

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Thursday, 19th September, 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 15 below).

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

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

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

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

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

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

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

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

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

5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Assistant Director of Corporate Governance and Monitoring Officer

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

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

6. MINUTES (PAGES 1 - 10)

To agree the minutes of the Pensions Committee and Board meeting held on the 11th July 2019.

7. PENSIONS ADMINISTRATION REPORT (PAGES 11 - 14)

This report gives a breakdown of the amount of visits made to the Haringey pension fund website, presents details of a new admission to the pension fund, and provides the issue of Annual Benefit Statements.

8. 2019 PENSION FUND VALUATION (PAGES 15 - 18)

This report provides information to members of the Pensions Committee and Board (PCB) regarding the 2019 fund valuation, which is currently underway, and which will be a recurring item for a number of future committee meetings.

9. EQUITABLE LIFE ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) SCHEME (PAGES 19 - 22)

This report provides information to members of the Pensions Committee and Board regarding the recent proposals regarding the historic Equitable Life AVC investments that a small number of members of the Haringey Fund hold.

10. LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE UPDATE FROM INDEPENDENT ADVISOR (PAGES 23 - 30)

This report provides information to members of the Pensions Committee and Board regarding the recent 'Good Governance' consultation within the Local Government Pension Scheme (LGPS).

11. FORWARD PLAN (PAGES 31 - 36)

This report identifies topics that will come to the attention of the Committee and Board in the next twelve months and to seek Members input into future agendas. Suggestions on future training are also requested.

12. RISK REGISTER (PAGES 37 - 54)

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

13. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 55 - 58)

This report provides an update on voting activities on behalf of the Fund. 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.

14. PENSION FUND QUARTERLY UPDATE (PAGES 59 - 68)

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

- Funding Level Update
- Investment asset allocation
- Independent Advisor's Market Commentary
- Investment Performance
- Investment review for CQS: one of the Fund's London CIV managers

15. NEW ITEMS OF URGENT BUSINESS

To consider any items admitted at Item 3 above.

16. EXCLUSION OF THE PRESS AND PUBLIC

To resolve

That the press and public be excluded from the meeting for consideration of item 17, 18, 19 and 20 as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

17. PRIVATE OFFICER REPORT: LONDON CIV PENSION ARRANGEMENTS (PAGES 69 - 110)

NOT FOR PUBLICATION by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

18. 2019 PENSION FUND VALUATION (PAGES 111 - 208)

As per item 8.

19. EQUITABLE LIFE ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) SCHEME (PAGES 209 - 222)

As per item 9.

20. PENSION FUND QUARTERLY UPDATE (PAGES 223 - 264)

As per item 14.

21. EXEMPT MINUTES (PAGES 265 - 266)

To agree the exempt minutes of the Pensions Committee and Board meeting held on the 11th July 2019.

Glenn Barnfield, Principal Committee Co-ordinator

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Bernie Ryan

Assistant Director – Corporate Governance and Monitoring Officer

River Park House, 225 High Road, Wood Green, N22 8HQ

Wednesday, 11 September 2019

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PUBLIC MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON THURSDAY, 11TH JULY, 2019, 19:00-21:00

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

267. 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.

268. APOLOGIES FOR ABSENCE

There were no apologies for absence.

269. URGENT BUSINESS

There were no items of urgent business.

270. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

No declarations of interest were made.

271. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Bevan, Cllr Ross, Cllr Dennison, Cllr Chiriyankandath, Cllr Tucker, Keith Brown, Ishmael Owarish, and Randy Plowright attended a training session delivered by Pantheon – 11/07/2019.

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

Cllr Bevan

- AON pension conference, 02/04
- Global Private Equity Seminar, 03/04
- Fixed Income ESG Workshop, 04/04
- SPS Fiduciary Management & investment Governance, 10/04
- SPS / ESG & Sustainable Investment Strategies for Pension Funds, 09/05
- FTSE Russell Accessing Kuwaiti equities, 10/05
- Stoxx innovate2invest, 21/05
- Hymans Good Governance Project briefing, 29/05

- SPS Infrastructure & Real Assets Investment Strategies, 18/06

272. MINUTES

Resolved

That the minutes of the meeting held on the 14th March 2019 be approved as a correct record of the meeting.

273. EMERGING MARKET EQUITY

The Head of Pensions introduced this report which updated the Pensions Committee and Board (PCB) on the implementation of investment in a low carbon option for the Fund's emerging market equity portfolio, which was discussed by the PCB at its last meeting in March 2019.

The PCB noted the Fund had an overall 6.66% allocation to emerging market equity. The value of those holdings was £99.6m as at 31st March 2019. They had been held in the same emerging markets indexed fund with Legal and General since 2013/14. The report set out the proposed strategy change.

In response to questions on the public report, the following was noted:

- The proposed strategy change would result in approximately a 30% reduction in the Fund's overall carbon footprint.
- The proposal was for the PCB to agree to switch its entire emerging market equity holdings into a low carbon index linked fund, to be managed by Legal and General.
- Mercer, the Fund's Investment Consultant (represented by Steve Turner), noted the carbon footprint and exposure from the Fund's equity portfolio would be 50% of the traditional benchmark cap exposure.

(The PCB next considered the exempt appendices to this report in private, as per item 285. 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.)

The Chair thanked members of the public for their attendance and confirmed that the PCB had decided to switch its emerging market equity holdings into a low carbon index linked fund, thereby decreasing its overall carbon footprint.

RESOLVED

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

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.

274. 2018/19 PENSION FUND ACCOUNTS AND ANNUAL REPORT

The Head of Pensions introduced this report which presented the Pension Fund Annual Report and audited Accounts for 2018/19 for the PCB's approval. The annual audit report from the Fund's external auditor BDO was also presented.

The PCB was informed Appendix 1 - *Haringey Pension Fund Draft Audit Completion Report*, had been sent as a late item due to not being ready for circulation at the publication stage.

The Head of Pensions took the PCB through the *Annual Pension Fund Report and Accounts for the year ended 31 March 2019* (at pages 19 – 62). It was highlighted to the PCB that investments had performed better than at the previous evaluation.

Following discussion, it was noted:

- Responding to a query over membership growth declining, Officers informed that the Fund lost 600 members when College of Haringey, Enfield and North East London left the Fund. Officers assured the PCB that there was an upward trend for membership of the Fund despite this.
- Regarding the McCloud ruling, Officers informed that the Section 151 Officer and Chair had delegated authority to make any changes required to the account to ensure the statutory deadline was met.
- Officers informed that CQS was the one Fund manager not a signatory to the 'United Nations Principles for Responsible Investment' initiative. Officers confirmed they would follow this up with CQS (**Action: Head of Pensions**).
- A member queried whether the verbal agreement between the Chief Whips of the Labour Party and Liberal Democrats to ensure consistency in membership should be included in the Annual Report. Officers responded that this would not usually be a matter included in the Annual Report; to which the PCB agreed. Officers noted committee turnover was being monitored on the risk register.
- Responding to inaccuracies identified between the tables on pages 38 and 40, Officers confirmed errors on page 40 would be amended.

The PCB were next taken through the Audit report by BDO (represented by Leigh Lloyd-Thomas). It was highlighted that:

- The audit was positive but the final figure on how much the Fund's liabilities were over the McCloud case had yet been finalised.
- BDO estimated that the impact on GMP equalization would increase the scheme liabilities by £6.2 million and this had not been included in the scheme liabilities disclosure.
- BDO were content with all the assumptions made.
- Female mortality for the Fund's active and deferred members was lower than expected based on national data.

RESOLVED

1. That the Committee and Board notes the findings of the external auditor in their report attached in Annex 1.
2. That the Committee and Board note and approve the Pension Fund Annual Report and Fund Accounts for 2018/19.
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.
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.

275. PENSIONS ADMINISTRATION REPORT

The Pensions Manager, Janet Richards, introduced this report which detailed a breakdown of the number of visits made to the Haringey Pension Fund website. The report also presented details of new admissions to the pension fund and provided an update on auto enrolment. The PCB were taken through the report as set out at pages 157 – 161.

Responding to a query on the tendering out of cleaning services by schools, Officers noted that the employee's participation in the LGPS was maintained as they changed employers.

RESOLVED

1. To note that the report gives a breakdown of the amount of visits made to the Haringey pension fund website.
2. To note that 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%.
3. To 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.
4. To note and 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.

5. To note and 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.

276. PENSION FUND QUARTERLY UPDATE

The Head of Pensions introduced this report which provided an update in respect of the three months to 31 March 2019 on the following: Funding Level Update; Investment asset allocation; and market review.

The Head of Pensions took the PCB through the report as set out. The following was highlighted:

- The Fund's Actuary, Hymans Robertson LLP, had calculated an indicative funding position update for 31 March 2019, and that showed an improvement to an 83.9% funding level. This position was up from 31 December 2018 which showed 82.6%. This was an indicative position, the final 2019 Valuation would be confirmed in early 2020 once all data had been supplied to the actuary, but it cemented an expectation that the Fund's position had improved since the 2016 Valuation overall.
- The value of the Fund had increased by £80.2m between January and March 2019.
- The Fund's £50m commitment to the Aviva Lime Fund was expected to be invested in summer 2019.

The Independent Advisor took the PCB through appendix 1 - *Independent Advisor Market commentary*. The following was highlighted:

- The Federal Reserve had decisively changed its future monetary policy approach.
- Eurozone equities experienced a positive Quarter with support from the policy stances of the US Federal Reserve and the European Central Bank (ECB).
- There was continued concern over the market performance of Japan.

In response to a question on the impact of an unstable petroleum industry, the Independent Advisor noted this could cause increased oil prices which would adversely hit oil related shares.

RESOLVED

That the information provided in respect of the activity in the three months to 31 March 2019 is noted.

277. LOCAL GOVERNMENT PENSION SCHEME CONSULTATION

The Head of Pensions introduced this report which provided an update on the recent consultation released by the Ministry and Housing Communities and Local Government (MHCLG) regarding the LGPS Valuation Cycle and Employer Risk. Also appended to the report was the London Borough of Haringey's response to that consultation on pages 205 – 207. The Head of Pensions invited Members to contribute any comments, which would be incorporated in that consultation response.

In discussion, the following was noted:

- Officers noted it was unclear whether the proposed change in the valuation cycle would benefit the Fund.
- Officers welcomed the new proposed flexibilities around interim valuations and re-assessment of employer contributions mid valuation cycle.
- The Independent Advisor noted the consultation proposed 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. However, this would not be the case in Wales as further and higher education policy was devolved to the Welsh Government and it had not proposed to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales.
- Responding to a query over the valuation cycles, Officers noted the periodic valuation of LGPS Funds with other public service funds was being synchronised and moving to a 4 yearly valuation cycle
- Officers noted there was a concern that other Fund's may hold interim valuations between the 4-year cycles which could increase costs for the Fund, if it were to follow that practice.
- Officers noted there was no need for a Local Pension Board for the London Borough of Haringey Pension Fund as the Board was included in the Pensions Committee and Board.

RESOLVED

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

278. LOCAL GOVERNMENT PENSION SCHEME UPDATE FROM INDEPENDENT ADVISOR

The Independent Advisor introduced this item by taking the PCB through the report as set out at appendix 1, pages 211-220.

It was highlighted that Hymans Robertson were undertaking work to develop possible future options for the Governance of the LGPS which could result in significant changes to the Fund management by 2021.

The Chair thanks the Independent Advisor for his report.

RESOLVED

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

279. FORWARD PLAN

The Head of Pensions introduced this report on the Forward Plan for noting, which 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 Head of Pensions noted there would be an update on Equitable Life at its September 2019 meeting to update the PCB on its recent court case.

The PCB requested a presentation from the Fund's custodian, Northern Trust, to enable them to better understand the company and the work they do on behalf of the Fund. Officers confirmed they would make that request (**Action: Head of Pensions**).

Regarding reviewing the PCB's portfolio allocation to private equity, the PCB had most recently recommitted to Pantheon in December 2018. Officers noted an important question for the Fund would be whether to recommit to Pantheon or use a London CIV option, if one became available in the future. Mercer advised it was important for the Fund to make regular commitments. Mercer suggested having a regular item on the agenda to review the PCB's allocation commitment to private equity (**Action: Head of Pensions**)

RESOLVED

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

280. RISK REGISTER - REVIEW/UPDATE

The Head of Pensions introduced this report on the Risk Register for noting. This was a standard item on the agenda and 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.

Regarding the red rated risk, *'Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board'*, Officers confirmed that, due to low turnover of Committee members compared to previous years, this probability would be reduced from 4 to 3. This risk was still a concern but the verbal agreement made between the Labour Chief Whip and the Liberal Democrat Chief Whip to commit members to this committee had achieved a positive result.

Regarding the red rated risk, *'Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading*

to increased fund liabilities', Officers informed the probability of that risk materialising had decreased. This was as a result of recent information being obtained from the Fund's actuary on the actual impact of the 'McCloud' ruling on the Fund's liabilities - a 0.38% increase, which was less severe than had been anticipated.

Regarding the potential risk of a no deal Brexit, Officers advised this was continuing to be monitored (Risk 21 – page 231) and was currently an orange rated risk. Mercer informed that the Fund had adequate protections in place which would largely protect it against a no deal Brexit scenario.

Officers informed a risk regarding the GMP would be added to the Risk Register for the PCB's next meeting (**Action: Head of Pensions**).

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 'Administration' and 'Communication' risks.

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

The Head of Pensions introduced this report which provided an update on voting activities on behalf of the Fund. The Fund was a member of the LAPFF and the Committee and Board had previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations.

RESOLVED

That the Committee note this report.

282. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) - PENSIONS RECHARGE AND GUARANTEE AND SERVICE LEVEL AGREEMENT (SLA)

The Head of Pensions introduced this report which provided 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.

RESOLVED

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.
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. 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 .

283. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

284. 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).

285. EMERGING MARKET EQUITY

As per the exempt minutes.

286. PENSION FUND QUARTERLY UPDATE

As per the exempt minutes.

287. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) - PENSIONS RECHARGE AND GUARANTEE AND SERVICE LEVEL AGREEMENT (SLA)

As per the exempt minutes.

288. EXEMPT MINUTES

Resolved

That the exempt minutes of the meeting held on the 14th March 2019 be approved as a correct record of the meeting.

289. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Matt White

Signed by Chair

Date

Report for: Pensions Committee – September 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 The issue of Annual Benefit Statements.
- 1.3 This report presents details of a new admission to the pension fund.

2 Cabinet Member Introduction

- 2.1 Not applicable

3 Recommendations that members:

- 3.1 Note that the report gives a breakdown of the amount of visits made to the Haringey pension fund website.
- 3.2 Note that the Annual Benefit Statements for active and deferred members of the pension scheme have been issued by the statutory deadline.
- 3.3 Approve the admission of N-Viro 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.

4 Reason for decision

New Admission Body to the Fund

- 4.1 Dukes Aldridge Academy School (part of Aldridge Education) has tendered its cleaning service and the successful bidder was N-Viro Limited. It is proposed that N-Viro Limited be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the Cleaning Service for Dukes Aldridge Academy School, subject to N-Viro Limited entering into an admission agreement with the

Council so that those eligible employees can remain within the Haringey Pension Fund.

4.2 Under the LGPS, if a body is an admission body as defined by the Regulations; the administering authority enters into an admission agreement with that admitted body. The admitted body's employees which have transferred over and providing the service will be eligible for membership of the Scheme if designated under the terms of the agreement. An admitted body will provide a service in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or another arrangement.

5 Alternative options considered

Not applicable

6 Background information:

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

	users	Page views
June 2019	560	2,095
June 2018	359	1,308
July 2019	508	1,998
July 2018	313	1,310

In June and July 2019 the average amount of users per month to the pension website is 534 and they view on average 2046 pages, just under 4 pages for each user.

6.2 Dukes Aldridge Academy School has tendered its cleaning service, which will transfer to N-Viro Limited on 21st October 2019. Fifteen staff will be TUPE transferred. 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.

6.3 The admission to Haringey Pension Fund will be conditional upon N-Viro Limited securing a bond or guarantor which will indemnify the Pension Fund should N-Viro Limited fail to pay across any amounts due to the pension fund over the course of the contract.

6.4 The Annual Benefit Statements which are due to active and deferred members of the pension scheme were issued before the due date of 31 August 2019.

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 N-Viro Limited 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 N-Viro Limited 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. The Scheme employer will be Aldridge Education.

9. Use of Appendices

Not Applicable

10. Local Government (Access to Information) Act 1985

Not Applicable

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Report for: Pensions Committee and Board 19 September 2019

Title: 2019 Pension Fund Valuation

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 (PCB) regarding the 2019 fund valuation, which is currently underway, and which will be a recurring item for a number of future committee meetings.

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, the fund actuary and the fund's Independent Advisor in the meeting.
- 3.2. The Committee and Board approve the draft Funding Strategy Statement (FSS) attached at Appendix 1 for consultation with employers.
- 3.3. The Committee and Board delegate authority to the Head of Pensions, Treasury and Chief Accountant, to make any further changes to the FSS that as necessary prior to consultation with employers.
- 3.4. The Committee and Board note and agree the methodology and valuation assumptions proposed by the fund actuary, Hymans Robertson as outlined in their reports at confidential Appendices 2-5.

4. Reason for Decision

- 4.1. The Council is currently required by law to undertake an actuarial valuation of the Fund's assets and liabilities, every three years. The Fund's FSS should remain under regular review, and there is a legal obligation to consult on this with employers.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The Council has appointed Douglas Green of Hymans Robertson as the Fund's Actuary. Hymans are required to carry out an actuarial valuation of the fund every three years (currently) to determine the funding level (comparison of assets with the value of promised future benefits) and the future contribution levels payable by the Council and other employers. The ongoing valuation is calculated as at 31st March 2019. Scheme benefits and the contributions payable by employees are determined by the Government.
- 6.2. A draft FSS (shown with all changes highlighted in yellow) is attached at Confidential Appendix 1. This is included for the committee's approval, and will be consulted on with employers later in 2019. It is usual to update this at the same time as undertaking the Valuation. The FSS has been reviewed and updated by the Fund Actuary, the Head of Pensions and the Independent Advisor to the Fund.
- 6.3. There are a small number of matters which cannot be finalised in the FSS at this stage, but which will be clarified before the consultation, e.g. the Fund's approach to ill health liability insurance (which will not be clarified until the November 2019 PCB meeting), hence, a delegation to a Fund Officer is sought to make these final changes to allow consultation to go ahead as required.
- 6.4. The Hymans Report at Confidential Appendix 2 sets out the assumptions and methodology proposed to be used for this Valuation. Hymans will be attending the meeting to present these and discuss them with the Committee and Board. The report is for the fund as a whole and does not discuss individual employer rates, or valuation levels as these are yet to be calculated.
- 6.5. High Level Valuation Timetable

- June – September 2019 Council Officers submit membership, investments and accounting data to Hymans, which is checked and quality assured.
- 19 September 2019 Pensions Committee and Board Meeting Hymans Robertson and Officers present both the valuation assumptions and methodology and the draft FSS for approval by the Pensions Committee and Board.
- 19 November 2019 Pensions Committee and Board Meeting The whole fund valuation results are presented (including the Council and all other individual employer contribution rates for the 3 years from 1 April 2020), along with employer risk profiling, and the ill health liability approach.
- November - December 2019 Council Officers consult with employers on the proposed FSS, and proposed contribution rates for the 3 years from 1 April 2020.
- 20 January 2020 or 5 March Pensions Committee and Board Meeting The Final Valuation report, and FSS will be presented to the committee (timing dependent on employer consultation process)

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. Finance comments are contained throughout the content of this report.

Legal Services Comments

8.2. The Assistant Director of Governance has been consulted on the content of this report. The Council as administering authority must comply with certain obligations contained in The Local Government Pension Scheme Regulations 2013.

8.3. Under Regulation 58 must have a written statement setting out its funding strategy and keep the statement under review and, after consultation with such person as it considers appropriate, make such revisions as are appropriate following a material change in the policy set out in the statement and where there are revisions, publish the statement as revised.

- 8.4. Regulation 62 requires the administering authority to obtain an actuarial valuation of the assets and liabilities of its pension funds on 31 March in every third year from 31 March 2016. The relevant date for the purpose of this report is the 31 March 2019.

Equalities

- 8.5. None applicable.

9. Use of Appendices

- 9.1. Confidential Appendix 1: Draft Funding Strategy Statement
- 9.2. Confidential Appendix 2: Demographic Assumptions
- 9.3. Confidential Appendix 3: Life Expectancy Report
- 9.4. Confidential Appendix 4: Salary Growth Assumptions
- 9.5. Confidential Appendix 5: Setting the Discount Rate

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

Report for: Pensions Committee and Board 19 September 2019

Title: Equitable Life Additional Voluntary Contribution (AVC) Scheme

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 the recent proposals regarding the historic Equitable Life AVC investments that a small number of members of the Haringey Fund hold.

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, the fund actuary, investment consultant or the fund's Independent Advisor in the meeting.
- 3.2. The Committee and Board agree the approach set out in Confidential Appendix 1.

4. Reason for Decision

- 4.1. The Council as the Administering Authority for Haringey Pension Fund is required by law to offer AVC schemes to its members. The Equitable Life AVCs which remain are historic, but there is a current proposal by Equitable Life to transfer all remaining policies to a new provider.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The Equitable Life AVCs are historic and following the scandal in the late 1990s and 2000s many of Haringey's Equitable Life members transferred their policies to other providers. A small number remain: the Fund has 28 members with deferred AVC investments in Equitable Life Funds, (and 1 active member who has a life insurance policy). The total funds invested on behalf of these members is £206k as at 1 April 2019: £85k in with-profits funds (21 members), and £121k in unit linked funds (16 members). Some members have investments in both unit linked and with-profits funds. The with-profits type investments were the source of the Equitable Life scandal, where investors were promised certain minimum levels of returns, and these were reneged on due to them proving to be unaffordable for Equitable Life.
- 6.2. Fund members wishing to take out new AVC policies now are able to do so with one of the Fund's two other AVC providers: Prudential and Clerical and Medical.
- 6.3. Equitable Life have recently proposed to wind up its business, and transfer almost all its policies to a different organisation: Utmost Life and Pensions (Utmost). This will affect all Haringey members with both with-profits and unit linked funds. Utmost is an approved AVC provider under the Finance Act 2004. As part of this transfer, there are specific proposals for those members who hold with-profits policies:
- Policy values will be uplifted by 60-70% (as opposed to the current 35%)
 - Investment guarantees would be removed
 - Existing with-profits policies would be transferred into unit linked funds
 - No future members would be allowed to move into the with-profits funds
- 6.4. The proposal will only go ahead if a majority of policyholders and eligible members vote in favour of the proposal, at an extraordinary general meeting which will take place on 1 November 2019. In addition to this, the High Court will need to give approval for the proposal for it to go ahead. The Council as the Administering Authority for Haringey Pension Fund is classed as a policyholder and member and will vote on behalf of its 21 members who hold with profits funds.
- 6.5. The Council understands that the voting works on a proportional basis based on the value of funds under management at 1 April 2019. So the Council's vote represents the £85k invested on behalf of Haringey members as a proportion of total Equitable Life funds.
- 6.6. The Council is additionally able to split its vote, and vote both 'for' and 'against' the proposals to reflect the potentially differing views of its members who hold with profits funds. The Council will write to its 21 members asking if they wish to express a preference, and if they do the Council will reflect this in its voting.

- 6.7. The Council will therefore need to determine, a) how to vote should members not express a preference, and b) if the proposal does go ahead, which default funds its members will transfer into, should they not declare a preference to the Council. The report of Hymans Robertson at Confidential Appendix 1 has been procured to this end.

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. Finance comments are contained throughout the content of this report. The AVC policies referred to do not form a part of the investments of Haringey pension fund, but the Council has a legal duty to maintain AVC schemes for its members, and the Equitable Life schemes were historically used. Expert advice has been procured to review the Equitable Life proposal in order to inform the Pensions Committee and Board's decision making on this matter.

Legal Services Comments

- 8.2. The Assistant Director of Governance has been consulted on the content of this report. Active members have the option to pay additional voluntary contributions. The arrangements with regards AVCs must be a scheme established under an agreement between the appropriate administering authority and a body approved for the purposes under the Finance Act 2004 ("AVC provider"), registered in accordance with that Act and administered in accordance with the Pensions Act 2004. As set out in this report the Equitable Life AVCs are historical and if approved the transfer will be to an entity that is an AVC provider.

Equalities

- 8.3. None applicable.

9. Use of Appendices

- 9.1. Confidential appendix 1: Review of Equitable Life Proposal Hymans Robertson

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

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Report for: Pensions Committee and Board 19 September 2019

Title: Local Government Pension Scheme Governance 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 the recent 'Good Governance' consultation 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 Good Governance Consultation 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

Update on Scheme Advisory Board project
Good Governance in the LGPS

A paper by the Independent Advisor
September 2019

Introduction

The purpose of this paper is to update the Pensions Committee and Board on the Scheme Advisory Board project – Good Governance in the LGPS. As reported in previous papers (Pensions Committee and Board, 21 January 2019, Item 10, Appendix 1 and Pensions Committee and Board, 11 July 2019, Item 12, Appendix 1) the Scheme Advisory Board (SAB) invited proposals from interested parties to assist it in developing options for change with regard to the relationship of LGPS Pension Funds to their existing host authorities. Hymans Robertson were awarded the contract to work with the SAB and have completed work leading to a report to the SAB the final version of which was released on 31 July 2019.

Process adopted by Hymans Robertson

Following an initial fact-finding stage involving a sample of key stakeholders from across the LGPS Hymans Robertson issued an online survey to over 300 stakeholders on four Models in respect of possible governance structures which may be summarised as:

1. **Model 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 Pensions 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. **Model 2 – Greater ring fencing of the LGPS within existing structures:** Greater separation of the Pension Fund management from the host authority (Administering Authority). This would likely include a Pension Fund Budget set by the Pensions Committee 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. 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. 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 Human Resource matters could potentially be taken by the Pensions Committee.
3. **Model 3 – use of new structures: Joint Committee (JC):** Rather than the existing arrangement where the decision making is exercised by the Administering Authority (in this case the London Borough of Haringey) usually through a Pensions Committee, responsibility for all LGPS functions would be delegated to a Joint Committee. As London Borough LGPS Funds (with one exception) consist of only 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. **Model 4 – use of new structures: New Local Authority body/ Combined Authority (CA):** Under this model an independent structure with the Scheme Manager function (equivalent to the Administering Authority responsibility) would be established. This might be through a "Combined Authority" 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 was supplemented by Hymans Robertson through other activities including interviews, seminars and conversations with professional bodies. 140 responses were received to the online survey by the closing date. One to one interviews were carried out with both individuals and organisations. Organisations included the National Audit Office, CIPFA, Unite and Unison. Representatives of all 87 LGPS Funds (Administering Authorities) in England and Wales were invited to respond to the consultation undertaken by Hymans Robertson and direct feedback from representatives of 76 of these was received.

The findings from this activity formed the basis of a final draft report presented to the Scheme Advisory Board at its meeting held on 8 July 2019. The final report was subsequently published by the SAB on 31 July 2019. In responding to the online survey respondents were asked whether each of the four models would have a positive or negative impact on each of six criteria:

- Standards
- Clarity
- Conflict
- Consistency
- Representation
- Cost

Results and conclusions from the Hymans Robertson research activity

The online survey indicated a preference for Model 2 (greater ring fencing of the LGPS within existing structures) followed by Model 1 (improved practice) while the Hymans Robertson report states that *“Model 2 was also the clear preference in additional surveys at the PLSA conference in May and other events (Models 1 and 2 between them had more than 70% support).”*

In their feedback to Hymans Robertson *“many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2.”* Also, however, respondents *“recognised that in order to achieve governance improvements through Models 1 and 2, the governance regime needs to include independent monitoring or review of local fund arrangements.....”*

There was little support for Model 3 (Joint Committee), which was the least favoured option. This was perceived to be both complex to establish and manage, and unlikely to provide improved governance outcomes. Model 4 (New Local Authority/Combined Authority) received minority support but with the majority of respondents considering this model to be *“very expensive and disruptive to implement.”*

The feedback received by Hymans Robertson resulted in them concluding that:

- *“.....governance structure is not the only determinant of good governance.....”*
- *“Survey respondents were also clear that establishment of new bodies is not required..... Instead the focus should be on greater specification of required governance outcomes from within the existing structures and a process to hold funds to account for this.”*
- *“Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not.....disrupting current practices that deliver good outcomes already.”*
- *“Respondents emphasised that independent review is needed to ensure consistency in application of standards.”*

Proposals

Consequently, Hymans Robertson did not favour or propose specific consideration of any of the four Models of governance in respect of which stakeholders had been asked to provide feedback. Rather Hymans Robertson *“informed by feedback from stakeholders”* made four proposals for consideration by the SAB also stating *“many are things which well-run funds already do.”* In respect of each proposal Hymans Robertson explained why it was made and listed *“Suggested actions”* for SAB, CIPFA or the MHCLG. The proposals are:

1. **‘Outcomes-based’ approach** to LGPS governance with minimum standards rather than a prescribed governance structure.
2. **Critical features of the ‘outcomes based’ model** to include:
 - a. Robust conflict management including clarity on roles and responsibilities for decision making.
 - b. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget.
 - c. Explanation of policy on employer and scheme member engagement and representation in governance.
 - d. Regular independent review of governance.
3. **Enhanced training requirements** for Section 151 (Chief Finance Officers) and Section 101 (Pension) Committee members with training requirements for Pension Committee members on a par with Local Pension Board members.

4. **Update relevant guidance and better sign-posting** including suggestions that CIPFA review and update guidance for Section 151 (Chief Finance) Officers in respect of LGPS governance and that the MHCLG review and update Statutory Guidance on LGPS governance issued in 2008.

Scheme Advisory Board response

At the meeting of the Board of the SAB held on 8 July 2019 it was agreed that the SAB Secretariat (Officers) should in liaison with the project team from Hymans Robertson and Scheme stakeholders develop a detailed plan to implement the conclusions from the Hymans Robertson report for presentation to the November meeting of the SAB. Two working groups are to be established. One will focus on defining good governance outcomes and necessary associated guidance (the Standards and Outcomes Workstream). The other will consider options for the independent assessment of outcomes (the Compliance and Improvement Workstream). Each group will include a wide range of Scheme stakeholders. It is intended that an options report, which includes implementation proposals, will then be considered at the November 2019 Board meeting of the SAB.

The SAB have stated that any proposals then agreed by the Board would be subject to a full stakeholder consultation prior to any formal approach to the MHCLG for changes to the LGPS Regulations or Statutory Guidance. Consequently, it would appear that the SAB will not make any proposals to the Government until sometime in 2020.

Independent Advisor's comments and conclusion

It is pleasing to observe that Hymans Robertson clearly very carefully considered the feedback they received from many LGPS stakeholders and rather than seeking to simply promote or recommend one (or more) particular Model(s) chose to utilise the feedback received to conclude that there should be a focus on *".....greater specification of required governance outcomes.....and a process to hold funds to account for this"* The Proposals made by Hymans Robertson in their report seek to enable such an approach to be successfully implemented and improvements made without disrupting current good practice. As Hymans Robertson state in their reasoning for an **'outcomes-based approach'** *"Focussing on the desirable traits and outcomes expected of LGPS governance will enhance governance in a more reliable and cost-effective manner than prescribed changes in structure."*

Such an approach however requires an assurance regime. There is no doubt that any self-assessment regime has very clear potential weaknesses, for example in terms of objectivity and internal organisational pressure. It is proposed, however, that regular independent review of the governance of each LGPS Fund be undertaken to provide, in the words of the Hymans Robertson report, *"a more objective view."*

Given that a further report on Good Governance in the LGPS will be presented to the SAB in November 2019 and then any proposals agreed by SAB from this further report will be subject to a full stakeholder consultation it is clear that the implementation of any changes to the governance of the LGPS arising from the Good Governance in the LGPS project will be subject to a very significant time delay. This is because not only do both the SAB and CIPFA need to undertake material work in relation to the Proposals made by Hymans Robertson, and then consult LGPS stakeholders on this further work, but any Proposal which involves a change to the LGPS Regulations or Statutory Guidance would need to be referred to the MHCLG.

The MHCLG would have to consider the suggested changes and then formulate draft amendments to the LGPS Regulations and/or Statutory Guidance. The amendments proposed by MHCLG would then require to be consulted on through a Consultation which is normally open for 12 weeks. The MHCLG would then need to consider all responses received, publish a response and issue the final Statutory Guidance, or if amendments to the LGPS Regulations are required publish a Statutory Instrument. Under Government Consultation Principles issued in 2018 a period of up to 12 weeks is normally allowable for a Government Department to respond to a Consultation. Consequently, it is unlikely that changes to the governance of the LGPS arising from the Hymans Robertson report Proposals will come into effect until late 2020 at the earliest.

In conclusion, it appears that as a result of the work undertaken by Hymans Robertson the existing arrangements whereby the LGPS is administered by 87 separate Administering Authorities across England and Wales will continue. In addition, it appears that rather than seek to impose a “one size fits all” approach to the future governance of the LGPS the SAB is now working towards enhanced governance across the LGPS utilising an “Outcomes based” approach with minimum standards rather than a particular governance structure or structures, but which is assured by regular independent review.

John Raisin

6 September 2019

Note: The Hymans Robertson Report “Good Governance in the LGPS, July 2019 can be accessed at <http://www.lgpsboard.org/images/PDF/GGreport.pdf>

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“Strategic and Operational Support for Pension Funds and their Stakeholders”

www.jrfspensions.com

Report for: Pensions Committee and Board 19 September 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 and Board 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 and Board 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 and Board 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.

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
Governance Update Report - Good Governance Project Update	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
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 LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration and Governance			
London CIV Pensions		Review/update of Fund Conflicts of Interest Policy (if necessary)	Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement
		Fund Administration Strategy Review (if necessary)	Investment Consultancy Services Contract
Investments			
Equitable Life AVCs			
Funding and Valuation			

19 September 2019	19 November 2019	20 January 2020	5 March 2020
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	
	III Health Liability Insurance Contract		
Training			
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Hymans Robertson - Actuarial Valuation	Tbc	Tbc	Tbc

TRAINING PROGRAMME

APPENDIX 2

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
03-Oct-19	Local Government Pension Investment Forum	KNect365	Free	London*	N/A
https://finance.knect365.com/local-government-pension-investment-forum/					
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
http://www.lgpsboard.org/	Scheme Advisory Board Website	LGPS Scheme Advisory Board	Free - Online		N/A
www.thepensionsregulator.gov.uk	The Pension Regulator's Pension Education Portal	The Pension Regulator	Free - Online		N/A
http://www.lgpsregs.org/	LGPS Regulation and Guidance	LGPS Regulation and Guidance	Free - Online		N/A
http://www.lgps2014.org/	LGPS Members Website	LGPS	Free - Online		N/A
www.local.gov.uk	Local Government Association (LGA) Website	LGA	Free - Online		N/A

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

Tel No: 020 8489 1341

Email: thomas.skeen@haringey.gov.uk

APPENDIX 3

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

Link to the public sector toolkit:

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

Report for: Pensions Committee and Board 19 September 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 and Board to further review the risk score allocation.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee and Board note the risk register.
- 3.2. That the Committee and Board note the area of focus for this review at the meeting is 'Accounting' and 'Investment' risks.

4. Reason for Decision

- 4.1. None

5. Other options considered

- 5.1. None

6. Background information

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

- 6.2. The Committee and Board approved a full version of the risk register on 20 September 2016 and from each meeting after this date different areas of the register have been reviewed and agreed so that the risk register always remains current.
- 6.3. An abridged version of the full register is attached. This highlights the areas to be considered for this Committee and Board meeting in line with the agreed work plan for regular review of the risk register. Red rated risks are highlighted separately.
- 6.4. Members discussed two of the new issues which will potentially increase pensions liabilities in the prior meeting: the McCloud Ruling, and the GMP Equalisation cases, these are both now mentioned in 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 due to McCloud and GMP rulings'.

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.	12
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
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GOVERNANCE			
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	3
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	9
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB), 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

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

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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
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 due to McCloud and GMP rulings.	16
22	LEG5	Risk of legislation change post Brexit having negative impact on the fund	12

Risk No	Cat Ref	Risk	Risk Ranking
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ACCOUNTING			
23	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	5
24	ACC2	Internal controls are not in place to protect against fraud/mismanagement.	5
25	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
26	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
27	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
28	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	5
29	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	6
30	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	8

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
67	FLI10	Processes not in place to capture or review covenant of individual employers.	8

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
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Risk No	Cat Ref	Risk	Risk Ranking
68	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	5

ADMINISTRATION			
31	ADM1	Failure to act within the appropriate legislative and policy framework could lead to illegal actions by the Fund and also complaints against the Fund.	10
32	ADM2	Pension structure is inappropriate to deliver a first class service	5
33	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	12
34	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	5
35	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	8
36	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	8
37	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	8
38	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	10
39	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	5
40	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	10

Colour Risk Level

	Low
	Moderate
	High
	Very High

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
23	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	<p>Qualified Accountant to produce the accounts using the most up to date Statement of Recognised Practice, Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials/publications.</p> <p>Attendance at Pensions Officers Group Meetings, Based on latest Code of Practice, robust in year (quarterly) monitoring / reconciliation processes.</p> <p>Draft Statement of Accounts and working papers reviewed by the Head of Pensions and the Chief Accountant.</p>	5	1	5	HoP;	Jul-20

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
24	ACC2	Internal controls are not in place to protect against fraud/ mismanagement.	<p>The Internal Audit plan includes dedicated hours for pensions to the review of internal controls in relation to the management and accounting of the Pension Fund. Pensions is audited annually, with investments and administration covered on alternate years.</p> <p>The plan is designed on a risk basis, so that areas of high risk will be subject to more frequent internal audits.</p> <p>Pensions feed into the process by identifying areas where improvements are required.</p> <p>Recommendations from internal audits of processes and controls are implemented in a timely manner to reduce or remove identified risks.</p>	5	1	5	HoP; PAM	Mar-20
25	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	<p>A checklist of all daily, weekly, monthly and quarterly reconciliations is maintained to ensure that all tasks are completed in a timely manner.</p> <p>All reconciliations are independently reviewed and signed off by a second officer.</p>	4	2	8	HoP;	Ongoing

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
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.	<p>Reconciliation undertaken between the book cost and market values to the custodians book of records recieved quarterly, reports can be run off online portal - Passport.</p> <p>Further reconciliation undertaken between the custodian and investment managers' records.</p> <p>All adjustments (including unrealised profits) will be posted into the general ledger so that accounts can be reported created directly from SAP.</p>	5	2	10	HoP	Quarterly

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
27	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	<p>A majority of total income to the Fund comes from contributions by the Council.</p> <p>Payment of contributions from employers is monitored on a monthly basis; including a full reconciliation between amount expected receipt and actual receipt.</p> <p>Late payers are identified and reported to the JCB as part of quarterly pensions administration report.</p> <p>Late payers tend to be small employers in the scheme and such amounts will not have a significant impact on Fund's cashflow.</p> <p>Where non-payment relates to a large employer swift action is taken to chase payment.</p>	4	1	4	PAM; HoP	Ongoing

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
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.	<p>Employers are sent all employers a contribution form at the start of each year and confirm the correct rates to be paid.</p> <p>Payment is monitored against expected payment quarterly. Where there are discrepancies, the employer is expected to make immediate payment to make up the shortfall - overpayments cannot be refunded.</p> <p>Employers making late payment are reported to the JCB on a quarterly basis.</p>	5	1	5	PAM; HoP	Ongoing
29	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	<p>All expenditure incurred by the fund on behalf of employers is recharged. Invoices are itemised and all recoverable items are identified and charged back to the relevant employer.</p> <p>All income recoverable, including withholding taxes on investments are itemised in the custodian reports.</p> <p>We will monitor the recovery and timing of this to ensure the maximum amount is recovered in a timely manner.</p>	3	2	6	HoP;	Ongoing

Risk Register - Haringey Pension Fund

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
30	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	<p>Levels of transfers out initially anticipated have not materialised in relation to transfers to DC Funds.</p> <p>However transfers out from employers exiting the fund and bulk transfers will have some impact on the fund. This is not anticipated to cause material change to the Fund's cashflow however.</p> <p>Auto Enrollment and periodically promoting the benefits of the LGPS and the flexibility now offered following the revisions to the LGPS in 2014, will help to counter this.</p>	4	2	8	PAM; HoP	Ongoing

INVESTMENTS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
41	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	<p>The Investment and Funding Strategy Statements are reviewed regularly and discussed at Pensions Committee and Board meeting. Both will be updated as part of the 2019 Valuation.</p> <p>These Strategies are presented to the committee annually as part of the process of approving the Fund Annual Report.</p> <p>There is close liaison between the Fund's actuary and strategic investment adviser.</p>	5	2	10	HoP	Mar-20
42	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose. Good contract management is key here as the Fund relies on external parties to be appointed for these purposes.	5	1	5	HoP	Ongoing
43	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	<p>Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.</p> <p>A strength of covenant analysis is undertaken by the Fund along with employer profiling to assist the Fund to understand all employers in the Scheme. The actuary uses this information when contribution rates are being set triennially. This is also incorporated into the Funding Strategy Statement.</p>	5	2	10	HoP	Mar-20
44	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	The Fund currently utilises the services of Mercer as the Investment Consultant to the Fund.	5	1	5	HoP; PCB	Ongoing

INVESTMENTS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
45	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	The Fund employs the services of an investment consultant, Mercer, but has also engaged an independent advisor to challenge/confirm investment/investment strategy decisions. This model ensures that advice is subject to peer review to ensure that it is fit for purpose.	5	2	10	PCB; PCB	Ongoing
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.	<p>Rigorous selection process in place to ensure that Fund appoints only the best investment managers based on available information during tendering of a new mandate.</p> <p>Expert professional advice provided by Investment Consultant supporting manager selection exercise. It is a requirement of the Fund that all Investment Managers are FCA registered.</p> <p>Where necessary specialist search managers will be engaged to assist investment manager selection.</p> <p>The Funds Custodian provides a manager performance monitoring service. The performance of all investment managers is also formally monitored and reported on a quarterly basis to Investment Sub-Committee.</p>	5	2	10	PCB;	Ongoing

INVESTMENTS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
47	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	The Pensions Committee receives formal quarterly reports on both the overall performance of the Fund and individual investment managers. Where appropriate members may be asked to utilise electronic decision making, such as, email to allow the Committee to make timely/urgent decisions relating to investment of fund assets.	4	1	4	HoP; CC	Ongoing
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.	Full Investment Strategy review undertaken by Investment Consultant on triennial basis after triennial valuation with Annual/Ad-hoc Strategy reviews undertaken in intervening years to ensure the Strategy is still appropriate to achieve long term funding objectives.	5	2	10	HoP; PCB	Jul-20
49	INV9	Actual asset allocations move away from strategic benchmark.	Asset Allocations formally reviewed as part of quarterly report to Pensions Committee and necessary action will be taken to correct imbalance that is over and above the tolerance threshold . LGIM, the equity investor is able to affect a rebalancing of the Fund's assets to benchmark and has been tasked to do so on an ongoing basis. This is a topic that has been discussed with the PCB recently for property and private equity.	4	3	12	HoP	Ongoing
50	INV10	No modelling of liabilities and cash flow is undertaken.	Annual cash flow monitoring at Fund level undertaken by Head of Pensions and utilised to inform Investment Strategy to ensure that the Fund is always able to meet its liabilities as they fall due.	5	1	5	HoP	Mar-20

We would like to do more analysis around this within the next triennial valuation and investment strategy. We will consider including a more explicit section on this within the Investment Strategy Statement.

INVESTMENTS: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
51	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	<p>The Fund is a founding member of London CIV and actively engages with them.</p> <p>The CIV is undertaking a Governance review which has yet to be implemented in full, so it is unclear exactly how Haringey members and officers will be represented within the CIV's new governance structures.</p> <p>The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools due to the inefficiencies involved.</p> <p>Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been largely positive. Haringey has benefited from fee savings, and has a number of investments that are either via the CIV or under the CIV's oversight.</p>	5	3	15	HoP	Ongoing

We will review this risk following the current conversations about residential property.

RED RATED RISKS									
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale	
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	Current legal challenges regarding the change from final salary in the scheme, and GMP will potentially impact on all public sector schemes, increasing liabilities and potentially changing the new career average benefits frameworks put in place in 2014 in LGPS. Officers will remain abreast of this situation and keep members informed.	4	4	16	CFO; HoP; PAM	Ongoing	
51	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	<p>The Fund is a founding member of London CIV and actively engages with them.</p> <p>The CIV is undertaking a Governance review which has yet to be implemented in full, so it is unclear exactly how Haringey members and officers will be represented within the CIV's new governance structures.</p> <p>The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools due to the inefficiencies involved.</p> <p>Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been generally positive. Haringey has benefited from fee savings, and has a number of investments that are either via the CIV or under the CIV's oversight.</p>	5	3	15	HoP	Ongoing	

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Report for: Pensions Committee and Board 19 September 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 and Board 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) voted, is detailed below.

Company	Description	LAPFF Recommendation For/Oppose	LGIM Vote For/Oppose	AGM Vote outcome
Exxon Mobil	Various	Oppose/For	Oppose/For	Various
Chevron	Report on reducing carbon footprint, and report for independent chair	For	For (both)	Oppose (74%) Oppose (66.80%)
Alphabet	Nomination of employee representative and report on content governance	For	Oppose (both)	Oppose (1.89%)
Tesla	Incentive policy and public policy committee	Oppose/For	Against (both)	For (66.8%) Oppose (90.6%)
Caterpillar	Re Elect Chair, remove proxy access re-submission threshold, report on activities in conflict areas	Oppose/For/For	For Resolutions 1.5 & 4. Against Resolution 5	For (99.3%) Oppose (76.7%) Oppose (92.3%)

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

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

Legal

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

Equalities

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

9. Use of Appendices

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 19 September 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
- Independent Advisor's Market Commentary
- Investment Performance

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the information provided in respect of the activity in the three months to 30 June 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 appendix 3 to this report provides information to this end.

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 Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) 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 1

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
- 9.3. Confidential Appendix 3: Pension Fund Performance

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

11. Market Commentary

11.1. A market commentary prepared by the Fund's Independent Advisor is attached at appendix 1 to this report.

12. Funding Position Update

- 12.1. 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.
- 12.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 30 June 2019, and this showed an improvement to an 85.9% funding level. This position was up from 31 March 2019 which showed 83.9%. 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.
- 12.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has decreased to an indicative £237m as at 30 June 2019.
- 12.4. Confidential Appendix 2 shows the funding and risk report produced by the fund actuary as at 31 March 2019, giving further detail regarding this.

13. Portfolio Allocation Against Benchmark

- 13.1. The value of the fund increased by £39.6m between March and June 2019, further details are shown in the following table.
- 13.2. The fund's £50m commitment to the Aviva Lime Fund was invested on 16 August 2019, which will bring overall allocations more in line with the strategy, and will be shown in the next quarterly report.

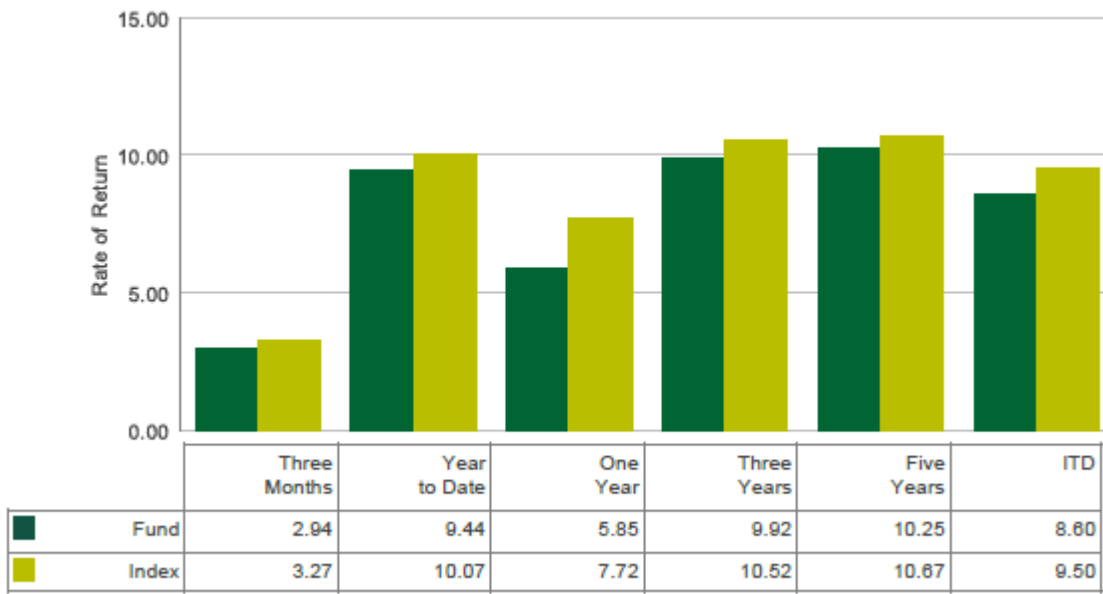
Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Allocation	Strategic	Variance
	31.03.2019	30.06.2019	30.06.2019	Allocation	
	£'000	£'000	%	%	%
Equities					
Multi Factor Global	274,055	284,769	20.00%	19.20%	0.80%
Emerging Markets	99,382	103,074	7.24%	6.60%	0.64%
Global Low Carbon Tgt	281,914	296,821	20.85%	19.20%	1.65%
Total Equities	655,351	684,664	48.09%	45.00%	3.09%
Bonds					
Index Linked	195,855	199,815	14.03%	15.00%	-0.97%
Property					
Aviva	0	0	0.00%	5.00%	-5.00%
CBRE	97,136	99,581	6.99%	7.50%	-0.51%
Private equity					
Pantheon	65,489	67,763	4.76%	5.00%	-0.24%
Multi-Sector Credit					
CQS	126,267	113,411	7.97%	7.00%	0.97%
Multi-Asset Absolute Return					
Ruffer	152,887	155,325	10.91%	7.50%	3.41%
Infrastructure Debt					
Allianz	43,611	43,068	3.02%	3.00%	0.02%
Renewable Energy					
CIP	3,538	5,086	0.36%	2.50%	-2.14%
Blackrock	21,066	23,318	1.64%	2.50%	-0.86%
Cash & NCA					
Cash	22,968	31,730	2.23%	0.00%	2.23%
Total Assets	1,384,168	1,423,761	100%	100%	0.00%

14. Investment Performance

14.1.A performance strategy report is attached to this report at confidential appendix 3, this is prepared by the Fund's Custodian, Northern Trust. The Fund's overall returns for the quarter are summarised in the table below:

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background April to June 2019

April to June 2019 was a volatile, but ultimately positive, period for world equity markets. Trade tensions between the US and China precipitated an extremely negative May with the MSCI World Index losing almost 6% (in \$ terms). In contrast April and particularly June were positive and for the Quarter as a whole the MSCI World Index gained 4%. The major Government benchmark Bonds (US, UK, Germany) all gained significantly in value, over the Quarter. Contributory factors included concerns over both trade (particularly in May) and global growth as well as indications from both the US Federal Reserve and European Central Bank of likely moves towards “looser” monetary policy.

The US S&P 500 index advanced from 2,834 at the end of March to 2,942 at the end of June 2019. The Index reached new record closing highs during the April. On 23 April the Index closed at 2,933 above the previous closing high of 2,931 of 20 September 2018. The Index achieved a new closing high of 2,946 on 30 April 2019. May saw a dramatic decline to 2,744 by 3 June before recovering to achieve yet another new record closing high of 2,954 on 20 June. At the Quarter end, on 28 June, the Index was at 2,942 an increase of 4% over the whole three month period. Very positive company earnings favoured US equities in April before trade tensions with China, including the imposition of new tariffs, first by the US and then by China, severely unnerved markets in May. June, however saw a dramatic recovery with markets bolstered by both hopes for and then progress in discussions between the US and China at the G20 summit in Osaka, as well as indications of future interest rate cuts by the US Federal Reserve.

The meeting of the Federal Open Markets Committee (FOMC) of the US Federal Reserve that concluded on 1 May 2019 maintained existing interest rate policy. However, as the June meeting of the FOMC approached markets sensed the possibility of a move towards lower interest rates and therefore “looser” monetary policy in the medium term. In response to questions following a speech in New York on 30 May Vice Chair Richard Clarida was prepared to discuss the possibility of rate reductions while comments made by Chair Jay Powell in Chicago on 4 June were widely interpreted as an indication of potential rate cuts. Although the meeting of the FOMC which concluded on 19 June 2019 resulted in no adjustment to the main interest rate indicator (the target range for the federal funds rate) there were clear indications of a future move towards “looser” monetary policy. The official Statement issued after the meeting, when compared to that issued after the meeting that concluded on 1 May, clearly indicated a potential for future rate cuts. For example, while the May Statement referred to economic activity rising at a “solid” rate and a “patient” approach the June Statement referred to economic activity rising at a “moderate” rate and stated that the Committee would “act as” appropriate. Furthermore, in contrast to the unanimity of voting at the

May meeting the Statement issued after the June meeting recorded that one of the ten Members of the FOMC (James Bullard) *“preferred at this meeting to lower the target range for the federal funds rate by 25 basis points.”* The day after the June meeting of the FOMC concluded the S&P 500 reached a new all time closing high of 2,954.

US inflation as measured by the Personal Consumption Expenditures (PCE) Index (which is the US Federal Reserve’s preferred inflation measure) was 1.5% in April and 1.4% in both May and June and therefore clearly below the FOMC’s 2% target throughout the Quarter. US unemployment remained very low falling to 3.6% in April its lowest level since 1969. The June unemployment rate was 3.7%. The University of Michigan Surveys of Consumers continued to indicate positive views. The June 2019 survey showed consumer confidence at similar levels to March 2019.

Eurozone equities, in common with equities across the globe, suffered a sharp fall in May but had a positive Quarter overall advancing 4% as measured by the MSCI EMU Index which tracks the largest companies in the Eurozone. April was a clearly positive month as was June. Equity markets reacted positively in June not only to a lessening in US-China trade tensions and the approach of the US Federal Reserve but also to a speech by Mario Draghi the European Central Bank (ECB) President on 18 June at the ECB Forum held in Sintra, Portugal which included the statement that *“in the absence of improvement, such that the sustained return of inflation to our aim is threatened, additional stimulus will be required.”* This comment followed a further slight “loosening” of ECB monetary policy at the Governing Council meeting held on 6 June 2019 when it was announced that the key ECB (and presently very low) interest rates were expected to *“remain at their present levels at least through the first half of 2020”* rather than *“at least through the end of 2019”* as announced following the March and April meetings.

Eurozone unemployment continued to fall – from 7.7% in March 2019 to 7.5% in June its lowest level since July 2008. Overall, however, there were continued further clear indications for concern regarding the Eurozone economy. The headline inflation rate was 1.3% in June 2019 compared to the ECB policy objective of inflation below, but close to, 2% over the medium term. The IHS Purchasing Managers Manufacturing Index for the Eurozone remained below 50, which indicates the boundary between expected contraction and expansion, throughout the Quarter and was 47.6 in June 2019. At the ECB June Press Conference Mario Draghi stated that the ECB *“foresee annual real GDP increasing by 1.2% in 2019, 1.4% in 2020 and 1.4% in 2021.”* These are clearly not high economic growth expectations.

Notwithstanding the continued uncertainty regarding the UK’s future relationship with the EU the Quarter saw UK equities advance by approximately 3%. Unemployment remained very low at 3.9% for the period April - June. Consumer Price Index (CPI) inflation was 2.1% in April and exactly at the Bank of England (BoE) target of 2% in May and June 2019. At both its May and June 2019 meetings the BoE Monetary Policy Committee (MPC) again voted unanimously to maintain Bank Rate at 0.75%.

The Bank of England takes the view that there is a very clear link between the future of the UK economy and the UK’s exit from the EU but is not yet, at all, clear as to how it might respond. The Summary issued after the June meeting of the MPC included the

statement that the economic outlook will “*depend significantly on the nature and timing of EU withdrawal.....The monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction. The Committee will always act to achieve the 2% inflation target.*” Consequently, UK monetary policy could be either “loosened” or “tightened” after Brexit. In contrast the monetary policy stance of both the US Federal Reserve and European Central Bank is now towards “loosening.”

As in the previous Quarter Japanese equities again underperformed other developed markets with the Nikkei 225 equity index gaining less than 1% during the April to June Quarter. Japan’s export driven economy is particularly vulnerable to economic slowdown and the adverse effects of trade disputes while a slowdown in Japanese corporate growth earnings was another negative. Despite the Bank of Japan’s continuation of its huge monetary policy stimulus, the inflation rate remained well below the target of 2%.

Asian markets (excluding Japan) had a negative Quarter with the MSCI AC ex Japan index losing 1% (in \$ terms) although there were significant differences in performance. Chinese stocks were particularly adversely affected by the US-China trade tensions while Thai, Singapore and Indian stocks all advanced over the Quarter. The lessening of trade tensions and the indications of the US Federal Reserve potentially reducing interest rates going forward aided Asian markets in June. Chinese growth was an annualised 6.2% in the April to June 2019 Quarter (as reported by the China National Bureau of Statistics on July 15). This was the lowest reported level since 1992.

The major Government Bonds – US, UK and Germany all had a very positive Quarter. The prices of the major Bonds were particularly driven up (and their yields down) by the trade tensions of May 2019 and associated concerns regarding economic growth. The indications from the US Federal Reserve and ECB of lower interest rates/additional stimulus boosted Government Bonds in June with, for example the German 10 year yield falling 7 basis points following Mario Draghi’s speech in Portugal on 18 June 2019. The US 10 year Treasury Bond yield fell from 2.41 at the end of March to 2.01 at the end of June. The German 10 year Bund yield fell from minus 0.07 to minus 0.33.

In conclusion April to June 2019 was a volatile Quarter for equity markets. Despite the trade “truce” between the US and China, agreed at Osaka in June, the prospect of escalating trade tariffs remains which clearly poses a threat to both economic activity and equity markets. On the other hand, both the US Federal Reserve and the European Central Bank clearly signalled, in June, a willingness to genuinely “loosen” monetary policy in the context of weakening economic activity and tepid inflation, in order to support markets going forward.

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