

MINUTES OF MEETING PENSIONS COMMITTEE AND BOARD HELD ON THURSDAY, 5TH MARCH, 2020, 7.00 - 9.30 PM

PRESENT:

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

348. 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.

349. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dennison.

350. URGENT BUSINESS

A deputation had been received from Tottenham and Wood Green Friends of the Earth.

The deputation started by recognising the efforts taken by Haringey to be a pioneer amongst funds in divestment from fossil fuels by moving investments to low carbon funds. However, they stated the climate situation had progressively worsened since those actions were taken and felt the PCB owed it to its residents to now fully commit to 100% divestment from fossil fuels.

The Chair thanked the Friends of the Earth for their deputation and delivered the following response on behalf of the Fund.

“We share the concerns of Friends of the Earth regarding the damaging effects of fossil fuels on the environment, and thank them for their engagement with the Fund. Haringey has previously sought to seek to reduce fossil fuel exposure via using low carbon options for equity investments, where this is possible and where this is consistent with our overriding fiduciary duty, and the majority of the fund’s equity holdings are now invested in low carbon funds. The Fund will discuss in its meeting on 5 March the possibility of moving the remainder of its equity portfolio into a low carbon fund – this is subject to due diligence, and will be followed by formal decision making at a later meeting, once all costs and implementation considerations are available.

The fund’s use of low carbon funds is not the only strand to the fund’s ESG (environmental social and corporate governance) policy however. We have committed to invest c. £70m in renewable energy infrastructure, which the fund believes will deliver the required returns for the fund, but will also make a meaningful and impactful

contribution to positive environmental practices. The level of the fund's investments in renewable energy also remain under regular review. The fund takes its stewardship duties extremely seriously, and is a tier 1 signatory to the Financial Reporting Council UK Stewardship Code.

The fund firmly believes that engagement with companies who display undesirable characteristics or behaviours is the best way to effect change, and is therefore a member of the Local Authority Pension Fund Forum, (LAPFF), who carry out engagement activities on behalf of local government pension funds. The LAPFF is one of the largest collaborative engagement groups, with 79 member funds, who hold around £230bn in funds under management. They engage regularly with a variety of companies, including work to encourage companies to align their business models with a 2°C scenario and for an orderly transition to a low-carbon economy. The LAPFF believes in engagement activities as opposed to divestment, as divestment could lead to investors having no leverage to influence and encourage positive behaviours. The Fund would draw a parallel between this type of activity and the engagement that the Fund and Friends of the Earth have had in recent years.”

Friends of the Earth confirmed they would look in greater detail at the position of the Fund, as outlined by the Chair.

In response to a question by Friends of the Earth, the Fund's Investment Consultant, Mercer, confirmed that if the Fund was to switch to the RAFI's low carbon index variant, as per the recommendation in Item 7, that would significantly reduce the overall carbon intensity footprint of these investments by 50%.

351. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

In relation to Item 7, Councillor Ross declared an interest that he was a Member of Muswell Hill Sustainability Group.

352. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Ross, Cllr Bevan, Cllr Chiriyankandath. Cllr Tucker, Randy Plowright, Keith Brown and Ishmael Owarish attended a training session delivered by the Head of Pensions, Thomas Skeen – 05/03/2020.

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

Cllr Bevan

- Local Authority Pensions Fund Forum - 29/01
- DG PUBLISHING Local Authority Pension Fund Strategic Investment Forum - 06/02
- SPS Investment Strategies for Pension Funds - 13/02
- LBH Pensions training - 28/02
- LBH Pensions trading - 05/03

353. MINUTES

RESOLVED

That the minutes of the Pensions Committee and Board meeting held on 20th January 2020 be approved as a correct record.

354. INVESTMENT STRATEGY REVIEW

The Head of Pensions, Thomas Skeen, introduced this report which presented the Fund's investment strategy for the Pensions Committee and Board to review. The Pensions Committee and Board (PCB) were taken through the report, as set out at pages 7 to 11.

The PCB next discussed the exempt appendices in private, as per Item 17.

Following the exempt discussion, the Chair invited the Tottenham and Wood Green Friends of the Earth to inform them that the Fund had agreed to make the in principle decision to utilise RAFI's low carbon index when it was launched, subject to necessary due diligence, which would mean that all of the Fund's equity portfolio would be invested in low carbon strategies. This would result in decreasing the carbon intensity footprint of these investments by 50%.

RESOLVED

1. That the PCB note the Investment Strategy Review appended as Confidential Appendix 1.
2. That the PCB agree the following in principle decisions:
 - A further review exploring the alternative allocations and options for the Fund's index linked gilts.
 - Utilising RAFI's low carbon index when this was launched, subject to necessary due diligence, which would mean that all of the Fund's equity portfolio would be invested in low carbon strategies.
3. The PCB agree to a top up of the Aviva long lease property investment of £25m, to bring this in line with the Fund's Investment Strategy Statement allocation to the asset class.
4. The PCB agree to amend the London CIV - CQS mandate so that income is drawn from this portfolio.
5. The PCB agree to a further report specifically focussing on the Fund's private equity, renewable energy and property investments, including implementation options to maintain the current allocation being presented at the July PCB meeting.

355. PENSIONS ADMINISTRATION REPORT

The Pensions Manager, Janet Richards, introduced this report which provided updates on: the amount of visits made to the Haringey pension fund website; the report reviews; and updates on the Pension Administration Strategy that had been sent to employers for comment.

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

- Regarding the option to charge employers '*additional recharges for poor performance*' listed on page 45, these had yet to be used by the Fund as employers would usually pay when they were warned they could be charged.
- The Pension Administration Strategy would refer to committee 'and board' throughout the document for clarity.
- 'GAD' referred to Government Actuary Department and would be clarified in the document.
- Page 52 would be corrected to read '*...April 2019 was £7026*'.

RESOLVED

1. To note that the breakdown of the number of visits made to the Haringey pension fund website.
2. To note and approve the Pensions Administration Strategy Statement.

356. PENSION FUND AUDIT PLAN - YEAR TO 31 MARCH 2020

The Head of Pensions introduced this report which presented the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2019/20 for the PCB's consideration.

The external auditors took the PCB through the 2019/20 Audit Plan (appendix 1), as set out at pages 59 to 87.

In response to a question on the Audit Plan, it was noted that the management risk was a mandated audit risk. As management were in a unique position to influence the financial statement, it was necessary to investigate beyond their words and the auditor had to be able to conclude that there had been no undue influence by management.

RESOLVED

That the 2019/20 Audit Plan prepared by BDO be agreed.

357. 2019 PENSION FUND VALUATION

The Head of Pensions introduced this report which sought the Committee and Board to note the final actuarial valuation report as at 31st March 2019, and to note and agree the final version of the Funding Strategy Statement, which had been updated, to take account of all developments during the 2019 triennial valuation.

It was noted there was an accidental omission on page 114, with Fortismere School having not being included. The document would be updated with the school's inclusion and republished on the website. The school's contribution rate would be 17.7% for the next three years.

RESOLVED

1. That the Committee note the final results of the triennial valuation of the Fund, as attached in the report at Appendix 1.
2. That the Committee approves the Funding Strategy Statement as attached at Appendix 2.

358. FORWARD PLAN

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

RESOLVED

1. That the Committee and Board note and approve the forward plan and budgetary estimates attached at Appendices 1 and 2.
2. That the Committee and Board note the update on member training attached at Appendices 3 and 4.

359. 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 review at the meeting is 'Administration' and 'Communication' risks.

360. PENSION FUND QUARTERLY UPDATE

The Fund's Independent Advisor, John Raisin, referred to his Market Background report covering October to December 2019 on pages 193 to 196 of the Agenda papers. The final Quarter of 2019 had been clearly positive for equity markets across the world.

Turning to 2020, the Independent Advisor commented that the resolution of some of the trade tensions between the United States and China in late 2019 and the further loosening of monetary policy by the US Federal Reserve and European Central Bank in the second half of 2019 had led to a general view that global stocks would likely continue their long upward trend through 2020. Indeed on 19 February 2020 the US S&P 500 Index reached a new record closing high of 3,386 almost 5% above the 31 December 2019 closing figure of 3,231. On 24 February 2019, however, equities across the globe began to rapidly fall following the decision of Italy to quarantine 10

towns in response to coronavirus. By the end of February the S&P 500 index had fallen 13% from its 19 February high.

On 3 March 2020, the world's most important Central Bank, the United States Federal Reserve, reduced the target range for federal funds rate (its main interest rate) by ½%, to 1 to 1 ¼%. John Raising indicated however that action by the major central banks though of assistance to the economy, in the present circumstances, could not nearly in itself counter the potential economic impact of coronavirus. There had already been much commentary on measures which might mitigate the economic effects of coronavirus but the Independent Advisor said this had, he thought, been very well summarised by Jay Powell the Chair of the US Federal Reserve who at the press conference following the rate cut on 3 March had indicated that while the US Federal Reserve had eased monetary policy to *“provide a meaningful boost to the economy”* also stated that *“The virus outbreak is something that will require a multi-faceted response. And that response will come in the first instance from healthcare professionals and health policy experts. It will also come from fiscal authorities, should they determine that a response is appropriate. It will come from many other public and private sector actors, businesses, schools, state and local governments.”*

RESOLVED

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

361. 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 at the LAPFF on behalf of the Fund.

Following a question from the member of the public, the Chair informed that by having shares in organisations such as British Petroleum and Shell, it was possible to influence their behaviour and encourage greater ethical investment. The Chair noted that LAPFF worked to collectively influence organisations for the betterment of environmental and social impact.

RESOLVED

That the Committee and Board note this report.

362. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

363. 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).

364. INVESTMENT STRATEGY REVIEW

As per item 354.

365. PENSION FUND QUARTERLY UPDATE

As per item 360.

366. 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: Councillor Matt White

Signed by Chair

Date