/8/1993.** *Gratuity payments do not apply to casual employment* **The payments are calculated on 3.75% of Annual Pay for each year of gratuity service as described above.** **The employee can choose between a once off lump sum or an annuity payment.** **A Death Gratuity is also paid if an employee dies in Service.** **The Death Gratuity is paid to an employee's dependants. It is calculated on 3.75% of Annual Pay for all local government service up to 31/3/1987. It is payable to members of the Local Government Pension Scheme and non-scheme members alike.**
Part 2.A	
Councillor Members:	
1.	Voluntary early retirement from age 55
	The Council will not exercise its discretion to release retirement benefits early to councillor members who cease or have ceased to be a member of the Council age 50 and under 65 **The Council will not exercise its discretion to waive the actuarial reduction for councillor members who cease to be a member of the Council and claim immediate payment of benefits**
2.	Re-employed pensioners – Abatement of pensions (Regulation 109)
3.	**The Council's policy is not to abate a pension in all cases except :-** **re-employment or return to Office in local government following retirement on medical grounds. or** **re-employment or return to Office with Haringey Council or its employing bodies in circumstances where the member has retired early with no percentage reduction to the retirement benefits**
4.	4. Waiving of time limits
	That the time limits set within the Pension Scheme Regulations will be waived where the member could not have known of the requirement to make an election at the proper time.
5.	Waiving restriction on entry to the Fund Regulation 7 (9)
	The Council's policy is not to restrict re-entry to the Fund where a member has previously elected to opt out more then once

Important Note:
Nothing stated above confers any statutory rights or overrides the provisions of the Local Government Pension Scheme and Compensation Regulations[3] or related legislation.
In the event of any dispute over your pension benefits, the appropriate legislation will prevail
For more information contact the Pensions Team at:-
Alexandra House 10 Station Road London N22 7TR
Tel Number 020 8489 1700
E-Mail Pensions.Mailbox@haringey.gov.uk

Final Internal Audit Report 2017/18

London Borough of Haringey
Pension Administration
June 2018

This report has been prepared on the basis of the limitations set out on page 8.

Introduction

As part of the 2017/18 Internal Audit Plan, we have undertaken internal audit work in relation to Pensions Administration.

The Local Government Pension Scheme (LGPS) is operated by the Council for all employees of the Council, apart from those, such as teachers, who have their own pension scheme.

Haringey Council is the Administering Authority for LGPS in the London Borough of Haringey area. The Council delegated this responsibility to the Pensions Committee & Board. The management of this was delegated to the Council's Corporate Committee, but as from June 2014, this has now become the responsibility of a re-constituted Pensions Committee and Board.

The remit of the Pensions Committee and Board includes undertaking the Council's functions as 'Administering Authority with responsibility for the management and monitoring of the Council's Pension Fund. The responsibility includes:

- Management of the Pension Fund's investments including the setting of investment strategy, selection and monitoring of fund managers, and publication and maintenance of statutory policy statements;
- Receiving triennial actuarial valuations, publishing and maintaining a Funding Strategy Statement and monitoring the funding level of the Pension Fund;
- Approving the Pension Fund Annual Report and Accounts, receiving the external auditors' annual report and regular reports on matters relating to administration;
- Recording and paying pension entitlement and collecting contributions from employers; and
- Ensuring a robust governance structure to facilitate compliance with legislation and adoption of best practice.

Corporate Finance has responsibility for the management of the Pension Fund, and has a dedicated Pensions Administration Team in place.

The last audit of Pension Fund Administration was completed in January 2017, when a Substantial assurance opinion was given.

Audit Opinion	None	Limited	Substantial	Full
			S	
Direction of travel			$\Leftrightarrow$	

Key Findings

- All employees of the Council are automatically enrolled in LGPS by means of an interface between SAP Human Resources and Altair (Haringey LGPS system), unless an individual completes an Opt-out form.
- The Senior Pensions Officer produces from SAP Human Resources an Actual Update Report which is a monthly listing of all new starters / amendments. This creates a 'Skeleton' record in Altair which is then accessed by a Pensions Officer and populated from new starter records retained by Human Resources.
- The Senior Pensions Officer checks a sample of new entries created monthly on Altair. We confirmed that one-third of new entries in February and March 2018 were checked.
- The Pensions Team confirms for each new employee their date of birth. We confirmed for 17 new starters examined that the date of birth was confirmed. We noted that the confirmation of date of birth was only held for one of 11 non-Council employees. We were informed that such employers are chased to confirm date of birth, although this is not always provided. However, no pension benefits will be paid out for such staff until date of birth is confirmed.
- A Statutory Notice is produced for each new starter and issued to the individual member. We confirmed for five new starters that a Statutory Notice was issued but that there were delays from the member's start date.
- Guidance on pension options is published on the Haringey website, which includes the 50/50 scheme, whereby 50% of the contributions are made for 50% of the benefits, and the option to opt-out from making pension contributions.
- The Senior Pensions Officer receives a weekly notice of leavers through the SAP Human Resources interface. A Pensions Officer receives this report and completes the necessary actions including:
  - Individual members' accounts closed on Altair;
  - Early leavers, not yet of retirement age, will be issued with a Deferred Benefit Statement, which will include Statutory Pension Date, last day of service, annual pension, retirement lump sum grant, survivor's pension and years of service; and
  - Retirees will be issued with a statement of their benefits, lump sum retirement grant, annual pension and survivor's pension.
- We examined 20 LGPS members who have left the Council since April 2017 and confirmed the following:
  - Seven were Opt-outs, and for each a completed Opt-out Form was held;
  - In 11 instances, an appropriate Notice of Benefits was produced; and
  - In two instances, a Refund of Benefits was calculated.
- Access to the Altair system is restricted to eight members of the Pensions Team. There are other staff with Altair user-ids, but these were former employees and we were informed that these have had their access disabled although this was not confirmed.
- Where a member wishes to transfer benefits from another scheme into Haringey LGPS, they provide written consent to do so, and identify the previous schemes from which they are transferring. Haringey LGPS request from them the scheme details of the individual's accrued benefits. Such details are only added to Haringey LGPS upon receipt of the value of accrued benefits. It was confirmed for five scheme members that written consent was obtained prior to transfer their accrued benefits being transferred.
- A member's benefits in Haringey LGPS are only transferred to another scheme on receipt of written consent from the individual naming the new scheme, a request from the new scheme providing its bank details and after calculation by a Pensions Officer of the member's benefits from Altair, checked

by another Pensions Officer. We confirmed this was the case for five such transfers made since April 2017.

- Employee contribution rates automatically default to 5.5% on Altair, and are required to be re-set by a Pensions Officer when populating the 'Skeleton' record. We were informed Altair is being developed such that Employee Contribution rate is set automatically dependent on pensionable pay.
- The Senior Pensions Officer completes an annual reconciliation of employee contributions taken on SAP with those as posted on Altair. The most recent one was for 2016/17; the 2017/18 reconciliation will be completed as part of the year-end accounting process.
- Haringey LGPS Non-Council employers submit monthly returns which are monitored by the Senior Pensions Officer, with non-submission reported to Pensions Committee.
- The Senior Pensions Officer checks Employer Contribution Rates once every six months.
- Employee pay on which LGPS contributions are taken is calculated by a Pensions Officer and loaded into Altair. A sample of five calculations was checked and found to be satisfactory.
- We examined payments for five leavers and confirmed the following:
    - Payments to individuals are made by BACS once confirmation has been received in writing from the individual of the correct bank account;
    - Lump sum and annual pension payments are calculated from Altair by one Pensions Officer and checked by another;
    - Annual pensions are loaded into SAP, locked and unlocked by a second Pensions Officer; and
    - Lump sum payments are made by a Special Payments Request to Accounts Payable, requested by a Pensions Officer, and authorised by the Pensions Manager.
- An annual reconciliation of pensions, including employee and employer contributions, refunds, transfers in and out and lump sum payments is completed by the Banking & Treasury Service. We confirmed that a reconciliation for 17/18 was produced as at March 2018 with supporting evidence from Altair and SAP of transactions processed included.

Key Statistics

- Pension Fund contributions and benefits as per the 2016/17 Pension Fund accounts are as follows:
    - £47,249,000 employee and employer contributions;
    - £2,839,000 transfers from other funds;
    - £47,223,000 benefits paid out; and
    - £3,662,000 transfers paid out to other funds.
- The 2016/17 Pension Fund Accounts identify the fund membership as at 31 March 2017 as follows:
    - 6,167 active fund members making employee and employer contributions;
    - 8,769 deferred pensioner memberships; and
    - 7,508 pensioner and dependent members in receipt of benefits.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Joiners	Green	Green	0	0	0
Leavers	Green	Green	0	0	0
Standing data	Green	Amber	0	0	2
Transfer values	Green	Green	0	0	0
Contribution collection	Green	Green	0	0	0
Assumed Pensionable Pay	Green	Green	0	0	0
Pension awards & benefits	Green	Green	0	0	0
Pension payments	Green	Green	0	0	0
Monitoring, review, & reconciliation	Green	Green	0	0	0
Total			**0**	**0**	**2**

Please refer to Appendix B for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Acknowledgement	We would like to thank the management and staff of the Pensions Service for their time and co-operation during the course of the internal audit.

Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
Standing data							
1	A Statutory Notice is produced for each new starter and issued to the individual member. We confirmed for five new starters that a Statutory Notice was issued but that there were delays in issuing the notice, from the member's start date.	There is an increased risk of dissatisfaction by individual members over their membership of LGPS due to late receipt of Statutory Notice, and possibly higher member queries.	A target date should be agreed by which Statutory Notices are issued from when staff commence employment. This should be monitored through spot checks to ensure compliance.	3	Senior officer will spot check that statutory notices are issued within two months of notification of member starting in the scheme	John Lynch	Already Implemented
2	Access to Altair is restricted to eight members of the Pensions Team. There are other staff with Altair user-ids, but these were former employees and we were informed that their user access have been disabled, although this could not be confirmed.	Where Altair user access is not appropriately monitored, there is an increased risk that former staff may be able to access and make inappropriate changes to LGPS data.	Confirmation should be requested from Altair that former staff user-ids have been disabled.	3	Heywood will be asked to delete former user profiles	Janet Richards	30/06/2018

Appendix B `– Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

●●	**Full**	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
●	**Substantial**	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
●	**Limited**	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
●	**None**	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

⇨	Improved since the last audit visit. Position of the arrow indicates previous status.
⇦	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
⇔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	**Effectiveness**
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Statement of Responsibility	We take responsibility for this report which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. **Mazars Public Sector Internal Audit Limited** **London** **June 2018** This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document. In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited. Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 4585162. Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.

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