

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Monday, 20th January, 2020, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

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

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

Quorum: 3 Council Members and 2 Employer / Employee Members

1. FILMING AT MEETINGS

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

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

2. APOLOGIES FOR ABSENCE

3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under item 14 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 resolve

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

7. PENSIONS ADMINISTRATION REPORT (PAGES 9 - 14)

The report gives updates regarding:

- The amount of visits made to the Haringey pension fund website.
- The McCloud ruling and the implications for Haringey.
- An employers forum meeting held in December to discuss the draft valuation and employers' contribution results.

8. FUND INVESTMENT STRATEGY REVIEW (PAGES 15 - 18)

This report provides information regarding a review of the Fund's Investment Strategy following the completion of the 2019 triennial valuation of the Fund, and to agree a change to the Fund's Index Linked Gilts portfolio.

9. LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE UPDATE FROM INDEPENDENT ADVISOR (PAGES 19 - 40)

This report provides information to members of the Pensions Committee and Board regarding various changes underway within the Local Government Pension Scheme (LGPS).

10. FORWARD PLAN (PAGES 41 - 46)

The purpose of this report 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.

11. RISK REGISTER (PAGES 47 - 66)

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.

12. PENSION FUND QUARTERLY UPDATE (PAGES 67 - 68)

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

- Funding Update

13. NEW ITEMS OF URGENT BUSINESS

To consider any items admitted at Item 3 above.

14. EXCLUSION OF THE PRESS AND PUBLIC

To resolve

That the press and public be excluded from the meeting for consideration of item 15 and 16 as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

15. FUND INVESTMENT STRATEGY REVIEW (PAGES 69 - 82)

As per item 8.

16. PENSION FUND QUARTERLY UPDATE (PAGES 83 - 88)

As per item 12.

17. EXEMPT MINUTES (PAGES 89 - 90)

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

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

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

Friday, 10 January 2020

MINUTES OF MEETING PENSIONS COMMITTEE AND BOARD HELD ON TUESDAY, 19TH NOVEMBER, 2019, 19:00 – 20:30

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

311. 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.

312. APOLOGIES FOR ABSENCE

There were no apologies for absence.

Apologies for lateness were received from Councillor Tucker.

313. URGENT BUSINESS

There were no items of urgent business.

314. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

For transparency, Hymans Robertson declared it had a relationship with the ill health liability insurance provider at item 8. However, the Head of Pensions considered it was not necessary for Hymans Robertson to abstain from discussion on item 8.

315. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Ross, Cllr Bevan, Cllr Dennison, Cllr Chiriyankandath, Keith Brown and Ishmael Owarish attended a training session delivered by Hymans Robertson – 19/11/2019.

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

Cllr Bevan

- Local Government Pension Investment Forum 03/09
- SAPS Property & Infrastructure Investment Strategies for Pension Funds 10/11
- SPS Current Investment Issues for Pension Funds 07/11
- DB Strategic Investment Forum 13/11
- SPS ESG & Sustainable Investment Issues for Local Authority Pension Funds 14/11

316. MINUTES

Regarding Item 299 – ‘Local Government Pension Scheme Governance Update from Independent Advisor’, the Independent Advisor to the Fund suggested adding the below sentence to the end of paragraph 2, to which the PCB agreed.

“However, based on the overall feedback received from stakeholders, Hymans Robertson did not favour or propose specific consideration of any of the four models of governance. Rather they proposed a governance approach based on an “outcomes based” approach, including assurance on the sufficiency of resources and regular independent review of governance together with enhanced training requirements and updates of both CIPFA and MHCLG guidance.”

In addition, regarding arranging a training session from the Fund’s Custodian – Northern Trust, the Chair suggested this be kept under review and arranged for a future meeting, if the PCB considered this was necessary.

RESOLVED

That the minutes of the meeting held on the 19th November 2019 be approved as a correct record of the meeting.

317. 2019 PENSION FUND VALUATION

The Head of Pensions, Thomas Skeen, introduced this report which provided information to the PCB regarding the 2019 fund valuation, which was underway. The PCB were taken through the report as set out.

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

- It was noted that most LGPS funds would have had strong returns in their 2019 valuations, with Haringey being one of the highest performing funds.
- Given the Fund results showed a fully funded position of 100% at 31 March, the Fund was now in a position to test some potential variations to the fund’s investment strategy. Contribution rates for employers would also be reviewed, and some may be judged to be able to decrease, depending on the specific demographics and covenant strength of individual employers’ positions.
- In theory, it was possible for the government to make the LGPS effectively ‘pay-as-you-go’ schemes and remove their assets but this was unlikely and undesirable in the long-term as it could undermine safeguards of the funds.

RESOLVED

That the Committee and Board:

1. 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. note the draft whole fund Valuation results attached at appendix 1.
3. note Haringey Council’s employer contribution rate results attached at appendix 2.

318. FUND ILL HEALTH EARLY RETIREMENT LIABILITY APPROACH

The Head of Pensions introduced this report which requested the PCB 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. The PCB were taken through the report and appendices as set out.

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

- The existing external ill health liability insurance provided a blanket insurance policy to all employers of the Fund, with the exception of Haringey Council, which was self-insured. Prior to 2016, employers were able to choose their own ill health liability insurance provider, but this was too great an administrative burden to maintain.
- There were approximately 70 employers in the Fund.
- It would be possible to manage the risks of ill health retirements without external insurance if the Fund pooled all employers and adopted a self-insured approach across the whole Fund, with the costs shared evenly amongst the employers proportionally. However, there would be a risk if there was a local spike of ill health early retirements which, at the next valuation, would increase employer contribution rates.
- It was difficult to predict costs of ill health early retirement because they tended to be random in their frequency and varied year on year. It was noted that for the for the three financial years 2016/17 – 2018/19, for all employers (other than Haringey Council) there were 8 cases of ill health early retirements.
- Regarding 8.4 of the report, it was possible that were a member to refuse to be assessed by a doctor, then the Fund would not be able to pay their pension.
- Regarding the paying of the external insurance, it was noted that each employer's contribution to the Fund was increased by the amount of the premium and so the other contributions they paid were still the same. If the self-funded approach were to be adopted for all employers, then those contributions that previously went to the external insurance would be collected by the Fund which would then pay out the ill health early retirement payments as and when they occur.
- All ill health early retirements *had* to go through a rigorous process to confirm their legitimacy, with a doctor having the final sign off.
- If the Council had external insurance to cover the ill health early retirement payments over the previous three years and paid the same premium as the other employers, it would have paid around £3mil. The actual strain costs for that period were around £2.35mil. However, Officers accepted that the frequency of ill health early retirements was statically random and therefore some years would cost more than others if there were to be a spike in some years.
- The PCB in 2016 decided to self insure the Council as opposed to attaining external insurance to cover ill health early retirement payments.
- Regarding the frequency of reviewing a decision to adopt the self-insured approach across all employers, Officers suggested that this remain every three years as, due to the lack of frequency of ill health early retirements, it would not

be meaningful to review this in a shorter period as there was unlikely to be any significant statistical information within that period.

RESOLVED

1. That 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.
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.

319. 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.

Regarding a query on the Cost Transparency Initiative (*an independent group working to improve cost transparency for institutional investors with the responsibility for progressing the work already undertaken by the Institutional Disclosure Working Group*), the Independent Advisor noted this was for asset managers and not a matter for the PCB.

RESOLVED

That the Committee and Board note the update on member training attached at Appendix 3.

320. RISK REGISTER - REVIEW/UPDATE

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.

RESOLVED

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

321. 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.

It was queried why Ryanair was included in the table on page 38, given the Fund held no shares in the company. Officers noted this had been included for completeness to show the voting activities of the LAPFF.

RESOLVED

That the Committee and Board note this report.

322. PENSION FUND QUARTERLY UPDATE

The Head of Pensions introduced this report which provided an update in respect of the three months to 30 September 2019, regarding the investment asset allocation, the Independent Advisor's Market Commentary and the Investment Performance.

Regarding the absence of the Fund's indicative funding position, it was noted this was due to the triennial valuation. Hymans Robertson confirmed that figure, as set at September 2019, would be included in the report at the PCB's next meeting.

The Independent Advisor outlined his report prepared at pages 47 to 50.

Regarding the Investment Performance table at page 45, Officers clarified that the dark green bar was the total assets of the Fund whilst the light green bar indicated the benchmark which the Fund had set for the asset managers to achieve. Detailing how the benchmark figures were calculated, Officers noted it was the composite of all targets of the fund managers in different asset classes.

It was queried why the Fund was not meeting the benchmark it had set for itself. In addressing concern over the underperformance of the Fund compared to the benchmark figures, Officers noted the underperformance was a result of a number of factors. For example, investments in renewable energy infrastructure distorted the figures as these were still in the early years of their investment and unlikely to make any significant returns until the latter years of their duration (which could be 10 to 12 years).

In the annual reports, the Fund's benchmark figures were compared to those of other funds to measure performance. Generally, the Fund's benchmark figure returns compared favourably to other funds set benchmark returns.

RESOLVED

That the information provided in respect of the activity in the three months to 30 September 2019 be noted.

323. INVESTMENT CONSULTANCY SERVICES CONTRACT

The Head of Pensions introduced this report which sought approval for a contract extension for the Fund's investment consultant, Mercer Ltd. The PCB was taken through the report as set out at pages 51 to 54.

Responding to a query, the Independent Advisor noted it was likely the valuation cycle would stay at a 3-year cycle, despite speculation the government would raise this to 4-years.

RESOLVED

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.

324. INVESTMENT CONSULTANT STRATEGIC OBJECTIVES

The Head of Pensions introduced this report which sought the PCB to approve the strategic objectives for the Fund's appointed investment consultant, currently Mercer Ltd. The PCB were taken through the report prepared at pages 55 to 58.

The Chair noted that the strategic objectives had to be set by 10th December 2019 and if the PCB sought to make any amendments, delegated authority would have to be made to the Head of Pensions, in consultation with the Chair of the Pensions Committee and Board and Independent Advisor to the fund to agree those outside the meeting with Mercer.

(The PCB further discussed this item in the exempt session.)

Following discussion, the PCB agreed to the strategic objectives, as set out in the Confidential Appendix 1, with minor amendments.

RESOLVED

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.

325. NEW ITEMS OF URGENT BUSINESS

N/A.

326. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

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).

327. 2019 PENSION FUND VALUATION

As per the exempt minutes and item 317.

328. PENSION FUND QUARTERLY UPDATE

As per the exempt minutes and item 322.

329. INVESTMENT CONSULTANT STRATEGIC OBJECTIVES

As per the exempt minutes and item 324.

330. EXEMPT MINUTES

As per the exempt minutes.

RESOLVED

That the exempt minutes of the meeting held on the 19th November 2019 be approved as a correct record of the meeting.

CHAIR:

Signed by Chair

Date

This page is intentionally left blank

Report for: Pensions Committee and Board – 20 January 2020

Title: Pensions Administration Report

Report authorised by : Jon Warlow, Director of Finance

Lead Officer: Janet Richards – Pensions Manager,
020 8489 3824
janet.richards@haringey.gov.uk

Ward(s) affected: Not applicable

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

1. Describe the issue under consideration

1.1 The report gives updates regarding:

- The amount of visits made to the Haringey pension fund website.
- The McCloud ruling and the implications for Haringey.
- An employers forum meeting held in December to discuss the draft valuation and employers' contribution results.

2 Cabinet Member Introduction

2.1 Not applicable

3 Recommendations that members:

- 3.1 Note that the report gives a breakdown of the amount of visits made to the Haringey pension fund website.
- 3.2 Note the update regarding the McCloud case and implications for Haringey.
- 3.3 Note the information provided regarding the employers' forum.

4 Reason for decision

4.1 Not applicable

5 Alternative options considered

5.1 Not applicable

6 Background information:

6.1 The visits to the Haringey website www.haringeypensionfund.co.uk for the last 4 months are as follows (presented with prior year comparator figures):

	users	Page views
November 2019	315	536
November 2018	374	1538
October 2019	478	1504
October 2018	419	1754
September 2019	503	1949
September 2018	408	1757
August 2019	478	1840
August 2018	338	1623

6.2 From August 2019 to November 2019 the average amount of users per month to the pension website is 443 and they view on average 1457 pages, just over 3 pages for each user.

6.3 McCloud update

6.4 The Pensions Committee and Board has previously been advised of a pensions legal case, McCloud which will impact the Local Government Pension Scheme (LGPS) in the future. The case relates to a protection (known as the underpin) which was granted to certain members of public service pensions schemes who were within 10 years or retirement when the schemes changed from being final salary to career average, earlier in the decade. The underpin was challenged in the courts as being discriminatory as it favoured those closer to retirement, this challenge was successful, and the Government has withdrawn their appeal.

6.5 The Scheme Advisory Board (SAB) has a McCloud page on its website www.lgpsboard.org with its understanding of the latest position. The website provides background information on the McCloud judgment as well as a Q&A for administering authorities.

6.6 The SAB has advised that the LGPS may be treated separately from the rest of the public sector in respect of the McCloud remedy.

6.7 It is likely that the remedy will involve the extension of some form of underpin to members who are not currently offered this protection. A possible remedy in response to the McCloud ruling may mean that funds need to collect part time hours history and service break information from April 2014 onwards for members in scope of that remedy. Therefore, a full history of part time hour changes and service break

information from 1 April 2014 will be needed in order to recreate final salary service. The SAB have recommended that administering authorities make Scheme employers aware of this.

6.8 It is also likely that, in order to ensure reverse discrimination does not occur, all leavers since 2014 will need to be checked against a new underpin.

6.9 SAB don't expect to see any remedy implemented before the end of financial year 2020/21.

6.10 The SAB state that they do not underestimate the challenges and concerns around administration and scheme complexity. However, decisions on the scope, extent and nature of the remedy will be largely driven by the views of government lawyers. They will seek to ensure that any agreed remedy removes, as far as possible, the risk of challenge.

6.11 The pension administration team have continued to collect the hours history from employers and their payroll providers since the change of the scheme to career average in 2014, so this information is already held by the fund, but the team have taken this opportunity to remind employers and that this information is required.

6.12 Employers' Forum Meeting

6.13 An employers' meeting was held on 11 December 2019. All employers with current members in the pension scheme were invited to attend the meeting. Six employer representatives attended.

6.14 The scheme actuary gave a presentation relating to the valuation and was available to respond to questions. The Head of Pensions, Treasury and Chief Accountant also gave a presentation, and spoke to the attendees about the vacant employer representative on the Pensions Committee and Board.

6.15 The Pensions Manager reminded employers that they should have a discretionary policy in place and regularly review it. They were also informed that the 2020 Annual Benefit Statement (ABS) for all current members of the scheme would be available online and that those members would need to register on the website to access it. Scheme members could opt to receive a paper copy of the ABS if they requested it in writing. Employers were also advised that an interface between their payroll systems and the pension administration system would shortly be rolled out for payroll providers to provide accurate and up to date information.

7 Contribution to strategic outcomes

Not applicable

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

Chief Finance Officer

- 8.1 This report provides an update on various matters regarding pensions administration. While the visits to the website have no direct financial impact, it is positive to see an increasing trend.
- 8.2 The McCloud case has the potential to be a significant piece of work for the fund, which will potentially involve revisiting many calculations of benefits that have taken place since 2014, depending on precisely how the courts determine the remedy to McCloud. Key to this will be working with the fund's administration software providers to write reports which generate exceptions lists where the underpin should apply, and a recalculation of benefits is required. McCloud has been added to the fund's risk register. As the precise remedy to McCloud is yet unknown, it has not been possible to include this in the calculation of employer contribution rates as part of the 2019 Valuation exercise, however, the fund has reviewed the likelihood of achieving fully funded probabilities in the 2019 Valuation modelling to allow for this uncertainty.
- 8.3 There is no direct financial impact from the employers' forum meeting, however it is noticeable that the employer turnout to the meeting was low at 6 attendees, given there are approximately 70 employers. Employer forums are a key method utilise to engage with employers, providing an opportunity for dialogue with fund officers and the actuary.

Assistant Director of Corporate Governance

8.2 In *Lord Chancellor and Secretary of State for Justice and another v McCloud and others; Secretary of State for the Home Department and others v Sargeant and others* the Court of Appeal found that in both the judges' and firefighters' cases the manner in which the transitional provisions have been implemented has given rise to unlawful direct age discrimination. In neither case could the admitted direct age discrimination be justified. The case has been remitted to the Employment Tribunal for the determination of remedy. Members should note that the decision on remedy has not as yet been made.

9. Use of Appendices

Not Applicable

10. Local Government (Access to Information) Act 1985

Not Applicable

This page is intentionally left blank

Report for: Pensions Committee and Board 20 January 2020

Title: Fund Investment Strategy Review

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

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

Ward(s) affected: N/A

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

1. Describe the issue under consideration

- 1.1. To note information regarding a review of the Fund's Investment Strategy following the completion of the 2019 triennial valuation of the Fund, and to agree a change to the Fund's Index Linked Gilts portfolio.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee and Board note the information provided regarding the review of the Fund's Investment Strategy, including any further verbal updates provided by Officers, the Independent Advisor or Investment Consultant in the meeting.
- 3.2. That the Committee and Board approve a change to the Fund's current Investment Strategy, to switch its current Index Linked Gilts portfolio to a Fixed Gilts portfolio.
- 3.3. That the Committee and Board delegate authority to the Head of Pensions, Treasury and Chief Accountant to take all steps necessary to effect this change, including updating the Fund's Investment Strategy Statement.

4. Reason for Decision

- 4.1. The Council is required by law to undertake an actuarial valuation of the Fund's assets and liabilities, currently every three years. It is usual practice to review the Fund's Investment Strategy following the completion of the valuation.

5. Other options considered

5.1. None

6. Background information

- 6.1. In preparation for the review of the Fund's Investment Strategy, officers of the fund arranged for the Investment Consultant to meet with the Fund Actuary to thoroughly discuss all the assumptions used in the 2019 Valuation.
- 6.2. Following on from this, the Head of Pensions, Independent Advisor, Chair of the Pensions Committee and Board met with the Investment Consultant in December 2019 to discuss initial ideas, themes and points to review before work on the strategy review began in earnest.
- 6.3. From this meeting, three key topics or themes emerged as being key areas for review:
- Cashflow management
 - Responsible Investment
 - Risk Management
- 6.4. The first of these points, cashflow management is of particular importance in this investment review: the fund pays increasingly more out each year in pension benefits than it collects from employer and employee contributions: investing in asset classes which provide a steady income stream means this income can be used to make up the difference, and the Fund avoids having to sell investments to pay pension benefits.
- 6.5. There are some actions that the Fund can consider taking within the existing portfolio of investments to increase the income the fund receives by altering existing mandates with Fund Managers, the Fund could also consider new asset classes – i.e. more fundamental changes in strategy. A number of new options were discussed and considered, however it became clear that the most appealing of these was residential property (something that the Fund has previously considered). It was also noted that residential property had the potential to have strong positive responsible investment credentials. To further consideration of this asset class those present at the meeting agreed to arrange a training session with members of the Pensions Committee and Board in February 2020, prior to the March 2020 formal committee meeting when the Committee and Board will consider the results of the investment strategy review. This meeting will be arranged in due course.
- 6.6. Under the 'Risk Management' heading, one issue that the Investment Consultant raised was a potential change to the interest rate used for index linked gilts from RPI to CPI, which could potentially have a significant effect on the value of the Fund's current circa £200m portfolio. Given the nature

of this change, and the timing involved, it was decided that action regarding this should not be delayed to future meetings, hence the recommendation produced as part of this report. A paper on this is attached at Confidential Appendix 1 to this report. The Independent Advisor to the Fund has been consulted on the contents of this 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. Finance comments are contained throughout this report as the subject matter is financial in nature. The proposed change to the index linked gilts portfolio should be seen as a tactical change proposed to manage the risk arising from the proposal that the interest rate on index linked gilts is changed, and the fund suffers a permanent loss of capital on this portfolio. This would be revisited following a decision being made regarding this.

Legal Services Comments

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

8.3. Regulation 7 sets out what the Investment Strategy should contain and any revision must be published. The Fund must invest, in accordance with its Investment Strategy, any fund money that is not needed immediately to make payments from the fund.

Equalities

8.4. None applicable.

9. Use of Appendices

9.1. Confidential Appendix 1: Index linked Gilts Review (Page 69 – 82)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

This page is intentionally left blank

Report for: Pensions Committee and Board 20 January 2020

Title: Local Government Pension Scheme Governance Update from Independent Advisor

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

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

Ward(s) affected: N/A

Report for Key/Non Key Decision: Non Key decision

1. Describe the issue under consideration

- 1.1. The purpose of the paper is to provide information to members of the Pensions Committee and Board regarding various changes underway within the Local Government Pension Scheme (LGPS).

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

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

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. None

6. Background information

6.1. The attached update from the Fund's Independent Advisor covers the following topics:

- Good Governance in the LGPS – phase II report
- Updating of Knowledge and Skills requirements (Update of CIPFA frameworks etc)
- The Pension Regulator's report on Governance and Administration in the LGPS
- The Scheme Advisory Board (SAB) work on Responsible Investment

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

Finance and Procurement

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

Legal Services Comments

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

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor's Update

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

JOHN RAISIN FINANCIAL SERVICES LIMITED

Haringey Pension Fund

LGPS Update

A paper by the Independent Advisor
January 2020

Introduction

The purpose of this paper is to update the Pensions Committee and Board on a number of major developments in the Local Government Pension Scheme (LGPS). This paper does not seek to address every significant issue relevant to the LGPS but focusses on four issues:

- Good Governance in the LGPS project, particularly the Phase II report
- Updating of Knowledge and Skills requirements (Update of CIPFA frameworks etc)
- The Pension Regulator's report on Governance and Administration in the LGPS
- The Scheme Advisory Board (SAB) and Responsible Investment

1. Good Governance in the LGPS project

Background

As reported in previous papers (Pensions Committee and Board, 21 January 2019, Item 10, Appendix 1; Pensions Committee and Board, 11 July 2019, Item 12, Appendix 1; and Pensions Committee and Board 19 September 2019, Item 10, Appendix 1) the Scheme Advisory Board (SAB) invited proposals from interested parties to assist it in developing options for change with regard to the relationship of LGPS Pension Funds to their existing host authorities. Hymans Robertson were awarded the contract to work with the SAB and completed work leading to a report to the SAB the final version of which was released on 31 July 2019.

In their July 2019 report Hymans Robertson did not suggest any structural change in relation to the number of LGPS Funds in England and Wales (87 at the time this report was issued) but rather *“informed by feedback from stakeholders”* made four proposals for consideration by the SAB also stating *“many are things which well-run funds already do.”* The proposals were:

1. **‘Outcomes-based’ approach** to LGPS governance with minimum standards rather than a prescribed governance structure.
2. **Critical features of the ‘outcomes based’ model** to include:
 - a. Robust conflict management including clarity on roles and responsibilities for decision making.
 - b. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget.
 - c. Explanation of policy on employer and scheme member engagement and representation in governance.
 - d. Regular independent review of governance.
3. **Enhanced training requirements** for Section 151 (Chief Finance Officers) and Section 101 (Pension) Committee members with training requirements for Pension Committee members on a par with Local Pension Board members.
4. **Update relevant guidance and better sign-posting** including suggestions that CIPFA review and update guidance for Section 151 (Chief Finance) Officers in respect of LGPS governance and that the MHCLG review and update Statutory Guidance on LGPS governance issued in 2008.

The Board meeting of the SAB held on 8 July 2019 agreed that the SAB Secretariat (Officers) should in liaison with the project team from Hymans Robertson and Scheme stakeholders develop a detailed plan to implement the conclusions from the Hymans Robertson report for presentation to the November meeting of the SAB. Two stakeholder working groups were to be established to take forward the Hymans Robertson proposals.

The Standards and Outcomes Workstream focussed on specifying clearly the outcomes and standards to be achieved by LGPS Funds under the proposed new governance approach. The Compliance and Improvement Workstream focussed on the compliance arrangements to independently assess LGPS Funds against the new governance approach. The working groups comprised a total of 20 representatives from a diverse range of stakeholders supported by 4 Hymans Robertson representatives. A report by both workstreams and Hymans Robertson, including detailed implementation proposals was considered by the SAB and issued in November 2019.

Overview of the “Good governance in the LGPS Phase II report”

The Good governance in the LGPS Phase II report contains the proposals of both the Standards and Outcomes, and the Compliance and Improvement Workstreams to take forward the proposals contained in the “Good governance in the LGPS” report of July 2019. The preparation of the Phase II report included two full days of meetings, in London. On the first day, in September, the Standards and Outcomes Workstream met in the morning and the Compliance and Improvement Workstream in the afternoon. On the second day, in October, both Workstreams met together for a whole day. Hymans Robertson facilitated and provided revised draft documentation throughout the process. Following the second day of meetings in October a further draft report was prepared by Hymans Robertson and Workstream members given 10 days to make any further comments. The final Phase II report was issued to members of the Scheme Advisory Board in late October ahead of their meeting on 6 November 2020.

Workstream 1 Standards and Outcomes

The Standards and Outcomes Workstream made observations and recommendations in respect of the following issues: *General* (overall governance issues), *Conflicts of interest*, *Representation*, *Skills and training*, *Service delivery for the LGPS function*.

General:

In order to seek to ensure the actual implementation of, and compliance with, the proposed new governance arrangements across the entire LGPS in England and Wales the report states (page 2) that *“It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance.....”* The recommendation (A.1) that MHCLG *“produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals”* in the report is absolutely essential if the new LGPS governance arrangements arising from the Good governance in the LGPS project are to be compulsory on all LGPS Funds across England and Wales.

To further enhance Fund governance the report proposes (page 2) that *“each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund’s business. The role of the responsible person should be assigned through the host authority’s scheme of delegation and constitution....”*

This statement and the accompanying recommendation (A.2) are particularly important in terms of seeking to ensure the proper oversight of each LGPS Fund by a single officer. This would, for example, end the practice of some Administering Authorities where the LGPS Investment and Pensions Administration functions ultimately report to separate Chief Officers. Perhaps most fundamentally, however, this proposal seeks to ensure a clear focus on the LGPS through the designation by the Council (in its Constitution) of a named single officer *“responsible for the delivery of all LGPS related activity.”*

The proposal seeks to ensure that the single named officer is genuinely involved in, and both capable of and willing to oversee the LGPS function in its entirety. While the proposal is clear that the single named officer *“may be”* the Council’s Section 151 Officer it is also very clear that this may not necessarily be the appropriate approach and that the designation of *“the LGPS senior officer”* should be a matter determined by full Council. Where the LGPS senior officer is not the S151 Officer that officer would, of course, retain their statutory financial responsibilities relating to the Pension Fund just as they do for other services, such as Adult Social Care, where they are not actually responsible for the delivery of that service themselves.

The report proposes (page 2) that each LGPS Fund *“must produce an enhanced annual governance compliance statement”* also recommends (A.3) that *“Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the [MHCLG] guidance.”* This enhanced Governance Compliance Statement will be examined as part of the regular Independent Governance Review the details of which are proposed later in the Phase II report.

The recommendations in relation to new Statutory Guidance, the *“LGPS senior officer”* and the enhanced Governance Compliance statement should hopefully ensure that the remainder of the proposals/recommendations in the Good governance in the LGPS Phase II report are actually and positively implemented across all LGPS Funds in England and Wales.

Conflicts of interest:

This section while addressing the matter of Conflicts of interest generally particularly seeks to ensure that the issue of potential Conflicts of interest involving the Council and/or the Fund are clearly addressed. Examples of such potential conflicts listed in the Part II report (page 3) include:

- *Contribution setting for the AA [Administering Authority] and other employers*
- *Cross charging for services or shared resourcing between the AA and the Fund*
- *Local investment decisions*

The inclusion of potential Conflicts relating to the LGPS Fund and its interaction with the host Council and the local area further emphasises, and seeks to ensure, the practical separation of the activities of the Council as a whole and that of the Pension Fund. This is logical and appropriate as the LGPS Fund exists to provide pension benefits to individual members (employees) and their dependants and includes other employers than the Administering Authority and employees who do not/did not work for the Administering Authority.

Representation:

Recognising the fact that the LGPS includes other Employers than the Administering Authorities and that the LGPS exists to provide pension benefits to its individual members and their dependants the Phase II report (page 4), while recognising it is a matter for the Administering Authority as to who is appointed to any LGPS decision making body (usually the Pensions Committee), recommends (C.1) that *“Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.”* Clearly this recommendation will require each Administering Authority to actively consider its policy on these matters and publicly explain it.

The section on representation also includes the statement that *“Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities.”* The Phase II report is also clear, however, as to the ultimate responsibility of the Administering Authority for the LGPS in their area commenting that the MHCLG *“Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies to reflect their statutory responsibilities for maintaining the fund.”*

Skills and Training:

The Phase II report (page 5) recommends (D.1) that both Pension Committee members and LGPS Officers should be subject, under the new MHCLG guidance, to a similar requirement to maintain knowledge and understanding as are Pension Board members. This is entirely logical and appropriate given Pension Boards (usually) do not have decision making powers but both Pension Committees and Officers do.

The Phase II report also includes a recommendation (D.2) that both Administering Authority and non Administering Authority S151 Officers be required by their professional body to *“carry out LGPS relevant training as part of their CPD requirements....”* Recommendation D.4 states *“CIPFA and other relevant professional bodies....be asked to produce.... training.... for s151 officers.....”* It is clearly absolutely essential that S151 Officers of Administering Authorities (whether or not they are designated as *“the LGPS*

senior officer” have a clear knowledge and understanding of the LGPS. The proposed requirement that S151 Officers of non Administering Authorities also be required to obtain what the Phase II report describes as *“A level of LGPS knowledge”* is a very positive development in helping ensure other Employers engage actively and knowledgeably with their LGPS Fund and that misunderstandings are minimised.

Recommendation D.3 seeks to ensure that LGPS Funds implement the enhanced training requirements by requiring them (D.3) to *“publish a policy setting out their approach to the delivery, assessment and recording of training plans.....”*

Service delivery for the LGPS function:

The Good governance in the LGPS (Phase I) report of July 2019 was clear that LGPS Funds should be able to evidence that their resource (both quantity and competency) is such that they can meet regulatory requirements and that their budget is such to facilitate this. The Phase II report (page 6) states that this resource requirement *“refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.”* Clearly therefore LGPS Funds are expected to ensure they are properly resourced across the entire broad range of their functions and responsibilities.

In order to provide some measure of performance the Phase II report on page 7 (Recommendation E.3) proposes that *Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service.”* The narrative in the report (page 6) suggests that *“A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed....”*

A proper and sufficient budget based on a proper Fund Business Plan is clearly essential for the effective delivery of the LGPS function by each individual LGPS Fund. Therefore, the Phase II report narrative (page 6) includes a statement that each LGPS Fund (Administering Authority) should have its own budget and that this is *“set and managed separately from the expenditure of the host authority.”* The report narrative goes on to state *“Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers.”*

The narrative (page 6) also includes the statement that *“Required expenditure should be based on the fund’s business plan and deliverables for the forthcoming year. The practice should not simply be to uprate last year’s budget by an inflationary measure or specify an “available” budget and work back to what level of service that budget can deliver”*

The narrative (page 6) emphasises the role of the Pension Committee (and the Pension Board) with the statements *“The budget setting process should be initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board”* and *“Typically this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund’s business plan.....”* Recommendation E.4 (page 7) places a clear responsibility on both the LGPS Senior Officer and the Pensions Committee for the sufficiency of resources to provide an effective LGPS service stating *“Each administering authority must ensure their committee is included in the business planning process. Both the committee and the LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.”*

The Good governance in the LGPS (Phase I) report of July 2019 (page 16) recognised the clear recruitment and retention issues facing those LGPS Funds seeking to provide a proper and effective service. The Phase I report included the statements that *“Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes”* and *“Many administering authorities already have pay and recruitment policies relevant to the needs of their pension function rather than being tied to the general policies of the Council.”*

The Phase II report further develops and reiterates the theme that the LGPS function should not be simply be treated in the same way as a General Fund function in relation to Human Resource policies and practices. Rather Human Resource policies and practices applied to the LGPS function should positively facilitate the delivery of the Pensions function. The Phase II report narrative (page 7) includes the statement *“Each Administering Authority has a duty to ensure that its pension function is staffed such as to enable it to deliver an effective pensions service to all the fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.”* The Phase II report includes a specific recommendation (E.5) on page 7 in respect Human Resource policies applicable to LGPS Funds stating *“Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.”*

Workstream 2 Compliance and Improvement

The Compliance and Improvement Workstream made observations and recommendations in respect of the arrangements for the regular independent review of LGPS Fund governance arrangements in the context of the requirements as set out in the proposed new Statutory Guidance to be issued by MHCLG (recommendation A.1 of the Standards and Outcomes Workstream) to implement the proposals made in the Phase II Good governance in the LGPS report.

Compliance and Improvement:

Workstream 2 recommended (F.1) on page 9 that *“Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.”* Such an approach is essential if the proposals of the Standards and Outcomes Workstream are to be genuinely implemented across all LGPS Funds and both good and questionable practice identified and as appropriate responded to by the Scheme Advisory Board and MHCLG.

The narrative (on page 8) includes the following statement *“The new MHCLG guidance should set out a process for an Independent Governance Review....”* Amongst the features of this suggested in the Phase II report are:

- *“It will be mandatory for each Fund to commission an Independent Governance Review (“IGR”) which will audit the fund’s Governance Compliance Statement and review compliance with the requirement of the new statutory guidance”*
- *“There should be a standardised framework and process for IGRs...”*
- *“It is critical that the IGR should be conducted by appropriate persons who: properly understand the LGPS; are sufficiently at arm’s length from the pensions function....; are in some way “accredited to ensure consistent standards of review.”*
- A *“procurement framework”* be put in place for IGR suppliers
- *“.... Funds may appoint an external supplier”* from the framework
- Alternatively, an Administering Authority *“may choose to have their IGR carried out by their own internal audit or another appropriate party to the same standards as the framework.”*
- Each LGPS Fund *“should have an IGR completed biennially”*

- SAB may *“as a result of concerns”* direct that an Administering Authority *“must have”* an IGR *“outside of the two year cycle.”*
- Results of the IGR review will be reported to the LGPS Fund and Local Pension Board
- *“The Administering Authority must develop an improvement plan to address any issues raised in the IGR”*
- The IGR and improvement plan *“must be published and also be submitted to SAB.....”*
- *“SAB will put in place a panel of independent experts to scrutinise IGR reports, looking for outliers and areas of concern....”*
- *“The SAB panel may enter into discussions with funds.....
Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.”*
- *“Failure to submit an IGR report by the required date will result in automatic referral”*

The above narrative indicates that a robust compliance and improvement regime is to be implemented. Perhaps the only significant weakness is that the Phase II report proposes allowing LGPS Funds not to have to select an external supplier from the proposed framework but that an Administering Authority *“may choose to have their IGR carried out by their own internal audit or another appropriate party to the same standards as the framework.”* This caveat weakens the compliance and improvement proposal as internal audit services or *“another appropriate party”* may not necessarily have the knowledge and skills to properly undertake the IGR and may also possibly be considered not to be fully independent from the Administering Authority. The most robust approach to compliance and improvement is surely the selection of a supplier from the procurement framework proposed in the Phase II report narrative (page 8, section F.1. d & e) who has no current relationship with the Administering Authority.

The Compliance and Improvement Workstream made a second recommendation, on page 9, (F.2) that *“LGA to consider establishing a peer review process for LGPS Funds.”* As the narrative in the report indicates (page 9) an LGA (Local Government Association) peer review is requested by a Council and results in a small team of external Officers and Councillors *“spending time at the council as peers to provide challenge and share learning....”* The Phase II report suggests that *“a similar peer challenge process is established for the LGPS.”*

Next Steps

The main body of the Good Governance in the LGPS Phase II report ends with a “Next steps” section (page 10). This states:

“The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.”

“Phase III should contain the following elements:”

1. *“MHCLG to draft the required changes to the Guidance.”*
2. *“SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.”*
3. *“SAB to establish the 10-15 KPIs.... within proposal E.3.”*
4. *“It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund’s position on all areas of governance and compliance.....”*

At the meeting of the SAB Board meeting held on 6 November 2019 it was determined that:

- The Good Governance Phase II report to be published
- The SAB Secretariat, with Hymans Robertson and stakeholders, should develop Phase III of the project including the draft Statutory Guidance and key performance indicators
- Comments on the Phase II recommendations be invited
- Final proposals for Phase III to be considered by the Board on 3 February 2020

2. Updating of Knowledge and Skills requirements (Update of CIPFA frameworks etc)

It is clearly fundamental that those involved in the governance of the LGPS whether Officers, Pension Committee members or Pension Board members have the appropriate knowledge, understanding and skills to properly and effectively discharge their duties.

In 2010 CIPFA produced two *“Pensions Finance Knowledge and Skills”* frameworks - one for *“Elected Representatives and Non Executive Members”* (essentially Pension Committee members) and one for *“Pensions Practitioners”* (essentially Fund Officers). These were supplemented in 2013 by the *“Code of Practice on Public Sector Pensions Finance Knowledge and Skills.”* Together

these three publications presently form the basis of recommended Knowledge and Skills framework/approach for those involved in LGPS governance and decision making. These documents were supplemented in 2014 by a LGPS specific supplement to the CIPFA statement on the role of the Chief Finance Officer and in 2015 by “*A Technical Knowledge and Skills Framework*” for Local Pension Boards.

Given the main CIPFA guidance on Knowledge and Skills requirements pre dates the introduction of the present LGPS arrangements in 2014 and has not been updated to take account of developments since 2014 there is clearly an urgent need for a review. Therefore, CIPFA have initiated such a review utilising AON (one of the leading Investment Consultancy and Actuarial firms to the LGPS community) to undertake the detailed work.

The Agenda for this review includes review and amalgamation of existing guidance; expansion of the guidance; the application of the new guidance; consideration of delivery, monitoring, reporting and compliance. As part of the Knowledge and Skills revision exercise a number of other areas of guidance/development are been utilised/considered. These include not only CIPFA guidance/documents on issues including risk, investment pooling and the preparation of the Pension Fund Annual Report but MHCLG Statutory Guidance; the Scheme Advisory Board MiFID II opting up process/guidance; and The Pensions Regulator’s Code of Practice for Public Service Pension Schemes.

The Objectives of the Knowledge and Skills review may be summarised as:

- **Amalgamation** of guidance
- **Updating** of guidance to incorporate developments including investment Pooling and MiFID II
- **Clarification** of expected standards, including linkage to the SAB “Good governance in the LGPS” project expectations regarding training requirements for Pension Committee Members and Chief Finance (Section 151) Officers
- **Education** including through the provision of examples and ensuring a focus on decision makers and senior LGPS Fund Officers

The project to review the LGPS Pensions Knowledge and Skills arrangements commenced in the Autumn of 2019 and is expected to be concluded during the Spring of 2020. New guidance/frameworks will then be launched by CIPFA.

3. The Pension Regulator's report on Governance and Administration in the LGPS

On 19 September 2019 The Pensions Regulator (TPR) published a report entitled ***"Governance and administration risks in public service pension schemes: an engagement report."*** This report is concerned specifically with the LGPS. The report is based on TPR engagement with 10 local government funds across the UK, to understand approaches to a range of important risks.

The engagement occurred between October 2018 and July 2019. According to the report the review was based on meetings with LGPS Funds supplemented by review of some documentation and examples of communications sent to members, prospective members and beneficiaries.

The report contains **Findings, Recommendations and Case Studies** covering the following: Record Keeping; Internal Controls; Administrators; Member Communication; Internal Dispute Resolution Procedure; Pension Boards; Employers and Contributions; Cyber Security; Internal Frauds.

Below is a summary of the report under each topic heading:

Record Keeping

Fundamentally the record keeping section commences with the statement *"Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions....."*

Findings: *"Many scheme managers have moved from annual to monthly member data collection.....Well-run funds are aware of the quality of the common and scheme specific data they hold.... They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund."*

Recommendations *".... Data quality needs regular review. A robust data improvement plan should be implemented as appropriate. The quality of member data should be understood by the Scheme Manager and Pension Board.... An action plan should be implemented to address any poor data found.... The Pension Board should review the PAS and ensure it will stand up to challenges from employers."*

Internal Controls

Findings: *".... Some funds had detailed risk management frameworks in place.... Others lack detailed risk registers or do not review the risks to the fund on a frequent basis.....We found evidence.... of key person risk, where a long serving member of staff has developed a high level of knowledge... but this knowledge is not documented...."*

Recommendations: *“A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.... The pension board should have good oversight of the risks and review these at each pension board meeting. Internal controls and processes should be recorded, avoiding an over reliance on a single person’s knowledge levels.....”*

Administrators

Findings: *“Better performing scheme managers have a close relationship with their administrator.... robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports from administrators to ensure they fully understand the work being done.....”*

Recommendations: *“Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve.... It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.....”*

Member Communication

Findings: *“.....It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non technical staff to check readability and whether it is comprehensive....”*

Recommendations: *“Information sent to members should be clear, precise and free from jargon.....It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys.”*

Internal Dispute Resolution Procedure (IDRP)

Findings: *“Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive.... Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published.....Not all scheme managers have a clear definition of a complaint.”*

Recommendations: *“There should be a clear internal policy on how to handle complaints.....People entitled to use the IDRP should be given clear information about how it operates. This information should be easily available, eg on the fund website. The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house. Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund.”*

Pension Boards

The Haringey Fund along with the Hampshire Fund has a Joint Pensions Committee and Board unlike the other 84 LGPS Funds in England and Wales which have a separate Scheme Manager (usually the Pensions Committee) and Pensions Board. Therefore, most of the commentary on Pension Boards in the TPR report was not applicable to the Haringey Fund. However, the particular comments reproduced below are clearly relevant to Haringey

Findings: "... where the pension board had a strong relationship with the scheme manager, including a willingness to challenge, we found better-run funds."

Recommendations: ".....Individual pension board member training and training needs should be assessed and clearly recorded...."

Employers and Contributions

Findings: ".... Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk. Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions.....Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances."

Recommendations: "Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions.... Employer solvency should be considered on an ongoing basis and not just at the time of each valuation. Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier.... Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees. Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security.....Where security is in place, Scheme Managers should have a policy on when the security should be triggered."

Cyber Security:

Findings: "Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good

understanding of the IT systems in place, even where these are implemented by the Local Authority. Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register.....”

Recommendations: “Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register. Regular, independent, penetration testing should be carried out.....Where cyber security is maintained by the Local Authority.... the scheme manager should understand the procedure and ensure the fund’s requirements are met....”

Internal Fraud and False Claims

Findings: “Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source.... Scheme managers of well run funds typically take steps to regularly screen member existence.... Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds....”

Recommendations: “Scheme managers should regularly review their procedures to protect the fund’s assets from potential fraud. A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment. A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver.....”

Conclusion

The Conclusion section of TPR report includes the following observations:

“Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS”

“It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority’s policies and procedures.....” It is particularly noteworthy that this statement in the Conclusion accords with the proposals in the “Good governance in the LGPS Phase II report” concerning the need to ensure that the governance and operation of LGPS Funds takes into account careful consideration of the particular and different nature of the LGPS from other Council functions and that policies and procedures applied to the LGPS Fund should not simply be those applied to the Council in general.

“Good quality data and record-keeping standards underpin all aspects of successfully running a fund.....”

“Scheme managers that have developed and implemented a robust pension administration strategy have found them useful....”

“A common risk is the unexpected departure of key members of the scheme manager’s staff. Succession planning and clearly recorded processes help mitigate this risk.”

“Measuring governance and administration is challenging and requires more than just an analysis of raw figures....”

“Risks to funds are constantly changing and evolving.... Scheme managers should..... adapt their approaches accordingly.....”

4. The Scheme Advisory Board (SAB) and Responsible Investment

Introduction

At the meeting of the Scheme Advisory Board (SAB) held on 6 November 2019 approval was given for the first part of guidance on *“Responsible Investment in the Local Government Pension Scheme”* to be published for consultation with selected consultees (this is legitimate as this is only a SAB not a Government consultation). The consultees include LGPS Officers, Pension Committee Members and Pension Board Members.

This is the first of two parts of Guidance on Responsible Investment that SAB intends to publish. The Consultation period on this draft Part 1 Guidance runs until 11 January 2020. The draft Part I Guidance is sub titled *“A Guide to the duties of Investment Decision Makers in LGPS Administering Authorities.”* The aim of this first part of the Responsible Investment Guidance is to assist decision makers to identify the parameters of operation within Scheme Regulations, Statutory Guidance, fiduciary duty and the general public law and the scope for integrating Environmental, Social and Governance (ESG) policies as part of LGPS Fund’s Investment Strategy Statements.

SAB also agreed that work should commence on drafting Part 2 of the Guidance. This will aim to provide investment decision makers with a toolkit they can use to further integrate ESG policies as part of their Investment Strategy. The Board Secretariat hopes to have a working draft of the Part 2 Guidance prepared in time for it to be considered by the SAB Board when it next meets on 3 February 2020. Given the timescales indicated it appears that SAB intend to seek to issue the final Part 1 and Part 2 Responsible Investment Guidance as soon as is practical.

Summary of the draft Part 1 SAB Guidance on Responsible Investment

The draft Part 1 SAB Guidance on Responsible Investment seeks to assist and help investment decision makers to identify the parameters of operation within Scheme Regulations, Statutory Guidance, fiduciary duty and the general public law and the scope for integrating ESG policies as part of LGPS Fund's Investment Strategy Statements.

Paragraph 3 of the draft Guidance states that *“This guidance is intended to be permissive in that it does not seek to provide operational direction but rather seeks to clarify the parameters within which decisions can be made and policies formulated with regard to the integration of ESG considerations into the overall investment strategy of the authority.”* Therefore, there is no intention by SAB to prescribe the extent to which ESG policies are adopted by each LGPS Fund as this must clearly remain a matter for local consideration and agreement in accordance with the LGPS Regulations and MHCLG Statutory Guidance. However, the fact that SAB has issued this (draft) Guidance can clearly be viewed as an encouragement towards consideration of ESG notwithstanding that it is intended to be merely *“permissive.”*

Paragraph 9 provides a definition of Responsible Investment as follows – *“According to the PRI (Principles for Responsible Investment) established by the United Nations in 2006, responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.”*

The draft Guidance clearly sets out that ESG factors go far beyond Climate Change as shown in Paragraph 10 and Appendix 1 to the document. These lists/examples although not a comprehensive list of possible ESG factors do very clearly indicate and illustrate that Climate Change alone is not what RI/ESG is all about. This may potentially be particularly helpful to those LGPS Funds who are “not advanced” in their RI/ESG journey and/or may have been subjected to very heavy lobbying by Climate Change activists. Hopefully the (finalised) Guidance may encourage further/deeper consideration of Governance and in particular Social factors by LGPS Funds. The issue of social considerations such as employment standards, employee representation, Health and Safety, and supply chain matters are all areas where LGPS Funds as major owners of both listed and unlisted assets could have a significant and potentially positive influence to better manage risks and generate sustainable long term returns.

The draft Guidance draws on relevant guidance and regulations (for example in Paragraphs 12,13,14,15) relating to private sector pension schemes where this may be relevant/helpful to the LGPS.

The draft Guidance contains clear guidance on **“Non-Financial Factors”** in Paragraphs 16,17 and 18. If these are retained in the final guidance, they may be significant particularly if Paragraph 17 with % figure remains. Paragraph 17 of the draft Part 1 Guidance states *“Assessing whether a non-financial decision would have a significant financial detriment to the fund will always be a question of fact and degree. Divesting from a sector which makes up 15% of a fund is likely to represent financial detriment whereas a portfolio of 3% may not.”*

Paragraphs 20 to 30 remind LGPS Funds of the requirements and content of the LGPS (Management and Investment of Funds) Regulations 2016 and the Statutory Guidance of July 2017 on Preparing and Maintaining an Investment Strategy Statement as they relate to RI/ESG considerations.

Paragraph 34 reminds investment decision makers in the LGPS that their decision making must not only take proper account of the LGPS Regulations and Statutory Guidance. This paragraph states *“... As well as acting within statutory duties.... decision makers must also act in accordance with a range of non-statutory duties deriving from public law.”*

Paragraphs 35 to 42 cover wider considerations, beyond the LGPS Regulations and Statutory Guidance that investment decision makers in the LGPS should take into account. Paragraphs 35 to 42 make it clear that these considerations also go beyond merely *“the best interests of scheme beneficiaries”* stating *“Unlike private sector trustees who have a clear fiduciary duty to act in the best interests of scheme beneficiaries the position of LGPS investment decision makers is not so easily defined.”*

Paragraphs 36, 37 and 38 refer to the fiduciary duty owed to the local taxpayer and references some notable relevant legal cases – Roberts v Hopwood (1925), Bromley v GLC (1981) and Attorney General v De Winton (1906). Paragraphs 39 to 41 refers to a legal Opinion on the duties of LGPS Administering Authorities provided for SAB by Nigel Giffin QC on 25 March 2014. In this Opinion Nigel Giffin QC stated, amongst a range of observations, that not only did those making investment decisions owe fiduciary duties to scheme members but also to *“scheme employers.”* Therefore, in making investment decisions including those relating to RI/ESG matters LGPS decision makers need to take account of a range of issues/interests. Paragraph 42 is clear that there *“appears”* to be a clear difference between the duty of private sector pension trustees to always act in the best interests of scheme members and the duties upon LGPS investment decision makers. This paragraph includes a quote made (in the context of the duty owed by Elected Members to local taxpayers) in the case of Roberts v Hopwood (1925) by Lord Atkinson who referred to a duty to *“conduct...administration in a fairly businesslike manner with reasonable care, skill and caution, and a due and alert regard to the interests of those contributors who are not members of the body”*

Paragraphs 45 to 48 covers regulation relating to RI/ESG which has been introduced for private sector schemes but which does not apply to the LGPS. Paragraph 45 refers to these as *“possible developments in the LGPS...but at the time [time] of publication none...applies to the LGPS.*

Independent Advisor’s Summary

The issuing of the draft Part 1 Responsible Investment Guidance by SAB will further raise the profile of RI/ESG in the LGPS. It will also likely encourage a broadening of RI/ESG consideration in the LGPS.

The draft Part 1 Guidance is however likely the less important element, in terms of RI/ESG development in the LGPS, as compared with the forthcoming draft Part 2 Guidance. This will aim to provide investment decision makers with a toolkit they can use to further integrate RI/ESG policies as part of their Investment Strategy Statement and approach and which the SAB hopes to consider on 3 February 2020. Assuming this timescale is met draft Part 2 Guidance on Responsible Investment would likely be issued in February.

RI/ESG has become a major issue in the LGPS but in some ways has been “skewed” towards environmental issues, and climate change in particular. The SAB Guidance will likely further increase the focus on RI/ESG in the LGPS but, hopefully, in a manner which broadens LGPS Funds’ (as a whole) appreciation and consideration of Governance and especially Social as well as Environmental issues.

John Raisin

8 January 2020

References:

1. The report **“Good governance in the LGPS”**, July 2019 can be accessed at <http://www.lgpsboard.org/images/PDF/GGreport.pdf>
2. The report **“Good governance in the LGPS, Phase II report from Working Groups to SAB”**, November 2019 can be accessed at https://www.lgpsboard.org/images/PDF/HymansRobertson_GoodgovernanceinthelGPS_Phase-II_November2019.pdf

3. The report **“Governance and administration risks in public service pension schemes: an engagement report”** (The Pensions Regulator, September 2019) can be accessed at <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report>
4. The document issued by the Scheme Advisory Board **“Responsible Investment” in the LGPS Part I, draft** November 2019 can be accessed at https://www.lgpsboard.org/images/Consultations/RIGuidance/DRAFT_Part_1_Responsible_Investment_Guidance_Final_pdf_version.pdf
5. The Opinion **“Duties of Administering Authorities under the Local Government Pension Scheme”** of Nigel Giffin QC of 24 March 2014 <https://www.lgpsboard.org/images/PDF/Publications/QCOpinionApril2014.pdf>

John Raisin Financial Services Limited
Company Number 7049666 registered in England and Wales.
Registered Office 130 Goldington Road, Bedford, MK40 3EA
VAT Registration Number 990 8211 06

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

www.jrfspensions.com

Report for: Pensions Committee and Board 20 January 2020

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.

APPENDIX 1

20 January 2020	5 March 2020	July 2020	September 2020	November 2020	January 2021	March 2021
Standing Items						
Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies	Administration Report - Membership Update - Auto-enrolment - Schedule / Admitted Bodies
	Governance Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Risk Register Review / Update (Governance & Legal)	Risk Register Review / Update (Administration & Communication)	Risk Register Review / Update (Accounting & Investments)	Risk Register Review / Update (Funding/Liability)	Risk Register Review / Update (Governance & Legal)	Risk Register Review / Update (Administration & Communication)	Risk Register Review / Update (Accounting & Investments)
Quarterly Pension Fund Funding Position Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update		Quarterly Pension Fund Performance & Investment Update
	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration and Governance						
Independent Advisor's LGPS Update	Review/update of d Pensions Administration Strategy Statement	Annual Pension Fund Accounts and Annual Report (including various statutory documents)		Investment Consultancy Services Procurement	Review/update of Fund Conflicts of Interest Policy (if necessary)	Review/update of Internal Disputes Resolution Policy and Pensions Administration Strategy Statement

20 January 2020	5 March 2020	July 2020	September 2020	November 2020	January 2021	March 2021
	Review/update of Fund Conflicts of Interest Policy (if necessary)	Actuarial Services Contract				
Investments						
Investment Strategy Review Initial Paper	Investment Strategy Review					
Funding and Valuation						
	External Audit for Pension Fund Accounts - Planning					
	2019 Valuation Final Sign off					
	Funding Strategy Statement Final Version Following Results of 2019 Valuation					
Training						
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Custody Training & Good Governance Review (LGPS) Training	Investment Strategy - Mercer	Tbc	Tbc	Tbc	Tbc	Tbc

TRAINING PROGRAMME

APPENDIX 2

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
07-Feb-20	CIPFA Pensions Network Actuarial Summit	CIPFA	£295	London	N/A
https://www.cipfa.org/training/c/cpn-actuarial-summit-2020-20200207-london					
20-Feb-20	CIPFA Pensions Board Spring Seminar	CIPFA	£135	London	N/A
https://www.cipfa.org/training/l/lgps-members-spring-seminar-20200218					
23-24 Jan 20	Local Government Pension Scheme (LGPS) Governance Conferece	Local Government Association	£515 per delegate	York	N/A
https://www.local.gov.uk/events					
15-Jan-20	Local Authority Responsible Investment Seminar	DG publishing	Free	London	N/A
https://www.dgpublishing.com/responsible-investment-forum/about/					
06-Feb-20	LAPF Strategic Investment Forum	DG publishing	Free	London	N/A
https://www.dgpublishing.com/lapf-strategic-investment-forum-february/					
13-May-20	Pensions Expert DB Forum	FT	Free	London	N/A
https://live.ft.com/Events/Pensions-Expert-DB-Forum					
23-Jun-20	Pensions Expert LGPS Forum	FT	Free	London	N/A
Other Training Opportunities					
Date	Conference / Event	Training/Event Organiser	Cost		Delegates Allowed
https://trusteetoolkit.thepensionsregulator.gov.uk/?redirect=0	The Pension Regulator's Trustee Toolkit	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 20 January 2020

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 'Governance' and 'Legislation' 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
---------	---------	------	--------------

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.	12
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
---------	---------	------	--------------

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
---------	---------	------	--------------

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
---------	---------	------	--------------

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

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

Colour Risk Level

	Low
	Moderate
	High
	Very High

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
1	GOV1	Pension Fund Objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	Objectives defined in the Funding Strategy Statement, Investment Strategy Statement and approved by the Pensions Committee. The Committee has approved updated versions of both of these documents in the last 12 months.	3	1	3	PCB	Mar-20

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	<p>The nature of Council appointees to the Fund means that there is likely to be some annual turnover of appointments to the Pensions Committee. However, Full Council through Democratic Services has been made aware of the consequences of constant turnover of Pensions Committee members, and the outgoing Committee and Board of April 2018 wrote to the Chief Whips of both parties in relation to this.</p> <p>A comprehensive training programme that is in line with CIPFA guidance/The Pension Regulator has been developed and is continuously reviewed/updated.</p> <p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted accordingly</p> <p>New members required to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p>	4	3	12	PCB; HoP	Ongoing, but review in May 2020

Note that one of the employer positions on the PCB remains vacant

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	<p>Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted as required.</p> <p>New members are requested to complete The Pensions Regulators public service toolkit modules as a minimum requirement.</p> <p>All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.</p> <p>Officers and advisers (statutory, independent, actuarial) are always present at meetings to provide guidance and assist Members through decision making process.</p>	4	3	12		Mar-20
4	GOV4	Member non-attendance at training events.	<p>A record of training events attended is a standing agenda item.</p> <p>The importance of attending training events is highlighted to all members on an ongoing basis.</p> <p>The Committee also runs a series of internal training events which precede or are included on the Committee meeting agenda.</p> <p>Member training is reported as part of the Annual Fund report.</p>	4	2	8	PCB	Ongoing

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	<p>Job descriptions are used at recruitment to appoint officers with relevant skills and experience. The recruitment process would have identified key knowledge/skills that the successful applicant would need to demonstrate that they possess before being offered a role.</p> <p>Training and improvement plans are in place for all officers as part of the Council's performance appraisal programme.</p>	4	1	4	CFO	Ongoing
6	GOV6	Committee members have undisclosed conflicts of interest.	<p>Declaration of conflict of interest is a standing item on the agenda.</p> <p>All members of the Committee are required to complete an annual declaration of interest form.</p>	3	1	3	PCB	Quarterly
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	<p>There are five Committee/Board meetings scheduled for 2019/20 municipal year.</p> <p>Where urgent decisions are required this can be done either by organising an additional meeting outside the scheduled meetings or canvassing opinions and votes electronically following dissemination of relevant information to Members. Delegation of necessary authority can be granted to relevant officers for extremely time critical matters too.</p>	4	1	4	PCB	Ongoing

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
8	GOV8	Known risks not monitored leading to adverse financial, reputational or resource impact.	The Committee has agreed to have the risk register on the agenda for all future meetings including a review of all high risk items and a periodic review of risks by category of risk.	4	1	4	PCB	Quarterly
9	GOV9	Failure to recognise new Risks and/or opportunities.	Quarterly Committee/management meeting to identify new risks/opportunities. Attendance at regional and national forums to keep abreast of current issues and their potential impact impact on the Fund.	4	1	4	HoP; PCB	Quarterly
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	All procurement carried out in line with the Council's procurement rules and guidance. Expert legal and procurement advice sought where appropriate.	5	1	5	HoP	Periodically

Risk Register - Haringey Pension Fund

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

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	<p>The Communications Strategy sets out how the Fund will engage with all stakeholders.</p> <p>Employees and employers are represented on the Fund's Committee/Board with full voting rights, however one of the employer representative positions has been vacant for a long period despite numerous attempts by officers to fill this position.</p> <p>Officers have noted a generally low level of engagement from employers, including low levels of response to consultation, and low attendance at employer forums etc.</p>	3	4	12	HoP; PAM	Annually
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	<p>Officers maintain knowledge of legal framework for routine decisions.</p> <p>The Council's legal team is involved in reviewing Committee papers and other legal documents.</p> <p>The Fund has engaged a team of experts (Independent Advisor, Actuary, Investment Consultant) that are highly experienced and knowledge about the LGPS and pension fund investments.</p>	5	1	5	HoP; PCB	Ongoing

This was previously impact 3 and probability 3, however, clearly the probability should be increased given recent experiences

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB), or other bodies, resulting in reputational damage.	Guidance (included updates) issued by TPR and SAB is reported to the Committee with gaps identified and clear timetables to address weaknesses agreed.	5	2	10	HoP	Ongoing
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	<p>The London CIV is planning to have as wide a range of mandates as possible and also that there will be a choice of manager for each mandate/asset class.</p> <p>The Fund will be able to retain mandates not currently appointed to by the London CIV, or where moving a mandate to the CIV would not be financially beneficial. The new Government guidance makes clear that a small proportion of assets may remain under local control (provided there is a clear rationale for doing so, and financial benefits can be demonstrated). New guidance has also allowed for the potential of cross pool investments, which is a helpful option for funds/pools to consider.</p>	5	1	5	HoP	Ongoing
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	<p>The Investment Strategy is in accordance with LGPS investment regulations and it takes into consideration the Fund's liabilities and funding levels among other things.</p> <p>The Investment Strategy is documented, reviewed and approved by the Pensions Committee/Board.</p>	5	2	10	HoP	Mar-20

Keep under review mindful of the upcoming investment strategy review following the triennial valuation

Risk Register - Haringey Pension Fund

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

Risk Register - Haringey Pension Fund

LEGISLATION: RISK MANAGEMENT FRAMEWORK								
Risk No	Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Timescale
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training presentation on impact and implementation of new legislation. Collaborative working with other Funds to assess requirement and impact of new legislation.	5	1	5	HoP; PAM	Ongoing
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	The Pensions Service has been restructured in recent years to ensure appropriately skilled staff are recruited and to ensure that there is a concentration of knowledge between the pensions administration and investment teams.	4	2	8	CFO; HoP; PAM	Ongoing
21	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities due to McCloud and GMP rulings.	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

Risk Register - Haringey Pension Fund

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

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
----	-------	--	--	---	---	----	-----	---------

This page is intentionally left blank

Report for: Pensions Committee and Board 20 January 2020

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:
- Funding Update

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the information provided in respect of the funding position updated 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, in the prior meeting the Pensions Committee and Board received information regarding the fund's performance and value of investments as well as a market commentary from the Fund's Independent Advisor to 30.09.19, however the funding position was not able to be presented in this meeting due to the ongoing work on the triennial valuation, this report provides this final piece of information.

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 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, publish the statement as revised.

8.3. The administering authority must also 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.

8.4. 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). Members of the Committee should keep these obligations in mind when considering this report and take proper advice on the matter.

Comments of the Independent Advisor

8.5. As appended to this report in Appendix 1

Equalities

8.6. 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. Confidential Appendix 1: Pension Fund Funding position update to 30.09.19 (Page 83 to 87)

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.

Document is exempt

This page is intentionally left blank

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

Document is exempt

This page is intentionally left blank

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

Document is exempt

This page is intentionally left blank