

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Tuesday, 19th November, 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 depositions, 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 - 8)

To agree the minutes of the Pensions Committee and Board meeting held on the 19th September 2019.

7. 2019 PENSION FUND VALUATION (PAGES 9 - 12)

This report provides information to members of the Pensions Committee and Board (PCB) regarding the 2019 fund valuation, which is currently underway.

8. FUND ILL HEALTH EARLY RETIREMENT LIABILITY APPROACH (PAGES 13 - 18)

The purpose of this report is to determine the Fund's approach to Ill Health Early Retirements.

9. FORWARD PLAN (PAGES 19 - 24)

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.

10. RISK REGISTER - REVIEW/UPDATE (PAGES 25 - 36)

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

11. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 37 - 40)

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

12. PENSION FUND QUARTERLY UPDATE (PAGES 41 - 50)

To report the following in respect of the three months to 30 September 2019:

- Investment asset allocation;
- Independent Advisor's Market Commentary; and
- Investment Performance.

13. INVESTMENT CONSULTANCY SERVICES CONTRACT (PAGES 51 - 54)

This report requests that the Committee and Board approves a contract extension pursuant to Contract Standing Order (CSO) 10.02.1 to the current contract with Mercer for the period 1 April 2020 – 31 March 2021.

14. INVESTMENT CONSULTANT STRATEGIC OBJECTIVES (PAGES 55 - 58)

This report discusses strategic objectives for its appointed investment consultant, currently Mercer Ltd.

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 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).

17. 2019 PENSION FUND VALUATION (PAGES 59 - 118)

As per item 7.

18. PENSION FUND QUARTERLY UPDATE (PAGES 119 - 156)

As per item 12.

19. INVESTMENT CONSULTANT STRATEGIC OBJECTIVES (PAGES 157 - 158)

As per item 14.

20. EXEMPT MINUTES (PAGES 159 - 162)

To agree the exempt minutes of the Pensions Committee and Board meeting held on the 19th September 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

Monday, 11 November 2019

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

PRESENT: Councillor Matt White (Chair), Councillor John Bevan (Vice-Chair), Councillor James Chiriyankandath, Councillor Paul Dennison, Councillor Viv Ross, Councillor Noah Tucker, Ishmael Owarish, Keith Brown and Randy Plowright

290. 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.

291. APOLOGIES FOR ABSENCE

There were no apologies for absence.

292. URGENT BUSINESS

There were no items of urgent business.

293. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

In relation to Item 298, Cllr Ross declared having a pension with Equitable Life.

294. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Ross, Cllr Dennison, Cllr Chiriyankandath, Cllr Tucker, Keith Brown, Ishmael Owarish, and Randy Plowright attended a training session delivered by Hymans Robertson – 19/09/2019.

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

Cllr Bevan

- LBH Pensions training 11/07
- SPS Alternative & Innovative Investment Strategies for Pension Funds 12/09

295. MINUTES

Regarding accuracy, the Committee agreed to amend the final line of the minutes in Item 276 from “...which would adversely hit oil related shares” to “...which could adversely hit equity markets overall”.

In addition, the following updates were provided:

- The Fund Manager, CQS, became a signatory to the '*United Nations Principles for Responsible Investment*' initiative on 16th July 2019.
- GMP had been added to the Risk Register.
- There had yet to be any update on the 'McCloud' ruling. Officers noted it could take years for the courts to propose a remedy to the ruling.
- The allocation commitment to Private Equity Portfolio would be considered as part of the Investment Strategy review in March 2020 or July 2020.
- Officers would circulate a presentation by Mercer on the topic of 'Custody' from 2016. Following that, a training session from the Fund's Custodian – Northern Trust, could be arranged if Members requested (**Action: Head of Pensions**).

RESOLVED

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

296. PENSIONS ADMINISTRATION REPORT

The Head of Pensions, Thomas Skeen, introduced this report which detailed a breakdown of the number of visits made to the Haringey Pension Fund website and updated on the matter of Annual Benefit Statements (ABS). The report also presented details of a new admission to the pension fund by N-Viro Limited. The Pensions Committee and Board (PCB) were taken through the report as set out at pages 11-13.

In response to questions on the report, the following information was provided:

- Officers confirmed the layout of the report would be presented differently at the next meeting to avoid confusion (**Action: Pensions Manager**).
- On 20th November 2018, the PCB decided that the ABS would be circulated to Members electronically by default on the Member Self Service website from 2020. Officers confirmed that a written request could be made by members for them to continue to receive the ABS by post.
- Officers noted it was not possible to track why an individual visited the Fund's website.
- It was clarified that the Member's Self Service website was sign posted on the Fund's Website.

RESOLVED

1. To note that the report gives a breakdown of the number of visits made to the Haringey pension fund website.
2. To note that the Annual Benefit Statements for active and deferred members of the pension scheme have been issued by the statutory deadline.
3. To 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.

297. 2019 PENSION FUND VALUATION

The Head of Pensions introduced this report which provided information to members of the PCB regarding the 2019 Fund valuation, which was underway, and which would be a recurring item for a number of future committee meetings. The PCB were taken through the report at pages 15 to 18.

(The PCB next considered the exempt appendices to this report in private, as per item 307).

RESOLVED

1. To 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.
2. To approve the draft Funding Strategy Statement (FSS) attached at Appendix 1 for consultation with employers.
3. To 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.
4. To 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.

298. EQUITABLE LIFE ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) SCHEME

The Head of Pensions introduced this report which provided 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 held. The PCB were taken through the report at pages 19 to 21.

In response to questions on the report, the following information was provided:

- Officers confirmed the continual overseeing of the historic Equitable Life AVC investments was an administrative burden but they were required by law to make AVC arrangements for those affected.
- Officers confirmed the Council would write to the 21 affected members asking if they wished to express a preference for any of the available offers listed at paragraph 6.3 and, if they did, the Council would reflect that in its voting.
- Officers noted that, if there was a difference of opinion among affected members, the Council would be able to split its vote and vote both 'for' and 'against' the proposals proportionally, to reflect the differing views of those members who held with-profits funds.
- With regard to the proposal for affected members who held with-profits policies to have their existing with-profits policies transferred into unit linked funds,

Officers confirmed that members would be asked what units they wished to be transferred into with the default being a life styling option.

RESOLVED

1. To 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.
2. To agree the approach set out in Confidential Appendix 1.

299. LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE UPDATE FROM INDEPENDENT ADVISOR

The Fund's Independent Advisor introduced this Item by taking the PCB through the paper prepared at pages 25 to 30 - *'Update on Scheme Advisory Board Project Good Governance in the LGPS'*.

It was highlighted that an online survey by Hymans Robertson of over 300 stakeholders on four prospective model styles in respect of governance structures found a preference for Model 2 – *'Greater ring fencing of the LGPS within existing structures'* (page 26).

In response to questions on the report, the following information was provided:

- There could be a style of peer review incorporated into the overall structure of the 'Scheme Advisory Board project – Good Governance'.
- One of the issues the project sought to redress was to ensure that the level of required knowledge from members of Pensions Committees and Pensions Boards was the same.

RESOLVED

To note the contents of this report, and any other verbal updates provided by Officers and the Fund's Independent Advisor in the meeting.

300. FORWARD PLAN

The Head of Pensions invited the PCB to note this report on the Forward Plan, which detailed the topics that would be brought to the attention of the PCB through to March 2020. The report also sought Members' input into future agenda items.

RESOLVED

To note the update on member training attached at Appendix 3.

301. RISK REGISTER

The Head of Pensions introduced this report on the Risk Register. 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.

The following information was highlighted:

- GMP had been added to the Risk Register at page 41 (Risk Number 21).
- Risk Number 4 – ‘*The fund fails to recover ad hoc /miscellaneous income adding to the deficit*’, had its impact reduced from 4 to 3, due to ‘miscellaneous income’ making up a small percentage of the Fund.
- Risk Number 30 – ‘*Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms*’, had its probability reduced from 3 to 2 due to this looking increasingly unlikely to materialise.
- Risk Number 50 – ‘*No modelling of liabilities and cash flow is undertaken*’, could be revised following the next triennial valuation and investment strategy.

Regarding when the PCB would be able to consider the Investment Strategy, Officers noted this was reliant on certain factors but that it could happen at its March 2020 meeting if the Funding Strategy Statement and employer contributions were finalised at its January 2020 meeting. Officers further noted that the matter could be considered at one meeting or multiple meetings if fundamental changes were required.

RESOLVED

1. To note the risk register.
2. To note the area of focus for this review at the meeting is ‘Accounting’ and ‘Investment’ risks.

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

The Head of Pensions invited the PCB to note 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

To note this report.

303. 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; Independent Advisor’s Market Commentary and Investment Performance.

It was clarified there was a typographical error at paragraph 1.1, and that it should read ‘*To report the following in respect of the three months to 31 June 2019*’.

The PCB was informed that an indicative funding position update for 30 June 2019, showed an improvement to an 85.9% funding level, which reinforced the expectation

that the Fund's position had improved since the 2016 Valuation overall. It was also informed that the Fund's £50m commitment to the Aviva Lime Fund had been invested on 16 August 2019.

The Fund's Independent Advisor took the PCB through the appendix – *'Market Background April to June 2019'* and highlighted that April to June 2019 had been a volatile period for markets, largely due to the ongoing USA and China trade tensions.

RESOLVED

To note the information provided in respect of the activity in the three months to 30th June 2019.

304. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

305. 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).

306. PRIVATE OFFICER REPORT: LONDON CIV PENSION ARRANGEMENTS

This report and its recommendations were considered in private.

307. 2019 PENSION FUND VALUATION

As per Item 297.

308. EQUITABLE LIFE ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) SCHEME

As per Item 298.

309. PENSION FUND QUARTERLY UPDATE

As per Item 303.

310. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the meeting held on the 11th July 2019 be approved as a correct record of the meeting.

CHAIR: Councillor Matt White

Signed by Chair

Date

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Report for: Pensions Committee and Board 19 November 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.

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 note the draft whole fund Valuation results attached at appendix 1.
- 3.3. The Committee and Board note Haringey Council's employer contribution rate results attached at appendix 2.

4. Reason for Decision

- 4.1. The Council is currently required by the LGPS Regulations 2013 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. Appendix 1 shows the whole fund draft results as at 31 March 2019. Draft contribution rates for all individual employers are not yet calculated, but this will be done in coming weeks, and officers will consult with employers on these rates prior to them being finalised. Generally individual employer funding positions are expected to be improved in line with the overall fund position improvement.
- 6.3. The overall fund results show a funding position as at 31 March 2019 of 100%, the previous valuation of the fund as at 31 March 2016 showed a corresponding 79% position. The methodology for calculating the overall fund position has been varied from the 2016 Valuation as has been discussed with the Pensions Committee and Board in previous meetings. An improved funding position was anticipated due to the change in methodology, however there are also underlying improvements in the fund's position which contribute significantly to this improvement: the largest being the fund's returns on investments, which total nearly 40% over the three years of the valuation, far exceeding actuarial assumptions at the last valuation.
- 6.4. It is important to note that the overall reported funding level does not directly drive individual employer contributions which will be set, this is done using a combination of numerous factors bespoke to each employer's particular position, including covenant etc.
- 6.5. Appendix 2 shows the methodology for calculating Haringey Council's contribution rate. The Council rate will decrease by 0.5% in each of the three financial years from 1 April 2020, from the current 26.4% of pensionable pay. (i.e. reducing to 25.9% in 2020/21, 25.4% in 2021/22 and 24.9% in 2022/23).
- 6.6. A high level valuation timetable which has previously been presented to the Pensions Committee and Board is included below for reference.

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's contribution rates for the 3 years from 1 April 2020), 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, including all individual employer contribution rates, 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 and the attached appendices.

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. The actuary must have regards to and valuation report must contain the information required by the Regulation.
- 8.5. The employer contributions and the payments are a requirement of Regulations 67 to 71.

Equalities

- 8.6. None applicable.

9. Use of Appendices

- 9.1. Confidential Appendix 1: Overall funding position (Pages 59 – 76)
- 9.2. Confidential Appendix 2: Haringey Council employer contribution modelling (Pages 77 – 117)

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

Report for: Pensions Committee and Board 19 November 2019

Title: Fund III Health Early Retirement Liability Approach

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 determine the Fund's approach to Ill Health Early Retirements – specifically the way that the often large liabilities arising from these are apportioned to employers who participate in the fund. Currently the fund employs a different approach for Haringey Council and all other employers in the Fund, with the Council taking a self insured approach, and all other employers being covered by an external insurance policy.

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 agree to adopt a 'self insured' approach to ill health retirement liabilities from 1 April 2020, with a proportion of all employers contributions being pooled to fund ill health early retirement costs when they materialise.

Alternatively

- 3.3. The Committee and Board agree to continue with the approach of purchasing external ill health liability insurance for all employers other than Haringey Council at an anticipated cost of £1.171m over the three financial

years 2020/21 – 2022/23, which will be funded by employer contributions for those employers covered by the insurance.

4. Reason for Decision

- 4.1. When individuals retire early on ill health grounds, a 'strain' becomes payable to the fund, to take account of the fact that a pension is paid before the individual's normal retirement date, and at the level their pension would have been expected to reach had they continued to work until their normal retirement date. These 'strain' costs vary significantly from individual to individual, but often total hundreds of thousands of pounds, and in some cases, exceed one million pounds.
- 4.2. For small employers with few employees, if such 'strain' costs became payable, this could cause these employers to go into administration or liquidation. This unpaid deficit which had materialised through ill health early retirement 'strain' would then normally be shared out among all other employers in the fund.
- 4.3. Before 2016, all employers in the fund bore this risk individually, with early retirement strains being calculated at each valuation, and added to each employers deficit, to be recovered in subsequent years. Some employers had previously complained about this approach and had purchased their own insurance policies to safeguard against this risk. In 2016 the fund agreed to put in place partial ill health liability insurance for all of the employers in the fund, except Haringey Council. Since 1 January 2017 the fund has purchased this insurance. With the 2019 Valuation soon to be finalised, and with new employer contribution rates to become payable for the 3 years from 1 April 2020, it makes sense to now review this policy in line with the timescales of the new valuation.

5. Other options considered

- 5.1. There are several approaches that the Fund could adopt for dealing with the risks posed by early retirements through ill health:
 - The Fund could take no action, and to allow each employer to bear the risks associated with early ill health retirements. This is not recommended due to the risks to individual employers' solvency previously highlighted.
 - The Fund could continue to purchase external insurance.
 - Alternatively, the Fund could adopt a pooled risk or self-insurance approach where a proportion of all employers' contributions are pooled and this pool of contributions is used to fund all ill health retirement strains when they occur.
- 5.2. Any of the above approaches could be adopted on a whole fund approach, with all employers having the same treatment, on a partial fund approach, where some employers are grouped and receive different treatment, or on

an employers choice approach, where employers are allowed to choose their approach.

- 5.3. Allowing individual employers to choose their own approach would be administratively complex, and could potentially expose other employers in the fund to risk, this is therefore not proposed.
- 5.4. The fund has currently implemented a partial fund approach where all employers except the Council fund external insurance. The Council is self-insured against ill health early retirement costs.

6. Background information

- 6.1. Ill health early retirements could be considered to be statistically random in their value and distribution. For a large employer such as Haringey Council, ill health retirements between valuations do not lead to wild fluctuations in employer contributions. However, for smaller employers such as an Academy school or a cleaning or catering provider with few staff members, they are not of sufficient scale to be able to absorb the effects of ill health retirements when they do occur, so if external insurance or a pooled risk approach is not implemented, this can lead to significant increases in contributions, which can be unaffordable for the employers.
- 6.2. The numbers and values of ill health early retirement strains for the three financial years 2016/17 – 2018/19 are summarised below.

Ill Health Early Retirement Strains	Number	Value	Average Value
Haringey Council – self insured approach	11	£ 2,350,191	£ 213,654
All other Employers – covered by external insurance policy	8	£ 1,105,785	£ 138,223

- 6.3. The current approach using external insurance costs around £337k per annum, and is charged based on a % of payroll for all the employers covered by the insurance. This is charged to all employers' asset shares except the council, so that only those employers who benefit from the insurance fund the costs of this.
- 6.4. As a whole, the fund would be able to manage the risks of ill health early retirement costs without the need for involving an external insurer, by pooling all employers and adopting a self insured approach across the whole fund unilaterally. The risk of this approach, as opposed to purchasing external insurance, is that if there were to be a spike in ill health retirements across the fund, this would impact on all employers equally via an increase in employer contributions at the next valuation.

- 6.5. The Fund has already acknowledged a willingness to bear this risk for larger employers by previously adopting a self insured approach for the Council. This could now be extended to all other employers.
- 6.6. While purchasing an external insurance policy will likely be more expensive over the longer term for the fund as it allows for the insurer's profit margin, the benefit to this approach is that it allows ill health insurance costs to be planned for more accurately, as a fixed amount is paid each year (subject to annual recalculation of premiums). Purchasing an external insurance policy should allow for less volatility in employer contributions between valuations, however it should be noted that adopting a pooled or self insured approach for the whole fund would not be expected to result in significant changes to employer contribution rates between valuations.
- 6.7. There are clearly pros and cons of both approaches, however officers are minded to recommend changing the approach to a self-insured approach for all employers uniformly, and cease utilising an external insurance policy.
- 6.8. An approach must be determined by the Committee and Board in this meeting, as the approach will be detailed in the Fund's Funding Strategy Statement which will be consulted on with employers in December, prior to the valuation being signed off and new employer contribution rates beginning for the three years from 1 April 2020 – 31 March 2023. The estimated costs of ill health liability insurance (including an allowance for inflationary indexation) total £1.171m over these three years (an average of £390k per annum). These costs will be charged to the asset shares of all employers except Haringey Council proportionally. The current provider of the fund's existing insurance policy, Legal and General, is the only provider to offer this specific insurance to LGPS Funds, so there are no alternative providers who can be considered.

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. In the past, the Fund has taken the approach of allowing employers to pay for the cost of ill health retirement by adjusting employer contribution rates at each triennial valuation. This carries a risk that due to ill health retirement and a subsequent adjustment of contribution rates, smaller employers in the Fund may find the resulting annual monetary contribution prohibitive and therefore unable to carry on as a going concern.

- 8.2. The continued use of an insurance product that allows the Fund to eradicate this risk for all employers except the Council is an option that merits consideration, however, the alternative approach highlighted, to adopt a self insured approach is potentially advantageous and worthy of serious consideration.

Legal Services Comments

- 8.3. The Assistant Director of Corporate Governance has been consulted on the content of this report.
- 8.4. Regulation 35 of the 2013 Regulations provides that if an active member who has qualifying service for a period of two years and whose employment is terminated by a Scheme employer on the grounds of ill-health or infirmity of mind or body before that member reaches normal pension age, is entitled to, and must take, early payment of a retirement pension if that member satisfies certain conditions contained in the regulation.
- 8.5. The recommendation set out in this report is in effect a review of the funding strategy statement. The Fund must keep the funding strategy statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made.
- 8.6. In reviewing the funding strategy statement the Fund must have regards to the guidance set out in the document published in 2016 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement" and the statement of investment principles published by the administering authority under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

Equalities

- 8.7. None applicable.

9. Use of Appendices

None

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

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Report for: Pensions Committee and Board 19 November 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 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
	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
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 LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration and Governance		
Investment Consultancy Services Contract	Review/update of Fund Conflicts of Interest Policy (if necessary)	Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement
Investment Consultant Strategic Objectives Setting	Fund Administration Strategy Review (if necessary)	
Investments		
		Investment Strategy Review

19 November 2019	20 January 2020	5 March 2020
Funding and Valuation		
2019 Valuation Draft results (including Council's results)	2019 Valuation Final Sign off	External Audit for Pension Fund Accounts Planning
Ill Health Liability Insurance Contract	Funding Strategy Statement Final Version Following Results of 2019 Valuation	
Training		
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Tbc	Tbc	Tbc

TRAINING PROGRAMME

APPENDIX 2

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
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
*(other locations available different dates)					
23-24 Jan 20	Local Government Pension Scheme (LGPS) Governance Conference	Local Government Association	£515 per delegate	York	N/A
https://www.local.gov.uk/events					

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 November 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 'Funding and Liability' 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.

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

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
58	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	<p>Funding Strategy statement has explicit links to the investment strategy. Both the actuarial advisor and the investment advisor advise Officers and the Committee and work in partnership to ensure that the two strategies are compatible.</p> <p>The Funding Strategy once ready is presented to Committee for final review and approval.</p>	5	2	10	HoP	Ongoing with any changes made to the investment strategy
59	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	Fund commissions stochastic modelling from the fund's actuary to test the likelihood of success of achieving desired returns to deliver the Fund long term objectives of being able to pay retirement benefits as they fall due. The actuary sets a high probability bar for future service return and also a deficit recovery plan that recovers funding shortfall in the most efficient manner.	5	2	10	HoP; Fund Actuary	Mar-20

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
60	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	The Actuary as part of the triennial valuation reviews the Funding Strategy to take account of outcomes from the triennial valuation and sets appropriate contribution rate for each employer in the Fund. Similarly, a comprehensive review of the Investment Strategy is undertaken following a triennial valuation to ensure that the Strategy is still fit for purpose - annual and ad-hoc reviews are also undertaken where opportunities present itself.	5	2	10	HoP; Fund Actuary; Investme nt Consulta nt	Mar-20
61	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the Funding Strategy is fit for purpose. Funding strategy statement has specific strategies in place for different types of employer depending on their covenant strength etc.	5	2	10	HoP; PAM	Ongoing
62	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	Employer monitoring done to capture key metrics that drive an employers' liabilities and status within the Fund. Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme.	5	2	10	PAM; HoP	Ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
63	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	<p>Employer monitoring to capture key metrics that drive an employers' liabilities and status within the Fund.</p> <p>Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. Where an employer is admitted on a closed basis, this usually aligns with when the last active member on the employers payroll either retires or leaves the service of the employer.</p>	5	2	10	PAM; HoP	Ongoing
64	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	<p>The investment strategy is constantly under review and updated to ensure that the Fund is able to meets its objectives.</p> <p>The Investment Consultant/Independent Advisor along with officers of the fund have regular meetings to review the investment strategy and present options to the Committee for approval.</p>	5	1	5	HoP	ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
65	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	<p>The Fund's admission agreement policy requires potential admitted bodies to have a guarantor/bond in place. Or alternatively a pass through arrangement.</p> <p>Where an admitted body is unable to secure a bond, such an employer would be required to provide a guarantor to indemnify the pension fund against any risk from the employer becoming insolvent.</p>	5	1	5	PAM; HoP	ongoing
66	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	<p>All new admissions into the Fund are required to have a bond taken out in the name of the Fund or provide a guarantor, if a pass through arrangement is not used.</p> <p>The Fund Actuary undertakes a periodic review of employer profiles to assess the level of risk posed by individual employers to the Fund.</p> <p>The results of the employer profiling exercise is a factor in determining contribution rates for each employer in the Fund, so that the level of risk posed by an employer is commensurate with the rate of recovery of funding deficit.</p>	4	2	8	PAM; HoP	ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
67	FLI10	Processes not in place to capture or review covenant of individual employers.	<p>The strength of covenant of individual employers is assessed before they are admitted into the Fund.</p> <p>The strength of covenant is a significant factor when determining the terms of admission for a new admitted body to the Fund. Along with the employer profiling, strength of covenant of each individual employer is assessed periodically by the actuary and Head of Pensions.</p>	4	2	8	HoP	ongoing
68	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	<p>The Haringey Pension Fund subscribes to a number of organisations that assists officers of the Scheme to keep abreast of development and changes to the Fund (including government legislation).</p> <p>Updates are received Local Authority Pension Fund Forum; CIPFA Pensions Network; London Pension Fund Forum. These forums/networks provide regular updates on all things local government pension and facilitates awareness of proposed or imminent changes to the LGPS or Investment regulations.</p>	5	1	5	PAM; HoP	ongoing

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 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 in the near future 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. These are however still subject to Haringey specific monitoring meetings with the relevant Investment Manager which are organised by the Head of Pensions and attended by both the Head of Pensions and the Independent Advisor.</p>	5	3	15	HoP	Ongoing

Report for: Pensions Committee and Board 19 November 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
Sports Direct	Approving the annual report and accounts and electing the board	Oppose	Oppose	<p>Receive the Annual Report (For: 99.08%)</p> <p>Re-elect David Daly (For: 99.87%)</p> <p>Re-elect Mike Ashley (For: 90.98%)</p> <p>Re-elect David Brayshaw (For: 95.13%)</p> <p>Elect Richard Bottomley (For: 96.77%)</p> <p>Elect Cally Price (For: 99.92%)</p> <p>Elect Nicola Frampton (For: 97.48%)</p>
Ryanair	Election of board	Oppose	N/A no shares held	<p>D. Bonderman (For: 75.2%)</p> <p>R. Brennan (For: 96.1%)</p> <p>M. Cawley (For: 78.0%)</p> <p>E. Daly (For: 96.4%)</p> <p>S. McCarthy (For: 81.7%)</p> <p>K. McLaughlin (For: 71.1%)</p> <p>H. Millar (For: 70.0%)</p> <p>D. Milliken (For: 95.9%)</p> <p>M. O'Brien (For: 96.2%)</p> <p>M. O'Leary (For: 98.1%)</p> <p>J. O'Neill (For: 81.6%)</p> <p>L. Phelan (For: 82.4%)</p>
BHP	Amendment to constitution and lobbying activities	For/For	For/For	<p>15.32% For</p> <p>27.07% For</p>

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 November 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 30 September 2019:
- 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 September 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 2 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: Pension Fund Performance (page 119 – 155)

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. Portfolio Allocation Against Benchmark

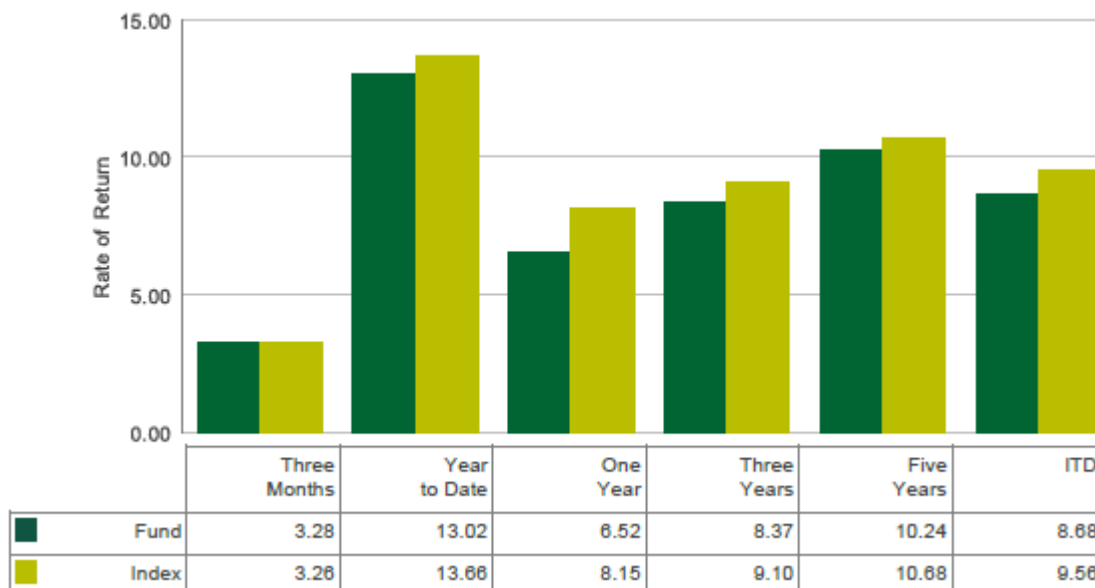
12.1.The value of the fund increased by £43.6m between June and September 2019, further details are shown in the following table.

Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Allocation	Strategic	Variance
	31.03.2019	30.06.2019	30.09.2019	30.09.2019	Allocation	
	£'000	£'000	£'000	%	%	%
Equities						
Multi Factor Global	274,055	284,769	295,041	20.11%	19.20%	0.91%
Emerging Markets Low Carbon	99,382	103,074	102,019	6.95%	6.60%	0.35%
Global Low Carbon	281,914	296,821	293,894	20.03%	19.20%	0.83%
Total Equities	655,351	684,664	690,954	47.09%	45.00%	2.09%
Bonds						
Index Linked	195,855	199,815	217,271	14.81%	15.00%	-0.19%
Property						
Aviva	0	0	50,000	3.41%	5.00%	-1.59%
CBRE	97,136	99,581	99,615	6.79%	7.50%	-0.71%
Private equity						
Pantheon	65,489	67,763	69,354	4.73%	5.00%	-0.27%
Multi-Sector Credit						
CQS	126,267	113,411	114,093	7.78%	7.00%	0.78%
Multi-Asset Absolute Return						
Ruffer	152,887	155,325	134,675	9.18%	7.50%	1.68%
Infrastructure Debt						
Allianz	43,611	43,068	44,860	3.06%	3.00%	0.06%
Renewable Energy						
CIP	3,538	5,086	7,657	0.52%	2.50%	-1.98%
Blackrock	21,066	23,318	23,198	1.58%	2.50%	-0.92%
Cash & NCA						
Cash	22,968	31,730	15,713	1.07%	0.00%	1.07%
Total Assets	1,384,168	1,423,761	1,467,390	100%	100%	0.00%

13. Investment Performance

13.1.A performance strategy report is attached to this report at confidential appendix 2, this is prepared by the Fund's Custodian, Northern Trust. The Fund's overall returns for the quarter are summarised in the table below:



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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background July to September 2019

The Quarter July to September 2019 saw a very small gain for Listed Equities on a global basis with the MSCI World Index gaining less than 1% overall. While July and September were positive August was negative with the US-China trade dispute a significant factor. Over the Quarter there was a clear contrast between the main developed markets (US, Europe, UK, Japan) and other markets. The major developed markets saw small but clear gains, while both the MSCI AC Asia (exc Japan) and the MSCI Emerging Market indices were down by approximately 4% (in US\$ terms). As in the previous (April to June) Quarter the major Government benchmark bonds (UK, US, Germany) all clearly gained in value. The US-China trade dispute, continuing concerns regarding global growth and expectations/actual accommodative major central bank policy all influenced/affected equity and government bond markets.

The US S&P 500 advanced from 2,942 at the end of June to 2,977 at the end of September. Following testimony before Congress by Jay Powell Chairman of the US Federal Reserve who spoke of increasing risks facing the US economy and indicated that the Federal Reserve would intervene as necessary the S&P closed above 3,000 (at 3,014) for the first time ever, on 12 July 2019. Another new closing high of 3,026 was achieved on 26 July 2019. August was, however, a difficult month for equities.

On 31 July 2019, as expected, the Federal Open Market Committee (FOMC) lowered the target range for the federal funds rate (its main interest rate) by 0.25% to 2 to 2.25%. However, Chair Powell's statements at the press conference following the 31 July meeting worried markets which then responded negatively. In response to a question as to whether this was the beginning of a *"lengthy cutting cycle"* he responded *"That is not—that's not what we're seeing now. That's not our perspective now or outlook."* Equity market concerns were also increased in early August by announcements of further US tariffs on China and suggestions by President Trump of currency manipulation by China. On 5 August the S&P 500 closed at 2,845 a fall of over 5% in under a week. The S&P closed on Friday 30 August at 2,926 after a late month rally following a softening of language on trade by both the US and China.

At its September 2019 meeting the FOMC reduced the federal funds rate by a further 0.25%. At the following press conference Chair Powell stated *"The future course of monetary policy will depend on how the economy evolves..... We have often said that policy is not on a preset course, and that is certainly the case today."* This rate reduction and mitigated concerns over trade soothed markets with the S&P 500 closing at 2,977 on 30 September. The seemingly relentless rise in US equities has, however, resulted in valuations which are very high in both absolute terms and relative to non-US equities.

US inflation as measured by the Personal Consumption Expenditures (PCE) Index (which is the US Federal Reserve's preferred inflation measure) was 1.4% in July and August and 1.3% in September. Core PCE which excludes food and energy was 1.7% in July, 1.8% in August and 1.7% in September. Therefore, both PCE measures continue to be below the FOMC's 2% target. US unemployment reached another fifty year low in September 2019 with the rate falling to 3.5%. The University of Michigan Surveys of Consumers continue to indicate positive views, but consumer confidence had eroded somewhat by September compared to June 2019.

Eurozone equities were very slightly up in July, suffered a decline in August followed by a positive September. The MSCI EMU Index which tracks the largest companies in the Eurozone advanced by approaching 3% over the Quarter. Both the approach of the US and China to trade issues and European Central Bank (ECB) action were supportive of equities in September.

The 25 July meeting of the Governing Council of the ECB left rates unchanged but the press release following the meeting included a clear indication of future monetary easing stating *"the Governing Council also underlined the need for a highly accommodative stance of monetary policy for a prolonged period of time.....the Governing Council is determined to act.....It therefore stands ready to adjust all of its instruments...."* The Governing Council meeting on 12 September took a number of decisions to loosen monetary policy and increase stimulus including reducing the deposit interest rate by 0.1% to minus 0.5% and reintroducing quantitative easing with the press release stating *"net purchases will be restarted under the Governing Council's asset purchase programme (APP) at a monthly pace of [Euros] 20 billion as from 1 November"* The press release indicated this enhanced stimulus would be longer rather than shorter term.

Eurozone unemployment which had fallen to 7.5% in June 2019 (its lowest level since July 2008) remained stable with a level of 7.5% as at September 2019. However, the overall performance and outlook for the Eurozone appeared worrying. The headline inflation rate for September was only 0.8% (compared to 1.3% in June) and therefore continued well (and indeed further) below the ECB policy objective of inflation below, but close to, 2% over the medium term. The German economy, the largest in the Eurozone and a major centre of manufacturing demonstrated clear signs of faltering. At the ECB September press conference Mario Draghi gave a more pessimistic view of future Eurozone GDP growth than he had in June stating *"September 2019 ECB staff macroeconomic projections for the euro area..... foresee annual real GDP increasing by 1.1% in 2019, 1.2% in 2020 and 1.4% in 2021. Compared with the June 2019 staff macroeconomic projections, the outlook for real GDP growth has been revised down for 2019 and 2020."* President Draghi was also clear that he believed the Eurozone economy requires governments to implement fiscal stimulus to enhance the economic outlook and indicated that central bank monetary policy alone is not sufficient.

The FTSE All Share index advanced by just over 1% during the Quarter. The FTSE 100 (which is more internationally orientated) had a far more negative August (down 4%) compared to the more domestically focussed FTSE 250 (down 1%). For the Quarter the FTSE 100 advanced by 1% compared to over 3% for the FTSE 250. Unemployment remained very low at 3.9% for the period June to August (the same as for the period April - June). Consumer Price Index (CPI) inflation which had been exactly at the Bank of England (BoE) target of 2% in June 2019 rose to 2.1% in July before falling back to 1.7% in both August and September (its lowest level since December 2016). The Bank of England however does not view this as the beginning of a sustained downward trend as its August 2019 Inflation Report (see page 28 onwards) predicts below 2% CPI for the latter part of 2019 followed by a recovery to slightly above 2% by 2021.

The Minutes of the September Monetary Policy Committee (MPC) of the Bank of England included the statement *“Brexit-related developments are making UK economic data more volatile, with GDP falling by 0.2% in 2019 Q2 and now expected to rise by 0.2% in Q3.....Brexit uncertainties have continued to weigh on business investment.”* Official data releases showed that the UK economy underperformed the Eurozone, US and Japan in Q2 2019. At both the 31 July and 18 September meetings the MPC yet again voted unanimously to maintain Bank Rate at 0.75%.

Unlike the two previous Quarter's Japanese equities did not underperform other developed markets with the Nikkei 225 equity index gaining clearly over 2% during the July to September Quarter. The Nikkei perhaps reflected the influence of trade/export sentiment on Japanese equities with the index falling by approaching 4% in August before increasing by 5% in September. At its September 2019 meeting the Bank of Japan reaffirmed its policy of huge monetary policy stimulus which commenced in 2013. Despite this huge stimulus Japanese Core CPI inflation has remained well below the 2% target and fell to a mere 0.3% in September 2019.

In contrast to the major developed markets Asia (excluding Japan) and emerging equity markets experienced a clearly negative Quarter. Both the significant US China trade tensions and global growth concerns will likely have weighed against not only China but other trade/export dependant economies/equity markets. Chinese growth was an annualised 6% in the July to September 2019 Quarter (as reported by the China National Bureau of Statistics) as compared to 6.2% annualised in the previous Quarter. This was the lowest level reported since the early 1990's.

Trade tensions, concerns over growth and the policy approaches of the major central banks were all, in general, favourable to the major government bonds. The escalation of the US-China trade dispute in August was accompanied by a significant reduction in the 10 year US Treasury yield which was only partially given up in September as tensions mitigated. Brexit concerns were also doubtlessly a factor in the reduction in the 10 Year Gilt yield experienced over the Quarter. The US 10 year Treasury Bond yield fell from 2.01 at the end of June to 1.66 at the end of September. The 10 year Gilt fell from 0.83 at the end of June to 0.49 at the end of September. The German 10 year Bund yield fell from minus 0.33 to minus 0.57.

In conclusion the July to September 2019 Quarter evidenced the clear threat to equity markets from the US-China trade dispute. Both the US Federal Reserve and European Central Bank clearly acted to loosen monetary policy in response to weakening economic activity and tepid inflation. Given however the extensive use of loose monetary policy over a number of years the question must arise as to how effective it may be going forward and whether, as Mario Draghi has clearly stated, governments need to deploy fiscal policy to support their economies.

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“Strategic and Operational Support for Pension Funds and their Stakeholders”
www.jrfpensions.com

Report for: Pensions Committee and Board 19 November 2019

Title: Investment Consultancy Services Contract

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. In order for Haringey (the Council) to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS), the Council must take proper advice in relation to investment of the fund's assets: this is done via procuring the services of an external specialist firm: the fund's investment consultant. The incumbent provider is Mercer Ltd. who has advised the fund for six years.
- 1.2. The current contract for investment consultancy services with Mercer will expire on 31 March 2020. This 2 year contract (with the option for a 1 year extension) commenced on 1 April 2018 following a competitive tender process under the National LGPS Framework which is hosted by Norfolk County Council. The Framework is fully compliant with EU procurement processes.
- 1.3. This report requests:
 - 1.3.1. That the Committee and Board approves a contract extension pursuant to Contract Standing Order (CSO) 10.02.1 to the current contract with Mercer for the period 1 April 2020 – 31 March 2021.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Pensions Committee and Board approve an extension of the current contract with Mercer Ltd. for investment consultancy services as allowed under the contract for the period 1 April 2020 – 31 March

2021 in accordance with CSOs 3.03 and 10.02.1 at an estimated value of £95k.

4. Reason for Decision

- 4.1. The Fund must take proper advice on investment matters as Administering Authority for Haringey LGPS Fund.
- 4.2. At the time the contract was originally let, it was felt that a relatively short contract period would be most appropriate, and deliver the best value for the fund, due to the pace of change in the LGPS investment environment with the government's pooling agenda. The contract was therefore let for 2 years with an option for a 1 year extension. At the time of letting the contract, it was not anticipated that this option to extend the contract would necessarily be utilised.
- 4.3. The existing contract for investment consultancy services expires on 31 March 2020. The fund's investment strategy review, which will follow the completion of the triennial valuation, falls around this time period, and may not be completed by 31 March, retendering the contract at the current time is therefore impractical. Officers feel the best course of action is to utilise the 1 year extension allowed by the contract, and conduct a fresh procurement exercise over the course of the autumn and winter of 2020 with the aim of letting a new contract from 1 April 2021.

5. Other options considered

- 5.1. The fund must appoint an investment consultant to ensure it is able to access proper investment advice in order to fulfil its duty as Administering Authority for Haringey LGPS Fund. Therefore, allowing the contract to lapse would be an inappropriate course of action. As highlighted the work on reviewing the fund's investment strategy which is a critical activity for the fund, and relies heavily on the appointed Investment Consultant may not be completed by the end of the current contract period.

6. Background information

- 6.1. All costs of the contract will be met fully by the pension fund, i.e. there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as those for investment consultancy services. This is a required practice for LGPS funds under Regulation 6 of the LGPS (Management and Investment of Funds Regulations) 2016.

- 6.2. The contract was originally procured by a call off from a Framework Agreement set up by Norfolk County Council for Investment Management Consultancy Services as permitted by CSO 7.01.b.
- 6.3. At the time the contract was originally let, officers invited the eight firms signed up to the framework agreement to participate in a mini competition to tender for the contract with Haringey. Five of the firms bid for the contract. The procurement exercise consisted of two stages. The first stage assessed written submissions from all firms to assess 'price', and 'quality'. The three firms who had the highest scores at this stage were then invited to take part in the second stage of the procurement. This second stage consisted of a presentation and interview where 'service fit' was assessed. Three members of the Pensions Committee and Board attended this session to have oversight of the procurement exercise. Officers scored the bids with the involvement of the Independent Advisor who has previous experience of participating in procurement processes to appoint Investment Consultants to LGPS Funds, and as is the usual practice for procurements for Haringey Pension Fund.

7. Contribution to Strategic Outcomes

- 7.1. None.

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

Finance

- 8.1. The extension of the contract at an estimated cost of £95k will be met by the pension fund, and is in line with the original procurement exercise carried out by officers.

Legal

- 8.2. The Assistant Director of Corporate Governance notes the contents of the report.
- 8.3. The proposed extension is provided for in the contract for investment consultancy services with Mercer Ltd. The National LGPS Framework for Investment Consultancy Service permits contracts awarded under the Framework to extend up to 31 March 2021.
- 8.4. The Assistant Director of Corporate Governance sees no legal reasons preventing the Pensions Committee and Board from approving the recommendation in the report.

Procurement Comment (AR):

8.5. This is a call off agreement from the National LGPS Framework for Investment Consultancy Services, hosted by Norfolk County Council which is fully compliant with EU procurement processes. This agreement provides for an extension of 1 year for an estimated value of £95k. Procurement endorses this request for extension.

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.

Report for: Pensions Committee and Board 19 November 2019

Title: Investment Consultant Strategic Objectives

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. In order to be compliant with new regulations coming into force on 10 December 2019, the fund must set strategic objectives for its appointed investment consultant, currently Mercer Ltd.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Pensions Committee and Board approve the strategic objectives for the fund's appointed Investment Consultant drafted in Confidential Appendix 1 to this report.
- 3.2. If the Pensions Committee and Board wish to amend any of these strategic objectives, they delegate authority to the Head of Pensions, in consultation with the Chair of the Pensions Committee and Board and Independent Advisor to the fund, to agree these outside of the meeting with Mercer, including any further additional changes deemed desirable, in order to meet the deadline.

4. Reason for Decision

- 4.1. The Fund must remain compliant with all relevant legislation and regulation, this is a new requirement, which the fund must take action to comply with by 10 December.
- 4.2. The Fund must ensure it takes proper advice on investment matters in order to carry out its role as the Administering Authority for Haringey

LGPS Fund, it does this by having an appointed Investment Consultant.

5. Other options considered

5.1. N/A

6. Background information

6.1. The Competition and Markets Authority (CMA) have recently completed an investigation into fiduciary management and investment consultancy services: 'The Investment Consultancy and Fiduciary Management Market Investigation Order 2019'. A link to this publication is below:

<https://www.gov.uk/government/publications/the-investment-consultancy-and-fiduciary-management-market-investigation-order-2019>

6.2. The Pensions Regulator has produced draft guidance for Funds in how to implement the requirements of the Order. These are not yet finalised, and they are not specific to the LGPS:

<https://www.thepensionsregulator.gov.uk/en/document-library/consultations/draft-guidance-consultation-in-response-to-cma-recommendation>

6.3. The order will come into force from 10 December 2019, and Haringey must be compliant with the parts of this which apply to it by this date. There was initially a lack of clarity as to whether this order would apply to the LGPS at all, however it is understood that one area of the order does apply, and that is 'remedy 7' the requirement to set strategic objectives for investment consultants. The Scheme Advisory Board has produced a briefing note on the Order generally:

<https://lgpsboard.org/images/Guidance/CMASum151019.pdf>

6.4. It is anticipated that the Department for Work and Pensions (DWP) will bring the requirements of the order into legislation in the near future. However, the part of the order which is applicable to the LGPS will be governed by MHCLG, not this DWP legislation.

6.5. The Order deals with the procurement of fiduciary management services, and the requirement to tender investment consultancy services. Both of these parts of the order are understood not to apply to the LGPS. Had they applied, they would not have impacted on Haringey, as the Fund does not use fiduciary management services, and already regularly tenders its Investment Consultancy contract, so it already complies with this requirement. Other LGPS funds do utilise fiduciary management services, and it is understood that some of the LGPS pools offer these services to funds, however they are understood currently to be out of scope for the order.

- 6.6. The 'remedy 7' stipulates that Investment Consultants should be set strategic objectives, and this is a requirement that will apply to Haringey. Haringey must ensure these strategic objectives are in place by 10 December 2019 when the Order comes into force. Whilst the fund has an existing contract in place with its appointed Investment Consultant, the specifications of the existing contract will not satisfy the requirements of the new Order.
- 6.7. It is anticipated that in the future MHCLG may produce guidance for funds on how they are expected to fulfil the requirements of the Order which are applicable. It may, for example, be a requirement that is satisfied by a statement for inclusion within the Fund's Investment Strategy Statement (ISS). MHCLG guidance is not yet published, and a publication date is unknown, so the Fund must therefore approve a set of strategic objectives as an interim measure prior to 10 December, and then take further action if such guidance is published. This further action may be as simple as including the approved strategic objectives within its ISS. The fund will be reviewing its ISS in the near future following the completion of the 2019 Valuation.
- 6.8. Mercer, the fund's current appointed Investment Consultant have written to the fund, with a draft set of strategic objectives. They have acknowledged, however, that they are conflicted in this end, and that the Fund must ultimately set and agree the objectives. These draft objectives have been reviewed and redrafted by the Head of Pensions and Independent Advisor to the fund, and agreed with Mercer (as both parties must agree these). They are included at Confidential Appendix 1 to this report.

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. This report details a new regulatory requirement for the fund, with which the fund must comply. This essentially formalises existing arrangements, and will have limited impact on the fund as it already retenders its contract for Investment Consultancy Services on a regular basis. In the future, the strategic objectives set for the Investment Consultant may be included in the tender process when the Investment Consultancy contract is let.

Legal

- 8.2. The Assistant Director for Corporate Governance has been consulted on the content of this report.
- 8.3. The obligation in the Part 7 of the Order is as set out in the report. The Order sets out what the Strategic Objectives means. These are the objectives for the Investment Consultancy Provider's advice as applicable by reference to (a) to (d) of the definition of Investment Consultancy Services, in accordance with the administering authority's investment strategy. This would be applicable where the provider advises the administering authority in relation to one or more of the following:
- (a) investments that may be made or retained by or on behalf of the administering authority;
 - (b) any matters in respect of which the administering authority are required by law to seek advice in relation to the preparation or revision of the statement of investment principles;
 - (c) strategic asset allocation;
 - (d) manager selection.

Equalities

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

9. Use of Appendices

- 9.1. Confidential Appendix 1 – Draft Strategic Objectives (Pages 157 – 158)

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

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

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