NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Thursday, 11th July, 2019, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

Members: Councillors Matt White (Chair), John Bevan (Vice-Chair), James Chiriyankandath, Paul Dennison, Viv Ross and Noah Tucker

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

Quorum: 3 Council Members and 2 Employer / Employee Members

1. FILMING AT MEETINGS

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

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

2. APOLOGIES FOR ABSENCE

3. URGENT BUSINESS

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

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

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

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

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

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

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

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

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

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

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

5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

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

6. MINUTES (PAGES 1 - 10)

To agree the minutes of the Pensions Committee and Board meeting held on the 14th March 2019.

7. EMERGING MARKET EQUITY (PAGES 11 - 14)

This paper seeks to update the Committee and Board regarding the implementation of investment in a low carbon option for the fund's emerging market equity portfolio, which was discussed by the Committee and Board at the last meeting in March 2019.

8. 2018/19 PENSION FUND ACCOUNTS AND ANNUAL REPORT (PAGES 15 - 156)

This report presents the Pension Fund Annual Report and audited Accounts for 2018/19 for the Committee and Board's approval. The annual audit report from the Fund's external auditor BDO is also presented.

9. PENSIONS ADMINISTRATION REPORT (PAGES 157 - 162)

This report gives a breakdown of the amount of visits made to the Haringey pension fund website, presents details of new admissions to the pension fund, and provides an auto enrolment update.

10. PENSION FUND QUARTERLY UPDATE (PAGES 163 - 170)

To report the following in respect of the three months to 31 March 2019:

- Funding Level Update; and
- Investment asset allocation.

11. LOCAL GOVERNMENT PENSION SCHEME CONSULTATION (PAGES 171 - 208)

The purpose of the paper is to provide information to members of the Pensions Committee and Board regarding a recent consultation released by the Ministry and Housing Communities and Local Government (MHCLG) regarding the LGPS Valuation Cycle and Employer Risk.

12. LOCAL GOVERNMENT PENSION SCHEME UPDATE FROM INDEPENDENT ADVISOR (PAGES 209 - 220)

The purpose of the paper is to provide information to members of the Pensions Committee and Board regarding recent consultations and other governance activity within the Local Government Pension Scheme (LGPS).

13. FORWARD PLAN (PAGES 221 - 226)

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.

14. RISK REGISTER - REVIEW/UPDATE (PAGES 227 - 242)

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

15. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 243 - 246)

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.

16. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) - PENSIONS RECHARGE AND GUARANTEE AND SERVICE LEVEL AGREEMENT (SLA) (PAGES 247 - 252)

The purpose of the paper is to provide information to update members of the Pensions Committee and Board regarding the London CIV's pensions recharge and guarantee agreements, and the recently issued Service Level Agreement.

17. NEW ITEMS OF URGENT BUSINESS

To consider any items admitted at Item 3 above.

18. EXCLUSION OF THE PRESS AND PUBLIC

To resolve

That the press and public be excluded from the meeting for consideration of item 8 as it contains exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

19. EMERGING MARKET EQUITY (PAGES 253 - 264)

As per Item 7.

20. PENSION FUND QUARTERLY UPDATE (PAGES 265 - 270)

As per Item 10.

21. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) - PENSIONS RECHARGE AND GUARANTEE AND SERVICE LEVEL AGREEMENT (SLA) (PAGES 271 - 344)

As per Item 16.

22. EXEMPT MINUTES (PAGES 345 - 348)

To agree the exempt minutes of the Pensions Committee and Board meeting held on the 14th March 2019.

23. NEW ITEMS OF EXEMPT URGENT BUSINESS

To consider any items admitted at Item 3 above.

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

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

Wednesday, 03 July 2019

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MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON THURSDAY, 14TH MARCH, 2019, 19:00 – 21:00

PRESENT: Cllr White, Cllr Dennison, Cllr Ross, Keith Brown, Ishmael Owarish, and Randy Plowright.

247. 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.

248. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Bevan and Cllr Moyeed.

249. URGENT BUSINESS

Deputation

A deputation had been received from Tottenham and Wood Green Friends of the Earth which sought the Pensions Committee and Board (PCB) to make a commitment to divest from fossil fuels.

The deputation thanked the PCB for the opportunity to speak. The deputation appreciated that the PCB's duty was to its members but argued one of its top considerations must be to do all it could to help preserve the world for future generations.

In addition, the deputation raised the following:

- Divestment was an effective means to combat climate change.
- Welcomed the PCB's investment in the low carbon index and renewables.
- Hoped the PCB would commit to a date by which it would move the remaining shareholdings into low carbon funds and upping the renewables investment.
- Noted the increasing number of natural disasters, such as the 2018 California wildfires, and attributed this to climate change.
- There was to be a series of climate change protests held around the world on 15th March 2019. Schoolchildren would be attending the Full Council meeting on 18th March to highlight their concern for the future if climate change was not addressed.

- A report by the UN Intergovernmental Panel on Climate Change had stated there was only a 12 year period to act to reduce the risk of an increased number of natural disasters.
- If the PCB were to commit to divestment, then this would help prevent global catastrophes and encourage other Local Authority pension funds to divest.

The Chair thanked Tottenham and Wood Green Friends of the Earth for their deputation.

Petition

In response to the petition received from Tottenham and Wood Green Friends of the Earth at its 21st January 2019, the Chair read out the formal response of the PCB, which was as follows:

“We share the concerns of Friends of the Earth regarding the damaging effects of fossil fuels on the environment, and thank them for their engagement with the Fund. Haringey has previously sought to seek to reduce fossil fuel exposure via using low carbon options for equity investments, where this is possible and where this is consistent with our overriding fiduciary duty. The Fund will look to explore whether additional low carbon investments are feasible over the next 12 months, to reduce our exposure to fossil fuels further.

The fund’s use of low carbon funds is not the only strand to the fund’s ESG (environmental social and corporate governance) policy however. We have committed to invest c. £70m in renewable energy infrastructure, which the fund believes will deliver the required returns for the fund, but will also make a meaningful and impactful contribution to positive environmental practices. The level of the fund’s investments in renewable energy also remain under regular review. The fund takes its stewardship duties extremely seriously, and is a tier 1 signatory to the Financial Reporting Council UK Stewardship Code.

The fund firmly believes that engagement with companies who display undesirable characteristics or behaviours is the best way to effect change, and is therefore a member of the Local Authority Pension Fund Forum, (LAPFF), who carry out engagement activities on behalf of local government pension funds. The LAPFF is one of the largest collaborative engagement groups, with 79 member funds, who hold around £230bn in funds under management. They engage regularly with a variety of companies, including work to encourage companies to align their business models with a 2°C scenario and for an orderly transition to a low-carbon economy. The LAPFF believes in engagement activities as opposed to divestment, as divestment could lead to investors having.”

250. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

No declarations of interest were made.

251. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Dennison, Cllr Ross, Keith Brown, Ishmael Owarish, and Randy Plowright attended a training session delivered by Blackrock on renewable energy investments – 14/03/2019.

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

Cllr Ross - Attended SSAS & SIPP Adviser Seminar on Self Invested Pensions at Barnet Waddingham - 05/03

Cllr White -

252. MINUTES

The fund's independent advisor, John Raisin, suggested minor corrections to the minutes for clarity.

Resolved

That the minutes of the meeting held on the 21st January 2019 be approved as a correct record of the meeting.

253. EMERGING MARKET EQUITY REVIEW

This report, introduced by Thomas Skeen, Head of Pensions, invited the PCB to review the fund's low carbon equity holdings, with a view to considering the potential to reduce the fund's carbon exposure.

The following was highlighted to the PCB:

- The Fund had always given serious consideration to Environmental Social and Corporate Governance (ESG) factors.
- A report would be brought before the July 2019 meeting to reflect the outcome of the PCB's discussions and a strategy change could be agreed at that meeting.
- There had been regular equity reviews in recent years and approximately half of the fund's developed market equity is currently invested in a low carbon fund.
- This report focussed on the Fund's overall allocation of 6.66% to emerging market equity.
- The exempt appendix produced by Mercer, outlined three potential options which the Fund could explore utilising in the future to reduce carbon exposure within its emerging markets portfolio.

Following questions by the PCB, it was noted:

- The PCB had made a decision in 2017 to have a 50% low carbon allocation in the developed market equity (everything that was not in an emerging market).
- The emerging market equity was index tracked but not within a low carbon fund.
- The Fund's Investment Consultant, Mercer, informed the PCB that emerging markets made up 15% of the Fund's equity allocation, which contributed to

40% of its overall carbon exposure. Mercer had reviewed whether it was viable for the Fund to retain the same level of emerging market exposure but through a low carbon approach.

- The PCB was not able to make a decision at the meeting regarding moving assets due to the ongoing negotiations with the fund manager, Legal and General. It was not possible to change the Fund's strategy when it was not clear what the available options were or the costs involved. The PCB were invited to consider making a decision in principle and formalise that decision in July 2019, pending all information being disclosed.
- It was not possible for the Fund to have zero carbon exposure. The PCB could seek to divest from fossil fuel companies but it would still have investments with other organisations, such as supermarkets, which, in the daily course of their operations, would produce carbon emissions. Low carbon indexation reduced the Fund's exposure to the largest carbon emitters and, consequently, increased exposure to lower carbon emitters. The low carbon index had been effective at reducing overall carbon footprints.

(The PCB next considered the exempt appendix to this report in private, as per item 262. Members of the public were cleared from the meeting.

Following the conclusion of discussions in private, members of the public were invited back into the meeting room and the following was announced.)

The Chair thanked the Tottenham and Wood Green Friends of the Earth for waiting. The Chair then informed that the PCB had considered the exempt report and that, following discussion, it was *minded* to move existing funds from emerging markets into a low carbon version of the fund that would be set up for the London Borough of Haringey's Pension Fund. However, the PCB was not in a position to formally make that decision as all of the costs and details of the deal had yet to be negotiated. Once all of the details were available for consideration, the PCB would be able to formally declare its decision at its July 2019 meeting.

Resolved

1. That the Committee consider the report, and information outlined by Mercer in Confidential Appendix 1.

2. That the Committee agrees to commission a further report on this topic for the next meeting of the Pensions Committee and Board, reflecting the views expressed by members at this meeting.

254. PENSION FUND AUDIT PLAN - YEAR TO 31 MARCH 2019

This report, introduced by the Head of Pensions, presented the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2018/19 for the Committee's consideration. It was noted the BDO fee of £16,170 for the 2018/19 audit was a reduction on the fee of £21,000, which had been paid in the prior three years.

The external auditor, BDO, presented the appendix it had prepared for the PCB. The following was highlighted:

- Public Sector Audit Appointments set the £16,170 fee.
- The Pension Fund accounts had clean audits in recent years.
- Figures for mortality on female actives and pensioners showed they did not live as long in Haringey as the benchmark average. This was the only assumption outside of national expectations.
- There was a risk the valuation was not based on appropriate membership data where there were significant changes, used inappropriate assumptions to value the liability or failed to include the potential additional liabilities arising from the GMP and McCloud rulings.
- IFRS 9 financial instruments had been implemented for 2018/19. This required all relevant financial instrument assets (principally investments and receivables) and liabilities (principally payables) to be categorised under new criteria based on their business model and contractual cash flows that would determine their classification and basis of valuation.
- BDO would report to the PCB at its July 2019 meeting with the results of the audit.

Resolved

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

255. PENSIONS ADMINISTRATION REPORT

This report, introduced by Janet Richards, Pensions Manager, detailed a breakdown of the number of visits made to the Haringey Pension Fund website. The PCB was informed that, on average, the website received 396 users per month, who each viewed approximately four pages. A year on year analysis was included which showed that the website had received more users in December 2018 and January 2019 than it had in the previous year.

There was a new admission body to the Fund following Mulberry Primary School having tendered its premises and cleaning service and the successful bidder being Brayborne Facilities Services. The PCB was asked to approve an admission agreement being entered into for Brayborne Facilities Services Limited.

The Pensions Team had reviewed the Internal Disputes Resolution Procedure (IDRP) process. The new Adjudicator, who would deal with Stage One appeals, would change from the former Adjudicator, the Head of Human Resources Operations to the Head of Pensions, Treasury and Chief Accountant. The Assistant Director for Corporate Governance would continue to handle Stage Two appeals.

Following questions by the PCB, it was noted:

- The Pensions team had previously operated within the Human Resources division of the Council but, following a structural change, moved to the finance division. The change to the IDRP reflected that structural change as the Head of Human Resources Operations no longer managed the Pensions team.
- The PCB queried the change to Brayborne Facilities Services when the staff would be the same as before.
- The Pensions team was aware of the CIPFA changes to the annual report in respect of administration disclosures.

Resolved

That members:

1. note that the report gives a breakdown of the amount of visits made to the Haringey pension fund website.

2. note and approve the admission of Brayborne Facilities Services Limited as a new employer to the Pension Fund, subject to their securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.

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

256. LONG LEASE PROPERTY INVESTMENTS

This report, introduced by the Head of Pensions, provided information regarding the Fund's existing commitment to long lease property investments, and the London Collective Investment Vehicle's (CIV) inflation plus subfund.

The PCB noted the fund had a 12.5% allocation to property, with two fund managers, one of which being Aviva. Recently, the London CIV had completed a procurement process to appoint a fund manager for an inflation plus subfund and Aviva were the proposed manager for this mandate. Mercer had been consulted on whether the Fund should take any action at this time, cognisant of the pooling agenda, and with the aim of not holding assets outside the pool where it was possible instead to use CIV options, unless that were clear benefits for doing so.

Given the advice received from Mercer, the PCB was not being advised to take any action at this time. The Fund would invest the £50m in the Aviva Lime fund in late 2019, as previously agreed. Officers would report back to the PCB with an update on this matter over the course of 2019/20. The CIV had been fully updated on the matter.

The PCB considered the exempt appendix in private.

Following questions by the PCB, the following was noted:

- Regarding the three year delay in the money that had been set aside for the investment in long lease property with Aviva being invested, it was noted the PCB were unlucky in the timing of when it was able to get its documentation in place with Aviva, which caused the delay.
- Regarding the option to invest in a residential property fund with the CIV, the PCB was informed that such a fund would need to be operational before the PCB could consider making a decision about whether to invest in it or not.
- Any investment in private market asset classes would take a number of years to become invested.

Resolved

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

257. CONFLICTS OF INTEREST POLICY

This report, introduced by the Head of Pensions, highlighted the proposed changes to the Conflict of Interest Policy. There were minor changes to the document to correct references to co-optees and the name of the committee to include 'and Board'. The PCB was informed there were no material changes.

Resolved

That the Committee adopt the Conflicts of Interest Policy at Appendix 1.

258. FORWARD PLAN

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

The PCB noted there would be a follow on report in July 2019 to item 253 - Emerging Market Equity Review.

Members were requested to inform the Head of Pensions once they had completed the Public Sector Toolkit (Online) and the Training Needs Analysis at Appendix 3.

Resolved

That 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.

259. RISK REGISTER - REVIEW/UPDATE

The PCB considered this report, introduced by the Head of Pensions, for noting on the Risk Register. It was advised this was a standard item on the agenda and that the PCB had a legal duty to review internal controls and the management of risks. The PCB were informed of the changes to the risk register, as shown in Appendix 1.

It was highlighted that if members did not complete the training discussed in item 258, then risk number 3, that '*Members have insufficient knowledge of regulations, guidance and best practice to make good decisions',* would be increased.

Regarding the new red rated risk, *'that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities',* it was noted that it was difficult to predict what the potential outcome would be of ongoing judicial reviews into pension scheme frameworks. A negative outcome could see liabilities increase, which might have to be paid for by an increase to employer's set contribution rates.

Resolved

1. That the Committee note the risk register.

2. That the Committee note the area of focus for this review at the meeting is 'Governance' and 'Legal' risks.

260. PENSION FUND QUARTERLY UPDATE

This report, introduced by the Head of Pensions, provided an update in respect of the three months to 31 December 2018 on the following: Funding Level Update; Investment asset allocation; and Investment performance.

The PCB was informed the Fund's Actuary, Hymans Robertson LLP, had calculated an indicative funding position update for 31 December 2018, which showed an improvement to an 82.6% funding level. That position was a decline from 30 September 2018, which showed 90.4%. This improvement was largely attributed to equity market performance.

The Fund's Independent Advisor, John Raisin, introduced his report prepared for the PCB at Appendix 1. The following was highlighted:

- Q4 had been a poor quarter for the US economy, which saw the US S&P 500 Index fall from 2,914 at the end of September to 2,507 at the end of December.
- January to March 2019 had seen improvements in areas that performed poorly in October to December 2018, which showed a degree of volatility in the markets.

Following discussion, it was noted:

- Regarding equity protection, the Chair had spoken to 10 fellow Pension Committee chairs and the majority had not considered it at their respective committees. For those that had, some rejected it whilst others opted for it. However, it had been suggested the optimal time to consider equity protection had since passed.
- The PCB was informed it could consider equity protection at a future date if it was sensible to do so.
- The valuation cycle was going from a 3 year cycle to a one off 5 year cycle (possibly with an interim valuation part way through), and then would align with other public sector funds on a 4 year cycle.

Resolved

That the information provided in respect of the activity in the three months to 31 December 2018 is noted.

261. EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the press and public be excluded from the meeting for consideration of item 8 as it contains exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

262. EMERGING MARKET EQUITY REVIEW

As per the exempt minutes.

263. LONG LEASE PROPERTY INVESTMENTS

As per the exempt minutes.

264. PENSION FUND QUARTERLY UPDATE

As per the exempt minutes.

265. EXEMPT MINUTES

Resolved

That the exempt minutes of the meeting held on 21st January 2019 be approved as a correct record of the meeting.

266. NEW ITEMS OF URGENT BUSINESS

None.

CHAIR:

Signed by Chair ………………………………..

Date …………………………………

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Report for: Pensions Committee and Board 11 July 2019

Title: Emerging Market Equity

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. This paper seeks to update the Committee and Board regarding the implementation of investment in a low carbon option for the fund's emerging market equity portfolio, which was discussed by the Committee and Board at the last meeting in March 2019.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee and Board consider the report, and information outlined in Confidential Appendix 1, including any verbal updates or advice provided by the Fund's investment Consultant, Mercer, in the meeting.

3.2. That the Committee and Board agrees to switch its Emerging Market Equity holdings into a low carbon index linked fund.

3.3. That the Committee and Board delegate power to the Head of Pensions, Treasury & Chief Accountant to take all necessary steps to effect this change, including completion of necessary paperwork and to update and republish the fund's Investment Strategy Statement to be consistent with this change.

4. Reason for Decision

4.1. At the last meeting the Pensions Committee and Board agreed it was minded to move it's emerging market equity holdings into a low carbon version of the fund it invests in, subject to final confirmation being received regarding the implementation specifics of this. These details are now attached in Confidential Appendix 1 for the Committee and Board's consideration.

4.2. Mercer, the Fund's Investment Consultant produced a paper for the Committee and Board for the March 2019 meeting providing a review of three alterative options to the fund's current emerging market equity strategy. This is appended at Confidential Appendix 2 for reference.

5. Other options considered

5.1. None

6. Background information

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

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

6.3. The fund has undertaken regular reviews of its equity holdings in recent years, both reducing overall allocations, and utilising alternative indexation, currency hedged funds, and low carbon options, with the aim of managing overall risk for the fund. Half of the fund's developed market equity is currently invested in a low carbon fund.

6.4. The Fund has an overall 6.66% allocation to emerging market equity. Although the percentage of total fund holding has varied as the fund has reduced exposure to equity over time, these holdings have been passively invested in the same emerging markets indexed fund since 2013/14. The value of these holdings was £99.6m as at 31.03.19.

6.5. The report produced by Mercer, attached at Confidential Appendix 2, outlines 3 potential options which the fund could explore utilising in the future to reduce carbon exposure within its emerging markets portfolio. The performance figures, and carbon exposure figures were discussed in the March 2019 meeting by the Committee and Board. The option recommended will reduce the fund's emerging market equity carbon intensity by c. 63%.

6.6. The fund has a commitment to investing in a manner which not only secures sufficient returns to meet the fund's strategy to increase the overall funding level, and keep employer contributions to a minimum, but which also takes serious consideration of Environmental Social and Corporate Governance (ESG) factors. The fund's Investment Strategy Statement states that *'The Fund believes that further reduction in exposure to fossil fuel industries will reduce risk and secure stronger returns for the fund over the long term.'* The Committee and Board considered a number of options for its Emerging Market equity portfolio at the previous meeting, and considered decarbonising the fund's investments further as part of an ongoing project to review the fund's exposure to risk, and make positive and proactive changes, wherever these are judged to be consistent with the fund's overriding fiduciary duties.

6.7. The table below outlines the Fund's current and proposed equity portfolio (allocations refer to percentage of total equities).

Portfolio	**Current Allocation**	**Proposed Allocation**
Global Equity - Multi Factor Index	42.6%	42.6%
Global Equity - Developed Market Low Carbon Target Index	42.6%	42.6%
Emerging Markets Index	14.8%	-
Emerging Markets - Low Carbon Target Index	-	14.8%

6.8. If the fund were to transition to the emerging market low carbon strategy, the carbon intensity of the fund's overall equity portfolio would be expected to be roughly half that of a global market cap portfolio.

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

8.1. The Fund has enjoyed strong returns in recent years primarily from rising equity valuations. The Pension Committee and Board's responsibility is to look to the long term when setting an investment strategy, ensuring an appropriate degree of diversification.

8.2. Whilst commitment to ESG issues is clearly a key consideration for Haringey Pension Fund, the overriding aim of the fund's investment strategy must be to improve the funding position with the aim of reaching fully funded status, whilst maintaining stability of employer contributions. Any changes to the Fund's investment strategy must be consistent with these principles. The details of the proposed change are judged to be consistent with the Fund's statutory duties.

Legal

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

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

Equalities

8.5 There are no equalities issues arising from this report

9. Use of Appendices

9.1. Confidential Appendix 1 – Emerging Market Equity Implementation Details
9.2. Confidential Appendix 2 – Emerging Market Equity Review (of March 2019)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Report for: Pensions Committee and Board 11 July 2019

Title: 2018/19 Pension Fund Accounts and Annual Report

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. This report presents the Pension Fund Annual Report and audited Accounts for 2018/19 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 2018/19.

3.3. That the Committee and Board delegate authority to the Director of Finance, in consultation with Chair of the Pensions Committee, to make any necessary final changes to the published accounts and approve the Audited Statement of Accounts for 2018/19, subject to reporting back any significant changes made, to ensure the accounts are signed off by the 31 July deadline.

3.4. 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

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 14th March 2019, BDO, the Council's auditors, presented their plan detailing how they would undertake the audit of the 2018/19 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.

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

Legal

8.2. 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

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

9. Use of Appendices

9.1. Annex 1 BDO Audit Report (ISA 260)
9.2. Annex 2 2018/19 Annual Pension Fund Report and Accounts.
9.3. Annex 3 Draft Letter of Representation

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Annual Pension Fund Report and Accounts

For the year ended 31 March 2019

Contents

Introduction

Haringey Council presents its Annual Report and Accounts of the Haringey Local Government Pension Fund for the year ended 31st March 2019.

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 for members of the scheme in respect of service from 1st April 2014 are based on career average revalued earnings. 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 30 provides details about the administration of the Scheme.

Membership

There were 6,445 active members (2018: 6,716), 8,733 (2018: 8,719) deferred members, and 7,794 (2018: 7,742) 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 £27m to £1,383m as at 31 March 2019. The majority of the Fund's investments delivered positive single digit performance over the year, with the fund's private equity and renewable energy infrastructure investments delivering the best returns for the year in double digits.

Investments

During the year the rate of return on the Fund's investments was 5.7%. This was 0.9% below the Fund's target of 6.6% 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 2018/19 was a return of 6.6%. Over the course of 2018/19, Haringey's investment performance was in the 67th percentile out of all the funds which took part in this benchmarking (1st percentile being the best performing fund, 100th being the worst). However, Haringey's performance was in the 10th , 12th , and 16th percentiles over the rolling three, five and ten year periods which ended on 31 March 2019 respectively, showing that over the medium and long term the fund benchmarks well against its peers. 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 over the course of the 2019/20 financial year as at 31st March 2019.

Management and Financial Performance Report

- Governance Arrangements
- Service Delivery
- Pension Fund Advisers
- Management report for 2018/19
- 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 2018/19 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 2018/19 year was:

Councillor Matt White	Chair
Councillor John Bevan	Vice Chair
Councillor Viv Ross	
Councillor Kaushika Amin (until January 2019)	
Councillor Paul Dennison	
Councillor Khaled Moyeed	
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

5th Floor, Alexandra House,

London, N22 7TR.

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 includes accounting, investments and pensions administration activity, this is managed by Haringey Council officers within the finance department. The pension service receives support from other services across the Council such as legal, human resources, procurement and democratic services.

The key tasks for the investments and accounting staff 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 30 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>

Director of Finance (S151 Officer)	Jon Warlow
Assistant Director Corporate Governance (Monitoring Officer)	Bernie Ryan
Head of Pensions, Treasury and Chief Accountant	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 Allianz Global Investors Blackrock Copenhagen Infrastructure Partners (CIP) London CIV (Ruffer & CQS Subfunds)
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
Investment Pool	London Collective Investment Vehicle (CIV)

Pensions Committee and Board Attendance 2018/19

Attendee	Voting Right	23 Jul 2018	13 Sep 2018	20 Nov 2018	21 Jan 2019	14 Mar 2019
Councillor Matt White	√	√	√	√	√	√
Councillor John Bevan	√	√	√	√	√	
Councillor Khaled Moyeed	√	√		√	√	
Councillor Kaushika Amin	√	√	√	√		
Councillor Paul Dennison	√	√	√	√	*	√
Councillor Viv Ross	√	√	√	*	√	√
Keith Brown	√		√	√	√	√
Randy Plowright	√	√		√	√	√
Ishmael Owarish	√	√	√	√	√	√

*substitution Councillor in attendance

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 2018/19. Training was provided in line with CIPFA’s knowledge and skills framework to ensure that the committee members received appropriate training.

Management Report for 2018/19

Financial Performance

The investment performance during the year was positive at 5.7% relative to benchmark of 6.6% - so the Fund underperformed its target by 0.9%. The majority of the Fund's investments delivered positive single digit returns, the best performance came from the fund's private equity and renewable energy infrastructure investments which delivered double digit returns.

In the medium to long term, the Fund has underperformed target slightly with returns of 11.5% against target of 11.9% over 3 years and returns of 10.1% against 10.5% over five years. All fund managers who have been engaged over 3 and 5 year periods, which provide a more meaningful view of performance figures than the 1 year figures, 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 2018/19 was a return of 6.6% - which Haringey did not exceed. Over the course of 2018/19, Haringey's investment performance was in the 67th 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 10th and 12th percentiles over the rolling three and five year periods which ended on 31 March 2019 respectively, showing strong performance over the longer term.

In 2018/19, the fund's assets increased by £27m from £1,356m to £1,383m. In the 2017/18 financial year, the corresponding figure was an increase of £48m, and investment performance of 4.4%. The increase in assets of £27m in 2018/19 takes accounts of the £40m bulk transfer out of the fund during the year, hence why the net increase in the fund was lower than the previous year, despite the performance return being higher.

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 2018/19 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 decreased by 205 in the financial year (from 23,177 in 2017/19 to 22,972 in 2018/19), as was expected due to a bulk transfer of c. 600 members from the fund when the College of Haringey, Enfield and North East London merged with another larger college and joined their pension fund.

Risk Management

Risk management is inherent to all pensions activity: both within the investment and administration of the fund. All activities carried out by officers of the fund include processes and procedures to manage relevant risks, and decision making by the Pensions Committee and Board includes robust risk assessment. The Pensions

Committee and Board tables a version of the fund's risk register in every meeting, where different areas of the risk register are reviewed and discussed in each meeting, with new risks added when they are identified. The highest rates risks are reviewed in every meeting. The risk register is available in the public section of the Pensions Committee and Board meetings which are published online.

The fund completes regular data matching exercises via specialist software provided by the fund's administration system, for example to identify pensioners who have passed away. The fund also receives NFI data for matching purposes.

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 investment risk and fund managers at each committee meeting.

The Council's pensions team, employed on behalf of the fund, are subject to annual audits, both by the external auditor (appointed by Public Sector Audit Appointments), and by the Council's internal auditor. Internal audits are performed separately for the fund's administration and investment/accounting functions. External and internal audits have been generally positive in recent years, the last audit of investments provided full assurance (the highest rating) in 2018/19, and the last audit of administration provided substantial assurance (the second highest rating), with only two minor recommendations made, this took place during 2017/18.

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.

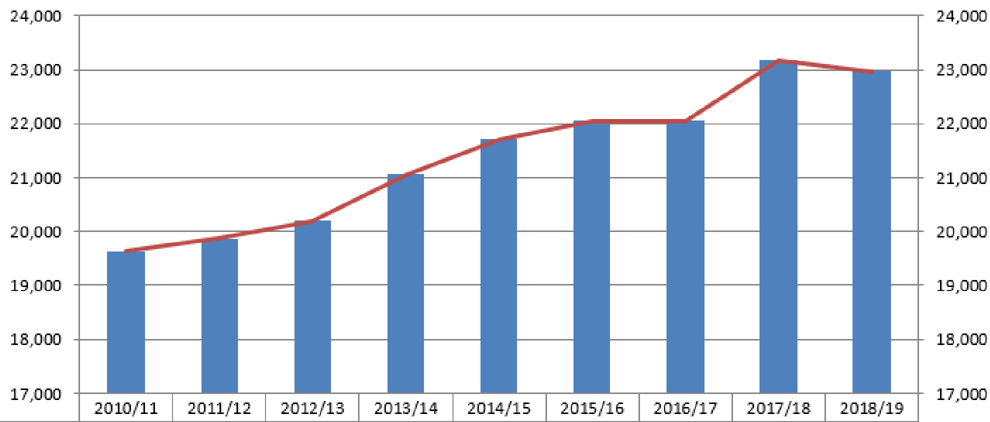
A scheduled body is a public body which is required by law to participate in the LGPS. Each scheduled employer is listed in the LGPS regulations. The most common type of scheduled employers are academy schools.

There are two types of admitted bodies:

- 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. The majority of the fund's admitted bodies fall into this category.
- 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 fund has only two employers who fall into this category.

The membership of the Pension Fund at 31st March 2019 compared with the previous financial year is shown in the table below.

Total Membership Growth

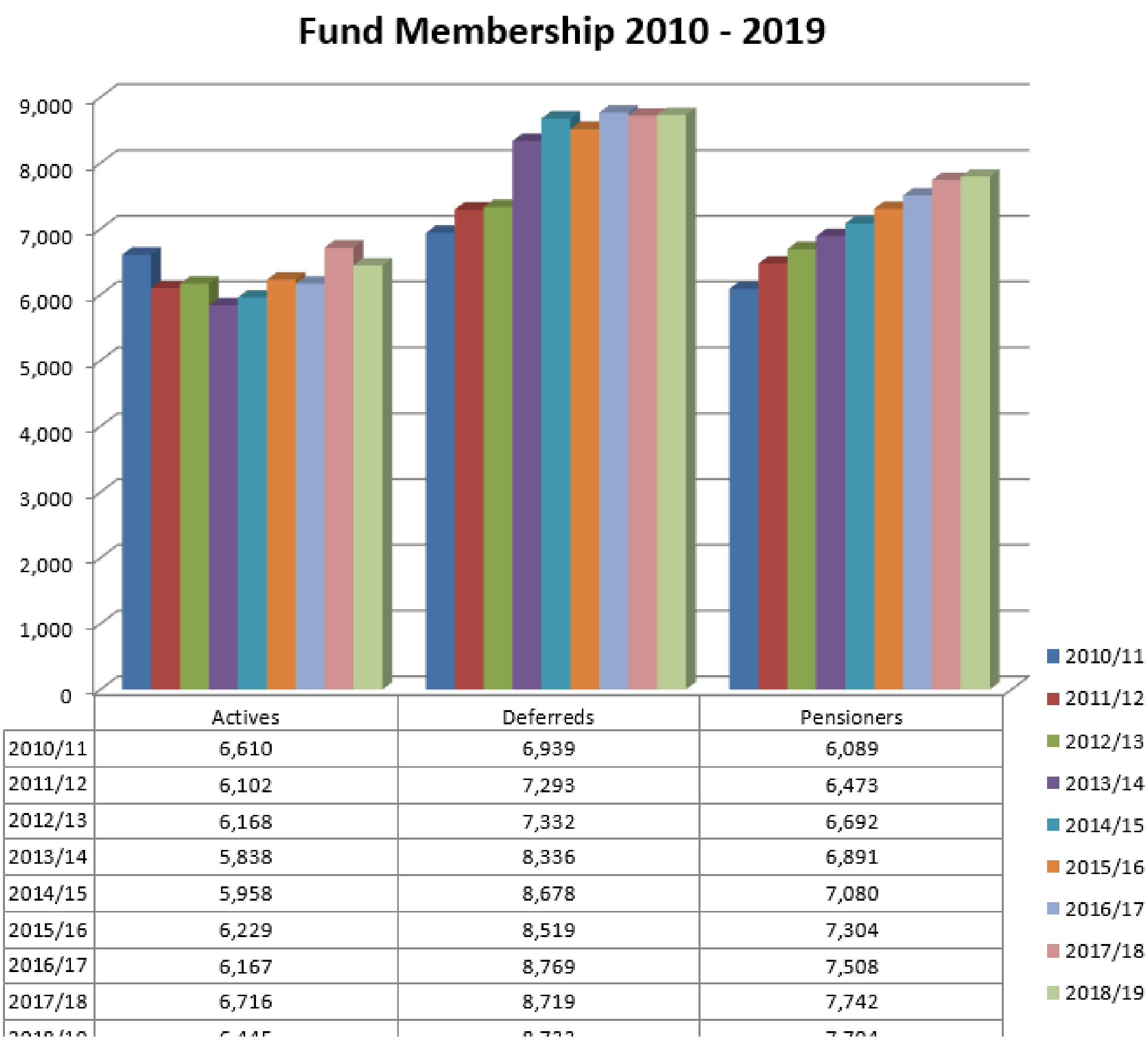


	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Membership	19,638	19,868	20,192	21,065	21,716	22,052	22,052	23,177	22,972
Total Membership	19,638	19,868	20,192	21,065	21,716	22,052	22,052	23,177	22,972

The table above shows an overall decrease in membership of 0.9% over the past year due to a bulk transfer of around 600 members of the fund when one employer transferred out of the fund. Aside from this, deferred and pensioner members are on an upward trend as expected.

Overall membership is anticipated to continue to rise 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.



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	4,684	7,872	7,141	6,971,527	26,793,477
Haringey Magistrates	-	18	16	-	-
College of Haringey, Enfield and North East London	-	-	-	-	-
Greig City Academy	50	48	6	68,165	182,328
Homes for Haringey	582	270	274	1,292,268	4,047,346
John Loughborough School	-	11	8	-	-
Fortismere School	48	35	16	82,794	226,038
Alexandra Park School	73	24	11	91,404	300,543
Woodside School	88	9	9	102,195	291,243

	Active Members	Deferred Beneficiaries	Pensioners and Dependants	Employee Contributions £	Employer Contributions £
Eden School	21	8	-	15,086	44,338
Harris Academy Coleraine	30	22	2	27,165	90,385
Harris Academy Philip Lane	28	23	4	21,293	70,466
AET Trinity Primary	29	12	4	26,596	99,712
AET Noel Park	51	17	2	41,779	137,281
Haringey 6th Form Centre	56	29	3	88,917	232,615
St Pauls & All Hallows Infants Academy	22	3	3	16,681	50,630
St Pauls & All Hallows Junior Academy	12	4	-	7,129	23,533
St Michaels N22 Academy	15	9	2	7,023	22,986
St Ann CE Academy	16	6	5	8,487	26,723
Holy Trinity CE Academy	22	8	1	20,415	66,323
Brook House Primary (formally Hartsbrook)	38	7	-	38,973	93,704
St Thomas More School	54	5	9	62,872	234,956
Heartlands High School	64	51	-	110,983	264,625
Milbrook Park Primary School	27	1	-	26,096	61,193
Harris Academy Tottenham	42	-	-	37,831	128,603
The Octagon	14	2	1	18,463	54,144
Dukes Aldridge Academy	92	2	-	119,270	427,596
The Grove School	9	2	-	10,601	29,597
Scheduled Bodies Total:	**6,167**	**8,498**	**7,517**	**9,314,013**	**34,000,386**
Admitted Bodies					
Haringey Age UK	-	2	17	-	1,100
CSS (Haringey) Ltd	-	22	55	-	-
Haringey Citizen Advice Bureau	3	-	9	6,591	86,463
Jarvis Workspace Ltd	-	19	25	-	-
Alexandra Palace Trading Co.	1	7	14	4,325	125,638
Urban Futures London Ltd	-	9	2	-	-
Enterprise (formerly Accord) Ltd	-	34	46	-	-
Capita Business Services	-	-	-	-	-
Mittie (formerly Trident) Securities Ltd	-	-	2	-	-
Initial Catering Ltd	-	1	1	-	-

	Active Members	Deferred Beneficiaries	Pensioners and Dependants	Employee Contributions £	Employer Contributions £
OCS Group Ltd	-	1	1	-	-
Harrisons Catering	-	1	2	-	-
R M Education PLC	-	3	-	-	-
TLC At Cooperscroft (formerly Rokeley Dene)	4	11	10	6,360	-
Ontime Parking Solution	-	2	2	-	-
Europa	-	-	1	-	-
Veolia	69	39	35	133,461	34,071
Churchills	-	1	3	-	-
Fusion Lifestyle	14	41	8	13,231	-
Cofely Workplace Limited(formally Balfour Beatty Workforce)	3	15	26	-	-
Lunchtime St Gildas School	2	-	-	1,510	3,764
Lunchtime St Francis De Sales School	4	1	-	2,856	4,262
Lunchtime St Marys School	3	1	1	3,134	2,730
Lunchtime St Pauls RC School	2	-	1	2,265	6,310
Lunchtime Ferry Lane School	-	3	-	438	1,254
Lunchtime Bounds Green School	4	-	-	2,961	7,790
ABM Weston Park School	1	-	1	116	11
ABM Muswell Hill	1	1	-	1,151	595
Caterlink Bruce Grove School	-	3	-	-	-
ISS Crowland School	1	-	-	-	-
Superclean Willow School	-	2	-	-	-
Absolutely Catering Rokesly School	3	-	-	1,250	2,852
Caterlink Holy Trinity School	1	-	1	1,156	2,313
Caterlink St Michaels School	2	1	-	1,255	5,136
Caterlink St Pauls and All Hallows School	5	-	-	3,190	7,998
London Academy of Excellence Tottenham	21	4	-	20,505	65,090
Lunchtime Seven Sisters	3	-	1	2,305	2,419
Lunchtime Welbourne	3	-	-	2,021	6,118
Lunchtime Earlsmead	2	1	-	1,691	1,458
Amey Community Ltd	66	6	5	57,291	14,844
K M Cleaning	2	1	2	-	-

	Active Members	**Deferred Beneficiaries**	**Pensioners and Dependants**	**Employee Contributions £**	**Employer Contributions £**
Pabulum Lea Valley Primary	3	-	-	2,313	10,383
Pabulum St John Vianney	2	1	-	1,104	4,996
Pabulum St Martin de Porres	2	-	-	1,715	8,338
Pabulum South Harringay	2	-	2	1,367	6,758
Pabulum Earlham School	2	-	2	591	3,758
Pabulum Belmont School	3	-	-	1,084	7,748
Pabulum Tetherdown	3	-	-	2,459	13,455
Pabulum Alexandra Primary	3	-	-	1,484	6,961
Pabulum St Peter in Chains	2	-	-	1,828	9,621
Hillcrest Cleaning Chestnuts	2	-	-	1,325	7,252
Lunchtime St Marys Priory School	2	1	2	1,613	12,245
Ategi Ltd	3	1	-	5,555	28,504
Hertfordshire Catering Ltd	6	-	-	5,460	30,800
Hillcrest Stroud Green	3	-	-	2,079	11,381
Haringey Education Partnership	20	-	-	4,126	18,681
Pabulum North Harringay	-	-	-	1,760	11,072
Admitted Bodies Total	**278**	**235**	**277**	**304,924**	**574,169**
Grand Total	**6,445**	**8,733**	**7,794**	**9,618,937**	**34,574,555**

Investment Policy and Performance Report

Investment Strategy

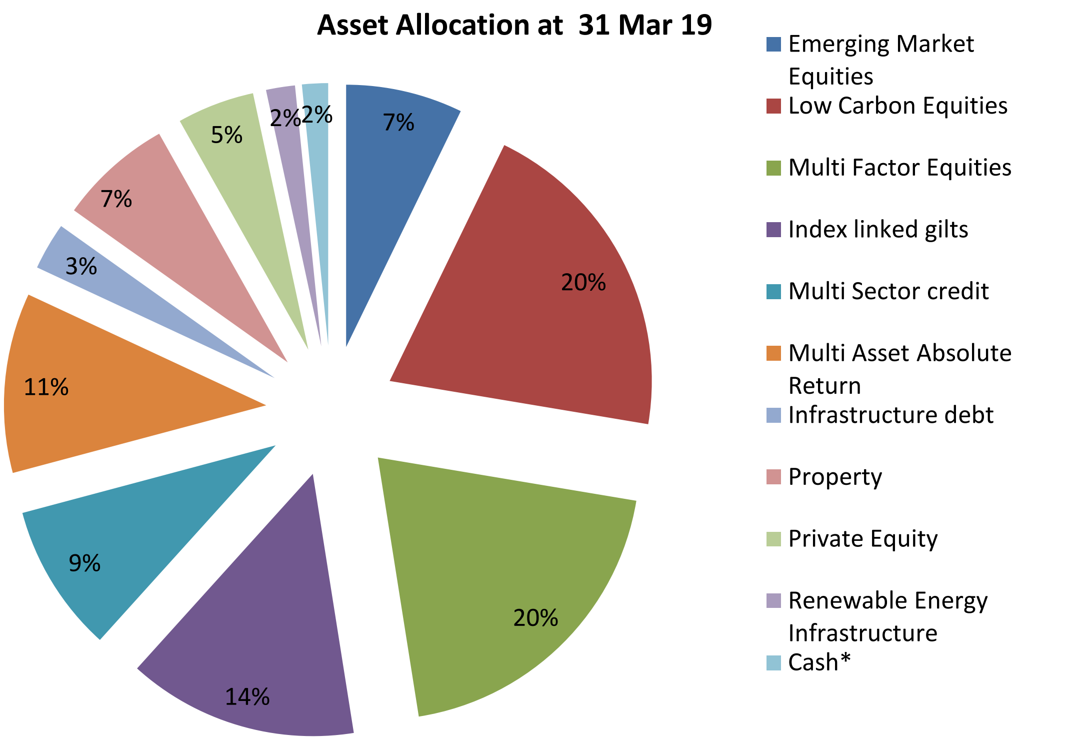
The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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 2019, and is expected to be funded in full during 2019/20. The renewable energy infrastructure mandate has begun to be funded in 2018/19, but will take some years before the committed funds are all fully invested.

The actual asset allocation as at 31st March 2019 is illustrated by the below chart.

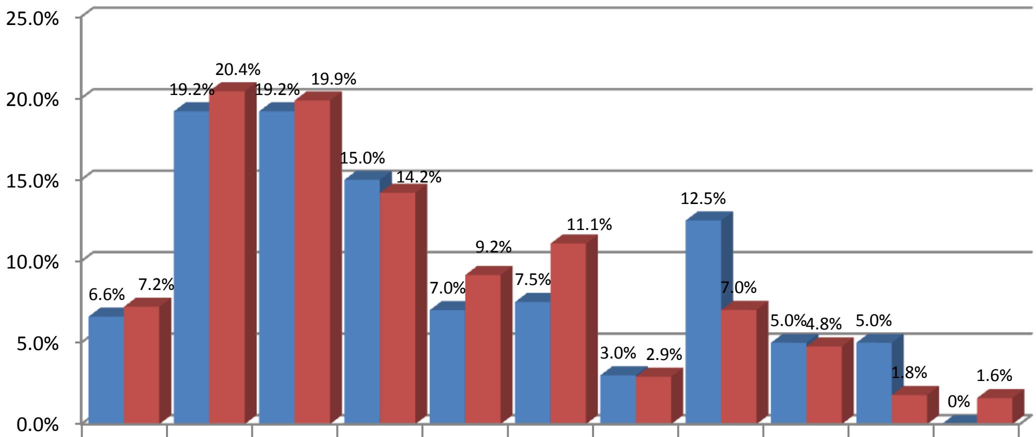


*includes current asset/liability balances

The Fund’s benchmark showing target asset allocation during 2018/19 is shown below, alongside the actual allocation of the Fund’s investments at 31st March 2019.

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.

Asset Class - Benchmark vs Actual 31/3/19



	Emerging Market Equities	Low Carbon Equities	Multi Factor Equities	UK Index linked gilts	Multi Sector credit	Multi Asset Absolute Return	Infrastructure debt	Property	Private Equity	Renewable Energy Infrastructure	Cash*
Benchmark % at 31 Mar 19	6.6%	19.2%	19.2%	15.0%	7.0%	7.5%	3.0%	12.5%	5.0%	5.0%	0%
Actual % at	7.2%	20.4%	19.9%	14.2%	9.2%	11.1%	2.9%	7.0%	4.8%	1.8%	1.6%

* 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)
- Maintaining Tier 1 Signatory status to the UK Stewardship code

The Fund maintains membership of the LAPFF 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. 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 by 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

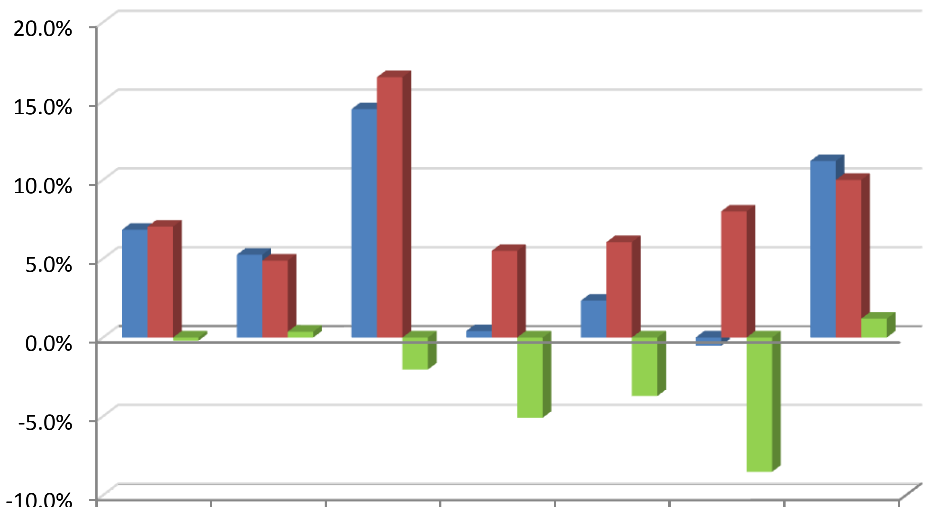
The Pension Fund has appointed external fund managers to undertake day to day management of the Fund's investments. Each fund manager is appointed with a mandate covering a defined asset class or classes with a target set that relates to a benchmark covering the asset class or classes they are managing. The fund managers in place during the 2018/19, the asset classes they cover, their percentage of the Fund's investments at 31st March 2019 and targets are shown in the table below (the remaining 2% was invested cash):

Investment Manager	Mandate	Asset Class	Passive /Active	Benchmark	Target (3 Yr Rolling Period)	Strategic Allocation	Allocation at 31 Mar 2019
LGIM	Passive Global Equities & Bonds	Global Multi Factor Equities	Passive	RAFI Multi Factor Global Unhedged	Benchmark	9.60%	9.93%
LGIM	Passive Global Equities & Bonds	Global Multi Factor Equities	Passive	RAFI Multi Factor Global Hedged	Benchmark	9.60%	9.93%
LGIM	Passive Global Equities & Bonds	Emerging Markets Equities	Passive	FT World Global Emerging Markets GBP Unhedged	Benchmark	6.60%	7.20%
LGIM	Passive Global Equities & Bonds	Global Low Carbon Equities	Passive	MSCI World Low Carbon Target Index Unhedged	Benchmark	9.60%	9.93%
LGIM	Passive Global Equities & Bonds	Global Low Carbon Equities	Passive	MSCI World Low Carbon Target Index Hedged	Benchmark	9.60%	9.93%
LGIM	Passive Global Equities & Bonds	Index Linked Gilts	Passive	FTA Index Linked Over 5 Years Index	Benchmark	15.00%	14.20%
CBRE	Property	Property	Active	HSBC/APUT Balance Funds Index	+1% (Gross) of Fees p.a	7.50%	7.01%
Pantheon	Private Equity	Private Equity	Active	MSCI World Index plus 3.5%	Benchmark	5.00%	4.77%
London CIV - CQS subfund	Multi Sector Credit	Multi Sector Credit	Active	LIBOR plus 5%	Benchmark	7.00%	9.15%
London CIV - Ruffer subfund	Multi Asset Absolute Return	Multi Asset	Active	8.00%	Benchmark	7.50%	11.08%
Allianz	Infrastructure Debt	Infrastructure Debt	Active	5.50%	Benchmark	3.00%	2.91%
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%	0.26%
Blackrock	Renewable Energy	Renewable Energy	Active	10.00%	Benchmark	2.50%	1.78%
					Total	**100%**	**98%*** **

*Investment had not yet begun with these fund managers as at 31 March 2019
**Investment with these fund managers began in 2018/19
***Remaining 2% held in cash as at 31/3/19

The fund had invested funds with seven managers for the whole of 2018/19, and made new investments with one new fund manager during the year (CIP). Of the seven who were invested with for the whole year, six achieved positive returns. The fund's private equity and renewable energy infrastructure investments performed best in 2018/19.

Fund Manager Performance Against Benchmark



	LGIM	CBRE	Pantheon	Allianz	London CIV - CQS	London CIV - Ruffer	Blackrock
Actual (2018/19)	6.8%	5.3%	14.5%	0.4%	2.3%	-0.5%	11.2%
Benchmark (2018/19)	7.0%	4.9%	16.5%	5.5%	6.1%	8.0%	10.0%
(Under)/ Over Performance	-0.2%	0.4%	-2.0%	-5.1%	-3.7%	-8.5%	1.2%

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 variable returns throughout the year with a correction in the final quarter of 2018, however overall performance was positive.

CBRE (Property)– The manager achieved positive returns of 5.3% in excess of the benchmark by 0.4%.

PANTHEON (Private Equity) – the private equity manager delivered a positive return of 14.5% in the year, the highest of all managers, although below their target of 16.5%.

ALLIANZ (Infrastructure Debt) – The manager underperformed benchmark in the year by 5.1%, however the most recent valuation at 31/3/19 is not included within this figure due to delays in valuations being made available, and this is likely to increase performance which will be reflected in future reporting. All funds have now been drawn for this investments which are invested via a limited partnership structure in a total of five assets, which include two roads, a port and two university halls of residence. The investment will now 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.

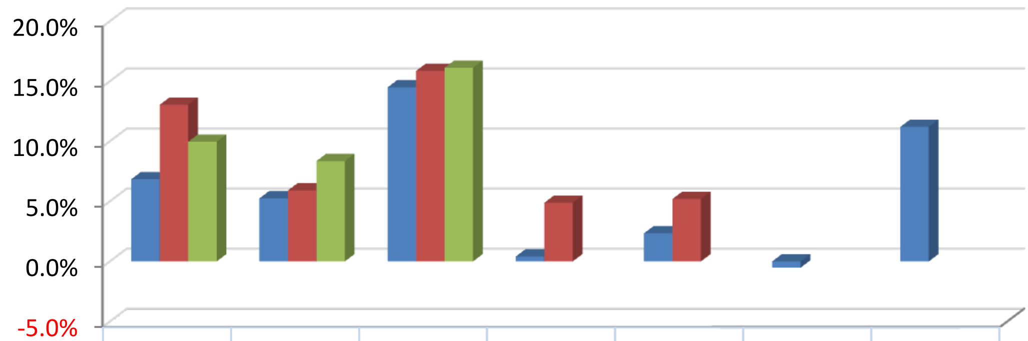
London CIV - CQS (Multi Sector Credit) – The multi sector credit portfolio lagged behind benchmark in 2018/19, by 3.7%. The asset class has faced challenging conditions within 2018/19, however it is understood that CQS's performance benchmarks well compared to their peers investing in similar strategies.

London CIV – Ruffer (Multi Asset Absolute Return) – Returns were disappointing at -0.5% compared to a target of 8.0%. The investment was made to increase downside protection for the fund and to diversify from listed equities, and indeed, in the period of market correction in the final quarter of 2018, this fund did perform better than the fund's listed equity investment. Overall however, performance across the year lagged against target significantly. This was the first full year that the fund had been invested in this London CIV subfund as the investment was made in December 2017. It is therefore too early to draw a meaningful conclusion from the investment performance.

Blackrock (Renewable Energy Infrastructure) – This investment is via a closed ended limited partnership structure, similar to private equity. The investment began in May 2017, and will take a few years to full invest all committed funds. It is too early in the life of the investment to draw a meaningful conclusion from the investment performance, however, the initial returns are positive as they already exceed the 10% per annum target.

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

One/Three/Five Year Performance by Fund Manager



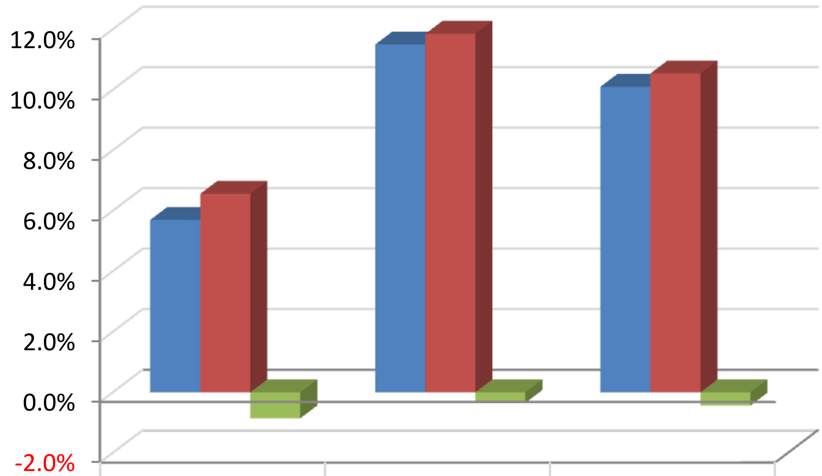
	LGIM	CBRE	Pantheon	Allianz*	London CIV - CQS**	London CIV - Ruffer***	Blackrock****
One Year	6.8%	5.3%	14.5%	0.4%	2.3%	-0.5%	11.2%
Three Years	13.0%	5.9%	15.9%	4.9%	5.2%		
Five Years	10.0%	8.4%	16.1%				

* Commenced Dec 2014; ** Commenced Aug 2014 *** Commenced Dec 2017 **** Commenced May 2017

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 2019.

Overall Fund Performance against Target



	One Year	Three Years	Five Years
Overall Fund Performance	5.7%	11.5%	10.1%
Target	6.6%	11.9%	10.5%
Under/Over Performance	-0.9%	-0.3%	-0.4%

Investment Pooling

The fund has two investments made directly through the London CIV, the investment pool for London Boroughs. These are the CQS (Multi Sector Credit), and Ruffer (Multi Asset Absolute Return) investments. Besides this, the fund's passive equity and index linked gilts mandates with Legal and General fall under the CIV's oversight, and the fund benefits from lower fees negotiated on behalf of all funds. The fund therefore has around 81% of all assets held within the pool or under the pool's oversight as at 31/3/19. Investment management fees for these investments account for approximately 36% of all investment management costs. Those investments outside the pool are generally alternative investments which have proportionally higher fees associated with them.

The remaining investments held outside the pool represent alternative or illiquid investments, and which will remain under regular review to see if it is possible to transition them into the London CIV, or whether it would be in the fund's interests to sell the investments and instead invest via a London CIV strategy.

The fund is a shareholder in the CIV, all London Funds contributed £150k of shareholder capital, which is presented on the fund's balance sheet in Appendix 1 to these accounts. In addition to this, all shareholders in the CIV contribute an annual service charge of £25k and a development funding charge of £65k (for 2018/19). The fund estimates that the fund has generated a net saving via its participation in the CIV in 2018/19, as these costs are offset by ongoing reduced investment management fees for the funds under the CIV's oversight.

Market Background

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2018-19

During the year 1 April 2018 to 31 March 2019 the world economy remained broadly positive although as the year progressed signs of an economic slowdown increased. United States – China trade tensions weighed against economic and financial markets. Equity markets, however, experienced a moderately positive year with the MSCI AC World index advancing by 3% although there were significant regional variances. April to September 2018 saw yet further advances in world equity markets. The Quarter October to December 2018 saw sharp declines with the MSCI AC World Index losing around 13% although most of the losses were regained in the period January to March 2019. Declining economic and financial market considerations led the US Federal Reserve, in particular and also the European Central Bank to move, in early 2019, back towards "looser" monetary policy in order to seek to support economic and financial markets.

The S&P 500 index rose by 7% over the period April 2018 to March 2019 to close at 2,834 continuing its long upward trend from the low of 666 of March 2009. On 20 September the S&P 500 recorded an all time closing high of 2,931 while on 22 August US stocks set a new record for the longest bull run – a period without a 20% fall – when it reached 3,453 days exceeding the 1990-2000 bull market. The increase in the S&P 500 over the financial year 2018-19 at 7% represented, however, a slowdown in equity price rises – in 2017-18 the S&P had advanced by 12% and in 2016-17 by 15%.

The US experienced another year of generally positive economic activity including good corporate results/earnings although the first half year results of 2018-19 were more positive than the second half. Unemployment fell from 4.1% in March 2018 to 3.8% by March 2019. Not since 1969 has the US seen a lower unemployment rate. Consumer sentiment (as measured by the University of Michigan) declined slightly over the year but remained at very favourable levels.

The United States Federal Reserve, the world's most important Central Bank, continued, from April to December 2018 its policy of "tightening" monetary policy by raising interest rates (the target range for the federal funds rate) by 0.25% on three separate occasions (June, September and December). As late as its December 2018 meeting it was signalling two further likely rate increases in 2019 before making a significant policy shift in early 2019. The Press Release following the January 2019 meeting of the US Federal Reserve's Federal

Open Market Committee (FOMC) excluded the reference to *“some further gradual increases”* in interest rates which appeared in the December 2018 Press Release as the FOMC put further rate rises on hold.

At a press conference following the January 2019 meeting the Federal Reserve Chairman Jay Powell while referring to the outlook for the US economy as *“solid”* also referred to *“crosscurrents and conflicting signals about the outlook. Growth has slowed in some major foreign economies, particularly in China and Europe……Financial conditions tightened considerably late in 2018 and remain less supportive of growth than they were earlier in 2018…”* Consequently, the FOMC determined that the cumulative effects of developments *“warrant a patient, wait-and-see approach regarding future policy changes.”* That the Federal Reserve had significantly changed its future monetary policy approach and clearly moved away from further “tightening” was confirmed by the decisions of the March 2019 meeting of the FOMC. Firstly, the projections issued after this meeting indicated that there would likely be no increases in interest rates in 2019. Secondly a statement on “Balance Sheet Normalization Principles and Plans” stated that the policy of Balance Sheet reduction (introduced in 2017 as a fundamental policy shift towards monetary “tightening”) will be slowed from May 2019 and then halted at the end of September 2019.

The MSCI EMU Index (which tracks the largest companies in the Eurozone) advanced by only 1% in 2018-19 which was a year of economic slowdown in the Eurozone. While the Eurozone seasonally adjusted unemployment rate fell from 8.5% in March 2018 to 7.7% in March 2019 (its lowest level since September 2008) other important indicators were concerning. Inflation figures indicated continuing failure to achieve the European Central Bank’s (ECB) inflation target of below but close to 2% over the medium term. Although inflation as measured by the Harmonised Indices of Consumer Prices (HICP) which had been 1.3% in March 2018 was in the range 1.9% to 2.3% from May to November 2018 it was no higher than 1.5% from December 2018 and was 1.4% by March 2019. The IHS Markit Purchasing Managers Index for the Eurozone which was above 56 in April 2018 fell progressively, over the 2018-19 financial year, to 47.5 in March 2019 and well below 50 which indicates the boundary between expected contraction and expansion.

The Organisation for Economic Co-operation and Development (OECD) in their “Interim Economic Outlook” of March 2019 reported that *“GDP growth in the euro area slowed sharply through 2018 and is projected to remain soft at 1% in 2019.”* There were clear concerns regarding weakness in German industrial activity which is noteworthy as the heavily manufacturing reliant German economy accounts for about a third of Eurozone output.

The ECB initially clearly “tightened” its Monetary policy stance by ending its net asset purchase programme in December 2018, following an announcement in June. However, in March 2019, in response to weaker economic data and indicators, the ECB took a step back towards “loosening” monetary policy by announcing that the key ECB (and presently very low) interest rates were now expected *“to remain at their present levels at least through the end of 2019”* rather than *“at least through the summer of 2019.”*

During 2018-19 the FTSE 100 index of the largest UK listed companies (but which collectively earn over 70% of their revenues from overseas) increased by 3%. In contrast the more domestically focussed FTSE 250 index fell by 2%. Throughout 2018-19 there was ongoing uncertainty regarding the nature and timing of the UK’s departure from the EU. Notwithstanding UK unemployment of 3.8% at March 2019 its lowest level since 1974 levels of business investment have reduced since the 2016 EU Referendum. During 2018-19 the BoE raised interest rates once - from 0.5% to 0.75% on 1 August 2018.

The Nikkei 225 Index declined by 1% over the 2018-19 financial year compared with a 13% gain in 2017-18 and 15% gain in 2016-17. Japan's export driven economy is particularly vulnerable to economic slowdown and trade disputes both of which were features of 2018-19. Throughout 2018-19 the Bank of Japan continued an ultra "loose" approach to monetary policy incorporating a policy of keeping 10-year bond yields at around zero percent and a continuation of its major asset purchase programme which began in 2013. Japanese Consumer Price Inflation and Core inflation were both below 1% at March 2019 compared with the Bank of Japan's inflation target of 2%.

Asian equities and Emerging Market equities generally had negative year with the MSCI AC Asia ex Japan index down (in $ terms) by over 5% and the MSCI Emerging Markets Index down by in excess of 7%. Global trade tensions centred on President Trump's approach to trade, US interest rates and the strength of the US dollar all weighted against these markets. Chinese growth of around 6.5% for the year 2018-19 was clearly lower than that achieved in the first five years after the 2009 crisis. Chinese stocks, however, received both a short term and likely long-term boost with the announcement, in February 2019, by the major index provider MSCI that it would more than quadruple the weighting of China listed shares in its "flagship" MSCI Emerging Markets Index from 0.7% to 3.3% by November 2019.

The 10-year Benchmark Government Bonds of the US, UK and Germany all finished the financial year with lower yields (and therefore higher prices) than at the beginning. The move away from monetary tightening by the ECB and particularly the US Federal Reserve, in early 2019, together with softening economic data were supportive of the major Government Bonds.

John Raisin Financial Services Limited

Independent Advisor

15 May 2019

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

Scheme Administration Report

- Local Government Pension Scheme
- Administration Service Delivery
- Administration KPIs and statistics
- 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

Administration KPIs and Statistics

The Fund believes it provides value for money for its members and employers. The fund has previously completed benchmarking against its peers to compare staffing numbers and costs, and found it compared favourably to other similar funds.

Administration statistics are presented below. Those which demonstrate the the cost of the administration service are based on the pensions administration IT system and the recharge from Haringey Council (including staff, premises, support services etc), these differ from 'administrative costs' displayed in the fund's accounts, which include items such as tax charges, legal fees, and ill health liability insurance.

	2017/18	2018/19
Administration Cost per fund member	£33.92	£35.45
Administration FTEs	7.6	7.6
FTEs per 1000 fund members	0.33	0.33

Process	**Cases Outstanding 1/4/18**	**Cases commenced**	**Cases completed**	**Cases outstanding 31/3/19**	**% Completed in 2018/19**
Deaths notifying amount of dependents benefits	145	231	182	49	79%
Retirements (estimates)					
- active	40	698	612	70	88%
- deferred	2	18	15	1	83%
Total Retirements (estimates)	**42**	**716**	**627**	**71**	**88%**
Retirements (letter actual)					
- active	40	394	320	74	81%
- deferred	5	24	20	4	83%
Retirement (process)					
- active	40	394	320	74	81%
- deferred	5	24	20	4	83%
Deferment					
Calc and notify benefits	49	951	473	478	50%
Transfers in					
Letter (quote)	74	127	31	96	24%
Letter	74	127	31	96	24%
Letter tv out quote	1	94	83	11	88%
Transfer out letter	15	126	89	37	70%
Refund	27	459	92	357	20%
Divorce quote	1	8	8	0	100%
Divorce settlement	2	4	4	0	100%
Joiners	70	1037	930	107	90%
Aggregation	2	75	54	21	72%

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.

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 2018/19 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 31^{st} March 2013 and as at 31^{st} 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.

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, and then updated in November 2018.

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

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 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 2019	31 March 2018
Active members (£m)	869	736
Deferred members (£m)	568	523
Pensioners (£m)	643	647
Total (£m)	**2,080**	**1,906**

The promised retirement benefits at 31 March 2019 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 different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £115m. 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 2019	31 March 2018
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	3.1%	3.0%
Discount Rate	2.4%	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 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	173
0.5% p.a. increase in the Salary Increase Rate	1%	24
0.5% p.a. decrease in the Real Discount Rate	10%	208

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 2019 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

7 May 2019

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 2019.

Jon Warlow, CPFA
Director of Finance (S151 Officer)
11 July 2019

Appendices

Current approved versions of key policy statements

1. Pension Fund Accounts 2018/19 and Auditors Report
2. Governance Compliance Statement
3. Investment Strategy Statement
4. Communications Policy
5. Funding Strategy Statement

PENSION FUND

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

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2018/19	Pension Fund Account	Note	2017/18
£000			£000
	Dealings with members, employers and others directly involved in the fund		
44,194	Contributions	7	44,455
3,738	Transfers in from other pension funds	8	5,436
47,932			49,891
(49,774)	Benefits	9	(49,145)
(44,409)	Payments to and on account of leavers	10	(6,421)
(94,183)			(55,566)
(46,250)	**Net withdrawals from dealings with members**		**(5,675)**
(7,448)	Management expenses	11	(7,124)
(53,698)	**Net withdrawals including fund management expenses**		**(12,799)**
	Returns on Investments:		
7,236	Investment Income	12	5,853
(11)	Taxes on income	13	(5)
73,337	Profit and losses on disposal of investments and changes in market value of investments	14a	55,370
80,562	**Net return on investments**		**61,218**
26,864	**Net increase in the net assets available for benefits during the year**		**48,419**
1,355,903	**Opening net assets of the scheme**		**1,307,484**
1,382,767	**Closing net assets of the scheme**		**1,355,903**

31/03/19	Net Asset Statement	Note	31/03/18
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,365,784	Investment assets	14	1,283,610
18,384	Cash deposits	14	73,879
1,384,168			1,357,489
822	Current assets	21	944
(2,373)	Current liabilities	22	(2,680)
1,382,767	**Net assets of the fund available to fund benefits at the period end**		**1,355,903**

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 2019

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 2019.

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 made no significant changes to its Investment Strategy in 2018/19.

Fund administration and membership

At 31st March 2019, there were 6,445 (2018: 6,716) active fund memberships with employees contributing to the Fund and 7,794 (2018: 7,742) pensioner and dependent memberships with individuals receiving benefits. There were also 8,733 (2018: 8,719) 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 (three school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- ISS Catering
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (nine school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd
- Haringey Education Partnership

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- 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
- The Grove School

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.

The College of Haringey, Enfield & North East London was previously a scheduled body participating in the fund, however, it merged with another larger college and transferred from Haringey Fund in November 2018.

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 2018/19 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 2018/19). 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 2018/19 year was:

Cllr Matt White	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Khaled Moyeed	-	Member
Cllr Kaushika Amin	-	Member
Cllr Viv Ross	-	Member
Cllr Paul Dennison	-	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 2018/19 financial year and its position at year-end as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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.

Contributions
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.

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

Investment income
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, Pension increase 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% decrease in the discount rate would result in a increase in the pension liability of £208m (10%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £24m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £173m (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 £90m. 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

The McCloud case relates to age discrimination in the judges public sector pension scheme, this ruling will be applicable to all other public sector schemes, including the LGPS and Haringey Pension Fund. When the public service pension schemes moved from final salary benefit structures to career average revalued earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government intends to appeal this ruling in relation to the judges scheme, however, should it stand, this has the potential to increase the liabilities in any of the public service pension schemes, potentially increasing the costs for employers, and worsening the funding positions of employers who participate in the fund. The precise size and scale of such liabilities are as yet unknown, and this is a source of uncertainty nationally, as such, no provision is made for such potential liabilities within the actuarial disclosures within these accounts.

The precise timing of any legal judgment to clarify this situation is unknown, any remedy would be extremely complex and could take years to rectify. The Fund's Officers will follow developments closely.

PENSION FUND

7. Contributions receivable

2018/19		2017/18
£000	**By category**	£000
9,619	Employee contributions	9,386
	Employer contributions	
24,392	- Normal contributions	23,625
9,488	- Deficit recovery contributions	10,267
695	- Augmentation contributions	1,177
34,575	Total employers' contributions	35,069
44,194	**Total**	**44,455**

2018/19		2017/18
£000	**By authority**	£000
33,789	- Administering authority	33,069
9,549	- Scheduled bodies	10,530
856	- Admitted bodies	856
44,194	**Total**	**44,455**

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2018/19 of £3.738 million (£5.436 million in 2017/18) and these all related to individuals.

9. Benefits payable

2018/19		2017/18
£000	**By category**	£000
40,446	- Pensions	39,088
7,916	- Commutation and lump sum retirement benefits	8,309
1,412	- Lump sum death benefits	1,748
49,774	**Total**	**49,145**

2018/19		2017/18
£000	**By authority**	£000
45,473	- Administering authority	44,536
3,069	- Scheduled bodies	3,488
1,232	- Admitted bodies	1,121
49,774	**Total**	**49,145**

10. Payments to and on account of leavers

2018/19		2017/18
£000		£000
92	Refunds to members leaving service	87
40,436	Bulk Transfers	0
3,881	Individual transfers	6,334
44,409	**Total**	**6,421**

11. Management expenses

2018/19		2017/18
£000		£000
1,306	Administrative costs	1,335
5,814	Investment management expenses	5,457
328	Oversight and governance costs	332
7,448	**Total**	**7,124**

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 £16k for external audit fees in 2018/19 (£21k in 2017/18).

2018/19		2017/18
£000		£000
5,590	Management Fees	4,605
0	Performance Related Fees	0
71	Custody fees	57
154	Transaction Fees	795
5,815	**Total**	**5,457**

12. Investment income

2018/19		2017/18
£000		£000
7,200	Pooled investments - unit trusts and other managed funds	5,836
36	Interest on cash deposits	17
7,236	**Total**	**5,853**

12a. Property income

Property income from the Fund's pooled property funds is included in the above figures and totals £3.369 million in 2018/19 (£3.515 million in 2017/18). 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.

2018/19	Value at 1st April 2018	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2019
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,283,646	153,682	(149,748)	73,162	1,360,742
Cash deposits	73,879	49,025	(104,755)	235	18,384
Other investment assets/ liabilities	(36)	0	5,139	(60)	5,043
Total	**1,357,489**	**202,707**	**(249,364)**	**73,337**	**1,384,168**

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	37	0	(91)	18	(36)
Total	**1,309,093**	**297,666**	**(304,640)**	**55,370**	**1,357,489**

14b. Analysis of investments

31/03/2019	By category	31/03/2018
£000		£000
	Pooled Investment Vehicles	
96,717	Unit Trusts - Property - UK	90,383
195,856	Unitised Insurance Policies - UK	276,260
655,352	Unitised Insurance Policies - Overseas	621,877
0	Other managed funds - Property - Overseas	0
43,611	Other managed funds - Other - UK	37,687
283,846	Other managed funds - Other - Overseas	190,629
90,403	Private Equity	66,774
1,365,784		**1,283,610**
	Cash Deposits	
14,367	Sterling	65,705
4,017	Foreign Currency	8,174
18,384		**73,879**
1,384,168	**Total Investments**	**1,357,489**

14c. Analysis by Fund Managers

31/03/2019		By fund manager	31/03/2018	
£000	%		£000	%
5	0.00	Capital International	5	0.0
854,075	61.7	Legal and General	951,471	70.1
99,657	7.2	CBRE Global Investors	94,846	7.0
44,216	3.2	Allianz Global Investors	38,078	2.8
126,935	9.2	CQS	92,564	6.8
67,718	4.9	Pantheon	60,006	4.4
22,488	1.6	BlackRock	14,862	1.1
158,286	11.4	Ruffer	98,065	7.2
3,538	0.3	CIP	0	0.0
7,250	0.5	In house cash deposits	7,592	0.6
1,384,168	**100.0**	**Total**	**1,357,489**	**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.

31/03/2019 £000	31/03/2019 %	Name of holding	31/03/2018 £000	31/03/2018 %
99,382	7.2%	Legal & General World Emerging Equity Index	104,762	7.7%
0	0.0%	Legal & General UK Equities Index	91,012	6.7%
195,855	14.1%	Legal & General Index Linked Gilts	185,249	13.6%
281,914	20.4%	Legal & General Low Carbon Index	302,573	22.3%
152,887	11.0%	London CIV Ruffer Subfund	98,065	7.2%
126,267	9.1%	CQS Multi Asset Credit Fund	92,564	6.8%
274,055	19.8%	Multi Factor Global	0	0.0%

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2019.

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 2019.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2019	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	96,717	98,652	94,783
Private Equity	5%	90,403	94,923	85,882
		187,120	**193,574**	**180,666**

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 31/03/19	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	5,042	1,173,623	187,120	1,365,784
Total	**5,042**	**1,173,623**	**187,120**	**1,365,784**

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 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**

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

2018/19	Value at 1st April 2018 restated	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2019
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	90,422	14,922	(6,702)	(3,864)	1,939	96,717
Private Equity	66,772	26,640	(12,663)	88	9,565	90,403
Total	**157,194**	**41,562**	**(19,365)**	**(3,776)**	**11,504**	**187,120**

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.

31/03/2019 Carrying Value	Name of holding	31/03/2018 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	
1,360,743	- Pooled investment vehicles	1,283,646
5,042	- Other investment balances	(36)
1,365,785		**1,283,610**
	Loans and receivables	
18,383	- Cash deposits	73,879
822	- Debtors	944
19,205		**74,823**
	Financial liabilities at amortised cost	
(2,373)	- Creditors	(2,636)
0	- Cash overdrawn	(44)
(2,373)		**(2,680)**
1,382,767	**Net Assets**	**1,355,903**

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

17b. Net gains and losses on financial instruments

2018/19		2017/18
£000		£000
	Financial Assets	
73,162	Fair value through profit or loss	55,483
174	Loans and receivables	(113)
73,336		55,370

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 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	0	12.6	0	0
Overseas equities	655,353	15.1	754,101	556,604
UK bonds	195,855	11.1	217,682	174,028
Cash	18,384	0.0	18,384	18,384
Property	96,717	4.2	100,766	92,669
Alternatives	417,859	8.7	454,368	381,350
Total Assets	**1,384,168**		**1,545,301**	**1,223,035**

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**

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 investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with eight of these fund managers as at 31st March 2019.

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 62% of the Fund value on 31st March 2019, equivalent to £853 million (2017/18: £761 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 2019 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 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	655,353	10.0	720,888	589,818
Multi-sector credit	126,935	10.0	139,629	114,242
Private equity	90,401	10.0	99,441	81,361
Cash	4,017	10.0	4,419	3,615
Total Assets	**876,706**	**10.0**	**964,377**	**789,035**

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**	**684,731**

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 2018/19	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	36	178	(107)
Total	**36**	**178**	**(107)**

	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)**

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 2019 and 31st March 2018. The majority of bonds (2019: £196 million, 2018 £185m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

	Market value 31/03/2019	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	322,790	61	3	2	34
Total / Weighted Average	**322,790**	**61**	**3**	**2**	**34**

	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**

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.

31/03/2019			31/03/2018	
Exposure	**Credit rating**		**Exposure**	**Credit rating**
£000			£000	
11,133	AA-	Northern Trust	66,287	AA-
5	A	Barclays Bank Plc	3,147	A
7,245	AAAm	Money Market Funds	4,445	AAAm
18,384			**73,879**	

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 2019 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, (this valuation will be finalised prior to 31st March 2020).

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.

31/03/19		31/03/18
£m		£m
(2,080)	Present Value of promised retirement benefits	(1,906)
1,383	Fair Value of scheme assets	1,356
(697)	**Net Liability**	**(550)**

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

31/03/19		31/03/18
£000		£000
	Debtors	
95	- Contributions due - employees	77
639	- Contributions due - employers	783
88	- Sundry debtors	84
822	**Total**	**944**

The below is an analysis of debtors.

31/03/19		31/03/18
£000		£000
33	Central government bodies	26
40	Public corporations and trading funds	47
749	Other entities and individuals	871
822	**Total**	**944**

22. Current liabilities

31/03/19		31/03/18
£000		£000
(1,922)	Sundry creditors	(1,751)
(451)	Benefits payable	(885)
0	Bank overdraft	(44)
(2,373)	**Total**	**(2,680)**

The below is an analysis of creditors.

31/03/19		31/03/18
£000		£000
(210)	Other local authorities	(353)
(555)	Public corporations and trading funds	(477)
(1,608)	Other entities and individuals	(1,850)
(2,373)	**Total**	**(2,680)**

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:

31/03/2019	Equitable Life Assurance Society	31/03/2018
£000		£000
231	Value as at 6 April	247
0	Contributions received	0
(36)	Retirement benefits and changes	(22)
9	Changes in market value	6
204	**Value as at 5 April**	**231**
83	Equitable with profits	110
0	Equitable with deposit account fund	0
121	Equitable unit linked	121
204	**Total**	**231**
1	Number of active members	1
28	Number of members with preserved benefits	30

31/03/2019	Prudential Assurance	31/03/2018
£000		£000
856	Value as at 1 April	721
168	Contributions received	143
(32)	Retirement benefits and changes	(26)
28	Changes in market value	17
1,020	**Value as at 31 March**	**855**
564	Prudential with profits cash accumulation	514
210	Prudential deposit fund	154
246	Prudential unit linked	187
1,020	**Total**	**855**
77	Number of active members	73
19	Number of members with preserved benefits	21

31/03/2019	Clerical and Medical	31/03/2018
£000		£000
28	Value as at 1 April	49
2	Contributions received	2
1	Changes in market value	(23)
31	**Value as at 31 March**	**28**
6	Clerical Medical with profits	6
25	Clerical Medical unit linked	22
31	**Total**	**28**
2	Number of active members	2
2	Number of members with preserved benefits	2

24. Agency Services

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

25. Related party transactions

Haringey Council

In 2018/19 the Pension Fund paid £0.651m to the Council for administration and legal services (£0.672 million in 2017/18). As at 31st March 2019 an amount of £0.161m was due from the Council to the Fund (£0.242 million in 2017/18).

Governance

During 2018/19 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 an agency staff members for the first half of 2018/19 who did not have the right to join Haringey Pension Fund, for the second half of the year the Section 151 Officer was a permanent member of staff who was a member of the fund.

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £182.4m (£81.4m with Pantheon – Private Equity, £6.0m with Allianz – Infrastructure debt, £13.1m with Blackrock, and £31.9m with Copenhagen Infrastructure Partners and £50.0m with Aviva Property at 31st March 2019 (2018: £149.9m). The commitments relate to outstanding call payments due in relation to the private equity, renewable energy infrastructure, property and infrastructure debt portfolios.

There McCloud pensions ruling will potentially create additional liabilities for the fund, the size of which cannot yet be measured, and the probability of these materialising is uncertain. The Government Actuary's Department has estimated the potential additional liabilities in relation to this to amount to up to 1% of existing liabilities, which would imply additional liabilities for the fund of £21m. Should these liabilities materialise, employer contribution rates will be adjusted accordingly in future valuations of the fund. Further details of this matter are detailed in note 6 of these accounts.

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

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- 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 (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.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% likelihood that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,046 million, were sufficient to meet 79% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £277 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are 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 as follows:

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

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years, leading to a net improvement on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA

For and on behalf of Hymans Robertson LLP

24 May 2019

Hymans Robertson LLP

20 Waterloo Street,

Glasgow,

G2 6DB

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.*
<u>Haringey position</u> 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.*
<u>Haringey position</u> 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.
<u>Haringey position</u> 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.
Haringey position Fully compliant. The Governance Compliance Statement is circulated to all employers in the Pension Fund and published on the Council's website.

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	+/- 10.0	Aim to generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
Multi Asset Absolute Return	7.5	+/- 6.0	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	+/- 3.0	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.

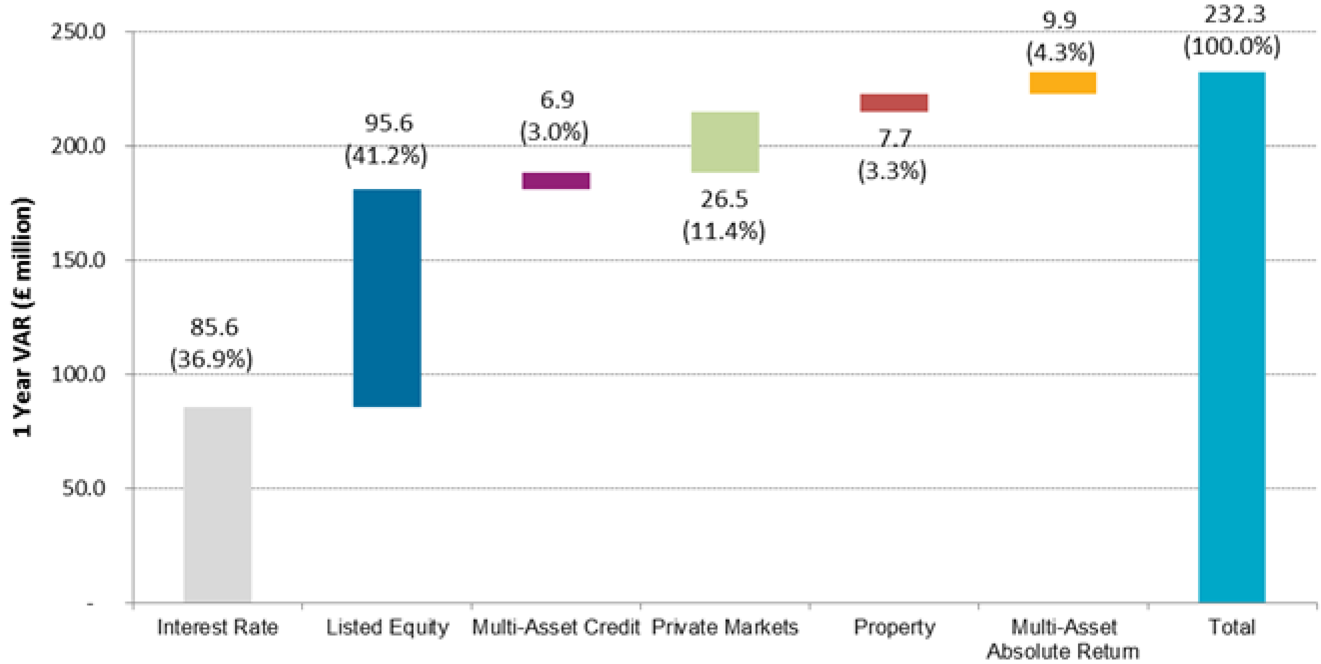
Note: Full details of the asset allocation of the Fund, including the investment managers and their respective performance benchmarks, are included in Appendix B.

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)**
Multi Factor Global Equity	RAFI Multi Factor Index (Unhedged)	9.585%
	RAFI Multi Factor Index (Hedged)	9.585%
Emerging Markets Equity	FTSE Emerging Markets Index (Unhedged)	6.660%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Unhedged)	9.585%
	MSCI World Low Carbon Target Index (Hedged)	9.585%
Index Linked Gilts	FTA Index Linked Over 5 Years Index	15.000%
Total		**60.000%**

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

November 2018

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Funding Strategy Statement — PAGE

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").

The Funding Strategy Statement (FSS) has been revised following the enactment of the Local Government Pension Scheme (Amendment) Regulations 2018.

The regulations introduced the provision to repay exit credits in circumstances where an employer terminates scheme participation and the actuarial assessments results in a surplus position.

This revised FSS 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, Investment Consultant and Independent Advisor. It is effective from . 20 November 2018

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, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Haringey Fund. 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/exit credit 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 calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt/exit credit 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/surplus calculated on ongoing basis unless admission terminated early in which case gilts cessation basis is used.

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 or a surplus payment being made to 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	-1% of pay	-2% of pay**

next		

*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 (or entitled to any surplus) 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 on cessation does not pay any deficit or get a refund of surplus.

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 following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in a refund payment to the Admission Body (unless a risk-sharing arrangement has been put in place – see Note (i) above).

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 or surplus. 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.

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. This is subject to the agreement of all parties involved (i.e. the Fund, the exiting employer and the guarantor) who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree, then the surplus will be paid directly to the exiting employer normally within 3 months of cessation (despite any other agreements that may be in place); in maintaining a consistent approach the Fund will seek to recover the deficit from the exiting employer in the first instance although if not possible the deficit will be subsumed by the guarantor; thereafter all remaining assets and liabilities will be subsumed by the outsourcing employer.

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 12 October 2018 for comment;

b) Comments were requested within 14 days;

c) Following the end of the consultation period the FSS was updated where required, approved by Haringey Pensions Committee and Board on 20 November 2018, and then published on 21 November 2018.

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 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. Normally the FSS is expected to remain unaltered until it is consulted on as part of the formal process for the next valuation. As a result, however, of the Local Government Pension Scheme (Amendment) Regulations 2018 which came into effect on 14 May 2018 it has been necessary to amend, after due consultation, the FSS.

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).
Liquidity issues posed by significant cessations posed by employers in surplus funding position	Careful monitoring of funding levels at triennial valuations, and allowing contribution holidays where appropriate to ensure employers do not generate significant surplus positions Ensuring that the fund's investment strategy allows for a significant proportion of liquid investments and asset classes

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.

Risk	Summary of Control Mechanisms
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). 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

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 is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact 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

Risk	Summary of Control Mechanisms
	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.

Report for: Pensions Committee and Board – 11 July 2019

Title: Pensions Administration Report

Report authorised by : Jon Warlow, Director of Finance

Lead Officer: Janet Richards – Pensions Manager,

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

Ward(s) affected: Not applicable

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1 The report gives a breakdown of the amount of visits made to the Haringey pension fund website.
1.2 This report presents details of new admissions to the pension fund.
1.3 This repot gives an auto enrolment update.

2 Cabinet Member Introduction

2.1 Not applicable

3 Recommendations that members:

Note

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

3.2 Auto enrolment. In May 2019 286 members were re-enrolled into the scheme under auto enrolment. 169 members opted out of the pension scheme i.e. 59.09%.

Note and Approve

3.3 Approve the admission of Schools Office Services Limited as a new employer to the Pension Fund, subject to an admission agreement being entered into and their securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.

Note and Approve

3.4 Approve the admission of Olive Dining Limited as a new employer to the pension fund subject to an admission agreement being entered into and their securing a bond or a guarantee from a third party in line with the LGPS regulations to indemnify the pensions fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.

Note and Approve

3.5 Approve the admission of Birkin Cleaning Services Limited as a new employer to the Pension Fund, subject to an admission agreement being entered into and their securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.

4 Reason for decision

New Admission Body to the Fund

4.1 Chestnut Primary School has retendered its cleaning service and the successful bidder was Schools Office Services Limited. It is proposed that Schools Office Services Limited be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the Cleaning Service for Chestnut Primary School, subject to Schools Office Services Limited entering into an admission agreement with the Council so that those eligible employees can remain within the Haringey Pension Fund.

4.2 St Mary's Priory Primary School has retendered its catering service and the successful bidder was Olive Dining Limited. It is proposed that Olive Dining Limited be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the catering Service for Chestnut Primary School, subject to Olive Dining Limited entering into an admission agreement with the Council so that those eligible employees can remain within the Haringey Pension Fund

4.3 Hornsey School has retendered its cleaning service and the successful bidder was Birkin Cleaning Services Ltd. It is proposed that Birkin Cleaning Services Ltd be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the Cleaning Service for Chestnut Primary School, subject to Birkin Cleaning Services Ltd entering into an admission agreement with the Council so that those eligible employees can remain within the Haringey Pension Fund.

4.4 St Francis de Sales Primary School, St Peter and Chains Primary School. St Gildas Primary School and St Marys CE Primary School have retendered their catering service and the successful bidder was Olive Dining Limited. It is proposed that Olive Dining Limited be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the catering Service for Chestnut Primary School, subject to Olive Dining Limited entering into an admission agreement with the Council so that those eligible employees can remain within the Haringey Pension Fund

4.5 That an admission agreement satisfactory to the Council, be entered into in respect of each of the service contracts and that the agreements are closed agreements, as such that new members can not be admitted

4.6 Under the LGPS, if a body is an admission body as defined by the Regulations; the administering authority enter into an admission agreement with that admitted body. The admitted body's employees which have transferred over and providing the service will be eligible for membership of the Scheme if designated under the terms of the agreement. An admitted body will provide a service in connection with the exercise of a function of a

Scheme employer as a result of the transfer of the service or assets by means of a contract or another arrangement.

5 Alternative options considered

Not applicable

6 Background information:

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

	Users	Page views
February 2018	309	1655
February 2019	428	1599
March 2018	329	1790
March 2019	438	1517
April 2018	332	1724
April 2019	400	1556
May 2018	357	1766
May 2019	590	2434

For the 2019 figures the average amount of users per month to the pension website is 464 and they view on average 1776.5 pages, just under 4 pages for each user.

6.2 In May 2019 286 members were re-enrolled into the Local Government Pension Scheme under auto enrolment. 169 members who were re-enrolled into the scheme opted out of the pension scheme i.e. 59.09%.

6.3 Chestnut Primary School has tendered its cleaning service, which will transfer to Schools Office Services Limited on 28 June 2019. One member of staff will be TUPE transferred; who is a member of the LGPS. The admission agreement will be closed and only the TUPE transferred staff can participate in the LGPS. Staff are required to work no less than 50% of their time on the contract. The actuary has calculated that Schools Office Services Limited will pay a rate of 23.1% for employers pension contributions and secure a bond of £4,000.

6.4 The admission to Haringey Pension Fund will be conditional upon Schools Office Services Limited securing a bond of £4,000 or guarantor which will indemnify the Pension Fund should Schools Office Services Limited fail to pay across any amounts due to the pension fund over the course of the contract. Otherwise a ‘pass through’ can apply where Schools Office Services Limited will be required to pay an additional contribution rate of 5% in lieu of a bond but will not receive an exit credit or be required to pay an exit debit on the termination of the contract.

6.5 St Mary's Priory Primary School has tendered its catering service, which has transferred to Olive Dining Limited on 6 April 2019. Two members of staff will be TUPE transferred; both employees are members of the LGPS. The admission agreement will be closed and only the TUPE transferred staff can participate in the LGPS. Staff are required to work no less than 50% of their time on the contract. The actuary has calculated that Olive Dining Limited will pay a rate of 31.9% for employers pension contributions and secure a bond of £30,000.

6.6 The admission to Haringey Pension Fund will be conditional upon Olive Dining Limited securing a bond of £30,000 or guarantor which will indemnify the Pension Fund should Olive Dining Limited fail to pay across any amounts due to the pension fund over the course of the contract. Otherwise a 'pass through' can apply where Olive Dining Limited will be required to pay an additional contribution rate of 5% in lieu of a bond but will not receive an exit credit or be required to pay an exit debit on the termination of the contract.

6.7 Hornsey School has tendered its cleaning service, which will be TUPE transferred to Birkin Cleaning Services Ltd Limited on 1 September 2019. The cleaning members of staff will be TUPE transferred; some of the employees are members of the LGPS. The admission agreement will be closed and only the TUPE transferred staff can participate in the LGPS. Staff are required to work no less than 50% of their time on the contract. The actuary employer contribution rate has not yet been calculated.

6.8 The admission to Haringey Pension Fund will be conditional upon Birkin Cleaning Services Limited securing a bond or guarantor which will indemnify the Pension Fund should Birkin Cleaning Limited fail to pay across any amounts due to the pension fund over the course of the contract. Otherwise a 'pass through' can apply where Birkin Cleaning Limited will be required to pay an additional contribution rate of 5% in lieu of a bond but will not receive an exit credit or be required to pay an exit debit on the termination of the contract.

6.9 St Francis de Sales Primary School, St Peter and Chains Primary School. St Gildas Primary School and St Marys CE Primary School have tendered their catering service, which has transferred to Olive Dining Limited on 1 August 2019. The catering members of staff will be TUPE transferred; including employees who are members of the LGPS. The admission agreements will be closed and only the TUPE transferred staff can participate in the LGPS. Staff are required to work no less than 50% of their time on the contract.

6.10 The admission to Haringey Pension Fund will be conditional upon Olive Dining Limited securing a bond or guarantor which will indemnify the Pension Fund should Olive Dining Limited fail to pay across any amounts due to the pension fund over the course of the contract. Otherwise a 'pass through' can apply where Olive Dining Limited will be required to pay an additional contribution rate of 5% in lieu of a bond but will not receive an exit credit or be required to pay an exit debit on the termination of the contract

7 Contribution to strategic outcomes

Not applicable

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

Chief Finance Officer

8.1 The admission of new bodies into the Fund will only be done after careful consideration of the risks presented to the fund by new admission bodies, unless their admission is required by statute, and the Fund has no discretion, (i.e. in the case of Academy schools). In the case of outsourcings of services to commercial bodies, admission will only be granted on the basis that the admission body provides a bond, or guarantee from a sufficiently robust third party, to indemnify the Fund against any future liabilities which may arise, e.g. insolvency on the part of employers etc.

Assistant Director of Corporate Governance

8.2 The report seeks authority to admit four 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;

8.3 Each of the employers set out in the recommendations 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. In order to be admitted each of the employers must enter into an Admission Agreement;

9 Use of Appendices

Not Applicable

10 Local Government (Access to Information) Act 1985

Not Applicable

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 Agenda Item 10

Report for: Pensions Committee and Board 11 July 2019

Title: Pension Fund Quarterly Update

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. To report the following in respect of the three months to 31 March 2019:
- Funding Level Update
- Investment asset allocation

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the information provided in respect of the activity in the three months to 31 March 2019 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: Independent Advisor’s Market commentary
9.2. Confidential Appendix 2: Funding and Risk Report from the Fund Actuary

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

11. Funding Position Update

11.1. At the most recent valuation 31 March 2016, the Fund had a funding position of 79.1% - meaning that the fund's investment assets were sufficient to pay 79.1% of the pension benefits accrued at that date.

11.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 31 March 2019, and this showed an improvement to an 83.9% funding level. This position was up from 31 December 2018 which showed 82.6%. This is an indicative position, the final 2019 Valuation will be confirmed in early 2020 once all data has been supplied to the actuary, but it cements an expectation that the fund's position has improved since the 2016 Valuation overall.

11.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has decreased slightly to an indicative £265m as at 31 March 2019.

11.4. Confidential Appendix 2 shows the funding and risk report produced by the fund actuary as at 31 March 2019, giving further detail regarding this.

12. Portfolio Allocation Against Benchmark

12.1. The value of the fund increased by £80.2m between January and March 2019, further details are shown in the annual report which is a separate agenda item at this meeting.

12.2. The equity, multi sector credit and multi asset absolute return allocations exceed their strategic allocation, these represent funds which are yet to be called upon by the funds managers for property, private equity and renewable energy which are beneath their strategic allocation.

12.3. The fund's £50m commitment to the Aviva Lime Fund is expected to be invested in July 2019.

Total Portfolio Allocation by Manager and Asset Class

	Value 30.06.2018 £'000	Value 30.09.2018 £'000	Value 31.12.2018 £'000	Value 31.03.2019 £'000	Allocation 31.03.2019 %	Strategic Allocation %	Variance %
Equities							
UK	82,007	0	0	0	0.00%	0.00%	0.00%
North America	120,146	0	0	0	0.00%	0.00%	0.00%
Europe	38,249	0	0	0	0.00%	0.00%	0.00%
Japan	18,217	0	0	0	0.00%	0.00%	0.00%
Asia Pacific	18,063	0	0	0	0.00%	0.00%	0.00%
Multi Factor Global	0	284,607	249,997	274,055	19.80%	19.20%	0.60%
Emerging Markets	90,414	95,831	92,094	99,382	7.18%	6.60%	0.58%
Global Low Carbon Tgt	275,568	291,609	255,867	281,914	20.37%	19.20%	1.17%
Total Equities	**642,664**	**672,047**	**597,958**	**655,351**	**47.35%**	**45.00%**	**2.35%**
Bonds							
Index Linked	**183,089**	**180,552**	**184,210**	**195,855**	**14.15%**	**15.00%**	**-0.85%**
Property							
Aviva	**0**	**0**	**0**	**0**	**0.00%**	**5.00%**	**-5.00%**
CBRE	**88,668**	**87,989**	**96,033**	**97,136**	**7.02%**	**7.50%**	**-0.48%**
Private equity							
Pantheon	**55,291**	**59,135**	**60,312**	**65,489**	**4.73%**	**5.00%**	**-0.27%**
Multi-Sector Credit							
CQS	**128,220**	**130,236**	**127,629**	**126,267**	**9.12%**	**7.00%**	**2.12%**
Multi-Asset Absolute Return							
Ruffer	**172,193**	**171,630**	**153,061**	**152,887**	**11.05%**	**7.50%**	**3.55%**
Infrastructure Debt							
Allianz	**40,688**	**41,304**	**40,339**	**43,611**	**3.15%**	**3.00%**	**0.15%**
Renewable Energy							
CIP	**1,151**	**1,912**	**2,595**	**3,538**	**0.26%**	**2.50%**	**-2.24%**
Blackrock	**19,751**	**20,705**	**22,111**	**21,066**	**1.52%**	**2.50%**	**-0.98%**
Cash & NCA							
Cash	**61,042**	**61,676**	**19,685**	**22,968**	**1.66%**	**0.00%**	**1.66%**
Total Assets	**1,392,757**	**1,427,186**	**1,303,933**	**1,384,168**	**100%**	**100%**	**0.00%**

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background January to March 2019

January to March 2019 saw a significant bounce back in equity markets following the sharp decline of the last Quarter of 2018. The MSCI World Index which had lost 13% (in $ terms) in the final Quarter of 2018 gained 12% in the first Quarter of 2019. US, European and Emerging Market equities all rebounded significantly. Despite concerns about a global slowdown, a clear move away from further monetary "tightening" by both the European Central Bank and, particularly, the US Federal Reserve provided support for equity markets which were also aided by receding concerns over US trade policy.

Having fallen 14% during October to December 2018 the US S&P 500 Index rose from 2,507 at the end of December 2018 to 2,834 at the end of March 2019 an increase of 13% over the Quarter. Equity markets were buoyed by a decisive change of policy by the US Federal Reserve which had increased interest rates nine times between December 2015 and December 2018 including four increases in 2018 and which as late as its December 2018 meeting was signalling two further likely rate increases in 2019.

The Press Release following the January 2019 meeting of the US Federal Reserve's Federal Open Market Committee (FOMC) excluded the reference to *"some further gradual increases"* in interest rates which appeared in the December 2018 Press Release as the FOMC put further rate rises on hold. At a press conference following the January 2019 meeting the Federal Reserve Chairman Jay Powell while referring to the outlook for the US economy as *"solid"* also referred to *"crosscurrents and conflicting signals about the outlook. Growth has slowed in some major foreign economies, particularly in China and Europe……Financial conditions tightened considerably late in 2018 and remain less supportive of growth than they were earlier in 2018…"* Consequently, the FOMC determined that the cumulative effects of developments "*warrant a patient, wait-and-see approach regarding future policy changes."* Both US equities and Treasury Bonds rallied following this decision. Further support to markets was provided by the Minutes of the January 2019 FOMC which were released on 20 February and included a clear indication that the FOMC would further "loosen" monetary policy by ending its Balance Sheet reduction programme during 2019.

That the Federal Reserve had decisively changed its future monetary policy approach and moved away from further "tightening" was clearly confirmed by the decisions of the March 2019 meeting of the FOMC. Firstly, the projections issued after this meeting indicated that there would likely be no increases in interest rates in 2019. Secondly a statement on "Balance Sheet Normalization Principles and Plans" stated that the policy of Balance Sheet reduction (introduced in 2017) will be slowed from May 2019 and halted at the end of September 2019.

US core inflation fell from 2.2% in December 2018 to 2.0% by March 2019.US unemployment remained very low and was 3.8% in March 2019. The University of Michigan Surveys of Consumers continued to indicate positive views. The March 2019 survey showed consumer confidence at the same high levels as December 2018.

Despite mounting economic concerns Eurozone equities experienced a positive Quarter with support from the policy stances of the US Federal Reserve and the European Central Bank (ECB). The MSCI EMU Index (which tracks the largest companies in the Eurozone) was up almost 12% regaining much of the loss of the previous Quarter. The ECB stepped away from “tighter” monetary policy. While the January 2019 meeting of the Governing Council confirmed the previous policy that the key ECB (and presently very low) interest rates were expected *“to remain at their present levels at least through the summer of 2019”* the Press Release issued after the March 2019 meeting “loosened” policy expectations stating that the Governing Council *“now expects the key ECB interest rates to remain at their present levels at least through the end of 2019.”*

Eurozone unemployment continued to fall – from 7.9% in December 2018 to 7.7% in March 2019 its lowest level since September 2008. Overall, however, there were further clear indications of a slowing economic momentum. The headline Inflation Rate which had been 2.1% in September 2018 fell back to 1.4% in March 2019 compared to the ECB policy objective of inflation below, but close to, 2% over the medium term. Additionally, core inflation which excludes the more volatile elements of energy, food, alcohol and tobacco and is seen as a better indicator of longer-term inflationary pressure was at a two year low by March 2019 at 0.8% having remained close to 1% throughout 2018. The IHS Markit Purchasing Managers Index for the Eurozone which was above 56 in April 2018 fell progressively, over the 2018-19 financial year, to 47.5 in March 2019 and well below 50 which indicates the boundary between expected contraction and expansion. The Organisation for Economic Co-operation and Development (OECD) in their “Interim Economic Outlook” of March 2019 reported that *“GDP growth in the euro area slowed sharply through 2018 and is projected to remain soft at 1% in 2019.”*

Despite ongoing uncertainty regarding the nature and timing of the UK’s departure from the EU, reduced levels of business investment since the 2016 Referendum and reduced 2019 GDP growth forecasts by both the OECD and Bank of England (BoE) the FTSE All Share Index rose by 9% in the Quarter almost compensating for the fall during October to December 2018. Unemployment fell to 3.8% for the period January - March 2019 its lowest rate since 1974 according to the Office for National Statistics. Consumer Price Index (CPI) inflation fell very slightly below the BoE target of 2% from January 2019 and remained so, at 1.9%. at March 2019. At both the February and March 2019 meetings the Bank of England’s Monetary Policy Committee (MPC) again voted unanimously to maintain Bank Rate at 0.75%.

The Nikkei 225 Index which fell by over 17% during October to December 2018 increased by 6% during the January to March 2019 Quarter, a clearly lower recovery than other developed markets. Corporate earnings were disappointing and export orders weaker which is particularly unwelcome to Japan's export driven economy. The Government reported a significant fall in industrial production in March 2019.

At its January and March 2019 monetary policy meetings the Bank of Japan again continued to maintain its commitment to what might be described as financial crisis-era stimulus policies. This was in the context of Japanese inflation continuing to remain well below the Bank of Japan's target of 2% despite huge monetary policy stimulus since 2013. At March 2019 the core inflation rate was only 0.8%

China and Asian markets enjoyed a positive Quarter with the MSCI AC Asia ex Japan index gaining over 11% (in $ terms) during January to March 2019 which was in excess of the loss experienced in the previous Quarter. Both the more accommodative monetary policy stance of the US Federal Reserve and the lessening of US-China trade tensions were supportive. Chinese growth of around 6.5% for the first Quarter of 2019 continued, however, the lower growth trend experienced in 2018 compared to the first five years after the 2009 crisis. The OECD in its March 2019 "Interim Economic Outlook" estimated that Chinese GDP growth in 2019 would be 6.2%. Chinese stocks, however, received both a short term and likely long-term boost with the announcement by the major index provider MSCI, in February 2019, that it would more than quadruple the weighting of China listed shares in its "flagship" MSCI Emerging Markets Index from 0.7% to 3.3% by November 2019.

More accommodative monetary policy statements by the US Federal Reserve and ECB together with tepid inflation and softening economic data were supportive of the major Government Bonds – US, UK and Germany – which saw further price rises during the period January to March 2019.

In conclusion January to March 2019 while seeing faltering economic activity and weakening forward economic expectations was one of clear positivity for world equity markets. Interestingly the renewed vigour of equity markets, though doubtlessly aided by reduced trade tensions and a still essentially positive economic backdrop, coincided with clear messages from the major Central Banks (and in particular the US Federal Reserve) that they were, in the light of an expected weakening in the world economy prepared to move back towards "loosening" and away from tightening monetary policy. This potentially clearly provides further support to both the world economy and equity markets as 2019 proceeds.

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Report for: Pensions Committee and Board 11 July 2019

Title: Local Government Pension Scheme Consultation

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The purpose of the paper is to provide information to members of the Pensions Committee and Board regarding a recent consultation released by the Ministry and Housing Communities and Local Government (MHCLG) regarding the LGPS Valuation Cycle and Employer Risk.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

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

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. None

6. Background information

6.1. The Ministry of Housing Communities and Local Government has released a consultation in May 2019 regarding the following issues:

- Synchronising the 3 yearly valuation of LGPS Funds with other public service funds, and moving to a 4 yearly valuation cycle
- Introducing new flexibilities around interim valuations and re-assessment of employer contributions mid valuation cycle
- Introducing new flexibilities around exit payments and exit credits on employer cessation
- Consultation on the scope of employers intended to participate in LGPS

6.2. The Head of Pensions has prepared a draft formal response to the consultation on behalf of Haringey, before this closes on 31 July 2019, subject to the discussion in the Pensions Committee and Board meeting where comments and input from members of the Committee will be incorporated.

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. There are no specific legal implications arising from this report at this stage but the Committee and Board should note that as a result of the consultation there may be changes in the future to the statutory requirements (the subject of the consultation).

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: MHCLG Valuation Cycle and Employer Risk Consultation
9.2. Appendix 2: LBH Draft Response

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Ministry of Housing,
Communities &
Local Government

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Policy consultation

May 2019
Ministry of Housing, Communities and Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

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May 2019

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Contents

Scope of the consultation

Topic of this consultation:	This consultation seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales. It covers the following areas: 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership
Scope of this consultation:	MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).
Geographical scope:	These proposals relate to the Local Government Pension Scheme in England and Wales only.
Impact Assessment:	The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them, the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result. Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS) and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making a decision on which, if any, new employees should be given access to the scheme. Question 19 asks for views from respondents on equalities impacts and on any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation.

	When we bring forward legislation, a fuller analysis will include the equality impacts of any final policy proposals.

Basic Information

To:	Any changes to the LGPS rules are likely to be of interest to a wide range of stakeholders, such as local pension funds, administering authorities, those who advise them, LGPS employers and local taxpayers.
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 12 weeks from 8 May 2019 to 31 July 2019
Enquiries:	For any enquiries about the consultation please contact: LGPensions@communities.gov.uk
How to respond:	Please respond by email to: LGPensions@communities.gov.uk Alternatively, please send postal responses to: LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF When you reply, it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include: - your name, - your position (if applicable), - the name of organisation (if applicable), - an address (including post-code), - an email address, and - a contact telephone number.

Introduction

This consultation contains proposals on a number of matters relating to the Local Government Pension Scheme (LGPS) in England and Wales.

Amongst these, it is proposed to amend the local fund valuation cycle of the LGPS from the current three year (triennial) cycle to a four year (quadrennial) one. The Government has moved the LGPS scheme valuation to a quadrennial cycle[1], and our consultation is intended to ensure that scheme and local valuations are aligned. Views are sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle.

The LGPS is a locally administered funded pension scheme, established primarily to provide retirement benefits to individuals working in local government in England and Wales. Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead. In making our proposals, we aim to ensure that a lengthening of the valuation cycle would not materially increase the risks that pension funds and their employers face. We are therefore proposing mitigation measures that would allow LGPS funds to act between valuations and address any issues as they arise, specifically:

- We propose the introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.

- We also propose the widening of a power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced.

Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

These measures are intended to help funds manage their liabilities and ensure that employer contributions are set at an appropriate level. However, for some employers, a significant issue is the cost of exiting the scheme which can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buy-out basis. We are seeking views on two alternative approaches that would reduce the cliff-edge faced by employers:

- To introduce a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong

[1] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:

- To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a period of time. This may be of use where an administering authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

We also seek views on an issue that has come to light in recent months. In 2018, the LGPS Regulations 2013 were amended[2] to allow the payment of 'exit credits' to scheme employers who are in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 2016[3]. However, it has since been highlighted that the amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor. Views are sought on a mechanism via which we can address this issue.

And finally, given the LGPS's funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate. Changes in the higher education and further education sectors have taken place in recent years and we are consulting on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff. Instead, reflecting their status as non-public sector, autonomous organisations, we propose it will be for each institution to determine whether to offer the LGPS to new employees or not.

Under our proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme.

Your comments are invited on the questions contained in sections 1 to 5. **The closing date for responses is 31 July 2019**.

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[2] S.I. 2018/493
[3] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

Changes to the Local Government Pension Scheme (LGPS) valuation cycle

1.1 Changes to the local fund valuation cycle

The Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes[4].

Aligning the LGPS scheme valuation with other public sector schemes allows for outcomes of each valuation to be looked at in parallel and for Government to make consistent decisions for the public sector as a whole.

Each LGPS fund also carries out a local valuation which is used to assess its financial health and to determine local employer contributions. Currently the valuation cycle of the scheme and of individual funds align. This will no longer be the case as the scheme nationally has moved to a quadrennial cycle. We therefore propose that LGPS funds should also move from triennial to quadrennial valuation cycles.

Moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs. The Scheme Actuary's review of local valuations under s13 of the Public Service Pensions Act 2013 would also move to a quadrennial cycle.

However, we recognise that there are potential risks that changes in employer contribution rates may be greater as a result of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs. Section 2 of this consultation sets out proposals to mitigate these matters.

If we move to quadrennial local fund valuations, we propose to produce draft regulations making the necessary amendments to the LGPS Regulations 2013, amending regulation 62(2), 62(3) and other consequential regulations in due course.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

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[4] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

1.3 Transition to a new LGPS valuation cycle

Given that LGPS funds and the other public sector schemes have carried out a valuation as at 1 April 2016, now is the best opportunity to achieve consistency. If missed, it would be 2028 before valuations of all the schemes align again. On the assumption that scheme and fund valuations are carried out at the same date, potential approaches are as follows:

a) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming five years** (i.e. from 1 April 2020-2025) but with the administering authority having the option to perform an interim valuation if circumstances require changes to contribution rates. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

b) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming three years** (i.e. from 1 April 2020-2023). The following valuation would be done with fund data as at 31 March 2022 but giving new rates and adjustments certificates for **only two years**. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

Our proposal is to adopt approach b) as it provides continuity and potentially gives LGPS funds greater funding certainty than a five-year cycle would provide.

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Dealing with changes in circumstances between valuations

2.1. Ability to conduct an interim valuation of local funds

With a longer valuation period of four years, there is greater scope for changes in assets and liabilities between valuations with a consequent potential increase in risks. In relation to the value of assets, this might include a significant downturn in value or increased volatility in returns. In relation to liabilities, this could be due to a sustained lower level of interest rates. The Government Actuary considered the potential impact of volatility of asset returns and changes in economic conditions on funds in their report on the 2016 local valuations[5]. The results showed that funds could face significant pressure on employer contributions in some future scenarios.

As part of a package of mitigation measures, we are proposing to introduce a new power to enable funds to conduct an interim valuation to reassess their position and, where appropriate, adjust the level of contributions outside of the regular cycle. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle. This is consistent with the aim of the current regulations in preserving as much stability as possible in contribution rates across valuations (see Reg 66(2)(b) of the 2013 LGPS Regulations).

Depending on the trigger for the interim valuation, different levels of actuarial advice might be needed. For example, it may not be necessary to revisit all of the demographic assumptions and scheme experience where the trigger is a major financial down-turn shortly after the last valuation was completed. Funds will want to assure themselves that they have access to such data and analysis as is proportionate to the nature of the trigger and the time elapsed since the previous valuation.

Allowing an interim valuation gives greater adaptability should longer-term trends emerge that it would be prudent to address ahead of the next scheduled valuation.

To limit the risk that interim valuations could be timed to take advantage of short-term market conditions and undermine the cost and administrative advantages of a longer valuation cycle, we propose that interim valuations may take place only for the reasons set out in an authority's Funding Strategy Statement. In exceptional circumstances not envisaged in the Funding Strategy Statement, a fund could apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of funds either on representation from funds, scheme employers or of his own motion.

We propose to include in the regulations, supported by statutory guidance, certain protections so that decisions on whether to undertake an interim valuation should only be

[5] https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016

made by the administering authority having due regard to the views of their actuary and following consultation with the Local Pension Board. Where an administering authority undertakes an interim valuation it would also be obliged to notify the Secretary of State of the reasons for it and the conclusions reached. The costs of the valuation would be recovered in the usual way from all employers. As interim valuations should not be necessary frequently, the cost is likely to be more than offset by the move to four-yearly valuations.

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

2.2. Review of employer contributions

A four-year valuation cycle would also mean fewer opportunities to respond to changes in the financial health of scheme employers. This means that the assessment made at the time of the valuation about that employer being able to meet all of its obligations to the fund, most importantly to make contributions (often referred to as an employer's "covenant strength"), might be out of date.

CIPFA's guidance on maintaining a Funding Strategy Statement[6] requires funds to identify the employer risks that inevitably arise from managing a large and often changing group of scheme employers. In their related guidance on *Managing Risk in the Local Government Pension Scheme* (2018) they emphasise the importance of maintaining a knowledge base to track and identify risk levels for each employer. It further suggests that employers be categorised into groups depending on the level of risk they present to the fund as a whole.

We understand that some funds already carry out frequent reviews of their employers' covenant strength. Currently, the LGPS regulations provide funds with a limited number of tools to manage or reduce any risks identified. These tools include:

- At each valuation specifying secondary rate contributions that target a funding level that has been set with regard to the covenant strength of that employer (as allowed by Regulation 62(7) of the 2013 LGPS Regulations);
- Requiring adequate security for new admission bodies (as required in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Increasing the security where existing admitted bodies wish to make changes to their admission agreement (as allowed for in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Reviewing employer contributions where there is evidence that the employer is likely to exit the scheme (Regulation 64(4) of the 2013 LGPS Regulations);

[6] Preparing and Maintaining a Funding Strategy Statement, published September 2016

- Reviewing employer contributions where there is evidence that the liabilities of that employer have increased substantially (see Regulations 64(6)(b) of the 2013 LGPS Regulations).

Whilst a four-yearly review of employer contributions would be sufficient for statutory or tax-payer backed employers, we recognise that for some scheme employers, and in particular admitted bodies, it may be prudent to allow funds to amend contribution rates more frequently. That would be driven by a change in the deficit recovery period and/or funding target level for a single employer, or group of employers, where this was felt necessary to protect other employers in the scheme or the solvency of the fund itself.

This would include giving funds the ability to offer employers a reduction in their contribution rate if they were able to make a one-off deficit reduction payment or there was a significant change in the composition of their workforce following a merger. We propose to introduce the ability for an employer to request a reassessment of its contribution rate where it believes that its liabilities have reduced.

We propose that funds would need to specify in their Funding Strategy Statement those employers (generally statutory or tax-raising employers) for whom the regular assessment of employer contributions through valuations is sufficient and what events would trigger reassessment through covenant reviews for other employers.

As these reassessments of employer contributions are designed to protect the interest of all employers and the scheme as a whole, the costs of conducting them anticipated in the Funding Strategy Statement, or triggered by a particular event or concern over covenant, would normally be met by the fund as a whole. However, where a scheme employer requested a reassessment because it believed that this would lead to a reduction in its contribution rate, then this would be paid for by the employer concerned.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

2.3. Guidance on setting a policy

As set out above we are proposing that the regulations would require funds to include their policy on interim valuations and reviews of employer contributions in their Funding Strategy Statement. We would also anticipate that CIPFA would want to reflect these new tools to manage risk in the guidance which it offers to funds on drafting an Funding Strategy Statement and in managing risk. However, to help ensure consistency of approach between funds, we also propose that in setting their policy they would also be required to have regard to advice that we would invite the Scheme Advisory Board to provide. This would include advice in the following areas:

- The exceptional circumstances where the case for an interim valuation could be made to the Secretary of State;
- The process for triggering and timescale for completing interim valuations;

- Best practice in working with scheme employers and other interested parties where an interim valuation is undertaken;
- What level of professional advice is appropriate to deliver the interim valuation.

In relation to action being taken to review employer contributions we would similarly ask the Scheme Advisory Board to consider guidance on the following areas:

- How to work with employers when a request is made for a review of its employer contributions;
- The process for carrying out employer covenant reviews and how to work with employers where the fund feels that further action is needed;
- Communicating with all scheme employers on how risk is being managed and how the cost of reviews will be met;
- What comprises a proportionate level of actuarial and other professional advice.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Flexibility on exit payments

3.1 Introduction

We know that some smaller and less financially robust employers are finding the current exit payment regime in LGPS onerous. Rather than protecting the interests of members, it may mean employers continue to accrue liabilities that they cannot afford. It can also create the risk that some employers could be driven out of business as a result of inability to meet a substantial exit payment when they finally come to leave. This can have implications for other jobs, the delivery of local services and future support for the scheme.

These problems arise because employer debt is calculated at full buy-out basis[7] on the employer’s total accrued liabilities to the scheme, and the amount due up-front or in a short period of time if the last active member leaves an employer can be significantly higher than their on-going contributions. If an employer does not have a source of capital available with which to pay the employer debt, they can effectively find themselves tied to the scheme indefinitely, even if this is not the most prudent way to proceed for all those concerned.

The current regime is designed to protect those scheme employers who remain in the scheme when one or more other employers have ceased to employ active members and who may be left with orphan liabilities. Any changes to the employer debt regime would have to be carefully considered to ensure that they would not result in an increased risk to members or remaining scheme employers.

In recognition of these and other issues, the Scheme Advisory Board has commissioned AON to look at the potential funding, legal and administrative issues presented by the participation of what it calls Tier 3 employers[8] in the scheme, and to identify options to improve the situation. A working group has been established by the Scheme Advisory Board with a view to making recommendations to the Secretary of State later in the year. It is hoped that the Scheme Advisory Board working group will be able to include this consultation in its deliberations.

We have also heard from many in the sector that the time is right to bring LGPS more in line with wider practice in the private pensions sector. Deferred debt arrangements in the private sector enable an employer in a multi-employer pension scheme, who fulfils certain conditions, to defer their obligation to pay an employer debt on ceasing to employ an active scheme member. The arrangement requires the employer to retain all their previous responsibilities to the scheme and continue to be treated as if they were the employer in

[7] Exit payments are currently based on that employer's share of the deficit in the scheme calculated on a 'full-buy out basis' (i.e. the amount that would need to be paid to an insurer to take on the pension scheme's liabilities).
[8] Scheme Advisory Board defines Tier 3 bodies as being those which are not tax-payer backed (“Tier 1”), academies (“Tier 2”) or admitted bodies performing services under contract to local authorities (“Tier4”)

relation to that scheme. A key consideration in considering whether to introduce a similar arrangement into LGPS will be how to ensure that employers wanting to take advantage of this option have sufficient and appropriate assets to cover their liabilities and that the arrangement will not adversely affect other employers.

We therefore propose to grant funds more flexibility to manage an employer's liabilities in this situation, by spreading exit payments over a period or by allowing an employer with no active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities.

3.2 Flexibility in recovering exit payments

This proposal aims to enable scheme employers which are ceasing to employ any active members with the flexibility, in agreement with the administering authority, to spread exit payments over a period, where this would also be in the interests of the fund and other employers.

This option would be available in situations where an administering authority considered that some flexibility over the repayment programme would be in the best interests of the fund and other employers. We understand that some funds have been attempting to achieve a similar objective through side-agreements with employers at the time of exit. However, we feel that it would be more appropriate to regularise this approach and put it on a firm legislative footing.

In order to implement this new flexibility we have considered the model implemented by the Scottish Public Pensions Agency. This allows administering authorities to adjust an exiting employer's contributions to ensure that the exit payment due is made by the expected exit date or spread over such a period as the fund considers reasonable. This is set out in their Regulation 61(6)[9]:

> *"(6) Where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary's opinion—*
>
> *(a) the contribution at the primary rate should be adjusted; or*
>
> *(b) any prior secondary rate adjustment should be increased or reduced,*
>
> *with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet that liability by that date, over such period of time thereafter as the administering authority considers reasonable."*

[9] In the Local Government Pension Scheme (Scotland) Regulations 2018

This is a permissive model that gives administering authorities considerable flexibility to use their judgement and local knowledge in balancing the competing interests involved.

We propose to follow this approach but would welcome views from consultees on whether some additional protections are required, such as a maximum time limit over which exit payments could be spread (perhaps three years).

For the avoidance of doubt, we propose that the exit payment in these circumstances would continue to be calculated as now on a full buy-out basis.

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required ?

3.3 Deferred employer status and deferred employer debt arrangements

These proposals aim to enable scheme employers who are ceasing to employ any active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities, in agreement with the fund. This commitment would protect the fund and other employers. This will be of particular help to smaller employers (such as charities) in managing their obligation to make an exit payment when they cease to employ an active member of the scheme.

Drawing on the model of the S75 approach that was recently introduced by DWP for private sector[10] defined benefit multi-employer funds, we have set out a possible model for the LGPS. We would welcome views from consultees on how to develop the model to best reflect the needs of all parties participating in LGPS.

i) Definition of deferred employer status

Employers taking advantage of this ability to maintain a link with the scheme, despite no longer having active members, would become “deferred employers”. A deferred employer is defined as an employer who, at the point that their last active member leaves the scheme, enters into a deferred employer debt arrangement with the administering authority, and that arrangement has not been terminated by a ‘relevant event’ (see section iii below).

ii) Basis on which a deferred employer debt arrangement would be offered

To enter into a deferred employer debt arrangement, the fund would need to be satisfied that the employer has just, or is about to, become an exiting employer as defined in LGPS regulations and has a sufficient covenant not to place the fund under undue risk. When DWP consulted on the equivalent provisions for private sector schemes (referred to earlier) they considered the introduction of a test whereby employers could only be eligible

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[10] These are the employer debt arrangements made under S75 of the Pensions Act 1995. More information is available here: https://www.gov.uk/government/consultations/the-draft-occupational-pension-schemes-employer-debt-amendment-regulations-2017

for the equivalent of a deferred employer debt arrangement if they were already funded above a prescribed level. In line with the decision DWP took in relation to private sector DB schemes, we have considered and rejected the option of setting such a minimum level of funding. We believe that this will be a relevant factor in scheme managers' assessment of covenant and risk and therefore needs to be weighed alongside all the other evidence available.

iii) Termination of a deferred employer debt arrangement

In order to protect the fund, we would expect any deferred employer debt arrangement to set out in the following circumstances which would trigger termination, to be known as "relevant events":

- the employer has new active members;
- the employer and scheme manager both agree to terminate the agreement and an exit payment falls due;
- the scheme manager assesses that the covenant has significantly deteriorated and a relevant event occurs (insolvency, voluntary winding up, CVA);
- the employer restructures and the covenant value is significantly affected in the view of the scheme manager. Restructuring for these purposes occurs where the employer's corporate assets, liabilities or employees pass to another employer;
- the fund serves notice that the employer has failed to comply with any of its duties under LGPS regulations or other statutory provisions governing the operation of a pension fund.

iv) Responsibilities of the deferred employer

An employer in a deferred employer debt arrangement would still be an employer for scheme funding and scheme administration purposes. Funds will continue to carry out regular actuarial valuations to establish whether or not their funding position is on track according to the funding strategy they have adopted, and to put in place a recovery plan where any shortfalls are identified. Deferred employers will be required to make secondary contributions as part of this plan and this requirement will apply to any employer who has entered into a deferred debt arrangement.

We will expect administering authorities to adopt a robust policy to be set out in their Funding Strategy Statement, following consultation with employers and their Local Pension Board and having regard to any guidance issued by CIPFA or the Secretary of State. Our intention is to give funds some flexibility to use their judgement and local knowledge to reach suitable arrangements that balances the competing interests involved.

We would expect administering authorities to offer deferred employer debt arrangements when this is in the interests of the other fund employers and where there is not expected to be a significant weakening of the employer covenant within the coming 12 months.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

3.4 Proposed approach to implementation of deferred employer debt arrangements

We do not intend to legislate for every aspect of the model above. Our starting point is that the key obligations and entitlements of parties should be in the regulations. Statutory guidance can be helpful in putting more flesh on the bones and ensuring that there is consistency in application. On the assessment of risk and in balancing competing interests of scheme stakeholders we consider that the Scheme Advisory Board is better placed to offer real-world, credible guidance to funds. We would welcome views from consultees about the appropriate balance to be struck between legal requirements to be set out in regulations, statutory guidance issued under regulation 2(3A) of the 2013 Regulations, and guidance from the Scheme Advisory Board.

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

3.5 Summary of options for management of employer exits

Implementing the proposals above on exit payments would make the following set of options available to administering authorities when dealing with employer exits:

1. Calculate and recover an exit payment as currently for employers ready and able to leave and make a clean break;
2. Agree a repayment schedule for an exit payment with employers who wish to leave the scheme but need to be able to spread the payment;
3. Agree a deferred employer debt arrangement with an employer to enable them to continue paying deficit contributions without any active members where the scheme manager was confident that it would fully meet its obligations.

We expect that employers will want to see a level of transparency and consistency in the use which administering authorities make of this new power. We expect that that statutory or Scheme Advisory Board guidance will be necessary in addition to a change to regulations and welcome views on which type of guidance would be appropriate for which aspects of the proposals.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Exit credits under the LGPS Regulations 2013

4.1 Introduction of exit credits in May 2018

In April 2018, the Government made changes[11] to the LGPS Regulations 2013 allowing exit credits to be paid from the Scheme for the first time. Following the amendments, which were effective from 14 May 2018, where the last active member of a scheme employer leaves the LGPS, an exit credit may be payable if an actuarial assessment shows that the employer is in surplus on a full buy-out basis at the time of their exit. Prior to the changes, the 2013 Regulations had only provided that a scheme employer would be responsible for any shortfall and where such a shortfall occurred they would be responsible for paying an exit payment.

The amendments to allow exit credits to be paid from the Scheme were intended to address this imbalance. They also followed prior concerns that the lack of such a provision meant some scheme employers who were nearing their exit were reluctant to pre-fund their deficit out of concern that, if they contributed too much, they would not receive their excess contributions back. Accordingly, the government consulted on addressing this via the introduction of exit credits in May 2016[12], as part of a wider consultation exercise.

Feedback from the consultation exercise was broadly supportive of this change. Responses focussed on two technical issues:

- Some respondents suggested that our proposed timescales for payment of an exit credit were too tight (at one month).
- Some also suggested that we should include a clarifying provision noting that where an exit credit had been paid there could be no further claim on the fund.

Both concerns were addressed in the final regulations, which provided that funds would have three months to pay an exit credit and that no further payment could be made to a scheme employer from an administering authority after an exit credit had been paid.

4.2 Exit credits and pass-through

In the period since the 2013 Regulations were amended, some concerns have been raised about a consequential impact of the introduction of exit credits, specifically where a scheme employer has outsourced a service or function to a service provider. In such

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[11] S.I. 2018/493
[12] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

situations, scheme employers often use a ‘pass-through’ approach to limit the service provider’s exposure to pensions risk to obtain a better contract price. Where pass-through is used, service contracts, or side agreements to service contracts between LGPS employers and their service providers will often be used to set out the terms that apply.

It has been drawn to our attention that where LGPS employers entered into a contract with a service provider before the introduction of exit credits, the terms of the pass-through agreement may cause unforeseen issues to arise. This may occur where an employer has entered into a side agreement with a service provider which includes pass-through provisions, and under this side agreement, the authority has agreed to pay the service provider’s LGPS employer contributions for the life of the contract as well as meet any exit payment at the end of the contract. When the contract ceases, the service provider (as the scheme employer) may be significantly in surplus and entitled to an exit credit, even though the employer has borne the costs and the risk in relation to the service provider’s liabilities through the life of the contract.

This situation would clearly not have been what was intended when the contract was agreed. It would be unfair for a service provider to receive an exit credit in such a situation and it is our intention to make changes that would mean that service providers cannot receive the benefit of exit credits in such cases.

4.3 Proposal to amend LGPS Regulations 2013

We therefore propose to amend the 2013 Regulations to provide that an administering authority must take into account a scheme employer’s exposure to risk in calculating the value of an exit credit. There would be an obligation on the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to). If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

We also intend that such a change would be retrospective to the date that the LGPS Regulations 2013 were first amended to provide for the introduction of exit credits – i.e. to 14 May 2018. This would ensure that where a service provider has not borne pensions risk but has become entitled to an exit credit, they should not receive the benefit of that exit credit.

By making this change retrospective, the revised exit credit provisions would apply in relation to all scheme employers who exit the scheme on or after 14 May 2018.

In the event of any dispute or disagreement on the level of risk a service provider has borne, the appeals and adjudication provisions contained in the LGPS Regulations 2013 would apply.

It should also be noted that the government is consulting on the introduction of a new way for service providers to participate in the LGPS[13]. Use of the deemed employer approach,

[13] https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection

if introduced, would also prevent exit credits becoming payable to service providers where they have not borne contribution or funding risks.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Employers required to offer LGPS membership

5.1 Further education corporations, sixth form college corporations and higher education corporations

Under the LGPS Regulations 2013, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

In recent years, a number of changes have taken place in the further education and higher education sectors.

- In 2012, the Office for National Statistics took further education and sixth form college corporations in England out of the General Government sector, reflecting changes introduced by the Education Act 2011 which, in the view of the ONS, took public control away from such organisations.

- The Technical and Further Education Act 2017 provided for the introduction of a new statutory insolvency regime for further education and sixth form college corporations in England and Wales meaning, for the first time, it will be possible for such bodies to become legally insolvent. The Government expects cases of insolvency to be rare.

- The Higher Education and Research Act 2017 established a new regulatory framework and a new single regulator of higher education in England, the Office for Students (the OfS). The OfS adopts a proportionate, risk-based approach to regulating registered higher education providers consistent with its regulatory framework.

Reflecting the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations, these bodies are responsible for determining their own business models and for ensuring that their financial positions are sound. As such, these bodies may value greater flexibility in determining their own pension arrangements for their own workforces. Indeed, some respondents to the Department for Education consultation 'Insolvency regime for further education and sixth form colleges', held in 2017-18, requested that the obligation to offer LGPS to all eligible staff be removed.

The LGPS is, unlike many public service pension schemes, a "funded scheme". This means that employee and employer contributions are set aside for the payment of pensions and are invested to maximise returns. It is a statutory scheme, with liabilities potentially falling back on other LGPS employers in the event of an employer becoming insolvent. The costs associated with meeting the liabilities of a failed organisation could therefore fall back on local authorities and other scheme employers, meaning there may be a direct impact on the finances of public bodies in a particular area if an organisation fails.

Given the nature of the LGPS and the changes in the further education and higher education sectors, it is right to consider whether it is still appropriate for LGPS regulations to require that these employers offer the LGPS for all eligible staff.

We propose to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS.

Under our proposals each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible new employees. We recognise that corporations will continue to view offering LGPS as a valuable and important tool in recruitment and retention strategies, but the flexibility as to when to use the tool should be for the corporations themselves.

We also propose that those already in employment with a further education, sixth form college or a higher education corporation in England and who are eligible to be a member of the LGPS before the regulations come into force have a protected right to membership of the scheme. These employees would retain an entitlement to membership of the scheme for so long as they remain in continuous employment with the body employing them when the regulations come into force. These employees would also retain an entitlement to membership of the scheme following a compulsory transfer to a successor body, for example, following the merger of two corporations.

Further and higher education policy is devolved to the Welsh Government. Whilst some of the changes in the sectors highlighted here apply to bodies in Wales as well as in England, at the moment, the Welsh Government does not propose to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales. These bodies will continue to be required to offer membership of the LGPS to their non-teaching staff.

Question 18 – Do you agree with our proposed approach?

Public sector equality duty

6.1 Consideration of equalities impacts

The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.

Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS), and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making their decision on which, if any, new employees should be given access to the scheme.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

Summary of consultation questions

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Question 18 – Do you agree with our proposed approach?

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the complaints procedure.

Annex A

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. **The identity of the data controller and contact details of our Data Protection Officer**
The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data
Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data
The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty

3. With whom we will be sharing your personal data
We do not anticipate sharing personal data with any third party.

4. For how long we will keep your personal data, or criteria used to determine the retention period.
Your personal data will be held for two years from the closure of the consultation.

5. Your rights, e.g. access, rectification, erasure
The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you
b. to ask us to stop using your data, but keep it on record
c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

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Valuation Cycle and Employer Risk Consultation – London Borough of Haringey Draft Response July 2019

This is a response on behalf of the London Borough of Haringey (LBH), and the Haringey Pensions Committee and Board to the above consultation by the Ministry of Housing, Communities and Local Government (MHCLG) issued in May 2019. The questions from the consultation document are answered in turn.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

We are not convinced of the merits of moving the LGPS in line with other schemes, as it fundamentally differs due to being a funded scheme and having a localised governance structure. The consultation document has not clearly set out what the benefits will be for the LGPS of moving to a quadrennial cycle. The various public sector schemes are all extremely different in terms of overall design (e.g. benefits structure) owing to the differences in the populations of employees who participate in them, and feel that this in itself is a persuasive argument for dealing with each scheme in its own right and not pushing for absolute consistency in all matters.

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

One risk of moving to a quadrennial cycle is that funds decide 4 years is too infrequent to carry out valuations, and adopt a common practice of completing an interim valuation every 2 years, meaning that valuation exercises are carried out every other year rather than every third year. This could increase costs of such exercises (both in terms of professional fees and staff time) by up to 50% globally and across multiple years.

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Yes

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Yes

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Yes, this is a helpful flexibility to allow the scheme to have.

Question 6 - Do you agree with the safeguards proposed?

Generally these seem sensible, but we would like to have further information about the types of circumstances when the Secretary of State would intervene and request funds carry out interim valuations. We would also suggest that the proposal for funds to set out the conditions for an interim valuation in their funding strategy statement, or exceptionally apply for a direction from the Secretary of State to carry out an interim valuation is unnecessary, given that Funds have the discretion to amend their Funding Strategy Statements (following consultation).

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Yes, these are positive suggestions

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Yes

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

N/A

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Yes, we agree that this flexibility should be introduced, however, we feel that the suggestion of a 3 year maximum time limit for repayment may be insufficient to deal with the problem that exists here. We would suggest it may not be in the best interests of all parties to specify a maximum time limit, and leave this to local discretion where all factors can be weighed. We do not feel there is a risk of funds acting in an unduly lenient manner here.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Yes, in principle, however we would be concerned that some employers may attempt to exploit this using the new exit credits concept to exit to time their exit in such a way that benefits them (not least given that we understand exit credits are deemed to be non-taxable sums). Therefore the fund must have absolute discretion around when to allow deferred employer status.

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Yes

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Yes

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Yes

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

We would consider Scheme Advisory Board guidance helpful around this issue to govern options 2 & 3.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Yes, this is a critical amendment that is required, the proposed approach is sensible.

Question 17 – Are there other factors that should be taken into account in considering a solution?

N/A

Question 18 – Do you agree with our proposed approach?

While the regulatory background regarding further education, higher education and sixth form colleges is clearly extremely complex, the proposal to allow such employers to not participate in LGPS is concerning. There are a number of equality issues that this could raise: e.g. the difference in pension provision for teaching and non-teaching staff, the difference in pension provision for 'new' staff members compared to those with continuous service who remain within LGPS etc. For the LGPS as a whole, we would not see the prospect of allowing a large subset of employers to opt out of the scheme as a positive at all, this will exacerbate the maturity of the scheme, by reducing active contributors.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

N/A

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Agenda Item 12

Report for:	Pensions Committee and Board 11 July 2019
Title:	Local Government Pension Scheme Update from Independent Advisor
Report authorised by:	Jon Warlow, Director of Finance (S151 Officer)
Lead Officer:	Thomas Skeen, Head of Pensions, Treasury & Chief Accountant thomas.skeen@haringey.gov.uk 020 8489 1341
Ward(s) affected:	N/A
Report for Key/ Non Key Decision:	Non Key decision

1. Describe the issue under consideration

1.1. The purpose of the paper is to provide information to members of the Pensions Committee and Board regarding recent consultations and other governance activity within the Local Government Pension Scheme (LGPS).

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

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

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. None

6. Background information

6.1. See attached appendix.

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. There are no specific legal implications arising from this report.

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor's LGPS Update

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Appendix 1

JOHN RAISIN FINANCIAL SERVICES LIMITED

London Borough of Haringey Pension Fund

LGPS Update

A paper by the Independent Advisor
June 2019

Introduction

The purpose of this paper is to update the Pensions Committee and Board on developments in respect of a range of important issues in the Local Government Pension Scheme (LGPS). This paper does not seek to address every significant issue relevant to the LGPS but rather those which appear to be the most relevant to the Haringey Pensions Committee and Board at this time. In respect of the Scheme Advisory Board project – Good Governance in the LGPS Project, Investment Pooling, Investment Cost Transparency, the Pensions Regulator and the LGPS this paper updates information provided in the Independent Advisor's previous LGPS Update paper which was presented to the 21 January 2019 meeting of the Pensions Committee and Board.

The issues covered in this paper are:

- Scheme Advisory Board project – Good Governance in the LGPS Project
- Investment Pooling
- Investment Cost Transparency
- The Pensions Regulator and the LGPS
- The LGPS Cost Control process and advice issued on 14 May 2019 by the LGPS Scheme Advisory Board
- LGPS Consultation: Changes to the Local Valuation Cycle and the Management of Employer Risk

Scheme Advisory Board project – Good Governance in the LGPS

Hymans Robertson are now undertaking work to develop possible future options for the Governance of the LGPS. Following an initial fact-finding stage involving a sample of key stakeholders from across the LGPS Hymans Robertson have issued a survey to over 300 stakeholders on four Options in respect of possible Governance models.

Every single LGPS Fund in England and Wales (approaching 90 in total) will be invited to respond. A communication from Hymans Robertson to the Haringey Fund was forwarded to all Members of the Pensions Committee and Board by the Head of Pensions on 1 May 2019.

These four options are further developments of the two broad options of ***Separation within existing structures*** and ***Separation via new structures*** referred to in the report presented to the 21 January 2019 meeting of the Pensions Committee and Board.

The four Options which are now subject to consultation with stakeholders may be summarised as:

1. **Option 1 – Improved Practice:** Introduce guidance or amendments to the LGPS Regulations 2013 to enhance the existing LGPS Governance arrangements by making more explicit recommendations regarding the operation of local LGPS Funds. This might include Scheme Advisory Board (SAB) guidance on minimum expected levels of staffing and resourcing and representation on Pension Fund Committees together with amendments to the LGPS regulations to enhance the consultation in respect of the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS).

2. **Option 2 – Greater ring fencing of the LGPS within existing structures:** Greater separation of the Pension Fund management from the host authority. This would likely include a Pension Fund Budget set by the Pensions Committee and Board at the start of the year with reference to the Pension Fund's Business Plan and needs. Any changes to the budget would need to be approved by the Pensions Committee and Board. The Section 151 Officer could remain responsible for the pensions function but recommendations on the Pension Fund Budget would be made by a Pension Fund Officer to the Pensions Committee and Board. Provision for charges from the host authority such as legal support or HR would be in the Pension Fund Budget and not be simply recharged at the host authority's discretion. Under this model decisions over certain HR matters could potentially be taken by the Pensions Committee and Board.

3. **Option 3 – use of new structures: Joint Committee (JC):** The Scheme Manager function (Administering Authority role currently undertaken by the London Borough of Haringey) would be delegated to a Joint Committee. As London Borough LGPS Funds only consist of one major local authority a Joint Committee structure would only make sense in London if it comprised of a number of London Boroughs who presently each operate their own LGPS Fund.

4. **Option 4 – use of new structures: Combined Authority (CA):** Under this model an independent structure with the Scheme Manager function (equivalent to the Administering Authority responsibility) would be established and all Pension decision making would be made by this "Combined Authority (CA)." The CA would be a local authority in its own right and a separate legal entity but responsible only for LGPS matters. If this option were adopted in London it would only make sense if each CA took over the functions of a number of London Borough LGPS Funds. The CA would consist of Councillors from the Councils (in the case of London the London Boroughs) within the geographical area covered by the CA. Other Employer and Employee representatives may also be included in decision making. There is one example of a combined authority in the LGPS at present which is the South Yorkshire Pension Fund which covers the geographical areas of Barnsley, Doncaster, Rotherham and Sheffield Metropolitan Borough Councils.

The survey is to be supplemented by Hymans Robertson undertaking phone interviews, face to face meetings, workshops, conference sessions, webinars and conversations with professional bodies. The findings from all this activity will form the basis of a report to be presented to the Scheme Advisory Board in July 2019. There will then be further consideration, including of legal implications, before a final decision by the Scheme Advisory Board (SAB) which is expected in the Autumn. Any decision by SAB which requires a change to the LGPS Regulations or primary legislation (an Act of Parliament) would have to be referred for further consideration (including undertaking any necessary further consultation) to the Ministry of Housing, Communities and Local Government (MHCLG). Therefore, any significant changes to the governance of the LGPS arising from this project will not be implemented until 2020 at the very earliest.

<u>Investment (Asset) Pooling</u>

In January 2019 the Ministry for Housing, Communities and Local Government (MHCLG) issued a restricted Consultation on new Statutory Guidance in respect of Asset Pooling. The draft Statutory Guidance together with a six page paper by the Independent Advisor entitled *"Observations on the draft LGPS Statutory Guidance on Asset Pooling issued 3 January 2019"* formed part of the Agenda of the Pensions Committee and Board of 21 January 2019.

The Consultation closed on 28 March 2019. It is understood that an MHCLG representative informed the meeting of the LGPS Scheme Advisory Board held on 8 April 2019 that 93 responses had been received to the Consultation and that many of these were very detailed and would need very careful consideration.

It is also understood that amongst the issues raised in the Consultation responses were views that the Consultation had been carried out in a manner contrary to Cabinet Office Principles on Consultations and that some of the content of the draft Statutory Guidance was in reality a matter of Regulation rather than Statutory Guidance and therefore inappropriate for inclusion in the Consultation. At the date this LGPS Update paper was completed the MHCLG had not issued any further statement on the draft Statutory Guidance on Asset Pooling and the next stage in the development of the guidance framework for Asset Pooling was unknown.

Investment Cost Transparency

The LGPS Update provided to the 21 January 2019 Pensions Committee and Board included a detailed commentary on the development of Investment Cost Transparency in the LGPS. It also explained the work of the Institutional Disclosure Working Group (IDWG) and the Cost Transparency Initiative (CTI) to build on the work undertaken by the LGPS Scheme Advisory Board and to extend Investment Cost Transparency to the pensions industry in general.

On 21 May 2019 the CTI published three templates for Asset Managers to report standardised costs and charges information to pension schemes. These are **The User Summary** (which can be used by pension schemes, and their advisers, to provide a summary of key information), **The Main Account Template** (which covers the majority of assets and product types), **The Private Equity Sub Template** (a cost disclosure template to be completed by asset managers of closed-ended private equity funds which where appropriate may also be used in relation to private debt investments). The CTI have stated that the templates *"have gone through a very robust process of development and testing, including a pilot process with 20 participants – both asset managers and schemes."*

Also, on 21 May 2019 the LGPS Scheme Advisory Board issued a communication welcoming the release of the CTI templates and associated guidance. This communication included the statement that *"these templates will from today be adopted as an integral part of the Board's Code of Transparency. Existing Code signatories which number in excess of 110 will be encouraged to make use of the new templates as soon as possible but will have a transition period of up to 12 months to ensure they can adapt systems without interrupting the current flows of data. New signatories, including those property and private markets managers who can take advantage of the new templates will be expected to use them immediately."*

Clearly the issuing of the new templates by the CTI represents a further step in terms of openness, facilitating comparisons and scrutinising /constructively challenging Investment Managers charges. The new templates will enhance clarity of cost and value for not only the LGPS but other pension schemes too.

The Pensions Regulator and the LGPS

Section 17 and Schedule 4 of the Public Service Pensions Act 2013 extended the role of the Pensions Regulator (tPR) to include public service pension schemes including the Local Government Pension Scheme (LGPS) from 1 April 2015.

As explained in the LGPS Update presented to the Pensions Committee and Board on 21 January 2019 the approach of the Pensions Regulator to pensions administration in the LGPS had caused, on 28 November 2018, the Chair of the LGPS Scheme Advisory Board in England and Wales (SAB) to write a robust letter to the Chief Executive of the Pensions Regulator (tPR).

In response the Chief Executive of the tPR indicated that a senior member of her team would be available to attend the April 2019 meeting of the Scheme Advisory Board (SAB). Two senior representatives of tPR – including the Executive Director of Front Line Regulation - attended the meeting of the SAB held on 8 April 2019. At this meeting they made a presentation. An Update note on the SAB website states that the main points made by the tPR representatives included:

- tPR’s work with the LGPS was about supervision not enforcement
- High risk cohort work has been positive with no need for any improvement plans or enforcement action
- Some concerns about some Employers and Fund Authorities still using paper data inputs and records. Results will be published in June 2019 on an anonymised basis
- Results of last year’s Governance and Administration survey would be published in May 2019
- Code of Practice 14 is the first requirement that Scheme Managers (Administering Authorities) should have regard to but there are other codes and practice notes that also need to be taken on board

The response of the tPR as reported in the Update note of the SAB meeting held on 8 April 2019 seemingly indicates a genuine intention by tPR to work positively with the LGPS going forward.

The LGPS Cost Control process and advice issued on 14 May 2019 by the LGPS Scheme Advisory Board

The Public Service Pensions Act 2013 introduced into the major public service pension schemes, including the LGPS, a cost control mechanism to seek to ensure the cost of providing pensions is kept within a range of costs. The Cost control mechanism is primarily concerned with calculating the cost of providing benefits to Employees of each of the major public service pension schemes.

For the LGPS in England and Wales there are two cost control mechanisms:

- The employer cost cap (ECC) process as operated by HM Treasury
- The future service cost (FSC) process as operated by the LGPS Scheme Advisory Board (SAB).

Either process can result in changes to the Scheme design and/or Employee contribution rates if the costs of the LGPS move sufficiently from a “target cost.”

A review of the 2016 LGPS Actuarial Valuation results (on a national basis) was undertaken by the Government Actuary Department (GAD) which determined that the costs of the LGPS had fallen below the future service “target cost” of 19.5%. Therefore, SAB proposed a series of improvements to the Scheme to bring costs back within the target cost. On the 21 December 2018 SAB issued a statement to LGPS stakeholders setting out the cost cap process, proposed SAB package of changes to the Scheme, and the recommendations to MHCLG Ministers to bring costs back within the “target cost.” The proposed improvements were due to be implemented from 1 April 2019 and included:

- Minimum Death-in-Service lump sum of £75,000 per member (not Employment)
- Revised member contribution rates and bandings, which take account of varying tax relief
- A 2.75% contribution rate for salaries between £0 and £12,850
- An expansion of Band 2, to cover salaries between £12,851 and £22,500, and a contribution rate reduction from 5.8% to 4.4%
- An expansion of the 6.8% contribution band from £45,200 to £53,500

On 30 January 2019, however, the Government announced a pause in the implementation of the cost cap process across public service pension schemes. The reason for this is that in December 2018 the Government had lost two cases in the Court of Appeal (the McCloud case relating to the Judicial Pension Scheme and the Sargeant case relating to the Firefighter’s Pension Scheme)

Which potentially have a direct impact on the cost of all public service pension schemes. On 7 February 2019 the SAB received confirmation that the cost cap pause and the uncertainty caused by the McCloud and Sargeant cases announced by the Government on 30 January 2019 applies equally to the LGPS as to the unfunded public service pension schemes. Given that confirmation the SAB considered it had no option but to pause the SAB LGPS cost management process pending the outcome of the McCloud and Sargeant cases.

This challenge which is referred to collectively as the 'McCloud Case' concerns the transitional protections given to members of the Judges' and Firefighter's Pension Schemes when their pension schemes were revised consequent to the Public Service Pensions Act 2013. On 20 December 2018, the Court of Appeal found that these protections were unlawful on the grounds of age discrimination. The Government has applied to the Supreme Court for permission to appeal the decision.

If the protections are ultimately deemed to be unlawful, those members who have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be 'upwards' - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced. Protections were applied to all members within 10 years of retirement in all public service schemes.

Despite the actual court proceedings relating specifically to the Judges' and Firefighter's Schemes it is believed that the outcome will apply to all public service schemes. Given that if the decision of the Court of Appeal in the 'McCloud Case' is confirmed this will increase the cost of providing public service pension schemes, including the LGPS, is it therefore absolutely logical that the implementation of any amendments to public service pension schemes, including the LGPS, proposed under the cost control mechanisms be put on hold.

The timing and outcome of the "McCloud case" is presently unknown but will have an effect on the liabilities, and therefore the cost, of the LGPS. As each individual LGPS Fund is currently undergoing a full Actuarial Valuation the LGPS Scheme Advisory Board (SAB) issued advice (On 14 May 2019) under Regulation 110(3) of the Local Government Pension Scheme Regulations 2013 entitled "***Guidance for the 2019 Valuation in respect of cost cap process and the McCloud and Sargeant age discrimination case (McCloud)."*** With regard to the approach LGPS Funds should take to the 2019 Actuarial Valuation the SAB Guidance includes the following:

Given the unknown nature in the scale and timing of any impact on liabilities as a result of Cost Cap and McCloud the following approach to the 2019 valuation is advised; That –

I. *If there is no finalised outcome on Cost cap/McCloud (in the form of a formal notification by MHCLG to administering authorities including a commitment by government to detailed benefit changes) by 31st August 2019 then the scheme benefit design used in the valuation should be as set out in current regulations.*

II. *In setting employer contributions for 2020 each administering authority should, with their Actuary, consider how they approach (and reflect in their Funding Strategy Statement) the risk and potential extra costs around this matter in the same way as they would for other financial, employer and demographic risks. This should be to allow employers to be aware of and make provision for the potential cost even though any additional contributions may not commence until after the outcome is known.*

III. *Once the outcome of Cost cap/McCloud is known and appropriate benefit changes are made, administering authorities should re-visit employer contributions under such statutory guidance or provision in regulation as may be available at that time….*

IV. *At present the impact on exit payments and credits is unknown. Therefore, authorities should take account of regulatory requirements, FSS provisions and discuss the approach to be taken with their actuaries….*

V. *In order to provide some assistance for authorities in assessing the potential impact of McCloud the SAB have commissioned GAD to estimate both an overall scheme McCloud cost and a 'worst case' McCloud scenario on a range of pay assumptions. These figures will be published on the SAB website as soon they become available.*

It is very helpful that the SAB has issued advice/guidance to LGPS Funds with respect to the 2019 Actuarial Valuation given the present uncertainty arising from the "McCloud case." Once the final judgement in this case is confirmed the implications will need to be considered by the Treasury and LGPS SAB in the context of the LGPS and any resultant amendments to the Scheme determined and put into effect.

LGPS Consultation: Changes to the Local Valuation Cycle and the Management of Employer Risk

On 8 May 2019 the MHCLG issued a Consultation entitled ***"Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk"*** This Consultation remains open until 31 July 2019. Proposals in the consultation include:

- To change the local Fund Valuation cycle of the LGPS from the existing three year (triennial) cycle to a four year (quadrennial) one with effect from 2024 – so as to align future LGPS Valuations at both local level and nationally (for Cost Control process purposes) with the Valuation timetable for other public service pension schemes.

- That the 2019 local Fund Valuations result in Employer Contribution rates for three years (1 April 2020 to 31 March 2023) and a further local Fund Valuation be undertaken in 2022 resulting in Employer Contribution Rates for two years (1 April 2023 to 31 March 2025). Thereafter LGPS Valuations would take place in 2024 and every four years afterwards. The 2024 Valuation would result in Employer Contribution Rates for 1 April 2025 to 31 March 2029.

- The introduction of a power for LGPS funds to undertake interim valuations of a full or partial nature – this recognises the fact that the introduction of a longer valuation period of four years increases the scope for changes in assets and liabilities between valuations with a consequent potential increase in risks for LGPS Funds and their Employers.

- A widening of the power that allows LGPS Funds (Administering Authorities) to amend an Employer's Contribution Rate in between valuations – this is a recognition that the introduction of a four yearly Actuarial Valuation timetable provides, in the words of the Consultation *"fewer opportunities to respond to changes in the financial health of scheme employers"*

- To allow LGPS Funds (Administering Authorities) to permit Employers which are ceasing to employ any active members and are exiting the LGPS the flexibility to spread exit payments over a period, where this would be in the interests of the LGPS Fund and other Employers as well as the Employer in question.

- Introducing a 'deferred employer' status that would allow LGPS Funds to defer the triggering of an exit payment for certain Employers who are ceasing to employ any active members and who are considered to have a sufficiently strong covenant and make an ongoing commitment to meet their existing liabilities through a deferred employer debt arrangement. This commitment is intended to protect the LGPS Fund and other Employers. The Consultation suggests that *"this will be of particular help to smaller employers (such as charities) in managing their obligation to make an exit payment when they cease to employ an active member of the scheme"*

- A review of the arrangements for paying exit credits in cases where risk sharing provisions exist within the contractual agreements with an Employer.

- Removing the requirement for Further Education Corporations, Sixth Form College Corporations and Higher Education Corporations in England to offer membership of the LGPS to their non-teaching staff for new Employees.

The above is a brief summary of some of the proposals within this Consultation. Given the importance and likely effects of the changes proposed in this document a draft response to the Consultation is included as a separate Agenda Item for the 11 July 2019 meeting of the Pensions Committee and Board.

Conclusion

This paper has sought to inform and update the Pensions Committee and Board on a number of important issues affecting the LGPS and with which it is desirable that the Members of the Committee and Board are appropriately conversant.

John Raisin

24 June 2019

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

Agenda Item 13

Report for: Pensions Committee and Board 11 July 2019

Title: Forward Plan

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

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

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

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

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. None

6. Background information

6.1. It is best practice for a Pension Fund to maintain a work plan. This plan sets out the key activities anticipated in the coming twelve months in the areas of governance, members/employers, investments and accounting. The Committee and Board is invited to consider whether it wishes to amend future agenda items as set out in the work plan.

6.2. Members will recall that the governance review recommended that the Committee should be provided with an update on member training. This information is provided in Appendix 3 of the report.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

Finance and Procurement

8.1. There are no financial implications arising from this report.

Legal Services Comments

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

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Forward Plan
9.2. Appendix 2: Training Plan.
9.3. Appendix 3: Update on TPR Public Service Toolkit/Training Needs Analysis

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Haringey LONDON

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

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

11 July 2019	19 September 2019	19 November 2019	20 January 2020	5 March 2020
MHCLG Consultation - Valuation Cycle and Employer Risk			Fund Administration Strategy Review (if necessary)	Investment Consultancy Services Contract
Update from the Independent Advisor				
London CIV Pension Arrangements				
Investments				
Emerging Market Low Carbon Investments	Equitable Life AVCs			
Funding and Valuation				
	2019 Valuation Assumptions proposal, and initial results	2019 Valuation Draft results (including Council's results)	2019 Valuation Final Sign off	External Audit for Pension Fund Accounts - Planning
		Funding Strategy Statement Draft version Following 2019 Valuation	Funding Strategy Statement Final Version Following Results of 2019 Valuation	
		Ill Health Liability Insurance Contract		
Training				
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Pantheon Private Equity Investments	Tbc	Tbc	Tbc	Tbc

TRAINING PROGRAMME **APPENDIX 2**

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
04-Sep-19	LDI and Cashflow Training	Legal and General Investment Management	Free	London*	N/A
https://www.events-lgim.com/lgim/frontend/reg/tOtherPage.csp?pageID=87062&eventID=305					
08-Oct-19	A Refresher on DB & DC Pension Investments & Trends	Legal and General Investment Management	Free	London*	N/A
https://www.events-lgim.com/lgim/frontend/reg/tOtherPage.csp?pageID=87062&eventID=305					
20-Nov-19	LDI and Cashflow Training	Legal and General Investment Management	Free	London*	N/A
https://www.events-lgim.com/lgim/frontend/reg/tOtherPage.csp?pageID=87062&eventID=305					
3rd October, 5th November. 6th December 2019 (3 day course)	Local Government Pension Scheme (LGPS) Fundamentals Training	Local Government Association	£260 per delegate per day or £780 for all 3 days	London*	N/A
https://www.dgpublishing.com/lapf-strategic-investment-forum/request-a-delegate-place/					
*(other locations available different dates)					

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

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

Tel No: 020 8489 1341

Emal: thomas.skeen@haringey.gov.uk

APPENDIX 3

Pension Committee and Board member's Name	Public Sector Toolkit (Online)	Training Needs Analysis
Cllr Matthew White (Chair)	×	✓
Cllr John Bevan (Vice Chair)	✓	✓
Cllr Viv Ross	✓	✓
Cllr (Dr) James Chiriyankandath		
Cllr Paul Dennison	✓	✓
Cllr Noah Tucker		
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

Agenda Item 14

Report for: Pensions Committee and Board 11 July 2019

Title: Risk Register - Review/Update

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

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

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee note the risk register.

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

4. Reason for Decision

4.1. None

5. Other options considered

5.1. None

6. Background information

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

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

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

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

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

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

Legal

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

Equalities

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

9. Use of Appendices

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

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Risk 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.	4

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

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	5
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	10
LEGISLATION			
18	LEG1	Failure to adhere to LGPS legislation (including regulations, order from the Secretary of State and any updates from The Pension Regulator) leading to financial or reputational damage	5
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	5
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	8

Risk No	Cat Ref	Risk	Risk Ranking
COMMUNICATION			
52	COM1	Members don't make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	12
53	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	6
54	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	12
55	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	9
56	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	8
57	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	12

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
21	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities	16
21	LEG5	Risk of legislation change post Brexit having negative impact on the fund	12
ACCOUNTING			
23	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	5
24	ACC2	Internal controls are not in place to protect against fruad/ mismanagement.	5
25	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
26	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
27	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
28	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	5
29	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	8
30	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	12

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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
67	FLI10	Processes not in place to capture or review covenant of individual employers.	8
68	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	5

Risk No	Cat Ref	Risk	Risk Ranking
		ADMINISTRATION	
31	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	10
32	ADM2	Pension structure is inappropriate to deliver a first class service	5
33	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	12
34	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	5
35	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	8
36	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	8
37	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	8
38	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	10
39	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	5

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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
40	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	10

Risk No	Cat Ref	Risk	Risk Ranking

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
31	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	Ensure staff are adequately trained. Appropriate checking processes. Professional advice. Close working with other Funds. Policies kept up to date and discussed at PCF.	5	2	10	PCB; HoCF; HoP; PAM	Ongoing
32	ADM2	Pension structure is inappropriate to deliver a first class service	New structure implemented from October 2016. Officers feel the new structure is functioning well, and that having all pensions staff in one team rather than split between HR and Finance is beneficial. The objectives of the pensions teams are being met.	5	1	5	HoP; PAM	Ongoing

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
33	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	Training programme for staff including CPD qualification in some places. Regular briefings and updates on LGPS changes from CIPFA and other training providers. Staff in pensions administration and investments/accounting attend events, conferences and training sessions. The Head of Pensions, and Senior Pensions Accountants are both CCAB qualified accountants who complete annual CPD requirements.	4	3	12	DoF; HoP	Ongoing
34	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	Pensioner administration system Altair is subject to daily software backups and off-site duplication of records. The business recovery plan once implemented allows the pension administration system to be run from an alternative site.	5	1	5	PAM	Ongoing

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
35	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	The pension administration system, Altair, allows for all pensioner benefits to be automatically calculated by the administration system. Pension benefits payments are double checked by another team member before payments released. They are also checked by the Pensions Manger and Head of Pensions or S151 Officer before payments are authorised on SAP.	4	2	8	PAM	Ongoing
36	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	Pensioner payroll system is subject to daily software backups and off-site duplication of records. The business recovery plan once implemented allows the pension administration system to be run from an alternative site.	4	2	8	PAM	Ongoing
37	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	The Fund has an Internal Dispute Resolution Policy (IDRP) which has been approved by the Committee. This was last approved in March 2019. In attempting to resolve any complaints by members, the IDRP will guide officers to ensure that due process is applied through out the process.	4	2	8	PCB; HoP; PAM	Ongoing

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
38	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	The Council's data protection policy is issued to and signed by all staff. The Council has in place a system that ensures pension fund data is sufficiently protected. Staff trained in data protection and regularly reminded of its importance.	5	2	10	HoP; PAM	Ongoing
39	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	Robust accounting checks and adherence with best practice including undertaking regular reconciliation of payments undertaken or received into the Fund.	5	1	5	HoP	Ongoing

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

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK									
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
52	COM1	Members don’t make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	Communication Strategy in place that outlines the most appropriate mode of communication and how the Fund will communicate with all stakeholders including its members and employers. Member provided with explanatory notes and guidance to enable them to make informed decision and given access to further pension support.	4	3	12	PAM; HoP	Ongoing
53	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	Members and Employers are provided with explanatory notes, factsheets, access to a pension help desk and a dedicated Communications Team. In addition the Fund's website provides a one stop shop for information about the Scheme and benefits.	3	2	6	PAM; HoP	Ongoing
54	COM3	Employer doesn’t understand or carry out their legal responsibilities under relevant legislation.	Ensure information communicated to Employers is clear and relevant by using simple understandable wording. Where available use standard template/information from the LGA.	4	3	12	PAM; HoP	Ongoing

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
55	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	Ensure all communication and literature is up to date and relevant and reflects the latest position within the pensions environment including LGPS regulations and other relevant overriding legislation.	3	3	9	PAM; HoP	Ongoing
56	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	Provide training to employers that is specific to their roles and responsibilities in the LGPS. Employer access to a portal with regular updates in line with legislation. The Pensions Manager and other staff carry out site visits to employers as necessary to provide information and training to them.	4	2	8	PAM; HoP	Ongoing
57	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	All forms available on our website and Employer has access to specialist support from Fund Officers.	4	3	12	PAM; HoP	Ongoing

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

3	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities	There are currently judicial reviews in the Judges and Firefighters pension schemes, which will potentially impact on all public sector schemes, and could potentially impact on the new career average benefits frameworks put in place in 2014 in LGPS. Officers will remain abreast of this situation and keep members informed.	4	4	16	CFO; HoP; PAM	Ongoing
51	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	The Fund is a founding member of London CIV and actively engages with them. The CIV is undertaking a Governance review which has yet to be implemented in full, so it is unclear exactly how Haringey members and officers will be represented within the CIV's new governance structures. The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools due to the inefficiencies involved. Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been generally positive. Haringey has benefited from fee savings, and has a number of investments that are either via the CIV or under the CIV's oversight.	5	3	15	HoP	Ongoing

Report for: Pensions Committee and Board 11 July 2019

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, Treasury & Chief Accountant
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The 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.

Company	Description	LAPFF Recommendation For/Oppose	LGIM Vote For/Oppose	AGM Vote outcome
HSBC	Pension Scheme Clawback	For	Oppose	Oppose (96%)
Ford	Dislosure of lobbying activity and expenditure	For	For	Oppose (83.61%)
Rio Tinto	Amend Constitution and transition planning disclosure	For/Abstain	Oppose (both)	Oppose (both) (97.64% & 96%)
Motorola	Independent Director with human rights experience and lobbying disclosure	For/For	Oppose/For	Oppose (91.78%) Oppose (63.93%)
Twitter	Report on content enforcement policies	For	For	Oppose (55.27%)
BP	Resolution on climate change disclosures	For	For	For (99.14%)
GM	Report on lobbying communications and activities	For	For	Oppose (70.7%)
Amazon	Various	For/Abstain	In line with recommendation for 8/12 motions	Various
Facebook	Content Governance Report	For	Oppose	Oppose (94.30%)

7. Contribution to Strategic Outcomes

7.1. None.

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

<u>Finance and Procurement</u>

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8.1. There are no further finance or procurement comments arising from this report.

Legal

8.2. The Assistant Director of Governance was consulted on the content of this report. There are no legal issues directly arising from this report.

Equalities

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

9. Use of Appendices

9.1. None

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Report for: Pensions Committee and Board 11 July 2019

Title: London Collective Investment Vehicle (CIV) – Pensions Recharge and Guarantee and Service Level Agreement (SLA)

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The purpose of the paper is to provide information to update members of the Pensions Committee and Board regarding the London CIV's pensions recharge and guarantee agreements, and the recently issued Service Level Agreement.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

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

3.2. The Committee and Board approve both the pensions recharge and guarantee agreements attached at Appendices 2 & 3 and for these documents to be entered into, and give delegated authority to the Section 151 officer to approve any subsequent minor amendments to these two documents.

3.3. The Committee and Board approve the draft SLA to be entered into with the London CIV attached at Appendix 6 and give delegated authority to the section 151 Officer to agree the final SLA .

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4. Reason for Decision

Guarantee

4.1. In order for the London CIV to be admitted to the City of London Pension Fund, the City requires some kind of indemnification, against future pension liabilities. When a new scheme employer body is admitted to an LGPS fund generally, it is normal for the fund to look to get a form of indemnification against the new scheme employer becoming insolvent or failing to pay across the employer contributions it should. This is usually done via a guarantee, or the new scheme employer producing a bond (essentially an insurance policy). Should an employer default, the fund can then call upon the bond (or guarantee) to make good any unpaid contributions or deficits due to it. A bond comes at a cost, which is then a revenue cost to the new employer. Initial work completed by the CIV has indicated that this kind of arrangement will not be economical or in either the CIV or boroughs best interests.

4.2. The CIV's revenue resources essentially originate from the London Borough pension funds, who pay fees to the CIV for managing assets, or development financing charges for the CIV's initial years of operation. If the City of London asked the CIV to provide a bond, the CIV would then have to set aside additional revenue resource (funded by the borough funds) to finance this bond.

4.3. At the time of the London CIV's set up, the issue of whether to offer LGPS pensions to CIV staff at all was debated. It was decided that it would be inappropriate for a quasi governmental organisation which has been set up for the LGPS to not offer LGPS pensions to its own staff. It was also anticipated at the time, that many of the staff members who would work for the CIV would come from LGPS funds, hence continuing to offer LGPS pensions would be a key factor in attracting staff.

4.4. The draft guarantee is set out at confidential appendix 2, alongside the CIV's remuneration policy and LGPS discretions policies at confidential appendices 4 &5, and a question and answer at Confidential Appendix 1 which provides further information about both the guarantee and recharge.

Recharging Agreement

4.5. The CIV has to abide by FCA regulations about the value of capital it holds on its balance sheet relative to liabilities, i.e. if their pensions deficit increases, the CIV will have to hold additional assets to be FCA compliant. In practice, were this to occur, the CIV would have to essentially charge the boroughs additional fees to generate this capital so that they could hold additional assets to offset the pension liability.

4.6. Executing the recharging agreement allows the CIV to recognise an asset on their balance sheet for accounting purposes of equal and opposite magnitude to their pension liability (if one should exist), at any point in time,

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thus negating the requirement for them to hold any additional capital to offset their pensions liability.

4.7. The draft recharging agreement is set out at confidential appendix 3.

Service Level Agreement (SLA)

4.8. The CIV has provided a draft SLA to London Boroughs, to formalise the interactions between boroughs and the CIV, as a provider of services to Boroughs. It sets out various details of how the CIV and Boroughs will interact. The draft SLA is set out at Confidential Appendix 6.

5. Other options considered

5.1. None

6. Background information

Guarantee

6.1. The Government has made asset pooling mandatory for all Local Government Pension Schemes, and eight ‘pools’ have been set up nationally for this purpose with all LGPS Funds belonging to one pool. The London Collective Investment Vehicle (CIV) is the pool for the 31 London Funds and the City of London, (formerly 32 funds prior to the Richmond and Wandsworth fund merger).

6.2. When the London CIV was formed by the London Boroughs, offering LGPS pension rights to CIV staff was felt to be appropriate given that the CIV is quasi governmental and is set up for the purpose of investing LGPS assets. It was also felt to be a significant recruitment tool which might attract current LGPS officers to consider working for the CIV. In order to provide LGPS pensions, the CIV had to become an admitted body to one of the Funds – this was done with the City of London Fund. The boroughs agreed to jointly act as guarantors to the City of London Fund, so that any future liabilities would be shared jointly and equally between the funds.

6.3. The guarantee agreement has been drafted so that, in the event that London CIV’s admission agreement with the Fund terminates (or if it otherwise ceases to have any active members left in the Fund) and the company fails to pay any exit payment due under Regulation 64(2) of the LGPS 2013 Regulations, each of the Shareholders will, on a several basis, pay their ‘proportionate share’ of the unpaid exit payment. The proportionate share is based on the number of shareholder authorities listed in the schedule to the agreement and based on the current number of shareholders is 1/32nd each. This reflects the transfer of Richmond’s shares in London CIV to Wandsworth pursuant to The Local Government Pension Scheme (Wandsworth and Richmond Fund) Regulations 2016 (SI 2016/1241).

Recharge Agreement

6.4. The recharge agreement provides a mechanism for the shareholders to reimburse London CIV (not the Fund) for the pension costs the company has to pay to the Fund, including its regular monthly employer contributions due under its rates and adjustment certificate, any one-off contributions such as strain costs payable on redundancy or ill health early retirement and any exit payment arising on termination of the admission agreement (or if London CIV otherwise ceases to have any active members left in the Fund).

6.5. The purpose of this agreement is to create an 'asset' on the company's balance sheet which can be used to counter any balance sheet liability representing any deficit in the Fund (as calculated on an accounting basis) resulting from the company's participation in the Fund as an admission body.

6.6. London CIV's annual financial statements are prepared in accordance with Financial Reporting Standard 102. In applying the general recognition principle in paragraph 28.3 of the Standard to defined benefit pension plans such as the LGPS, London CIV has to recognise a liability for its obligations in the Fund net of its share of Fund assets. For this purpose, liabilities are calculated on a different actuarial basis to the basis actually used by the Fund's actuary to carry out Fund valuations. This calculation may result in a deficit liability on London CIV's balance sheet. This could in turn affect level of regulatory capital that the company needs to hold to satisfy the FCA.

6.7. However, under paragraph 28.28 of Financial Reporting Standard 102, if London CIV is virtually certain that another party or parties will reimburse some or all of the expenditure required to settle a defined benefit obligation then the company can recognise its right to that reimbursement as a separate asset in its annual financial statements and shall treat that asset in the same way as its share of the Fund assets. The recharge agreement is intended to act as such an asset.

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 immediate financial implications arising from this report. Haringey, along with all other London Boroughs and the City of London, is an equal shareholder in the London CIV, the recharging and guarantees formalise the existing pensions arrangements with the London CIV. The costs associated with the operation and management of the London CIV, are all legitimate pension costs which should be included within the costs of operation of Haringey Pension Fund.

Legal Services Comments

8.2. The Council as administering authority for the Fund is a member of the London LGPS CIV Limited ("CIV"). The CIV is entering into an Admission Agreement with the Administering Authority (the City of London Corporation). The Recharge Agreement will create a legal obligation on the Council to reimburse the CIV a proportion of its pension costs paid to the Administering Authority (the City of London Corporation). In addition, the Council will also be providing a guarantee to the Administering Authority in respect of any deficits in the fund should the CIV default from its obligations under the Admission Agreement.

8.3. The Service Level Agreement will be entered into between the CIV and each of its members. This agreement sets out the framework by which the CIV will deliver its services to the members, including quality standards, in order that the members can deliver their pooling plans.

Equalities

8.4. None applicable.

9. Use of Appendices

9.1. Confidential Appendix 1: Recharge and Guarantee Q&A
9.2. Confidential Appendix 2: DRAFT Guarantee
9.3. Confidential Appendix 3: DRAFT Recharge
9.4. Confidential Appendix 4: LCIV Discretionary policies
9.5. Confidential Appendix 5: Remuneration Policy
9.6. Confidential Appendix 6: LCIV DRAFT Service Level Agreement

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Haringey LONDON

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