NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Thursday, 5th March, 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 15 below).

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

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

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

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

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

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

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

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

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

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

5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Note from the Assistant Director of Corporate Governance and Monitoring Officer
When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to

their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

6. MINUTES (PAGES 1 - 6)

To agree the minutes of the Pensions Committee and Board meeting held on the 20th January 2020.

7. INVESTMENT STRATEGY REVIEW (PAGES 7 - 12)

This report presents the Fund's investment strategy for the Pensions Committee and Board to review.

8. PENSIONS ADMINISTRATION REPORT (PAGES 13 - 56)

This report provides updates regarding: the amount of visits made to the Haringey pension fund website; the report reviews; and updates on the Pension Administration Strategy that has been sent to employers for comment

9. PENSION FUND AUDIT PLAN - YEAR TO 31 MARCH 2020 (PAGES 57 - 88)

This report presents the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2019/20 for the Committee and Board's consideration.

10. 2019 PENSION FUND VALUATION (PAGES 89 - 162)

This report seeks 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 has been updated, to take account of all developments during the 2019 triennial valuation

11. FORWARD PLAN (PAGES 163 - 170)

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

12. RISK REGISTER - REVIEW/UPDATE (PAGES 171 - 186)

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.

13. PENSION FUND QUARTERLY UPDATE (PAGES 187 - 196)

To report the following in respect of the three months to 31 December 2019: Investment asset allocation; Independent Advisor's Market Commentary; Funding Level Update; and Investment Performance.

14. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 197 - 198)

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

15. NEW ITEMS OF URGENT BUSINESS

To consider any items admitted at Item 3 above.

16. EXCLUSION OF THE PRESS AND PUBLIC

To resolve

That the press and public be excluded from the meeting for consideration of item 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).

17. INVESTMENT STRATEGY REVIEW (PAGES 199 - 238)

As per item 7.

18. PENSION FUND QUARTERLY UPDATE (PAGES 239 - 282)

As per item 13.

19. EXEMPT MINUTES (PAGES 283 - 286)

To agree the exempt minutes of the Pensions Committee and Board meeting held on the 20th January 2020.

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

Tuesday, 25 February 2020

PUBLIC MINUTES OF MEETING PENSIONS COMMITTEE AND BOARD HELD ON MONDAY, 20TH JANUARY, 2020, 19:00 – 21:00

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

331. 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.

332. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor James Chiriyankandath and Randy Plowright.

Apologies for lateness received from Councillor Tucker.

333. URGENT BUSINESS

There were no items of urgent business.

334. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

No declarations of interest were made.

335. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Ross, Cllr Bevan, Cllr Dennison, Keith Brown and Ishmael Owarish attended a training session delivered by the Head of Pensions on 'Custody', and the Fund's Independent Advisor on the 'Good Governance' project – 20/01/2020.

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

Councillor Bevan:
- LBH Pension training 19/11/19;
- Local Authority Pension Fund Forum, 04/12/2019 – 06/12/2019;
- SPS Annual Bond Investment Strategies 09/01/20; and
- Local Authority Responsible Investment Seminar 15/01/20.

336. MINUTES

RESOLVED

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

337. PENSIONS ADMINISTRATION REPORT

The Pensions Manager, Janet Richards, introduced this report which detailed: the number of visits made to the Haringey Pension Fund website; the McCloud ruling and the implications for Haringey; and the employers forum meeting held in December which discussed the draft valuation and employers' contribution result. The Pensions Committee and Board (PCB) were taken through the report as set out at pages 9 to 13.

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

- Six employers' attended the Employers' Forum. Regarding the vacant employer representative position on the Pensions Committee and Board, Officers noted there had been interest expressed from certain employers wanting to know more but no individual had directly nominated themselves. Officers would attempt to engage individuals they think might be suited to the position when the position is advertised imminently.
- Officers noted that the employer's who did not attend the Employer's Forum were those tended to not have many employees' in the scheme. For the employers' where there was concern over their funded position, Officers encouraged them to attend the meeting but would meet with them individually if they did fail to attend.
- Officers informed that up until 2014, an individual's pension entitlement was calculated on final salary. Following 2014, an individual's pension entitlement was calculated on career average. If a person had worked before and after 2014, then part of their pension would be calculated on final salary before 2014 and then career average after 2014.
- Officers noted that the vast majority of individuals will be better off under the new career average calculation.
- Regarding the number of visits to Haringey's Pensions website, Officers informed that, despite one of the four months not showing an increase, there was an increase overall from the previous year.
- If there was to be an increase in the level of work amongst the Pensions team following the McCloud judgement, then temporary staff would likely be employed.

RESOLVED

1. To note the update regarding the McCloud case and implications for Haringey.
2. To note the information provided regarding the employers' forum.
3. To note the number of visits made to the Haringey pension fund website.

338. FUND INVESTMENT STRATEGY REVIEW

The Head of Pensions, Thomas Skeen, introduced this report which provided information on a review of the Fund's Investment Strategy following the completion of the 2019 triennial valuation of the Fund, and proposed that the PCB agree a change to the Fund's Index Linked Gilts portfolio. The PCB were taken through the report as set out at pages 15 to 17.

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

Following discussion in private, the PCB agreed that it would make a change to the Fund's current Investment Strategy, to switch its current Index Linked Gilts portfolio to a Fixed Interest Gilts portfolio of broadly the same duration.

RESOLVED

1. That the Committee and Board note the information provided regarding the review of the Fund's Investment Strategy, including verbal updates provided by Officers, the Independent Advisor and Investment Consultant in the meeting.
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 Interest Gilts portfolio of broadly the same duration.
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.

339. LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE UPDATE FROM INDEPENDENT ADVISOR

The Fund's Independent Advisor, John Raisin, introduced this item which provided information to members of the Pensions Committee and Board regarding various changes underway within the Local Government Pension Scheme (LGPS). The PCB were taken through Appendix 1, '*LGPS Update - A paper by the Independent Advisor, January 2020*' at pages 21 to 40.

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

- Responding to a query on succession arrangements should the Head of Pensions or Pensions Manager leave the Council, Officers confirmed no such arrangements were in place. They confirmed they would look to ensure that, wherever possible, no role would be uniquely carried out by one member of the team without another colleague being able to cover that role if required.
- Officers confirmed the Council's IT staff carried out penetration testing. Once a year, a member of the Pensions Team would be contacted by the IT staff and requested to log onto a separate server to test that the team are still able to access the admin software from the temporary setup in the eventuality where the Council's servers are inaccessible.
- Officers confirmed that more than two officers at the Council were required to make one payment.

RESOLVED

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.

340. 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 over the next 12 months. The report also sought Members' input into future agenda items.

RESOLVED

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

341. RISK REGISTER

The Head of Pensions introduced this report on the Risk Register. This was a standard item on the agenda and the PCB had a legal duty to review internal controls and the management of risks. The PCB were informed of the main 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 'Governance' and 'Legislation' risks.

342. PENSION FUND QUARTERLY UPDATE

The Head of Pensions, Thomas Skeen, introduced this report which requested Members' note the funding position as updated on 30 September 2019.

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

RESOLVED

That the information provided in respect of the funding position updated to 30 September 2019 be noted.

343. NEW ITEMS OF URGENT BUSINESS

N/A.

344. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of item 15 and 16 as they 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; Page 6 namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

345. FUND INVESTMENT STRATEGY REVIEW

As per item 338.

346. PENSION FUND QUARTERLY UPDATE

As per item 342.

347. 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 …………………………………

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Report for: Pensions Committee and Board 5 March 2020

Title: 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. The Pensions Committee and Board (PCB) has received a number of reports over the past 12 months in relation to the 2019 Valuation of the Fund - a three yearly exercise. This is now complete, and it is good and normal practice to review the Fund's investment strategy following on from this.

1.2. The Investment Strategy Review has been completed by the Fund's Investment Consultant, Mercer Ltd, at confidential Appendix 1. There are a number of policy decisions to be made in relation to this, and this initial paper is intended to help gather the views of the PCB members to help shape further pieces of work in coming months. This report will be followed by further reports in future meetings where changes to the Fund's Investment Strategy Statement may be made.

1.3. There are some matters on which the PCB is able to make decisions at this stage, and others where the views of the PCB are sought in order to progress work further. The recommendations in Section 3 below are broadly intended to set out the key points for the PCB to discuss or to make decisions on.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the PCB note the Investment Strategy Review appended as Confidential Appendix 1.

Haringey
LONDON

3.2. The PCB discuss/debate the below points and if deemed appropriate make in principle decisions on:

- Introducing a new allocation to residential property suggested at either 3% or 5% of total assets (likely funded by a reduction in index linked gilts).
- The level of index linked gilts* within the fund's long term investment strategy, which could be between 0%-15% (15% being the current level).
- Utilising RAFI's low carbon index when this is launched, subject to necessary due diligence, which would mean that all of the Fund's equity portfolio would be invested in low carbon strategies.

3.3. 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.

3.4. The PCB agree to amend the London CIV - CQS mandate so that income is drawn from this portfolio.

3.5. 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.

*The Fund currently has a long term strategic allocation to index linked gilts. The PCB made a decision in January 2020 to switch its index linked gilts for fixed gilts due to ongoing uncertainty around RPI reform.

4. Reason for Decision

4.1. The Council is required by law to undertake an actuarial valuation of the Fund's 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. A paper was then presented to the PCB in January discussing the Fund's allocation to index linked gilts; it was decided in this meeting to switch the Fund's index linked gilts allocation for fixed interest gilts until the uncertainty surrounding the RPI consultation concluded. The Fund's current allocation of 15% is understood to be high for an LGPS fund. Some members of the PCB expressed the view that they would like to consider this mandate more fundamentally, i.e. whether to hold a gilts allocation at all, or indeed whether to reduce this from 15%. If this allocation was reduced it would likely be replaced by allocations to other asset classes which have a high level of inflation linkage: residential property could potentially be one option. Views of the PCB are sought on this matter, and if the PCB deems appropriate a decision in principle could be made to help shape future work done on the investment strategy by officers and advisors.

6.4. The PCB has discussed residential property on a number of occasions, it being an asset class that has the potential to have strong positive responsible investment credentials. To facilitate further consideration of this asset class a training session was arranged on 28 February for members of the PCB. Following on from this training session, and the information in the report of Mercer, the views of the PCB are sought on this matter. If the PCB deems appropriate, a decision in principle could be made to help shape future work done on the investment strategy by officers and advisors.

6.5. The Fund's equity portfolio consists of three components: low carbon developed market equities, low carbon emerging market equities and RAFI multi factor equities. The fund has been seeking to decarbonise it's investment portfolio further in recent years to manage the investment risks posed by exposure to highly carbon intensive industries, and the report of Mercer highlights an additional potential option that the Fund may have in coming months to move the final part of its equity allocation (RAFI multi factor) into a low carbon version of the strategy, once this is launched by RAFI. This would be subject to usual due diligence, and would return to the PCB for final decision making once the product is launched. Again, the views of the PCB will be sought on this and a decision in principle could be made, subject to further due diligence.

6.6. The Fund is increasingly cashflow negative, the sum of all income from employer and employee contributions is outweighed by the sum of all pension benefits paid out, therefore the fund seeks to invest part of its portfolio in investment assets which provide a steady income stream to offset this so the Fund avoids having to be a forced seller of investments to pay pension benefits. Two actions are recommended by this report to partially address this issue (see recommendation 3.3 and 3.4):

- The Fund can top up its investment with Aviva for long lease property, by £25m to bring this in line with the existing 5% allocation. This would likely increase investment income by around £1m per annum. This action should only be agreed if the PCB are comfortable with the current 5% allocation to the long lease property asset class.

- The Fund's existing mandate with London CIV/CQS can be amended so that income is drawn from this portfolio rather than being reinvested: this is anticipated to increase investment income received by the Fund by approximately £4-5m per annum.

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. The Fund's 2019 Valuation showed overall improvement to the Fund's funding level. However the cost of ongoing accrual of pension benefits within the LGPS continues to rise, and the McCloud ruling is likely to increase ongoing costs further. Ultimately pension benefits in the LGPS are funded by 3 things: employee contributions, employer contributions and investment returns. Employee contributions are set centrally, however investment strategy and employer contributions are set locally. All else being equal, over the long term, if investment returns are higher, this will allow employer contributions to be lower. Higher investment returns are usually achieved by setting an investment strategy with higher allocations to asset classes that display more volatility or take higher levels of risk.

8.2. Given the increasing ongoing costs of servicing LGPS pensions, de-risking the Fund's investment strategy at this time would not be appropriate, nor is this suggested. The report of Mercer in fact highlights options which could potentially increase expected returns, however it should be noted that this does marginally increase overall risk. No final decision making on the Fund's overall strategy is suggested in this report.

Legal Services Comments

8.3. Under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the administering authority must, after taking proper advice, formulate an Investment Strategy (in accordance with guidance issued from time to time by the Secretary of State). It must also keep this under review (at least every three years) and if necessary revise it.

8.4. The Investment Strategy must include:
(a) a requirement to invest fund money in a wide variety of investments;
(b) the authority's assessment of the suitability of particular investments and types of investments;
(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

8.5. The Investment Strategy must set out the maximum percentage of the total value of all investments of fund money that will be invest in particular investments or classes of investment. Therefore, any decision made by the PCB must not exceed the maximum percentage for that particular or class of investment.

Equalities

8.6. None applicable.

9. Use of Appendices

9.1. Confidential Appendix 1: Investment Strategy Review (pages 199 to 237).

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Agenda Item 8

Report for: Pensions Committee and Board – 5 March 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 report reviews and updates the Pension Administration Strategy that has been sent to employers for comment.

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 and approve the Pensions Administration Strategy Statement.

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 2 months are as follows (presented with prior year comparator figures):

	users	Page views
January 2020	316	587
January 2019	441	1831
December 2019	223	382
December 2018	310	1190

6.2 From December 2019 to January 2020 the average amount of users per month to the pension website is 270 and they view on average 484 pages, nearly 2 pages for each user. The decline in views of the website has been noted, and messages will be sent out in coming months via employee payslips to publicise the scheme website.

6.3 The draft Pensions Administration Strategy Statement that has been sent to employers as Appendix 1, to give an opportunity for them to comment on the Strategy. It is good practice to keep this document under regular review. This was last updated in January 2019, it has been updated for matters such as:

- Aspects of the strategy subject to annual change, e.g. the number of members in the fund, or the level of additional pension members can purchase (which is subject to annual inflationary uplift);
- Minor wording changes to improve the reading and clarity of the document;
- Updates made due to change in legislation/regulation;
- A requirement for employers participating in the scheme to contact the pensions team as soon as they become aware that an outsourcing with potential pensions implications may occur.
- The strategy now reinforces the requirement for employers participating in the scheme to provide the fund with details of part time hours and service breaks: this is data that the fund is advised may be required to deal with the McCloud remedy.

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 There are no direct financial implications arising from this report and the accompanying Pensions Administration Strategy Statement.

8.2 Maintaining an appropriate and effective Pensions Administration Strategy and is an important aspect of ensuring that the Pension Fund meets the various governance standards is it subject to. Maintaining these standards over the long term will provide value for money for the Pension Fund, helping to ensure that the scheme remains affordable for fund members and scheme employers.

Assistant Director of Corporate Governance

8.3 The Assistant Director of Corporate Governance has been consulted on the content of this report. Regulation 59 of the Local Government Pension Scheme Regulations 2013 requires the administering authority in preparing or reviewing and making revisions to its pension administration strategy to consult its Scheme employers and such other persons as it considers appropriate. There are no legal issues with this report.

9. Use of Appendices

Appendix 1 – Pensions Administration Strategy Statement (pages 17 to 55)

10. Local Government (Access to Information) Act 1985

Not Applicable

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Pensions Administration Strategy

London Borough of Haringey Pension Fund

January 2020

Haringey LONDON

CONTENTS

1 Introduction

The Local Government Pension Scheme (LGPS) represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high quality service delivery depends upon the relationship between the administering authority and scheme employers in the day to day administration of the scheme. Good quality administration is essential in the overall promotion of the scheme and can remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

Development of an administration strategy, as allowed for by the Local Government Pension Scheme (LGPS), is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation, but is rather the joint working / partnership of a number of different parties.

This is the pension administration strategy statement of the London Borough of Haringey Pension Fund, administered by Haringey Council (the administering authority). It has been developed following consultation with employers in the London Borough of Haringey Pension Fund Pension Fund.

The aim of this strategy statement is to set out the quality and performance standards expected of Haringey Council in its role of administering authority and scheme employer, as well as all other scheme employers within the London Borough of Haringey Pension Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

The Fund comprises of around 70 scheme employers and approximately 24,000 members, this includes active, deferred, pensioner and dependant members (as at 31 March 2020) of the Local Government Pension Scheme. The efficient delivery of the benefits of the LGPS is dependent on good quality data and sound administrative procedures being in place between a number of interested parties, including the administering authority and scheme employers. This strategy statement sets out the expected levels of performance of both the administering authority and the scheme employers within the London Borough of Haringey Pension Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

This pension administration strategy statement is currently draft and will be subject to consultation with scheme employers.

Any enquiries in relation to this pension administration strategy statement should be sent to:
The Pension Team
Alexandra House
10 Station Road
Wood Green
London
N22 7TR

Telephone: 0208 489 2810

Email: pensions.mailbox@haringey.gov.uk
www.haringeypensionfund.co.uk

2 Regulatory Framework

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013 enables an LGPS administering authority to prepare a written statement ("the pension administration strategy") which contains such of the matters mentioned below as they consider appropriate:-

- Procedures for liaison and communication with Scheme employers.
- The establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions under the LGPS by-

(i) the setting of performance targets;

(ii) the making of agreements about levels of performance and associated matters; or

(iii) such other means as the administering authority consider appropriate;

- Procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving written notice to any of its Scheme employers on account of that employer's unsatisfactory performance in carrying out its Scheme functions under these Regulations when measured against levels of performance.
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, regulation 59(6) of the LGPS Regulations also requires that, where a pension administration strategy is published, a copy is issued to each of their relevant employing authorities as well as to the Secretary of State. Similarly, when the strategy is revised at any future time the administering authority (after say a material change to any policies contained within the strategy) must notify all of its Scheme employers and also the Secretary of State.

It is a requirement that, in preparing or revising any pension administration strategy, the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate.

Regard must be had by both the administering authority and its Scheme employers to the current version of any pension administration strategy when carrying out their functions under the LGPS Regulations.

In addition, regulation 70 of the LGPS Regulations allows an administering authority to recover additional costs from a Scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the Scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement, therefore, sets out the information required in accordance with regulation 59(1) and forms the basis of the day to day relationship between Haringey Council as the administering authority and the Scheme employers of the London Borough of Haringey Pension Fund. It also sets out the circumstances under regulation 70 of the LGPS Regulations where additional costs are incurred as a result of the poor performance of a Scheme employer, together with the steps that would be taken before any such action were taken.

3 Responsibilities and procedures

PROCEDURES FOR LIAISON AND COMMUNICATION WITH EMPLOYERS

The delivery of a high quality administration service is not solely the responsibility of the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service or ensure that statutory requirements are met.

This strategy statement has been developed following consultation with Scheme employers and other interested parties. It takes account of Scheme employers' current pension knowledge, perception of current administration standards and specific training needs to ensure the level of service can be delivered to the required standard.

Procedures have been agreed for the liaison and communication between London Borough of Haringey Pension Fund and its scheme employers. Full details are provided with the Fund's communication policy, which is available on the Fund's website at http://www.Haringeypensionfund.co.uk

A brief summary is set out in Appendix 1.

ESTABLISHING LEVELS OF PERFORMANCE

Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the Scheme employer, in relation to the rights and entitlements of individual Scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the London Borough of Haringey Pension Fund has agreed levels of performance between itself and Scheme employers which are set out in Appendix 2.

Quality

Overriding legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and Scheme employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Act 2004 and 2011 and associated disclosure legislation;
- Freedom of Information Act 2000;
- The Equality Act 2010;
- Data Protection Act 2018;
- Finance Act 2013; and
- Relevant Health and Safety legislation.

Where agreed, the administering authority and Scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.

Internal standards

The administering authority and Scheme employers will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer procedural guide;
- work to be completed in the required format and/or on the appropriate forms contained within the employer procedural guide;
- information to be legible and accurate;
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff;
- information provided to be authorised by an agreed signatory; and
- actions carried out, or information provided, within the timescales set out in this strategy document.

TIMELINESS

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out a number of requirements for the administering authority or Scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been agreed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. These locally agreed standards for the London Borough of Haringey Pension Fund are set out below.

External providers

The administering authority or its Scheme employers will ensure that any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme (such as external pension administration providers, payroll and HR providers) are aware of the standards to be met. They will also be responsible for ensuring that those standards are met.

Procedures for ensuring compliance with statutory requirements and levels of performance

Ensuring compliance is the responsibility of the administering authority and its Scheme employers. We will work closely with all Scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation or in this Administration Strategy. We will also work with employers to ensure that overall quality and timeliness standards are met as part of a service development plan. Various means will be employed, in order to ensure such compliance and service improvement, after first seeking views from as wide an audience as possible. These include:

Audit

The London Borough of Haringey Pension Fund will be subject to regular audits of its processes and internal controls. The London Borough of Haringey Pension Fund and its Scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the London Borough of Haringey Pension Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

Performance monitoring

The London Borough of Haringey Pension Fund will monitor performance against specific tasks from the event date (e.g. date of leaving/retirement, etc) to the date of the completion of the task (notwithstanding that service levels for benchmarking purposes are measured from the date that all necessary data has been received/is available). As part of this monitoring exercise we will include the monitoring of the performance of each Scheme employer in the provision of all necessary data required by the administering authority enabling completion of each task. We will also monitor the performance of the administering authority in carrying out its responsibilities in relation to the scheme.

The London Borough of Haringey Pension Fund as the administering authority will regularly monitor performance by benchmarking with other administering authorities by using benchmarking clubs and other comparators available. Quality and standards of performance will be included in performance monitoring and benchmarking.

Employer liaison officers

Each Scheme employer will designate a named individual to act as a scheme liaison officer; being the main contact with regard to any aspect of administering the LGPS. Similarly, the London Borough of Haringey Pension Fund will designate a named individual within the pensions services team for each scheme employer, to act as the pension liaison officer for each scheme employer.

The London Borough of Haringey Pension Fund pension liaison officer will discuss with the employer liaison officer any issues relating to the LGPS and/or raise any issues around the performance of the Scheme employer or services provided by the administering authority.

Communication policy statement

The London Borough of Haringey Pension Fund communication policy statement includes specific details on monitoring the compliance of the administering authority and its Scheme employers in communication with various parties associated with the Local Government Pension Scheme. This statement is summarised and included as appendix 1 to this strategy.

Procedures for improving communication between administering and employing authorities

Good communication reminds, or alerts, employees to the value of the LGPS which negates misleading media information and aids recruitment, retention and the motivation of the workforce. Effective communication between authorities reduces errors, improves efficiency and leads to good working relationships.

Where areas of improvement are identified from benchmarking or performance monitoring as indicated in the above section the London Borough of Haringey Pension Fund will be responsible for working closely with the Scheme employers in improving the identified weaknesses.

Scheme employer procedural guide

If appropriate the London Borough of Haringey Pension Fund will update the employer procedural guide to reflect changes to processes, forms and/or responsibilities highlighted as a result of the monitoring of quality and timeliness.

Newsletters

Newsletters which will be issued to all pensioners annually, (or more frequently if necessary), dealing with changes to scheme rules and Scheme employer procedures or responsibilities associated with them.

Technical bulletins

Bulletins will be issued to Scheme employers as frequently as necessary updating them on recent and forthcoming changes to the scheme. These Bulletins will provide technical advice and guidance to Scheme employers on the changes along with any changes to, or additions to, the responsibilities of the Scheme employers.

Training sessions

The London Borough of Haringey Pension Fund will provide training to its Scheme employers as and when required in order to undertake training where significant performance issues are identified, or on request from the Scheme employer. It is mandatory for your named acting liaison officer to attend.

Employer liaison meetings

The London Borough of Haringey Pension Fund pension liaison officer will meet with the Scheme employer representative as and when required to discuss any issues relating to the LGPS and/or raise any issues around the performance of the Scheme employer or services provided by the administering authority. At these meetings the service improvement plan will be reviewed, to discuss progress against targets. More frequent meetings will be arranged if necessary (particularly if specific issues around the perceived poor performance of the Scheme employer arise). It is mandatory for your named acting liaison officer to attend.

Continual review

The London Borough of Haringey Pension Fund will continually review the performance of the administering authority and Scheme employers against the targets and standards set out in this strategy and address with Scheme employers any issues that might be highlighted.

Circumstances where the administering authority may levy costs associated with the employing authority's poor performance

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from a Scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that Scheme employer. Where an administering authority wishes to recover any such additional costs they must give written notice stating:-

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.

Circumstances where costs might be recovered

It is the policy of the London Borough of Haringey Pension Fund to recover all additional costs incurred in the administration of the LGPS as a direct result of the poor performance of the administering authority, any Scheme employer or third party service provider. The circumstances where such additional costs will be recovered are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the Scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct scheme member and employer contributions to the London Borough of Haringey Fund within the stated timescales;
- Instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or any other regulatory body.

- The cost of any remedial action required to be taken by the London Borough of Haringey and caused by the failure of a Scheme employer to meet their requirements as set out in regulation or the specified performance targets.

- Advice supplied from a third party provider, with or without the consent from the administering authority. Where there is no previous arrangement in place between Employer and third party provider – the costs incurred will still be re-charged back to the Employer that originally requested work, information or raised queries.

Approach taken by administering authority

The London Borough of Haringey Pension Fund will seek, at the earliest opportunity, to work closely with Scheme employers in identifying any areas of poor performance, provide the necessary training and development and put in place appropriate processes to improve the level of service delivery in future. Consideration for seeking additional administration costs where persistent failure occurs and no improvement is demonstrated by a Scheme employer would be seen as a failure and should only be taken once all opportunities to resolve any issues identified are exhausted. The following sets out the steps we will take in dealing with poor performance by a Scheme employer:

- write to the Scheme employer, setting out area(s) of poor performance;

- meet with the Scheme employer, to discuss area(s) of poor performance and how these can be addressed;

- issue formal written notice, where no improvement is demonstrated by the Scheme employer or there is a failure by the Scheme employer to take agreed action, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed;

- clearly set out the calculations of any loss resulting to the London Borough of Haringey Pension Fund or administering authority, or additional cost, taking account of time and resources in resolving the specific area of poor performance; and

- make claim against the Scheme employer, setting out reasons for doing so, in accordance with the LGPS Regulations

- set out clearly the date or dates by which payments must be made

4 Review process

The London Borough of Haringey will review this Administration Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every three years. A current version of the administration strategy statement will always be available on our website at www.Haringeypensionfund.co.uk..

5 Consultation

In preparing this pension administration strategy we have consulted with the relevant Scheme employers and other persons considered appropriate. Where it is necessary to revise this pension administration strategy the relevant Scheme employers will be notified in writing of the changes and where a copy of the revised strategy will be sent electronically.

Appendix1 -Summary of communication and liaison

Employer's forums will be held at council offices, this is a forum for Employers to meet and discuss pension issues, speak to the pension team and be kept informed of changes to the Scheme and Pension Fund Investment. We stongly encourage a representative from each employer to attend.

Regular updates on Pension Scheme changes will be sent to you, keeping you fully informed when changes occur.

Regular updates on Pension Scheme changes will be sent to Scheme employers, to forward on to staff as and when required.

Annual Benefits Statements will be available to Scheme members on Member Self-Service, any queries which may arise from the statements which result from information employers have provided will be referred directly back to the employer to investigate.
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Workshops/ roadshows: the Pension Team will come out to Scheme employers when requested to speak to staff at various times of the year, to help explain the sometimes complex pension issues. These must be arranged with the Pensions Manager well in advance to assure availability and content.

Consulting with Scheme employers - in preparing or reviewing the Fund's policies and discretions, this will also include results of the triennial valuation, as the administering authority we will continue to consult with our Scheme employers.

Pension Fund Annual Report - this annual report includes various Pension Fund Investment information and statistics of the Scheme membership profile.

Appendix 2 -Performance standards

By the administering authority Function / Task	Performance target
LIAISON AND COMMUNICATION	
Publish and keep under review the London Borough of Haringey Pension Fund administration strategy	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers
Issue and keep up to date employer procedural guide to employer	30 working days from admission of new employer or date of change/amendment
Issue and keep up to date pension website, scheme guide and all other literature for issue to scheme members	30 working days from admission of new employer or date of change/amendment
Issue and keep up to date all forms required for completion by either scheme members, prospective scheme members or scheme employers	30 working days from admission of new employer or date of change/amendment
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the London Borough of Haringey Committee
Attend employer liaison meetings with scheme employers	To be agreed with individual Scheme employers
Organise training sessions for Scheme employers	Upon request from Scheme employers, or as required
Notify scheme employers and Scheme members of changes to LGPS scheme rules or relevant legislation	Within one month of the change(s) coming into effect
Notify Scheme employer (including London Borough of Haringey in its role as a Scheme employer) of issues relating to Scheme employer's poor performance (including arranging a meeting if required)	Within 5 working days of performance issue becoming apparent

Notify Scheme employer (including London Borough of Haringey in its role as a Scheme employer) of a decision to recover additional costs associated with the Scheme employer's poor performance (including any interest that may be due)	Within 10 working days of scheme employer failure to improve performance, as agreed
Issue annual benefit statements to all active members and deferred members	In line with LGPS regulation timescales
Full response to written enquiries	Within 10 working days of receipt of enquiry.
Response to email enquiries	Within 10 working days of receipt of enquiry
Response to telephone enquiries	Answer telephone within 5 seconds. If response to enquiry cannot be given immediately the caller will be given an expected call back date and time

FUND ADMINISTRATION

Function/Task	**Performance target**
Issue formal valuation results (including individual employer details)	10 working days from receipt of results from fund actuary, (but in any event no later than 31 March following the valuation date).
Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the London Borough of Haringey Pension Fund	Upon each cessation or occasion where a scheme employer ceases participation in the London Borough of Haringey Pension Fund
Publish, and keep under review, the Fund's governance policy statement.	Within 30 working days of policy being agreed by the London Borough of Haringey Pension Committee
Publish and keep under review the London Borough of Haringey Pension Fund funding strategy statement	To be reviewed at each triennial valuation, following consultation with Scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report
Publish the Pension Fund annual report and any report from the auditor	In line with Regulation timescales

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-SCHEME ADMINISTRATION

Function/Task	**Performance target**
Scheme member to be set up on to pension administration software system	With a month of receipt of all necessary information
Make all necessary decisions in relation to a scheme member and issue combined statutory notification to new scheme member (including aggregation of previous LGPS membership)	Within a month of receipt of all necessary information
Provide responses to scheme members/scheme employers/personal representatives/dependents and other authorised persons	10 working days from receipt of enquiry
Contact previous pension schemes to request estimate of any available transfers	10 working days from receipt of enquiry
Provide transfer-in quote to scheme member	20 working days of receipt of all necessary information from previous scheme (request from scheme member)
Confirm transfer-in payment and additional benefit (membership change) to scheme member	20 working days of receipt of payment of transfer of value
Arrange for the transfer of scheme member free standing additional voluntary contributions into in-house arrangement	10 working days of all the necessary information from FSAVC provider (receipt of request from scheme member)
Respond to enquiries to purchase additional pension	5 working days
Prepare and send quotation details to member	10 working days
On receipt of a request from the member or new pension provider, supply a transfer value quotation	20 working days of receipt of all necessary information
Calculate the estimated transfer value payable and inform the new pension provider of amount payable	20 working days of receipt of all necessary information
On receipt of the member's decision to proceed with the transfer, calculate and pay the transfer value	10 working days of receipt of information
Notify scheme employer of scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence	10 working days of receipt of election from scheme member

Calculate cost of additional pension contributions, and notify scheme member	10 working days of receipt of request from scheme member
Determine additional pension to be credited to the member from additional pension contributions, following publication of revised GAD guidance from time to time	10 working days of receipt of revised GAD guidance
Notify Scheme employer of request from scheme member to cease additional pension contribution, and notify scheme member of the amount of pension credited	10 working days of receipt of request from scheme member
request to pay/amend/cease additional voluntary contributions	10 working days of receipt of request from scheme member
Provide requested estimates of benefits to employees / employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	7 working days **after receipt of all necessary information** (from date of request)
Notify leavers of deferred benefit entitlements	20 working days after the expiry of one month from date of leaving and receipt of all necessary information
Notify retiring employees of benefits (enclosing HMRC disclosure forms)	10 working days of receipt of all necessary information
Payment of retirement benefits (including any interest due as a result of the late payment of benefits) Commence payment within the next pension payroll following commencement of pension entitlement Thereafter make payment on the pension pay day of each month	Any lump sum payments to be paid into the member's account within 30 working days after last day of membership and receipt of all relevant information
Contact deferred members to notify pension benefits due and confirm personal details	3 months before pension benefits due
Confirm in writing the deferred pension benefits due, when payments will be made, set up on payroll for pay period immediately following due date	Within 10 working days of receipt of all necessary information

Process scheme member

Function/Task	**Performance target**
Death notifications	Respond and commence action within 5 working days following notification of death
Send confirmation of any amounts payable and payment dates	Within 5 working days of receipt of all relevant documents
Process all stage 2 pension dispute	Within two months of receipt of the

applications	application, or such longer time as is required to process the application where further information or clarification is required.
Publish and keep under review the London Borough of Haringey Pension Fund policy on the abatement of pension on re-employment under previous regulations	Notify scheme members and scheme employers within one month of any changes or revisions to the policy
Confirm divorce settlement details in writing	Within 10 working days of receipt of written decision and all necessary information from the scheme member

LIAISON AND COMMUNICATION BY THE SCHEME EMPLOYER

Function/Task	Performance target
Formulate and publish policies in relation to all areas where the Scheme employer may exercise a discretion within the scheme (including providing a copy of the policy decision(s) to the London Borough of Haringey Pension Fund	Within 30 working days of policy being agreed by the Scheme employer
Remit and provide schedule and make payment of employer/employee contributions	By the 19th calendar day of month after deduction
Respond to enquiries from administering authority	5 working days from receipt of enquiry
Provide year end information required by the London Borough of Haringey Pension Fund, in a format agreed with the London Borough of Haringey Pension Fund	By 30 April following the year end
Ensure payment of additional costs to the London Borough of Haringey Pension Fund associated with the poor performance of the Scheme employer	Within 30 working days of receipt of invoice from the London Borough of Haringey Pension Fund
Distribute any information provided by the London Borough of Haringey Pension Fund to scheme members/potential scheme members	Within 15 days of its receipt Notification to the London Borough of Haringey Pension Fund (so they can liaise with actuary) of material changes to workforce/assumption related areas (e.g. restructurings/pay reviews/employer going to cease/ contracting out of services). No later than 5 working days after notice has been given to individuals or the total workforce
Provide new/prospective scheme members with scheme information and new joiner forms	5 working days of commencement of employment, change in contractual conditions or as a result of auto enrolment staging

FUND ADMINISTRATION BY THE SCHEME EMPLOYER

Function/Task	Performance target
All new prospective admission bodies to undertake, to the satisfaction of the London Borough of Haringey Pension Fund, a risk assessment of the level or bond required in order to protect other scheme employers participating in the pension fund To be completed before the body can be admitted to the London Borough of Haringey Pension Fund All admission bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the fund Annually, or such other period as may be agreed with the London Borough of Haringey Pension Fund Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the London Borough of Haringey Pension Fund or within timescales specified in each case
Employers Considering Outsourcing from their organisation	Employer to notify pensions team as soon as they are aware that outsourcing is being considered.

SCHEME ADMINISTRATION BY THE SCHEME EMPLOYER

Function/Task	Performance target
Make all necessary decisions in relation to new scheme members in the LGPS (pensionable pay, appropriate contribution pay band, etc)	10 working days of scheme member joining
Provide administering authority with scheme members' details	10 working days of scheme member joining/from month end of joining
Arrange for the correct deduction of employee contributions from a scheme member's pensionable pay on becoming a scheme member	Immediately on joining the scheme, opting in, auto enrolment or change in circumstances
Ensure correct employee contribution rate is applied	Immediately upon commencing scheme membership and each April payroll thereafter
Ensure correct rate of employer contribution is applied	Immediately upon commencing scheme membership and each April payroll thereafter

Arrange for reassessment of employee contribution rate in line with employer's policy and notification of any change in rate to affected scheme member(s)	Review as per policy and notification within 10 working days of change in contribution rate
Commence deduction of additional pension contributions or amend such deductions, as appropriate	Month following election to pay contributions or notification received from administering authority
Cease deduction of additional pension contributions	Immediately following receipt of election from scheme member
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19th of the month following the month of election
Refund any Scheme member contributions deducted in error	Month following month of deduction or error discovered
Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member
Notify material changes in employee's circumstances (e.g. marital or civil partnership status)	Within 10 working days of receipt of notice
Leave of absence with permission (maternity / paternity / secondment / without pay etc. (communications with employee and confirmation to pension fund)	Within 10 working days of notice from employee / HR / payroll
Determine reason for leaving and provide notification to administering authority of Scheme leavers	10 working days of leaving/month end of leaving
Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of retirement
Accurately assess final pay for each Scheme member who leaves/retire/dies and forward to London Borough of Haringey Pension Fund.	Within 10 working days following date of leaving/retirement/death
Notification to London Borough of Haringey Pension Fund of death of Scheme member	5 working days of date notified
Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with London Borough of Haringey Pension Fund	Within one month of commencing participation in the London Borough of Haringey Pension fund or date of resignation of existing medical adviser
Appoint adjudicator for stage 1 of the pension internal dispute resolution process and provide full details to the administering authority	Within one month of commencing participation in the London Borough of Haringey Pension fund or date of resignation of existing adjudicator

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Appendix 3 - New entrants and current Scheme members

The Regulations require automatic membership of the Scheme for any person under age 75 who is appointed to work for your organisation where the contract of employment is 3 months or greater. This rule is the same for admission bodies, provided that he/she falls within a description of employee specified as such within the Admission Agreement between the admission body and the Council.

Any employee who is eligible to join the LGPS may elect to be excluded from the scheme before or at any time after appointment. Before making such an election employees will be made aware of the benefits they will be losing out on.

An employee’s right to belong to the scheme, and the right not to join or to leave the scheme should be set out in his/her Contract of Employment.

It is important that the issue, completion and recording of elections to join or to be excluded from the scheme, is closely monitored.

The following documents are currently in use in relation to the transmission of information between a new employee, the Scheme employer and the Council.

A Pensions Option Form and an Employee’s Guide to the Local Government Pension Scheme are issued to every new employee.

5.1 Opting out of the pension Scheme over 3 months membership

If a scheme member wishes to opt out of the pension scheme, the election must be given in writing, and sent to the Pension team with the notification of cessation of membership form. The Pension team will determine the Member’s Scheme benefit entitlement.

LGPS Opt Out Forms

The LGPS opt out forms for Scheme members to opt out of the Pension Scheme are now only available from the Pension Website (www.Haringeypensionfund.co.uk). If individuals do not have access to a computer a hard copy may be obtained from the Pensions Team.

5.2 Auto-Enrolment Employer Duties

The Government through legislation in the Pension Act 2011 have put in place auto- enrolment to workplace pensions.

This major change requires that employees are to be automatically enrolled into a scheme and will then have to opt out if they do not wish to contribute and means it is illegal to discourage people from joining a scheme.

All employers should therefore familiarise themselves with their responsibilities

5.3 Academies

Academies had their own staging date and auto re-enrolment dates dependent on the size of their payroll.

Appendix 4 - Early leavers

Scheme members may leave employment and/or the pension scheme - before becoming entitled to immediate payment of retirement benefits - for a number of reasons, which may or may not be known to their employer. Whenever possible, however, the reason for leaving should be ascertained as this may determine the administrative procedures to be followed and/or the information to be given to the Scheme member.

It is important to remember that any Scheme member who leaves after having completed 2 or more years' membership in the LGPS, or who has transferred accrued rights from a previous pension scheme into the LGPS, is entitled to deferred benefits and cannot receive a refund of pension contributions. Scheme employers should always encourage Scheme members to contact the Pension Team for information with regard to their pension entitlements and not make their own assumptions.

The following documents are currently in use in relation to the transmission of information between Scheme employers and the Pension Team.

Notification of Cessation of Membership/Employment

To be completed in respect of every early leaver to whom the following circumstances apply. (Please retain a copy for your records)

- On leaving the scheme before attaining the age of 55 years.
- In the event of the Scheme employer determining cessation of employment is by reason of permanent ill health.

After completion, the notification should be forwarded to the Pension Team, together with any relevant documents.

Please Note: No retirement benefits will be paid out to members who have retired if the relevant documents are not completed.

Appendix 5 - Retirements

Retirement or cessation of employment with entitlement to immediate payment of retirement benefits occurs if the following conditions are satisfied:

1 The Scheme member has been a member of the scheme for a minimum of 2 years,

OR

2 The Scheme member has been a member of the scheme for less than 2 years but has transferred in pension rights from another scheme.

Note: the above conditions do not apply if a Scheme member attains age 75. Scheme benefits must be released at age 75 whatever their length of Scheme membership. The Scheme member must be notified of his entitlement at least three months before attaining the age of 75

Pension entitlement will be determined by the Pension Team where membership ceases for any of the following reasons

- Compulsorily on attaining age 75.
- At any age by reason of permanent ill health
- On or after attaining age 55, by reason of redundancy or in the interests of the efficient exercise of the employer’s functions.
- On or after age 55, for any reason, and application is made by the Scheme member for early payment.

A “Notification of Scheme Member Retiring on Pension” is to be completed in respect of every retiring employee and a copy forwarded to the Pension Team immediately before or as early as possible after, the date of retirement together with any relevant documents. Please retain a copy for your records.

If retirement is because the Scheme employer has determined the retirement is because of permanent ill health the notification should be accompanied by a copy of the Independent Registered Medical Practitioner’s certification.

Appendix 6 - Early retirement costs recharged to the Scheme employer

When do they arise?

Early retirement costs arise when an employee retires –

- On the grounds of permanent ill-health
- On the grounds of redundancy
- On the grounds of efficiency
- On Flexible Retirement before normal retirement age.
- Or when preserved benefits are paid prematurely on ill-health or compassionate grounds.

The cost is the notional value lost by the pension fund from the removal of contributions to the pension fund, the loss of investment on those contributions and from paying the pension benefits earlier than anticipated and over a longer term.

The costs will be recovered as follows:

- In cases of ill health – from the Scheme employer
- In all other cases - immediately from the Scheme employer.

Appendix 7 - Deaths in Service

Death in service of an active member gives rise to entitlement to a Death Grant and, in appropriate circumstances, to dependants' pensions.

Dependents includes –

Married Spouses, Cohabitees (certain provisions apply), Civil Partners, Children (certain provisions apply)

A Notification of Death in Service Form should be completed immediately upon the notification of the death in service of a Scheme member and forwarded to The Pension Team, together with the death certificate. Submission of this form should not be delayed if the death certificate is not available.

Please retain a copy for your records.

Appendix 8 - Additional Voluntary Contribution Scheme

London Borough of Haringey Pension Fund Haringey has provides its in-house AVC Scheme with Prudential or Clerical and Medical who provide a range of investment fund funds, as well as a facility for Scheme members to provide additional death in service cover.

It is essential that AVC deductions are invested as quickly as possible in order to maximise the return to each member.

Monthly AVC deductions should be paid directly to the AVC provider (Prudential or Clerical and Medical) as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential or Clerical and Medical which must reach Prudential or Clerical and Medical by the 19th day of the month following the month they were deducted. Failure to do so is in breach of legislation and may be reported to the Pensions Regulator

Weekly paid AVCs can be accumulated for 4-5 weeks and paid over at monthly intervals.

Appendix 9 - Ill health Retirement

The LGPS provides ill health retirement cover for Scheme members that are unable to work because of serious illness. There is a 3 tier benefit policy in place.

Tier 1: If a Scheme member has at least 2 years in the pension scheme and the employer determines he or she has no reasonable prospect of being capable of gainful employment beforestate pension age (SPA), ill health benefits are based on the membership built up to the date of leaving plus all the Scheme member's prospective membership from leaving to SPA.

Tier 2: If a Scheme member has at least 2 years in the pension scheme and the employer determines he or she is unlikely to be capable of gainful employment within a reasonable period of leaving, but may be capable of gainful employment at some date in the future before age 65, ill health benefits are based on membership built up to leaving plus 25% of prospective membership from leaving to SPA.

Tier 3: If the employer determines that it is likely a Scheme member will obtain gainful employment within 3 years; the benefits payable will be the benefits accrued as at the date of leaving. A member receiving benefits under the third tier shall:

- Inform his or her former Scheme employer if further employment is obtained
- Answer any queries in relation to current employment status, pay and working hours.

Any members retiring under this tier must have their employment status monitored by the former Scheme employer after 18 months.

If gainful employment has been secured the pension must cease and any overpayment recovered.

If gainful employment has not been secured, the former Scheme employer must obtain a further certificate from an Independent registered practitioner.

In any event, benefits payable under this tier will cease after they have been in payment for 3 years and the former Scheme member will become a pensioner with deferred benefits.

'Gainful employment' means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Please note to all Employers the Council will only accept ill health retirement application supported and approved by the Council Occupational Health (O H) doctor.

If you choose to use your own O H doctor, their report will be sent to the Council O H for verification and approval. All costs associated to this process are charged to the Employer. If you wish to use the services of Councils O H doctor please contact the HR team in the first instances.

Appendix 10 – Examples of instances where costs may be recharged

The table below provides of examples of situations when the London Borough of Haringey Pension Fund may recharge employers for additional costs. It is not intended to be definitive and the Fund reserves the right to levy an additional charge in any circumstances of poor performance under Regulation 70 of the Local Government

Pension Scheme Regulations 2013 and in accordance with this strategy. For the calculation of additional recharges for poor performance please see Section 3.

	Item in relation to the LGPS	Cost
1	Late notification of a New Starter	£50
2	Late notification of changes personal details-name and address	£50
3	Late notification of Maternity leave, strike, jury service, unpaid leave	£50
4	Late notification of an early leaver	£50
5	Late notification of member retiring	£50
6	Late notification of death in service	£50
7	Late notification of contribution banding changes	£50
8	Late payment of monthly contributions	£50
9	Late delivery of payroll details in support of monthly contributions (due at the same time as the monthly contributions payments).	£50
10	Late notification annual year end information	£250
11	Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of the Employer, will be passed on to that Employer	Re-charge amount
12	Any fines imposed on the Fund due to failure to provided information for Auto enrolment process	Re-charge amount
13	IAS19/FRS17 report preparation and submission to actuary, plus actuary time	Re-charge amount
14	Queries to 3rd party providers, without prior notification of cost to Employer, will be re-charged back to the Employer which raised the query	Re-charge amount
15	All legal costs and any other third party costs incurred from outsourcing, queries, disagreements and not an exhaustive list are to be re-charged back to the Employer	Re-charge amount
16	Due to extra work load generated from Retirement Estimates, 10 a year will be free. Above that will be charged at £20 each person. Payment should be arranged prior to the release of the information	£20 each (after 10 free per annum)

Please note any engagement with external providers e.g. Actuaries, Solicitors the full cost will be recharged back to the Scheme employer. This will include any outsourcing of contracts and IAS19/FRS17 reports.

To try and keep the cost down when engaging with these 3rd party companies please make sure your data is as clean as possible.

Appendix 11 - Cohabiting Partners

The LGPS provides for a cohabiting partner, of either the opposite or same sex, to receive a survivor's pension, subject to the member of the scheme having been an active member post 1 April 2008, and the couple meeting the relevant criteria laid down in the scheme i.e. that all of the following conditions have applied for a continuous period of at least 2 years on the date both the scheme member and their nominated cohabiting partner are encouraged to sign the nomination form:

- both the scheme member and their co-habiting partner are, and have been, free to marry each other or enter into a civil partnership with each other, and
- the scheme member and their co-habiting partner have been living together as if they were husband and wife, or civil partners, and
- neither the scheme member or their co-habiting partner have been living with someone else as if they were husband and wife or civil partners, and
- either the co-habiting partner is financially dependent on the scheme member or they are financially interdependent on each other.

Appendix 12– Payment of monthly contributions by employers

The following documents and processes are in use in relation to current administrative procedures.

Remittance advice for payments to the Fund

Payment by BACS

The completed schedule form should be emailed to the Pension address as shown on the form at the time the BACS payment is made.

A schedule of the Scheme members who have had deductions taken should include:

- National Insurance Number
- Name
- Contribution band percentage rate
- Additional contribution percentage rate (where applicable) and contribution amount
- Pensionable pay
- Monthly Scheme member contribution
- Monthly employer contribution
- Total Scheme member and employer's contribution to date
- Total pensionable pay to date
- Date joined or left LGPS (if in current year)
- Part time hours
- Maternity/ paternity leave, strikes and service breaks

This information should be emailed to the Pensions Team or posted to The Pension Team at the Haringey address as soon as the payroll has been run monthly.

Note: Employer contributions are expressed as a percentage of pensionable pay and are payable at such rate(s) as may be advised by London Borough of Haringey Pension Fund following the completion of each triennial actuarial valuation of the pension fund

All sums to which the schedule relates shall be paid over no later than the 19th day of the month following the month of account. Payment of Interest will be charged by the Council where contributions have been received late. Contributions deducted from weekly wages should be accumulated for 4 or 5 weeks and paid over at the appropriate month end.

Late payment of pension contributions by Scheme employers is a serious offence and the Pensions Regulator or the Pensions Ombudsman has significant powers of sanction. The Pensions Regulator can impose fines . Recent changes to the Pensions Act have made it easier to prosecute employers for late payment of contributions.

Note: AVC payments should not be included on the schedule and should be paid direct to the AVC provider.

A copy of the AVC Schedule should be forwarded to the Pensions Team along with any new applications to pay AVC's or any notifications to cease.

Appendix 13 - Year end procedures

Financial Returns

Immediately after the end of each financial year, each Scheme employer must submit to the Pension Team by 30 April of that year an interface file / schedule or report detailing the relevant financial information to allow the end of year process / updating of member records and when relevant the tri-annual valuation. A template/ interface layout will be provided 2 months prior to the relevant 31 March.

The prompt and accurate notification of this information is vital to ensure the Pension Scheme complies with Regulatory requirements.

The schedule / interface file/reports should be completed and emailed to the Pensions office by 30 April of the year end to which the information relates

Once the pension's database has been updated, if there are any queries, we will email/write to you. If is important that ant enquiries are resolved before the end of year process, which will update the member self-service site and facilitate the production of the Annual Benefit Statements.

Appendix 14 - Additional pension contributions (APCs)

Benefits purchased - Employee only APCs and employee/employer shared cost APCs

Scheme members may choose to buy extra annual pension, up to a set maximum, using an Additional Pension Contribution (APC) contract (with or without a contribution from the employer – known as a shared cost APC (SCAPC) where there is a contribution from the employer). The maximum at April 2019 was £7026 and represented an increase from the 2008 Scheme maximum of £5,000. The maximum is increased each April by the Pensions Increase.

To buy extra pension. The Scheme member may choose to make a one off contribution or regular additional contributions, with or without a contribution from the employer, in order to buy a set amount of additional pension. The cost (a cash amount NOT a percentage of pay) is determined by the Scheme member's age and the amount they wish to purchase. An employer may, if they wish, agree to meet some or all of the cost of any additional pension purchased. Note that a Scheme member cannot commence an APC in this circumstance if they are in the 50/50 section.

To buy 'lost' pension for authorised unpaid leave of absence (including any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave following a period of relevant child related leave i.e. following ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave). Where an employee elects to pay an APC to purchase any or all of the amount of pension 'lost' during the period of absence and makes the election within 30 days of returning to work (or such longer period as the employer may allow) the employer shall, for any individual period of absence up to 36 months, but not any period beyond that, pay 2/3rds of the cost of the APC (a shared cost APC). The amount of 'lost' pension shall be calculated as 1/49th of the 'lost' pensionable pay for the period of unpaid leave if the person was in the main section during that period, or 1/98th of the 'lost' pensionable pay for the period of unpaid leave if they were in the 50/50 section during that period. A Scheme member can commence an APC or shared cost APC in this circumstance even if they are in the 50/50 section.

To buy pension 'lost' during a trade dispute. Where an employee is absent due to a trade dispute they may choose to buy extra pension to replace the amount of pension 'lost' during the period of the trade dispute. The amount of 'lost' pension shall be calculated as 1/49th of the pensionable pay 'lost' during the period of the trade dispute. If the Scheme member wishes to go ahead with a purchase of extra pension in any of the above circumstances they will need to sign a contract to do so and both the payroll and Pension Fund administering authority must be notified of the amount to be purchased, the cash contribution, the period over which it is to be paid, the reason for the purchase and, if the member has more than one pensionable employment, the employment to which the APC contract is to be attached.

Employer only APCs

Employers can award additional annual pension to active Scheme members of up to a set maximum (less any amount of additional annual pension the employer has already contributed towards or is contributing towards under a shared cost APC). The maximum at April 2018 was £7026. The maximum of is increased each April by the Pensions Increase. Such an award may also be made within six months of leaving to those persons who have left on the grounds of redundancy or business efficiency. The employer would make a one off contribution in order to buy a set amount of additional pension for the member. The cost is determined by the employee’s age and the amount purchased.

Appendix 15 - The 50:50 Option

The LGPS 2014 contains two sections – the MAIN section and the 50/50 section. The difference between the two sections is that in the 50/50 section the amount of contributions to be deducted from the Scheme member is half that due under the main section (and, therefore, the member accrues half the normal pension whilst in the 50/50 section).

Note that whilst an individual is in the 50/50 section the employer contribution is still the normal full contribution rate (not half).

The Scheme member may elect to move between the main and 50/50 sections of the Scheme any number of times but each election only takes effect from the next available pay period.

An employer must give an employee who elects for the 50/50 section information on the effect on that person's likely benefits from the 2014 Scheme.

The employer will be required to notify both the payroll administrator and the Pension Team of the date of the move to a different section and to maintain a record of elections.

At year end (or date of leaving if earlier), employers should confirm to the administering authority which section the member was in at that time.

Each employer will need to determine the most effective method of holding the above information which may or may not involve the payroll system holding the relevant data. Notification that the employee has elected to move from the main section to the 50/50 section (or vice versa) from the beginning of the next available pay period following the election.

If the employee is in the 50/50 section and goes on to no pay due to sickness or injury, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. The person will, of course, have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member would have continuous 50/50 membership.

If the Scheme member is in the 50/50 section and goes on to no pay during ordinary maternity leave, ordinary adoption leave or paternity leave, the member must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.

If the employee is in the 50/50 section they must be moved back to the main section from the beginning of the pay period following the employers' "automatic re-enrolment date". This would happen irrespective of what category of worker they are for the purposes of the Pensions Act 2008.

Appendix 16 – Employer Admissions - small TUPE transfers (usually less than 10 members) – Employer Contribution rate and Bond

Where an employer, the awarding authority, seeks to TUPE transfer eligible employees to a new contractor and the contractor applies to participate as a transferee admission body in the Local Government Pension Scheme, the employer and the new contractor are required to complete a pension scheme admission agreement.

An actuarial valuation detailing the employer contribution rate and bond for the contractor based on the profile of the staff who are TUPE transferring will be made by the fund's actuary. The cost of the actuarial calculation will be paid for either by the letting employer or the contractor. The pension team should be advised who will pay the cost before the calculation is performed.

As an employer admitted to the pension scheme the contractor is required to make the employer contributions and provide a bond, or suitable guarantee to the fund.

The actuary calculation will include a bond value. The letting employer will need to consider whether a bond is normally required from the new employer. As an alternative, a pass through arrangement will be considered in lieu of a bond, subject to the agreement of both the the letting employer, and the fund. In a pass through arrangement, the new employer will pay a contribution rate of the greater of the letting employer's employer contribution plus 5% and the contractors calculated actuary contribution rate plus 5%. Normally when the employer reaches the end of its contract, a cessation valuation is undertaken and any deficit or suplus is levied or paid to the departing employer. However, with a pass through arrangement, no such calculation takes place, as the new employer is included in a pool with the original employer, so there will be no exit costs deficit or excess payment due to or from the contractor at the end of the contractor.

However, the contractor will still be responsible for costs that result from early retirement, ill health, augmentation and unexpected increases in staff remuneration.

The contribution rate is reviewed at every formal valuation date during the contract period.

It is recommended that contractors seek legal advice before entering into an admission agreement.

Appendix 17 – Communication - Annual benefit Statement

Annual Benefit Statements (ABS) will from 2020 be available online for all members that have signed up for e-communication on Member Self Service. Each member will receive a notification letter to inform them to sign up for the online services and informing them that their ABS will be available online.

All employers will be notified when their employees' ABS will be ready to view online. Employers must make their employees aware when the ABS are available for viewing.

It is important therefore that scheme members keep the pensions team updated with any changes to their e-mail address and/or home address

Providing annual benefit statements for active members includes details about the current value of benefits, details of transferred services, the associated death benefits and details of any individuals the member has nominated to receive lump sum death grants.

Providing annual benefit statements for deferred members includes the current value of the deferred benefits and the earliest payment date of the benefits. Annual Benefit Statements will be made available through the member self service, on www.haringeypensionfund.co.uk which is a secure site that members can register on. If members choose not to sign up to the Online Portal, they will need to make a formal request to Haringey Pensions Team to receive their Annual Benefit Statement by post.

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Report for: Pensions Committee and Board 5 March 2020

Title: Pension Fund Audit Plan – year to 31 March 2020

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 This report presents the audit plan prepared by the external auditors, BDO, for the audit of the Pension Fund accounts 2019/20 for the Committee and Board's consideration.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

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

4. Reason for Decision

4.1 The pension fund is required to produce annual accounts and have these audited.

5. Other options considered

5.1 None.

6. Background information

6.1 The audit plan will be presented by Leigh Lloyd Thomas the Audit Partner from BDO.

6.2 The plan sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit.

6.3 Officers will provide the auditors with all necessary information during the audit which will take place during June. BDO will then report back to the Pension Committee and Board in July on their findings and any recommendations.

6.4 Members will note that the timescales for the audit and committee sign off of accounts and has moved forward from 30 September, to 31 July compared to prior years. This is the third year of the brought forward timescales, and was a legislative requirement which began from 2017/18 onwards. The Council's Statement of Accounts, and the Pension Fund Accounts, must be submitted to the external auditor by 31 May (previously 30 June), and the audit completion and committee sign off has moved forward to 31 July (previously 30 September.)

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 The BDO fee of £24,170 for the 2019/20 audit is an increase of £8,000 compared to the previous year's fee. Fees are set centrally by Public Sector Audit Appointments Ltd.

Legal

8.2 The Assistant Director of Corporate Governance has been consulted on the content of this report. Part of the Council's duty as administering authority for the Haringey Pension Fund is to ensure that the annual accounts are properly audited and the audit plan sets out how and when the audit will be carried out.

Equalities

8.3 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 Appendix 1 – BDO Audit Plan (pages 59 to 87)

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

Haringey LONDON

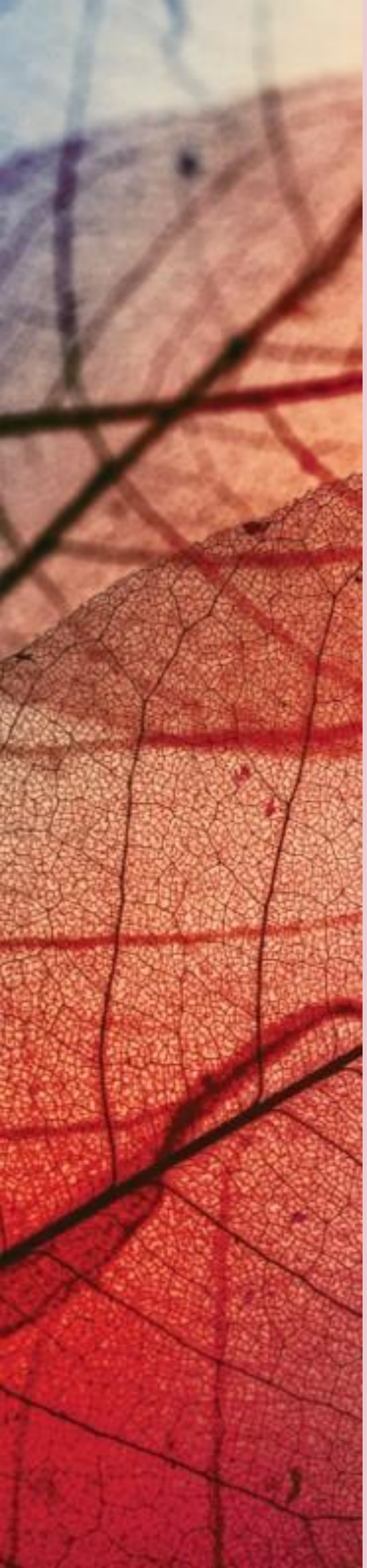
Report to the Pensions Committee and Board

LONDON BOROUGH OF HARINGEY PENSION FUND

Audit Planning Report: year ending 31 March 2020

IDEAS | PEOPLE | TRUST

BDO



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WELCOME

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We have pleasure in presenting our Audit Planning Report to the Pensions Committee and Board of London Borough of Haringey Council (the ‘Council’). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2020 in respect of our audit of the financial statements; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this plan with you at the Pensions Committee and Board meeting on 5 March 2020 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Leigh Lloyd-Thomas

21 February 2020

Leigh Lloyd-Thomas

t: 020 7893 2616

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Matthew Vosper

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SCOPE AND MATERIALITY
Executive summary

CONTENTS

This summary provides an overview of the key audit matters that we believe are important to the Pensions Committee and Board in reviewing the planned audit strategy for the Pension Fund for the year ending 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes auditing the financial statements and, where appropriate, exercising the auditor's wider reporting powers and duties.

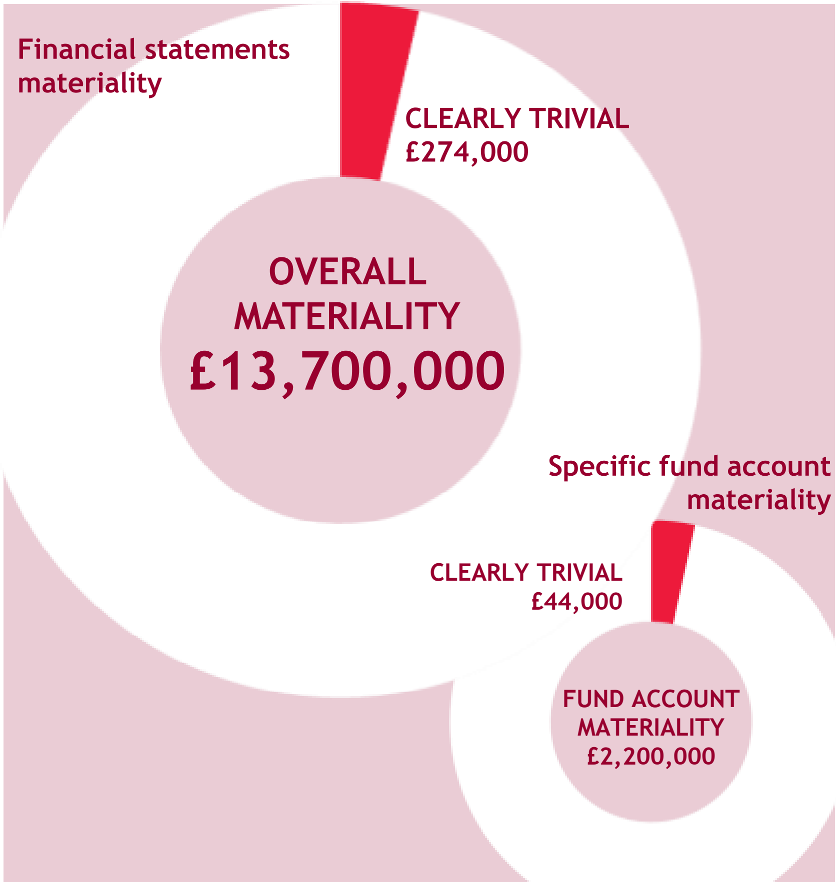
Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

Materiality

Planning materiality for the Pension Fund financial statements will be set at 1% of investment assets (prior year 1%). Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for the Fund Account at 5% of contributions receivable.

At this stage, these figures are based on the prior year gross assets amounts and contributions receivable. This will be revisited when the draft financial statements are received for audit.

Although materiality is the judgement of the engagement lead, the Pensions Committee and Board is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



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AUDIT STRATEGY
Executive summary

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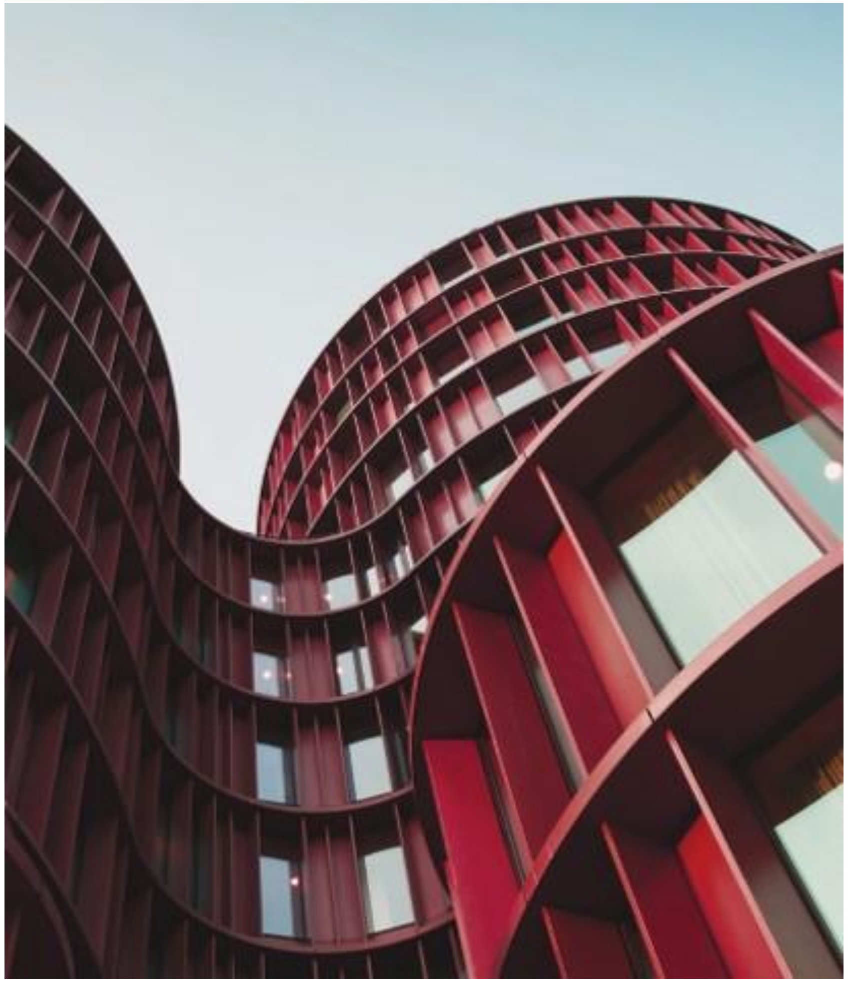

Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher.

We have discussed the changes to the Pension Fund, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Pension Fund's activities and to determine which risks impact on the numbers and disclosures in the financial statements.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

AUDIT RISKS OVERVIEW

Executive summary

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Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Pension liability valuation	Significant	No	Substantive	High
Fair value of investments (infrastructure & private equity)	Significant	No	Substantive	Medium
Valuation of investment assets (other)	Normal	No	Substantive	Medium
Benefits payable	Normal	No	Substantive	Low
Contributions receivable	Normal	No	Substantive	Low

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INDEPENDENCE AND FEES
Executive summary

CONTENTS

Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

Fees

	2019/20 Proposed	2018/19 Actual
Code audit fee	£16,170	£16,170
Additional audit fee	(1) £5,000	-
Extra fee for work on triennial valuation	(2) £3,000	-
Total audit fees	**£24,170**	**£16,170**

(1) Proposed additional fees in response to expectations of auditors to undertake additional work around management judgements and estimates, and to obtain additional corroborating evidence for areas of risk.

(2) The actuary has undertaken a full triennial valuation of the fund in 2019 and updated membership data will be used in the 31 March 2020 accounting valuation (IAS 19 for employers and IAS 26 for the whole fund) and the following two years. We are required to carry out extra testing each triennial valuation to ensure the membership data is accurate and the data extraction processes between the membership data system and the actuary is complete and accurate.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with you. Where this requires a variation to the scale fee set by PSAA we will seek approval from Public Sector Audit Appointments Limited (PSAA). If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Pensions Committee and Board.

OVERVIEW
Audit scope and objectives

CONTENTS

Key components of our audit objectives and strategy for the Pension Fund are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on Pension Fund financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information published together with the financial statements to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Annual Report	We will review the Pension Fund Annual Report and report on the consistency of the Pension Fund financial statements within the Annual Report with the Pension Fund financial statements in the Statement of Accounts.
Report to the Pensions Committee and Board	Prior to the approval of the financial statements, we will discuss our significant findings with the Pensions Committee and Board. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

BDO TEAM

Team responsibilities

CONTENTS

Leigh Lloyd-Thomas

Partner

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e: leigh.lloyd-thomas@bdo.co.uk

As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.

Matthew Vosper

Manager

t: 020 7651 1593

e: matthew.vosper@bdo.co.uk

I will lead on the audit of the Pension Fund financial statements. I work closely with Leigh to develop and execute the audit strategy. I will be a key point of contact on a day to day basis and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Pensions and Board Committee are highlighted on a timely basis.

OVERVIEW
Audit risks

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	Significant / Normal risk	Overview of risk
Management override of controls		Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.
Pension liability valuation		There is a risk that the membership data provided as part of the triennial valuation and cash flows for the year provided to the actuary may not be correct, or the valuation uses inappropriate assumptions to value the liability.
Fair value of investments (infrastructure & private equity)		The valuation of infrastructure and private equity holdings is a significant risk as it involves a high degree of estimation uncertainty.
Valuation of investment assets (other)		There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.
Benefits payable		There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.
Contributions receivable		There is a risk that employers may not be calculating contributions correctly and paying over the full amount dues (on normal and deficit rates) or that the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

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MANAGEMENT OVERRIDE OF CONTROLS

CONTENTS

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Fraud risk	■
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	■
Risk highlighted by management	

Risk detail

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Planned audit approach

Our audit procedures will include the following:

- Review and verification of journal entries made in the year, agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.

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PENSIONS LIABILITY VALUATION

There is a risk that the membership data provided as part of the triennial valuation and cash flows for the year provided to the actuary may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	
Substantive testing approach	■
Risk highlighted by management	

Risk detail

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience.

This year the membership data provided will be obtained in full as part of the triennial valuation. The estimate also considers all local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. The triennial valuation should enable the most up-to-date membership information to be included in the liability calculation.

There is a risk the valuation is not based on appropriate membership data where there are significant changes, uses inappropriate assumptions to value the liability.

Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the controls for providing accurate membership data to the actuary for the triennial valuation;
- Check that material changes in membership since the triennial data extraction and 31 March 2020 has been communicated to the actuary;
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data; and
- Discuss with the actuary how the impact of the GMP gender discrimination and McCloud age discrimination judgements and any other significant events have been taken into account in the liability assumptions at 31 March 2020.

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FAIR VALUE OF INVESTMENTS (INFRASTRUCTURE & PRIVATE EQUITY)

The valuation of infrastructure and private equity holdings is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	
Substantive testing approach	■
Risk highlighted by management	

Risk detail

The investment portfolio includes unquoted infrastructure and private equity holdings valued by the fund manager. The valuation of private equity assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data.

In some cases, the valuations are provided at dates that are not coterminous with the Pension Fund’s year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations.

As a result, we consider there to be a significant risk that investments may not appropriately valued in the financial statements.

Planned audit approach

Our audit procedures will include the following:

- Obtaining direct confirmation of investment valuations from the fund managers and request copies of the audited financial statements (and member allocations) from the fund;
- Where the financial statement date supporting the valuation is not conterminous with the pension fund’s year end, confirming that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Ensuring investments have been correctly valued in accordance with the relevant accounting policies.

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VALUATION OF INVESTMENT ASSETS (OTHER)

CONTENTS

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Significant risk	
Normal risk	■
Fraud risk	
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	■
Risk highlighted by management	

Risk detail

The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian, and reported on a quarterly basis. These funds are quoted on active markets.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Planned audit approach

Our audit procedures will include the following:

- Obtain direct confirmation of investment valuations from the fund managers and agreed valuations, where available, to readily available observable data (such as Bloomberg);
- Ensure that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

BENEFITS PAYABLE

CONTENTS

There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by management	

Risk detail

Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

Planned audit approach

Our audit procedures will include the following:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, substantively test a sample of calculations of pension entitlement;
- Check the correct application of annual pension uplift for members in receipt of benefits;
- Check a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the checks undertaken by ATMOS on the existence of pensioners;
- Review the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches;
- Review any life certification exercises undertaken for members that are excluded from the National Fraud Initiative; and
- Agree amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

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CONTRIBUTIONS RECEIVABLE

CONTENTS

There is a risk that employers may not be calculating contributions correctly or the pension fund does correctly charge costs arising on pension strain for early retirements and augmented pensions.

Significant risk	
Normal risk	■
Fraud risk	
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	■
Risk highlighted by management	

Risk detail

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly, not paying over the full amount due to the pension fund or failing to charge employers the capital cost of pension strain due to early retirement.

Planned audit approach

Our audit procedures will include the following:

- Test a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Review contributions receivable and ensure that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Perform tests over capital cost due from employers for pension strain due to early retirement; and
- Carry out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

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OTHER MATTERS REQUIRING FURTHER DISCUSSION

CONTENTS

Fraud

Whilst the Members of the Council and Director of Finance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have not been made aware of any actual, alleged or suspected incidences of fraud. We request confirmation from the Pensions Committee and Board on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historical judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We will review the reports issued by the Council's internal audit function, as relevant to the Pension Fund, although we do not plan place reliance on their work in respect of their assessment of control processes.

Laws and regulations

We will consider compliance with laws and regulations, including VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

IT GENERAL CONTROLS

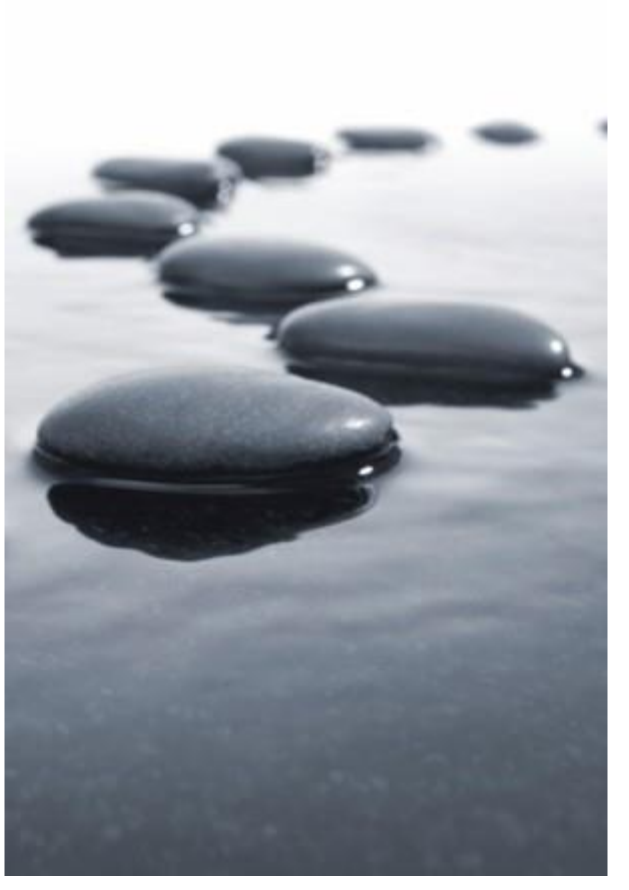
CONTENTS

IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting.



INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement.

This document considers such matters in the context of our audit for the year ending 31 March 2020.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Pension Fund.

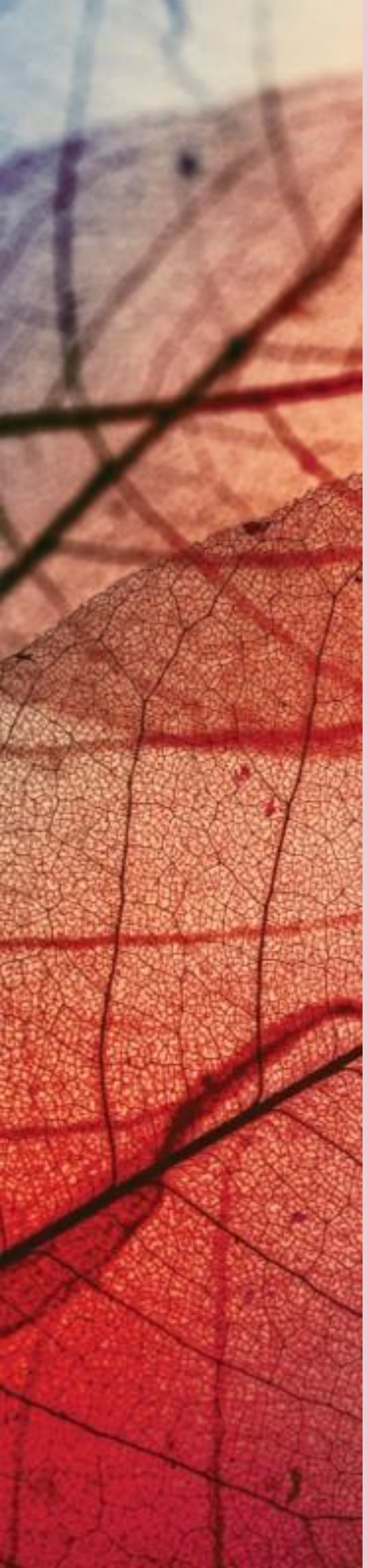
We also confirm that we have obtained confirmation that external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

Non-audit services

We do not carry out any non-audit services in respect of the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.



APPENDICES CONTENTS

MANAGEMENT RESPONSIBILITIES

Management responsibilities and reporting

CONTENTS

Financial reporting

The Pension Fund is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Pension Fund accounts for its stewardship and use of the public money at its disposal.

The form and content of the Pension Fund's financial statements should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and publishing Pension Fund financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

OUR RESPONSIBILITIES

Responsibilities and reporting

CONTENTS

Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

In addition, we review the Pension Fund Annual Report and report on the consistency of the Pension Fund financial statements within the Annual Report with the Pension Fund financial statements in the Statement of Accounts.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Pension Fund and the Pensions Committee and Board and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

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COMMUNICATION WITH YOU

CONTENTS

Those charged with governance

References in this report to 'those charged with governance' are to the Pension Fund as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pensions Committee and Board.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Audit Planning Report

The Audit Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the report.

TEAM MEMBER ROTATION

These tables indicates the latest rotation periods normally permitted under the independence rules of the FRC's Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Leigh Lloyd-Thomas Engagement lead	5	Last year on audit
Matthew Vosper Manager	1	10 years

Independence - audit quality control

	Number of years involved	Rotation to take place after
Engagement quality control reviewer	1	10 years

MATERIALITY: DEFINITION AND APPLICATION

CONTENTS

Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern; and
- Instances when greater precision is required (e.g. Remuneration and Staff Report and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the entity, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests;
- Calculate sample sizes; and
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

MATERIALITY: DEFINITION AND APPLICATION

CONTENTS

If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Pensions Committee and Board confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

AUDIT QUALITY

Overview

The FRC released their Audit Quality Review (AQR) results for the 7 largest accountancy firms in July 2019 for the review period 2018/19. A copy of all of the reports can be found on the FRC Website. We are very proud of our results in this review period where, for the second year running, 7 of the 8 files reviewed were assessed as either good or requiring only limited improvements.

Firm's results

The graphs demonstrates our performance in relation to the other 6 largest firms and our continuous improvements and maintenance of that improvement over the last 6 review periods .

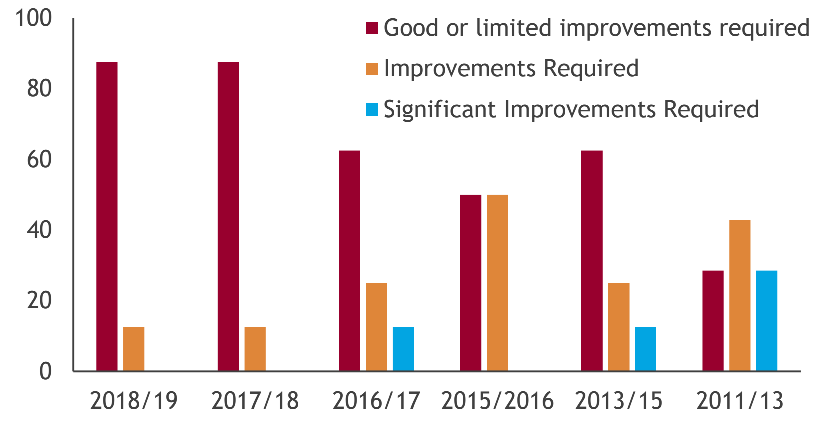
We include details of our model 'The Cycle of Continuous Improvement'. We acknowledge that the firm has performed well over the last few years however we are not complacent and need a strong process in place to maintain this high level of audit quality and deal rapidly and effectively with issues as they arise. This also highlights how our program of root cause analysis plays an important role in high audit quality.

We would encourage you to read our report which includes:

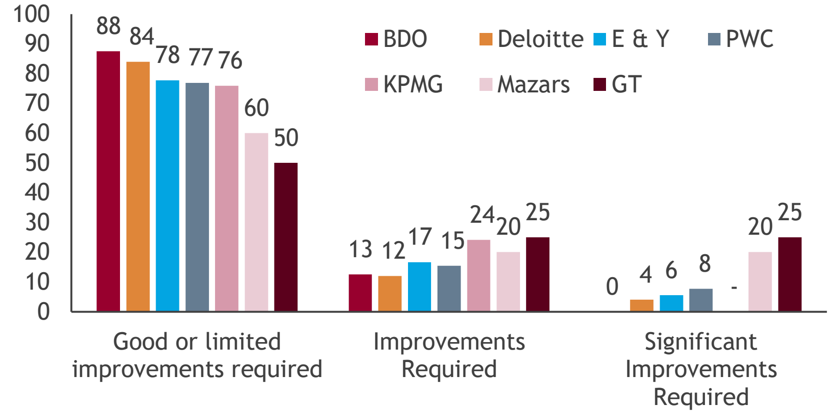
- Details of the root cause analysis we have been undertaking to address issues raised;
- The actions we have/are undertaking to address the issues raised by the AQR; and
- A number of areas of good practice the AQR review team identified whilst undertaking their review.

More details are included in our Transparency Report which is available on our website www.bdo.co.uk.

BDO AQR Results - year on year



Big 7 Firms - Results 2019



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AQR RESULTS 2018/19

BDO performance

Live files require:
- Review of audit quality by senior team members

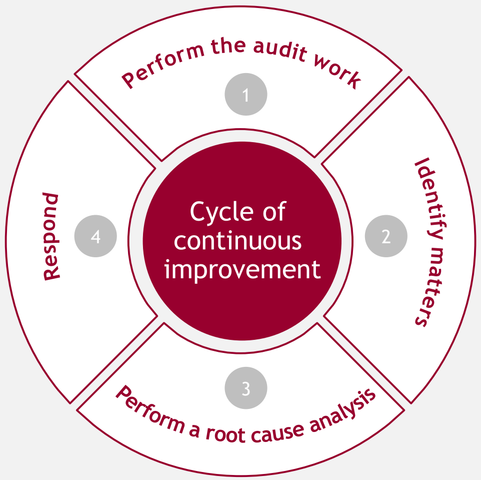
and may require:
- Hot review of financial statements
- Technical support for audit work
- Appointment of engagement quality control reviewer

Completed files may be subject to:
- Internal Audit Quality Assurance Review
- External review from AQR or QAD

Considerations of how to address:
- Behavioural matters
- Operational changes required
- Cultural matters to be escalated

Responses may include:
- Updating operational practices
- Embedding matter into performance review and development process for staff
- Staff coaching
- Amending audit approach firm-wide or for specific assignments
- Targeted messaging to relevant audiences (e.g. grades, ranks or sector specialists)
- Updated guidance material

Responses inform training plans



Nature of matters may be:
- Client/assignment specific issues
- Common findings/repeating issues that have need to be tracked and/or escalated
- Firm-wide matters
- “Best practice” examples

May be at Individual assignment or ‘whole-firm’ level:
- Identification and assessment of root cause
- Productive process to learn from matters and improve quality
- “Best practice” examples treated in the same way as “issues”
- Consideration of appropriate responses to issues identified, proposed and escalated as appropriate

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7983 2616
e: leigh.lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Report for: Pensions Committee and Board 5 March 2020

Title: 2019 Pension Fund Valuation

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

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. 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 has been updated, to take account of all developments during the 2019 triennial valuation. Consultation on the FSS has been taken place with employers of the fund.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee note the final results of the triennial valuation of the Fund, as attached in the report at Appendix 1.

3.2. That the Committee approves the Funding Strategy Statement as attached at Appendix 2.

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. The Pensions Committee and Board has agreed the underlying assumptions of the valuation and various policy decisions such as the approach to ill health early retirement liabilities at previous meetings. The final valuation results and final version of the FSS are now presented.

4.2. The Fund is required to keep the FSS under review and to update the statement when necessary. There is a legal obligation to consult on this document with employers, which has taken place.

5. Other options considered

5.1. None

6. Background information

6.1. The Council has appointed Douglas Green of Hymans Robertson as the Fund's Actuary. Hymans are required to carry out an actuarial valuation of the fund every three years (currently) to determine the funding level (comparison of assets with the value of promised future benefits) and the future contribution levels payable by the Council and other employers. The ongoing valuation is calculated as at 31st March 2019. Scheme benefits and the contributions payable by employees are determined by the Government.

6.2. The Pension Fund is required to maintain a Funding Strategy Statement (FSS) that sets out the basis on which contributions are set and in particular the plan to achieve and maintain sufficient assets to meet the pension liabilities. The FSS is normally updated prior to agreeing the triennial valuation report to ensure that the two documents are consistent. There is a requirement that changes to the FSS are consulted upon with scheme employers prior to implementation. Consultation has been carried out by officers.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

<u>Finance and Procurement</u>

8.1. The Fund's overall financial position is improved from the previous 2016 Valuation, owing largely to investment returns. The overall fund deficit has reduced from £276m to a small £6m surplus and as at 31/3/19 the fund overall had a 100% funding level.

8.2. Individual employer positions have generally improved, however there is a great deal of variation between these from employer to employer as is clear from the rates and adjustments certificate at Appendix 1 and the calculated employer contributions calculated for the 3 years from 1 April 2020 reflect these differences in demographics and covenant strength of employers.

<u>Legal Services Comments</u>

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

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

8.5. Regulation 62 requires the administering authority to obtain an actuarial valuation of the assets and liabilities of its pension funds on 31 March in every third year from 31 March 2016. The relevant date for the purpose of this report is the 31 March 2019. The administering authority must also obtain a report by an actuary in respect of the valuation; and a rates and adjustments certificate prepared by an actuary. These must contain the information required by the Regulation.

<u>Equalities</u>

8.6. None applicable.

9. Use of Appendices

9.1. Appendix 1: Final 2019 Valuation Report (pages 93 to 117)
9.2. Appendix 2: Final Funding Strategy Statement (pages 119 to 162)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Haringey LONDON

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London Borough of Haringey Pension Fund

Actuarial valuation as at 31 March 2019

Valuation report

25 February 2020

Contents

1 Introduction

Background to the actuarial valuation

We have been commissioned by London Borough of Haringey Council ("the Administering Authority") to carry out an actuarial valuation of the London Borough of Haringey Pension Fund. ("the Fund") as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

The actuarial valuation is a risk management exercise with the purpose of reviewing the current funding plans and setting contribution rates for the Fund's participating employers for the period from 1 April 2020 to 31 March 2023. This report summarises the outcomes of the valuation and the underlying advice provided to the Administering Authority throughout the valuation process.

This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2019 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to the Fund's Pensions Committee and Board dated 19 September 2019 which discusses the valuation assumptions
- Our Initial Results Report dated 8 November 2019 which outlines the whole fund results and inter-valuation experience
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members.

Reliances and Limitations

This report has been prepared for the sole use of London Borough of Haringey Council in its role as Administering Authority of the Fund for the Purpose and not for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards[1] are applicable in relation to this report and have been complied with where material:

- TAS 100 – Principles for technical actuarial work
- TAS 300 – Pensions.

[1] Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work.

2 Valuation approach

Employer contribution rates

The purpose of the valuation is to review the current funding strategy and ensure the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due.

Valuations for open defined benefit multi-employer pension funds such as the London Borough of Haringey Pension Fund are complex. Firstly, the time horizons are very long; benefits earned in the LGPS today will be paid out over a period of the next 80 years or more, and new members will continue to join in the future. Secondly, as they depend on unknowns such as future inflation and life expectancy, the actual value of future benefit payments is uncertain. Finally, to keep contributions affordable, the Fund invests in return seeking assets which have higher levels of future volatility.

Given the above and that the future cannot be predicted with certainty, employer contribution rates can only ever be an estimate. However, the valuation approach adopted uses an understanding of the Fund, and the uncertainties and risks discussed above, to quantify the likelihood of the contribution plan and investment strategy for each employer being sufficient to fund future benefits.

This is achieved in practice by following the process outlined below.

Step 1: The Fund sets a funding target (or funding basis) for each employer which defines the estimated amount of assets to be held to meet the future benefit payments.

Step 2: The Fund sets the funding time horizon over which the funding target is to be achieved

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

These three steps are central to the "risk-based" approach to funding which is described in Guide 5 of our 2019 valuation toolkit[2].

The risk-based approach uses an Asset Liability Model (described in Guide 6) to project each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore asset values) are variables in the projections. Further details of these variables are provided in Appendix B. The investment strategy underlying the projection of employer asset values is provided in Appendix A.

By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of the future projections being successful i.e. meeting the funding target by the funding time horizon.

The risk-based approach to setting employer contributions allows the Fund and its employers to understand and quantify the level of risk inherent in funding plans, something that is not possible using a single set of assumptions alone.

Further detail on the approach to calculating contributions for individual employers, including how the three steps vary between different types of employers, is set out in the Funding Strategy Statement dated January 2020.

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[2] https://www.hymans.co.uk/media/uploads/LGPS_2019_Valuation_Toolkit_Guides.pdf

Funding position as at 31 March 2019

The valuation also offers an opportunity to measure the Fund's funding position as at 31 March 2019. Whilst this measurement has limited insight into understanding the long term ability to be able to pay members' benefits, it is a useful summary statistic.

For the purposes of this valuation we have adopted a "mark to market" approach, meaning that the Fund's assets have been taken into account at their market value and the liabilities have been valued by reference to a single set of assumptions based on market indicators at the valuation date. These assumptions are detailed in Appendix B. As we have taken a market-related approach to the valuation of both the assets and the liabilities, we believe that they have been valued on a consistent basis.

Approach to benefit structure uncertainty

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2019. Details can be found at http://www.lgpsregs.org/.

McCloud ruling

The LGPS benefit structure is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. At the time of writing, the format and scope of any benefit changes in light of the McCloud ruling is still unknown. In line with the advice issued by the Scheme Advisory Board in May 2019, the following allowance has been made at the valuation for the McCloud ruling:

- Employer contribution rates: additional prudence in funding plans via an increase in the likelihood of success (step 3) when setting contribution rates.
- Measurement of funding position at 31 March 2019: no allowance.

Further details of the approach taken are set out in Section 2.7 of the Funding Strategy Statement.

Indexation and equalisation of Guaranteed Minimum Pensions (GMP)

As a result of the Government's introduction of a single-tier state pension (STP) there is currently uncertainty around how who funds certain elements of increases on GMPs for members reaching State Pension Age after 6 April 2016.

As part of the introduction of STP, the Government confirmed that public service pension schemes, including the LGPS, will be responsible for funding all increases on GMP as an 'interim solution'. In their January 2018 consultation response, HM Treasury confirmed that the 'interim solution' will continue to remain in place up to 5 April 2021. Thereafter the Government's preferred approach is to convert GMP to scheme pension.

For the 2019 valuation, given the Government's preference for conversion to scheme benefits, we have assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This has served to increase the value placed on the liabilities.

The Government have also stated that their preferred long term indexation solution of converting GMP to scheme pension will also meet the requirements of equalisation.

3 Valuation results

Employer contribution rates

The key objective of the Fund is to set employer contributions that are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding surplus or deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain relatively stable employer contribution rates.

In order to meet the above objectives, the methodology set out in Section 2 has been used to set employer contributions from 1 April 2020.

Employer contributions are made up of two elements:

a) the estimated cost of future benefits being built up each year, after deducting members' own contributions and including an allowance for the Fund's administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the total contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The Primary rate and Secondary rate for every contributing employer in the Fund is set out in the Rates and Adjustments Certificate in Appendix C.

Each employer has been certified primary and secondary contributions that are appropriate for that employer's circumstances and which reflects that employer's experience. However, broadly speaking:

- Primary contribution rates have been subject to some upwards pressure as a result of a weaker outlook for future investment returns and the additional prudence built into funding plans to allow for the McCloud ruling;
- Secondary contributions have decreased as employer assets have increased since 31 March 2016, reducing any extra contributions required in respect of benefits accrued to the valuation date. The impact of this on secondary contributions has been partially offset by the additional prudence built into funding plans to allow for the McCloud ruling.

The table below summarises the whole fund Primary and Secondary Contribution rates at this valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the Regulations and CIPFA guidance. The whole fund Primary and Secondary contributions calculated at the 2016 valuation of the Fund are shown for comparison.

	Last Valuation 31 March 2016		**This Valuation 31 March 2019**	
Primary Rate (% of pay)	17.6%		18.6%	
Secondary Rate (£)	2017/18	9,252	2020/21	6,204
	2018/19	8,612	2021/22	5,849
	2019/20	9,554	2022/23	5,452

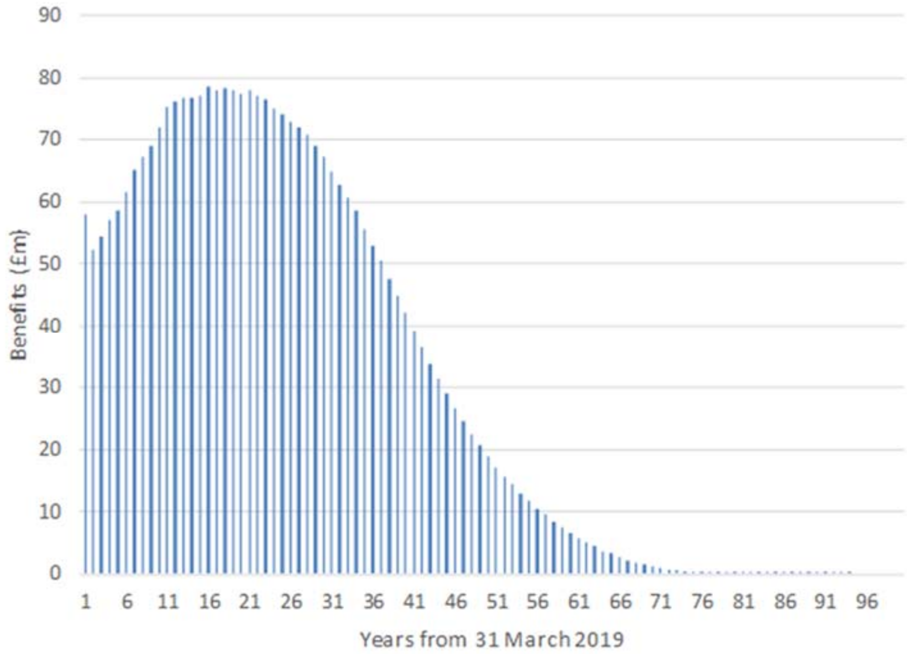
The Primary rate includes an allowance of 1.0% of pensionable pay for the Fund's expenses (0.6% at the 2016 valuation).

The average employee contribution rate is 6.8% of pensionable pay (6.5% at the 2016 valuation).

Funding position as at 31 March 2019

The funding position measures to what extent the assets held by the Fund at 31 March 2019 cover the benefits accrued to date. To measure the funding position at 31 March 2019, we compare the value of the Fund's assets against the value (in today's money) of all the future benefit payments accrued up to the valuation date (the liabilities).

The chart below details the projected future benefit payments based on the membership data summarised in Appendix A and the demographic, salary and benefit increases assumptions summarised in appendix B.

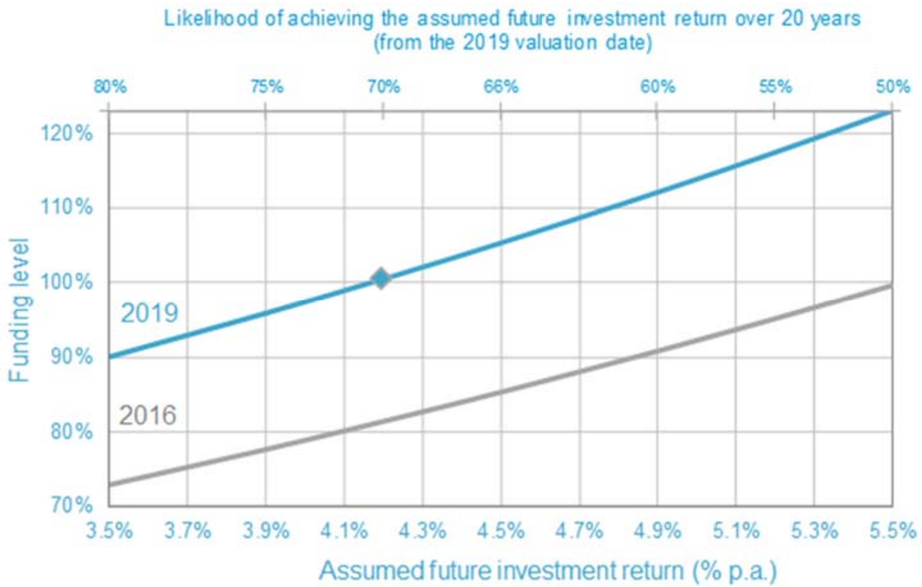


Using an assumption about the future investment return generated from the Fund's assets then allows a value to be placed on these payments in today's money; the liabilities. The higher the assumed investment return, the lower the liability value and therefore the higher the funding level.

The value placed on the liabilities is extremely sensitive to the investment return assumption. Based on the Fund's current benchmark investment strategy (detailed in Appendix A) and the same model used in the contribution rate calculations, it is estimated that:

- There is a 50% likelihood of the Fund's investments achieving at least an annual return of 5.5% p.a. over the next 20 years;
- There is a 70% likelihood of the Fund's investments achieving at least an annual return of 4.2% p.a. over the next 20 years; and
- There is a 80% likelihood of the Fund's investments achieving at least an annual return of 3.5% p.a. over the next 20 years.

The following chart shows how the funding level varies with the future investment return assumption (blue line). For comparison, the funding level associated with the same choice of investment return assumption at the 2016 valuation is also shown (grey line).



From this chart, we can see that:

- Regardless of the investment return assumption used, there has been a genuine improvement in the funding position at 31 March 2019 compared to the last valuation.
- The funding position would be 100% if future investment returns were around 4.2% p.a. (at 2016, the investment return would have needed to be 5.5% p.a.). The likelihood of the Fund's assets yielding at least this return is around 70%.
- If future investment returns were 5.5% p.a. then the Fund currently holds sufficient assets to meet in excess of 120% of the accrued liabilities. The likelihood of the Fund's assets yielding at least this return is 50%. 120% can therefore be considered the "best estimate" funding position.

Reported funding position

The valuation outputs are more meaningful when stakeholders can understand the likelihood, and hence the level of prudence, attached to them. The above chart does this for the measurement of the funding position.

However, there is still a requirement to report a single funding position at 31 March 2019. This reported position must include a margin of prudence.

For the purpose of reporting a funding level and funding surplus/deficit for the 2019 valuation, an investment return of 4.2% p.a. has been used. It is estimated that the Fund's assets have a 70% likelihood of achieving this return.

The resulting funding position is as follows:

Valuation Date	31 March 2016	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	397	376
Deferred Pensioners	343	361
Pensioners	583	640
Total Liabilities	**1,323**	**1,378**
Assets	**1,046**	**1,384**
Surplus / (Deficit)	**(276)**	**6**
Funding Level	**79%**	**100%**

There has been an improvement in the reported funding level since 31 March 2016 from 79% to 100% and a reduction in the funding deficit from £276m to a surplus of £6m.

A breakdown of the key factors that have influenced the reported funding position from 31 March 2016 to 31 March 2019 are detailed overleaf.

Change in the surplus/deficit position	Assets (£m)	Liabilities (£m)	Surplus / (Deficit) (£m)
Last valuation at 31 March 2016	**1,046**	**1,323**	**(276)**
Cashflows			
Employer contributions paid in	104		104
Employee contributions paid in	28		28
Benefits paid out	(146)	(146)	0
Net transfers into / out of the Fund*	(42)	(40)	(2)
Other cashflows (e.g. Fund expenses)	(4)		(4)
Expected changes in membership			
Interest on benefits already accrued		164	(164)
Accrual of new benefits		120	(120)
Membership experience vs expectations			
Salary increases greater than expected		5	(5)
Benefit increases less than expected		(0)	0
Early retirement strain (and contributions)	4	5	(1)
Ill health retirement gain		(5)	5
Early leavers greater than expected		(4)	4
Pensions ceasing greater than expected		(3)	3
Commutation less than expected		2	(2)
Impact of GMP equalisation		4	(4)
Other membership experience		(18)	18
Changes in market conditions			
Investment returns on the Fund's assets	395		395
Changes in future inflation expectations		38	(38)
Changes in actuarial assumptions			
Change in demographic assumptions (excl. longevity)		(4)	4
Change in longevity assumptions		(30)	30
Change in salary increase assumption		7	(7)
Change in discount rate		(38)	38
This valuation at 31 March 2019	**1,384**	**1,378**	**6**

* We have insufficient data to value the impact on the liabilities as a result of all transfers in/out.

** The investment return on the Fund's assets for the period 31 March 2016 to 31 March 2019 was 38.1%

Projection of the funding position

The progression of the funding position will depend on various factors including future asset performance, economic conditions and membership movements. If the financial and demographic assumptions made at this valuation are borne out in practice, and there are no changes to the valuation assumptions, we project that the funding level at the 2022 valuation date will be approximately 106%. This allows for contributions to be paid as described in Appendix 3.

Since the previous valuation, various events have taken place which affect the value placed on the liabilities, including:

- There is an interest cost of £164m. This is broadly three years of compound interest at 4.0% p.a. applied to the previous valuation liability value of £1,323m. The benefits that have been accrued to the valuation date are three years closer to payment at 31 March 2019 than they were at 31 March 2016, meaning there is less opportunity for future investment returns to help meet this cost. This serves to increase the value placed on the liabilities;
- The areas of membership experience that have had the greatest impact on the surplus/deficit position of the Fund are set out below, together with their impact on the liabilities:

	Expected	Actual	Difference	Impact on funding position
Pre-retirement experience				
Early leavers (no.of lives)	1,402	2,647	1,245	Positive
Ill-health retirements (no.of lives)	55	28	(27)	Positive
Salary increases (p.a.)	3.3%	3.8%	0.6%	Negative
Post-retirement experience				
Benefit increases (p.a.)	2.1%	2.1%	(0.0%)	Positive
Pensions ceasing (£000)	3,017	3,064	47	Positive

- The changes to the longevity assumptions used for the valuation have resulted in a modest reduction in life expectancies. This has served to reduce the liabilities by £30m;
- The assumed rate of future CPI inflation has increased from 2.1% p.a. at 31 March 2016 to 2.3% p.a. at 31 March 2019. This has increased the value of the liabilities by £38m;
- The assumed rate of future investment returns has increased from 4.0% p.a. to 4.2% p.a.. This has reduced the value of the liabilities by £38m.

There has been a large increase in the value of the Fund's assets since the previous valuation because:

- The investment return on the Fund's assets for the period 31 March 2016 to 31 March 2019 was 38.1%. This has increased the value of the assets by £395m.

4 Sensitivity analysis

The results set out in this report are based on assumptions about the future. The actual cost of providing the benefits will depend on the actual experience of the Fund, which could be significantly better or worse than assumed. This section discusses the sensitivity of the results to some of the key assumptions.

Sensitivity of contribution rates to changes in assumptions

The approach to setting employer contribution rates mitigates the limitation of relying on one particular set of assumptions about the future by recognising the uncertainty around future investment returns and inflation. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions.

The contribution rates are sensitive to changes in demographic assumption. The results in this section in relation to the funding position can be roughly applied to the contribution rates.

Sensitivity of the funding position to changes in assumptions

The reported valuation funding position is based on one set of actuarial assumptions about the future of the Fund. If all of the assumptions made were exactly borne out in practice then the liability value presented in this report would represent the true cost of providing benefits from the Fund as it stands at 31 March 2019.

Sensitivity of the funding position to future investment returns

The chart in Section 3 details how the funding position varies with the future assumed investment return.

Sensitivity of the funding position to future inflation

Pensions (both in payment and in deferment) in the LGPS increase annually in line with CPI. Furthermore, benefits accrued in the CARE scheme are revalued annually in line with CPI. If future CPI inflation is higher than the assumed rate of 2.3% then the value of the benefits will be higher than we have set out in Section 3.

The table quantifies the impact on the funding position of varying the benefit increases and CARE revaluation (CPI) assumption below.

CPI Assumption	Surplus / (Deficit)	Funding Level
% pa	(£m)	%
2.1%	44	103%
2.3%	6	100%
2.5%	(32)	98%

Sensitivity of the funding position to life expectancy

The main area of demographic risk is people living longer than expected. If long term mortality rates fall at a rate of 1.5% p.a. (compared to the assumed 1.25% p.a.) then it is expected members will live around 0.5 years longer. The impact on the funding position is detailed below.

Long term rate of improvement	Surplus / (Deficit)	Funding Level
% pa	(£m)	(£m)
1.25%	6	100%
1.50%	(4)	100%

Other demographic risks to consider

There are other risk factors which would have an impact on the funding position. Examples of these include the level of ill health retirements, withdrawals from the scheme and take up of the 50:50 option.

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These are probably unlikely to change in such a way that would rank them as amongst the highest risks facing the Fund and therefore there has been no further quantification of their risk.

Comment on sensitivity analysis

Note that the tables above show the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the funding position is therefore more complex. Furthermore, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme experience could actually be.

As of March 2020, the funding position is expected to have improved as a result of positive asset performance since 31 March 2019.

Other risks to consider

Regulatory, Administration and Governance risks

As well as financial and demographic risks, the Fund also faces:

- Regulatory risks – central government legislation could significantly change the cost of the scheme in the future; and
- Administration and governance risk – failures in administration processes could lead to incorrect data and inaccuracies in the actuarial calculations.

These risks are considered and monitored by the Fund as part of its ongoing risk management framework.

Resource and environment risks

The Fund is exposed to risks relating to future resource constraints and environmental changes. These risks may prove to be material.

Climate change is a complex issue for the Fund. Adverse future climate change outcomes will have an impact on future longevity, inflation, government and corporate bond yields and equity returns.

Whilst there has been no explicit increase in certified employer contribution related to climate change, these risks have been considered by the Administering Authority when assessing the output from contribution rate ('comPASS') modelling.

Risk management

Employers participating in the Fund are exposed to a number of risks. These include, but are not limited to:

- Investment risk
- Market risks
- Demographic risks
- Regulatory risks
- Administration and Governance risks
- Resource and Environmental risks

The Funding Strategy Statement has further details about these risks and what actions the Fund takes to monitor, mitigate and manage each one.

5 Final comments

The Fund’s valuation operates within a broader framework, and this document should therefore be considered alongside the following:

- the Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated;
- the Investment Strategy Statement, which sets out the investment strategy for the Fund;
- the general governance of the Fund, such as meetings of the Pensions Committee and Board, decisions delegated to officers, the Fund’s business plan, etc;
- the Fund’s risk register; and
- the information the Fund holds about the participating employers.

Intervaluation employer events

New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer’s rate may also need to be reviewed.

Cessations and bulk transfers

Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 62 of the Regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund, or
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement;

should be referred to us to consider the impact on the Fund.

Valuation frequency

Under the provisions of the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2022 where contribution rates payable from 1 April 2023 will be set.

Douglas Green FFA

Fellow of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

25 February 2020

Appendix

Appendix 1 – Data

Membership data as at 31 March 2019

A summary of the membership data provided by the Administering Authority for the purposes of the valuation at 31 March 2019 is shown below. The corresponding membership data from the previous valuation is also shown for reference.

Whole Fund Membership Data	Last Valuation 31 March 2016	This Valuation 31 March 2019
Employee members		
Number	6,134	6,008
Total Actual Pay (£000)	137,340	142,356
Total Accrued Pension (£000) (80ths)	9,364	6,484
Total Accrued Pension (£000) (60ths)	8,980	6,427
Total Accrued Pension (£000) (CARE)	4,926	10,654
Average Age (liability weighted)	52	53
Future Working Lifetime (years)	9.3	8.3
Deferred pensioners		
Number	9,096	10,147
Total Accrued Pension (£000)	18,633	20,415
Average Age (liability weighted)	52	53
Pensioners		
Number	7,278	7,746
Total pensions in payment (£000)	37,046	41,908
Average Age (liability weighted)	67	68
Average duration of liabilities	17.3	16.3

Benchmark investment strategy

The following investment strategy, extracted from the Fund's Investment Strategy Statement, has been used to assess employer contribution rates and to set the future investment return assumption as at 31 March 2019:

% allocation	Current strategy
Overseas equities	45%
Private equity	10%
Absolute return fund	8%
Total growth assets	63%
Index-linked gilts	15%
Fixed interest gilts	0%
Total protection assets	15%
Multi asset credit	7%
Infrastructure debt	3%
Property	8%
Long lease property	5%
Total income generating assets	23%
Grand total	**100%**

Other data used in this valuation

We have also relied upon asset and accounting data from the Fund's published 2016/17, 2017/18 and 2018/19 Annual Report and Accounts. Employer level cashflow data was provided by the Administering Authority and reconciled against the information shown in these documents.

Comment on data quality

The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. We have carried out validations on the membership data provided to ensure it is fit for the purpose of the valuation. Further details can be found in our report issued to the Administering Authority entitled "Data report for 2019 valuation", dated February 2020. We believe the membership data is fit for the purposes of this valuation.

Appendix 2 – Assumptions

Financial assumptions used to set employer contribution rates

Projection of assets and benefit payments

The approach to setting employer contribution rates does not rely on a single set of assumptions but involves the projection of an employer's future benefit payments, contributions and investment returns under 5,000 future economic scenarios. In this modelling, inflation (and therefore benefit payments) and investment returns for each asset class (and employer asset values) are variables and take different values in each projection.

The model underlying these projections is Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	Corp Medium A	Inflation	17 year real yield	17 year yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

Funding target

At the end of an employer's funding time horizon, an assessment is made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). To value the cost of future benefits assumptions are made about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is not appropriate for every projection. Therefore, instead of using a fixed value, each assumption is set with reference to an economic indicator. The economic indicators used are:

Assumption	Economic indicator
Benefit increases	Future CPI inflation expectations
CARE revaluation	Future CPI inflation expectations
Salary increases	As above plus 1.0% p.a.
Future investment returns	Prevailing risk free rate of return plus margin

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis uses a different margin in the future investment return assumption.

Funding basis	Margin above risk-free rate
Ongoing participation	2.7%
Contractor exit	Consistent with that used to allocate assets on joining the Fund
Gilts exit	0%

Financial assumptions used to assess the funding position

Salary and Benefit Increases

Financial Assumptions	31 March 2016	31 March 2019
Benefit increases and CARE revaluation (CPI) (% p.a.)	2.1%	2.3%
Salary increases (% p.a.)	2.8%*	3.3%**

*CPI plus 0.6%
**CPI plus 1.0%

Investment Return

The reported funding position is based on an assumed future investment return of 4.2%. The derivation of this assumption is set out in Section 3. The equivalent assumption at the 2016 valuation was 4.0%. This was derived in a different way, please see the 2016 valuation report for further details.

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding position.

Longevity

As the fund is a member of Club Vita, the baseline longevity assumptions are a bespoke set of Vita Curves that are tailored to fit the membership profile of the Fund. These curves are based on the data the Fund has provided us with for the purposes of this valuation.

We have also allowed for future improvements in mortality based on the CMI 2018 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for both women and men.

Longevity Assumptions	31 March 2016	31 March 2019
Baseline Longevity	Club Vita	Club Vita
Future improvements	CMI2013, Peaked, 1.25% p.a. long term	CMI2018, Smoothed, 1.25% p.a. long term

Full details are available on request.

The longevity assumptions result in the following typical future life expectancies from age 65 (figures for 2016 shown for comparison):

Assumed Life Expectancy	31 March 2016	31 March 2019
Male		
Pensioners	21.8 years	21.5 years
Non-pensioners	23.8 years	22.7 years
Female		
Pensioners	24.1 years	23.7 years
Non-pensioners	26.0 years	25.3 years

Non-pensioners are assumed to be aged 45 at the valuation date

Other demographic assumptions

We are in the unique position of having a very large local authority data set from which to derive our other demographic assumptions. We have analysed the trends and patterns that are present in the membership of local authority funds and tailored our demographic assumptions to reflect LGPS experience. The resulting demographic assumptions are as follows:

Demographic Assumptions	
Retirements in normal health	We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation. Further details are available on request.
Death in Service	See sample rates below
Retirements in ill health	See sample rates below
Withdrawals	See sample rates below
Promotional salary increases	See sample increases below
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% service from 1 April 2008).
50:50 option	1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Sample rates for demographic assumptions

Males

Incidence per 1000 active members per annum								
Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.21	277.96	439.47	0.00	0.00	0.00	0.00
25	117	0.21	183.60	290.28	0.00	0.00	0.00	0.00
30	131	0.26	130.27	205.93	0.00	0.00	0.00	0.00
35	144	0.30	101.78	160.88	0.10	0.07	0.02	0.01
40	150	0.51	81.95	129.48	0.16	0.12	0.03	0.02
45	157	0.85	76.97	121.60	0.35	0.27	0.07	0.05
50	162	1.36	63.45	100.12	0.90	0.68	0.23	0.17
55	162	2.13	49.97	78.88	3.54	2.65	0.51	0.38
60	162	3.83	44.53	70.28	6.23	4.67	0.44	0.33
65	162	6.38	0.00	0.00	11.83	8.87	0.00	0.00

Females

Incidence per 1000 active members per annum								
Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health T2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.12	227.37	252.63	0.00	0.00	0.00	0.00
25	117	0.12	152.99	169.97	0.10	0.07	0.02	0.01
30	131	0.18	128.25	142.46	0.13	0.10	0.03	0.02
35	144	0.30	110.69	122.91	0.26	0.19	0.05	0.04
40	150	0.48	92.12	102.26	0.39	0.29	0.08	0.06
45	157	0.77	85.97	95.41	0.52	0.39	0.10	0.08
50	162	1.13	72.48	80.35	0.97	0.73	0.24	0.18
55	162	1.49	54.08	60.02	3.59	2.69	0.52	0.39
60	162	1.90	43.58	48.31	5.71	4.28	0.54	0.40
65	162	2.44	0.00	0.00	10.26	7.69	0.00	0.00

Prudence in assumptions

We are required to include a degree of prudence within the valuation. This has been achieved in both the setting of contributions and assessment of funding position.

Contribution rates

- Employer funding plans have been set such that the likelihood the employer's funding target is met by the end of the funding time horizon is more than 50%. The actual likelihood varies by employer. Further detail in is the Funding Strategy Statement.

Funding position

- The Fund's investments have a 70% likelihood of returning at least the assumed return.

All other assumptions represent our "best estimate" of future experience.

The assumptions used in this valuation have been agreed with the Administering Authority and are set out in the Fund's Funding Strategy Statement dated January 2020

Appendix 3 – Rates and Adjustments certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2020 to 31 March 2023 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated January 2020 and our report on the actuarial valuation dated January 2020.

The table below summarises the whole fund Primary and Secondary Contribution rates for the period 1 April 2020 to 31 March 2023. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Whole Fund Contribution Rate		
Primary Rate (% of pay)	18.6%	
Secondary Rate (£)	2017/18	6,204
	2018/19	5,849
	2019/20	5,452

The required minimum contribution rates for each employer in the Fund are set out below.

			Secondary Rate						Total Contribution Rate								
		Primary Rate % 1 April 2020 - 2023	2020/2021		2021/2022		2022/2023		2020/2021			2021/2022			2022/2023		
Employer / Pool code	Employer/Pool name		Secondary Rate (%)	Secondary rate (£000)	Secondary rate (%)	Secondary rate (£000)	Secondary rate (%)	Secondary rate (£000)	% of pay		(£000)	% of pay		(£000)	% of pay		(£000)
Scheduled Bodies																	
	Haringey Council (Pool)	18.2%	7.7%*		7.2%*		6.7%*		25.9%	plus	£0	25.4%	plus	£0	24.9%	plus	£0
18	Homes for Haringey	19.3%	-6.7%		-6.7%		-6.7%		12.6%	plus	£0	12.6%	plus	£0	12.6%	plus	£0
Community Admission Bodies																	
7	Haringey Citizens Advice Bureaux	57.2%		£34		£34		£34	57.2%	plus	£34	57.2%	plus	£34	57.2%	plus	£34
8	Alexandra Palace Trading Co Ltd	49.2%		£115		£115		£115	49.2%	plus	£115	49.2%	plus	£115	49.2%	plus	£115
Transferree Admission Bodies																	
20	Cooperscroft Care Home Ltd.	31.3%	-31.3%		-31.3%		-31.3%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
27	Veolia Environmental Services Ltd	26.1%	-26.1%		-26.1%		-26.1%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
36	Fusion Lifestyle	21.9%	-21.9%		-21.9%		-21.9%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
49	Lunchtime St Gildas School	24.6%	-4.7%		-4.7%		-4.7%		19.9%	plus	£0	19.9%	plus	£0	19.9%	plus	£0
50	Lunchtime St Francis De Sales	25.6%	-1.0%		-1.0%		-1.0%		24.6%	plus	£0	24.6%	plus	£0	24.6%	plus	£0
52	Lunchtime St Pauls School	26.9%	-6.2%		-6.2%		-6.2%		20.7%	plus	£0	20.7%	plus	£0	20.7%	plus	£0
54	Lunchtime Bounds Green School	23.8%	-5.6%		-5.6%		-5.6%		18.2%	plus	£0	18.2%	plus	£0	18.2%	plus	£0
56	ABM Muswell Hill	32.9%	-32.9%		-32.9%		-32.9%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
62	Absolutely Catering Rokesly	29.6%	-21.9%		-21.9%		-21.9%		7.7%	plus	£0	7.7%	plus	£0	7.7%	plus	£0
63	Caterlink Holy Trinity	20.8%	-9.1%		-9.1%		-9.1%		11.7%	plus	£0	11.7%	plus	£0	11.7%	plus	£0
65	Caterlink St Michaels	28.1%	-28.1%		-28.1%		-28.1%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
66	Caterlink St Pauls	28.3%	-5.1%		-5.1%		-5.1%		23.2%	plus	£0	23.2%	plus	£0	23.2%	plus	£0
68	Lunchtime Seven Sisters	28.5%	-7.2%		-7.2%		-7.2%		21.3%	plus	£0	21.3%	plus	£0	21.3%	plus	£0
69	Lunchtime Welbourne	25.8%	-15.6%		-15.6%		-15.6%		10.2%	plus	£0	10.2%	plus	£0	10.2%	plus	£0
70	Lunchtime Earlsmead	31.7%	0.2%		0.2%		0.2%		31.9%	plus	£0	31.9%	plus	£0	31.9%	plus	£0
71	Amey Community Limited	25.5%	-25.5%		-25.5%		-25.5%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
72	K M Cleaning	20.9%	-15.9%		-15.9%		-15.9%		5.0%	plus	£0	5.0%	plus	£0	5.0%	plus	£0
73	Pabulum (Lea Valley Primary School)	24.2%	-24.2%		-24.2%		-24.2%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
74	Pabulum (St John Vianney School)	28.9%	-25.8%		-25.8%		-25.8%		3.1%	plus	£0	3.1%	plus	£0	3.1%	plus	£0
75	Pabulum (St Martin de Porres School)	28.9%	-28.9%		-28.9%		-28.9%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
76	Pabulum (South Harringay School)	34.3%	-34.3%		-34.3%		-34.3%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
77	Pabulum (Earlham School)	32.1%	-27.1%		-27.1%		-27.1%		5.0%	plus	£0	5.0%	plus	£0	5.0%	plus	£0
78	Pabulum (Belmont School)	29.1%	-18.3%		-18.3%		-18.3%		10.8%	plus	£0	10.8%	plus	£0	10.8%	plus	£0
79	Pabulum (Tetherdown School)	28.8%	-19.1%		-19.1%		-19.1%		9.7%	plus	£0	9.7%	plus	£0	9.7%	plus	£0
80	Pabulum (Alexandra Primary School)	25.1%	-16.3%		-16.3%		-16.3%		8.8%	plus	£0	8.8%	plus	£0	8.8%	plus	£0
81	Pabulum (St Peter in Chains School)	24.3%	3.1%		3.1%		3.1%		27.4%	plus	£0	27.4%	plus	£0	27.4%	plus	£0
82	Hillcrest Cleaning Chesnuts	21.5%	0.0%		0.0%		0.0%		21.5%	plus	£0	21.5%	plus	£0	21.5%	plus	£0
83	Lunchtime St Mary Priory School	32.0%	-32.0%		-32.0%		-32.0%		0.0%	plus	£0	0.0%	plus	£0	0.0%	plus	£0
84	Ategi Limited	23.3%	0.0%		0.0%		0.0%		23.3%	plus	£0	23.3%	plus	£0	23.3%	plus	£0
85	Hertfordshire Catering Limited	24.0%	0.0%		0.0%		0.0%		24.0%	plus	£0	24.0%	plus	£0	24.0%	plus	£0
98	Pabulum North Harringay	31.1%	-5.0%		-5.0%		-5.0%		26.0%	plus	£0	26.0%	plus	£0	26.0%	plus	£0

		Primary Rate % 1 April 2020 - 2023	Secondary Rate						Total Contribution Rate								
			2020/2021		2021/2022		2022/2023		2020/2021			2021/2022			2022/2023		
Employer / Pool code	Employer/Pool name		Secondary Rate (%)	Secondary rate (£000)	Secondary rate (%)	Secondary rate (£000)	Secondary rate (%)	Secondary rate (£000)	% of pay		(£000)	% of pay		(£000)	% of pay		(£000)
Academies																	
13	Greig City Academy	18.9%	-2.0%		-2.0%		-2.0%		16.9%	plus	£0	16.9%	plus	£0	16.9%	plus	£0
28	Alexandra Park School	18.9%	0.0%		0.0%		0.0%		18.9%	plus	£0	18.9%	plus	£0	18.9%	plus	£0
29	Woodside Academy	18.0%	-1.3%		-1.3%		-1.3%		16.7%	plus	£0	16.7%	plus	£0	16.7%	plus	£0
30	Eden Free School	18.1%	-0.4%		-0.4%		-0.4%		17.7%	plus	£0	17.7%	plus	£0	17.7%	plus	£0
32	Harris Primary Academy Coleraine park	17.1%	-0.2%		-0.2%		-0.2%		16.9%	plus	£0	16.9%	plus	£0	16.9%	plus	£0
33	Harris Primary Academy Philip Lane	18.0%	-0.7%		-0.7%		-0.7%		17.3%	plus	£0	17.3%	plus	£0	17.3%	plus	£0
34	AET Trinity School	18.4%	0.0%		0.0%		0.0%		18.4%	plus	£0	18.4%	plus	£0	18.4%	plus	£0
35	AET Noel Park Primary School	18.7%	-1.6%		-1.6%		-1.6%		17.1%	plus	£0	17.1%	plus	£0	17.1%	plus	£0
38	Haringey Sixth Form Centre	18.5%	-1.2%		-1.2%		-1.2%		17.3%	plus	£0	17.3%	plus	£0	17.3%	plus	£0
39	St Pauls & All Hallows CofE Infants	19.6%	-1.6%		-1.6%		-1.6%		18.0%	plus	£0	18.0%	plus	£0	18.0%	plus	£0
40	St Pauls & All Hallows CofE Junior	19.5%	-1.5%		-1.5%		-1.5%		18.0%	plus	£0	18.0%	plus	£0	18.0%	plus	£0
41	St Michaels CofE	19.2%	-1.2%		-1.2%		-1.2%		18.0%	plus	£0	18.0%	plus	£0	18.0%	plus	£0
42	St Annes CofE	18.7%	-0.7%		-0.7%		-0.7%		18.0%	plus	£0	18.0%	plus	£0	18.0%	plus	£0
43	Holy Trinity CE Primary School	16.0%	2.0%		2.0%		2.0%		18.0%	plus	£0	18.0%	plus	£0	18.0%	plus	£0
44	Brook House Primary School	16.5%	-0.8%		-0.8%		-0.8%		15.7%	plus	£0	15.7%	plus	£0	15.7%	plus	£0
45	St Thomas More RC Academy	18.9%	0.0%		0.0%		0.0%		18.9%	plus	£0	18.9%	plus	£0	18.9%	plus	£0
47	Millbrook Park Primary School	18.4%	-0.4%		-0.4%		-0.4%		18.0%	plus	£0	18.0%	plus	£0	18.0%	plus	£0
48	Harris Academy Tottenham	16.5%	0.0%		0.0%		0.0%		16.5%	plus	£0	16.5%	plus	£0	16.5%	plus	£0
61	The Octagon	18.5%	-0.9%		-0.9%		-0.9%		17.6%	plus	£0	17.6%	plus	£0	17.6%	plus	£0
67	London Academy of Excellence (Tottenham)	17.2%	0.0%		0.0%		0.0%		17.2%	plus	£0	17.2%	plus	£0	17.2%	plus	£0
86	Dukes Aldridge Academy	18.8%	6.2%		6.7%		6.7%		25.0%	plus	£0	25.5%	plus	£0	25.5%	plus	£0
	Heartlands Community MAT	17.4%	-2.5%		-2.5%		-2.5%		14.9%	plus	£0	14.9%	plus	£0	14.9%	plus	£0

*The Haringey Council secondary contributions shown above are subject to a minimum monetary payment per year as follows:

- 2020/2021: £7,995,000
- 2021/2022: £7,476,000
- 2022/2023: £6,956,000

Further comments

- Contributions expressed as a percentage of payroll should be paid into London Borough of Haringey Pension Fund ("the Fund") at a frequency in accordance with the requirements of the Regulations.
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- The certified contribution rates represent the **minimum** level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

Signature:	
Name:	Douglas Green
Qualification:	Fellow of the Institute and Faculty of Actuaries
Firm:	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB
Date:	25 February 2020

Appendix 4 – Section 13 dashboard

The following information has been provided to assist the Government Actuary's Department in complying with Section 13 of the Public Service Pensions Act 2013.

Item	
Past service funding position - local funding basis	
Funding level (assets/liabilities)	100%
Funding level (change since last valuation)	21% increase
Asset value used at the valuation (£m)	1,384
Value of liabilities (£m)	1,378
Surplus (deficit) (£m)	6
Discount rate(s)	4.2% p.a.
Assumed pension increases (CPI)	2.3% p.a.
Method of derivation of discount rate, plus any changes since previous valuation	There is a 70% likelihood that the Fund's investments will return at least 4.2% over the next 20 years based on a stochastic asset projection. The assumption at the 2016 valuation was 1.8% above the yield available on long-dated fixed interest gilts.
Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	21.5 years
Average life expectancy for current pensioners - women currently age 65	23.7 years
Average life expectancy for future pensioners - men currently age 45	22.7 years
Average life expectancy for future pensioners - women currently age 45	25.3 years
Past service funding position - SAB basis (for comparison purposes only)	
Market value of assets (£m)	1,384
Value of liabilities (£m)	1,273
Funding level on SAB basis (assets/liabilities)	109%
Funding level on SAB basis (change since last valuation)	15% increase
Contribution rates payable	
Primary contribution rate	18.6% of pay
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance):	
Secondary contribution rate 2020/21 (£m)	6.2
Secondary contribution rate 2021/22 (£m)	5.8
Secondary contribution rate 2022/23 (£m)	5.5
Giving total expected contributions:	
Total expected contributions 2020/21 (£m figure based on assumed payroll of £147.1m)	33.6
Total expected contributions 2021/22 (£m figure based on assumed payroll of £152.0m)	34.1
Total expected contributions 2022/23 (£m figure based on assumed payroll of £157.1m)	34.7
Average employee contribution rate (% of pay)	6.8% of pay
Employee contribution rate (£m p.a. figure based on assumed payroll of £147.1m)	10.0
Additional information	
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	0%
Percentage of total liabilities that are in respect of Tier 3 employers	3%

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London Borough of Haringey Pension Fund

Funding Strategy Statement

March 2020

Contents

DRAFT Funding Strategy Statement — PAGE

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Haringey Pension Fund ("the Fund"), which is administered by the London Borough of Haringey, ("the Administering Authority").

The FSS has been revised following the 2019 Valuation of the Fund.

This revised FSS has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers, Investment Consultant and Independent Advisor. It is effective from 1 April 2020.

1.2 What is the London Borough of Haringey Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Haringey Fund, in effect the LGPS for the Haringey area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A. This FSS has been prepared taking account of the revised guidance on preparing and maintaining a FSS issued by CIPFA in 2016

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)
- The Fund's Pensions Administration Strategy

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Haringey Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member of the London Borough of Haringey: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Thomas Skeen, Head of Pensions in the first instance at e-mail address thomas.skeen@haringey.gov.uk or on telephone number 020 8489 1341.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

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2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding level and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will normally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;

- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;

- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and updated.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an allowance for the assessment of employer contribution rates at the 2019 valuation by reviewing the likelihood measure applicable.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?

2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.

3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future market conditions. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may reserve the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	**Local Authority**	**Academies (or other schools not pooled with Haringey Council)**	**Colleges**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	Yes - see Note (b)	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	20 years	20 years	Future working lifetime	As per Letting Employer
Secondary rate – Note (d)	Monetary amount	Percentage of pay	Monetary amount	Monetary amount	Monetary amount	Percentage of pay
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority			Reduce contributions by spreading the surplus over the remaining contract term, unless time horizon passes next valuation in which case limit to Primary rate
Likelihood of achieving target – Note (e)	70%	70%	75%	75%	80%	As per Letting Employer
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	None	None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is

	changes for example), the cessation calculation principles applied would be as per Note (j).	Note (j).	terminated early by the contractor in which case the low risk exit basis would apply. Letting Employer will be liable for future deficits and contributions arising. See Note (j) for further details

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Council	Academies (or other schools not pooled with Haringey Council)
Starting rate	26.4% (2019/20 rate)	(2019/2020 rate)

Max contribution increase from one year to the next	+0.5% of pay	+2% of pay
Max contribution decrease from one year to the next	-0.5% of pay	-2% of pay*

*Reductions in contribution rate will be limited such that the Academy is paying at least the Primary rate or the 2019/20 contribution rate, whichever of these two is lower.

The stabilisation criteria and limits will be reviewed at the next formal valuation, to take effect from 1 April 2023. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Where stabilisation applies, the resulting employer contribution rate would be amended to comply with the stabilisation mechanism.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a prudent period to be agreed with the body or its successor.

For academies where written notice has been served terminating their funding agreement with the Department for Education, the period is reduced to the period of notice (with immediate effect).

For Community Admission Bodies without a guarantor, the period will generally be equal to the average future working lifetime of their active employee members.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. No allowance will be made for the effects of the McCloud ruling until a remedy for this is clarified by the courts. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. As an alternative to (iv), the academy will have the option to elect to a stabilised rate of contribution as described in note (b). However, this election will not alter its asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own allocated assets and liabilities.

vi. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policy (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

At the Administering Authority's discretion, where the employer is not able to provide an appropriate bond or security, the Fund may accept the Admission Body on the basis that it pays a premium reflecting the added risk being borne by the Awarding Authority or Fund. This premium will typically be 5% of pensionable pay, and will not count towards that employer's asset share.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. No allowance will be made for the effects of the McCloud ruling until a remedy for this is clarified by the courts. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) <u>Pooling</u>

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Alternatively, letting employers and Transferee Admission Bodies may operate any of the above options by entering into a separate Side Agreement. The Administering Authority would not necessarily be a party to this side agreement, but may treat the Admission Agreement as if it incorporates the side agreement terms where this is permitted by legislation or alternatively agreed by all parties.

The Administering Authority's preferred approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority's primary rate on the contract start date. Upon cessation the contractor's assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;

- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. After cessations take place there is no recourse for further employer contributions once a cessation debt has been levied (or an exit credit has been paid). The Fund cannot afford to wait for further clarity on the McCloud case if an employer ceases in the interim period, but it also recognises the potential inconsistencies regarding cessations taking place at different times, potential inconsistencies where an employer's opening assets have not been adjusted for the potential McCloud impact, and the likely small impact of any such adjustment. This is particularly the case where the employer is a contractor or otherwise whose assets and liabilities are being taken on at cessation by an Awarding Authority. The fund's approach will therefore be not to apply any alteration to the cessation calculation for cessation values where these transfer to other employers in their entirety. However, for cessations carried out on a 'gilts exit' basis and where the ongoing obligations are shared between all employers in the fund, the Fund's policy is that the actuary will apply a 1.5% addition to the calculated liabilities within the cessation valuation. A 1.5% adjustment is an estimate of the additional liability arising from McCloud, based on adjusting the Government Actuary Department's (GAD's) calculations.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation, both of which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- Non-academy schools are generally pooled with Haringey Council, however there may be exceptions for specialist or independent schools.
- Haringey Council may be pooled with the legacy liabilities and assets of ceased employers.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

In general, the Administering Authority does not permit other pools, but will consider new proposals on a case by case basis.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Normally the additional strain contribution is payable as an immediate single lump sum and is not spread.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. All ill health strains are pooled between the employers in the fund and these are deducted from each employer's asset share at each valuation based on the proportion of active member pensionable pay each employer holds. This is done to pool risk between employers.

3.8 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.9 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.
- The effects of the McCloud ruling will be treated according to individual employer circumstance on dealing with individual bulk transfers.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee & Board meetings.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG has stated that the purpose of the FSS is:

*“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually, but may be mutually conflicting. As a result of Section 13 of the Public Service Pensions Act 2013, the FSS must have as the primary objective the setting of employer contributions at an appropriate level to ensure both the solvency and the long-term cost-efficiency of the Pension Fund.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in December 2019 for comment;

b) Comments were requested within 30 days;

c) There was an Employers Forum on 11 December 2019 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published, in January 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website, at http://www.haringeypensionfund.co.uk;

A copy sent by e-mail to each participating employer in the Fund;

A full copy included in or linked from the annual report and accounts of the Fund;

Copies sent to investment consultants and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and Board and would be included in the relevant Committee and Board Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Administration Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at http://www.haringeypensionfund.co.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and an ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. the independent adviser provides constructive challenge in respect of the FSS, ISS and the other strategies and policies of the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	The Fund's management of these risks is covered by its Investment Strategy Statement, and includes (but is not limited to) its investments in low carbon equity pooled investment vehicles and renewable energy infrastructure.

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	The Fund pools all ill health early retirement strain costs between employers to pool risk
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary

Risk	Summary of Control Mechanisms
	amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in	The Administering Authority maintains close contact with its specialist advisers.

Risk	Summary of Control Mechanisms
some way	Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in a large proportion of highly liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each triennial valuation.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

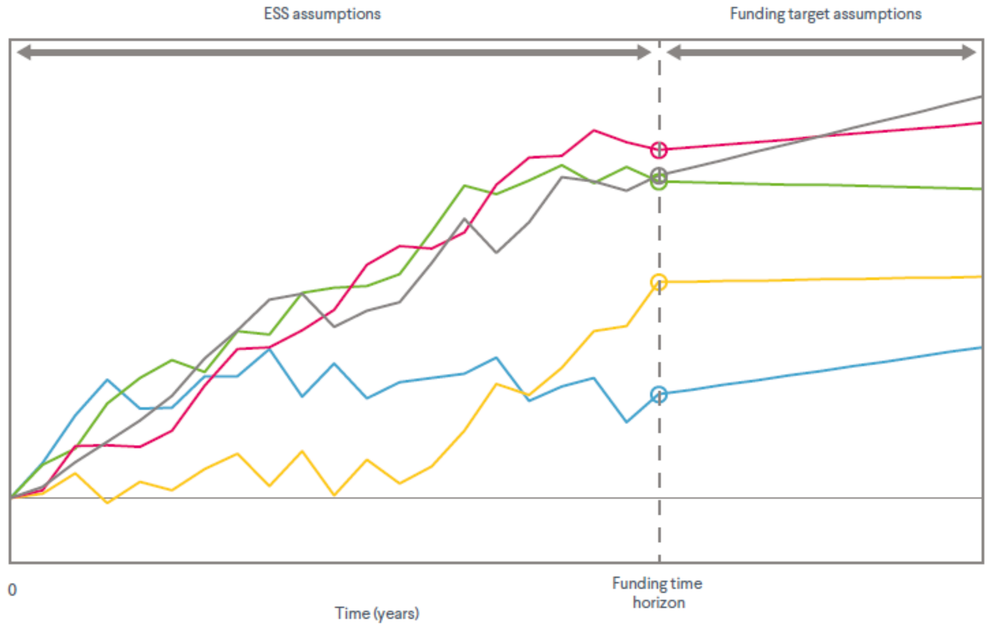
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	**Ongoing participation**	**Contractor exit basis**	**Low risk exit basis**

	basis		
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.8% p.a.	Long term government bond yields plus an AOA of 1.8% (on the same principle as that used to allocate assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers and the Committee and Board, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 4% then 2% for the two years until 31 March 2021, followed by
2. the retail prices index (RPI) per annum p.a. thereafter.

This gives a single blended rate of CPI plus 1.0%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 0.6% per annum. The change has led to an increase in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put

	in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

Agenda Item 11

Report for: Pensions Committee and Board 5 March 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 note and approve the forward plan and budgetary estimates attached at Appendices 1 and 2.

3.2. 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 Appendices 3 and 4.

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. The budgetary estimates attached at appendix 2 provide the best estimates for the income and expenditure of the fund over the upcoming three year period. An allowance has been made within the administration costs heading for additional work which may arise from the McCloud ruling.

8.2. All expenditure and income will be paid for by the pension fund. Some cost headings are items over which the fund has control, e.g. administration expenses, some are items over which the fund has no discretion, e.g. benefit payments, which are paid in line with LGPS regulations.

Legal Services Comments

8.3. 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

8.4. None applicable.

9. Use of Appendices (pages 165 to 169)

9.1. Appendix 1: Forward Plan
9.2. Appendix 2: Budgetary Estimates
9.3. Appendix 3: Training Plan.
9.4. Appendix 4: Update on TPR Public Service Toolkit/Training Needs Analysis

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

APPENDIX 1

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
	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS 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
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 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					
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

5 March 2020	July 2020	September 2020	November 2020	January 2021	March 2021
External Audit Plan	Actuarial Services Contract				
Investments					
Investment Strategy Review Initial Paper	Investment Strategy Review 2nd Paper				
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
Investment Strategy - Mercer	Tbc	Tbc	Tbc	Tbc	Tbc

Budgetary Estimates and Cashflow Forecast

	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m	£m
Contributions Received	44.2	46.6	47.0	47.5	47.9
Transfers in from other pension funds*	3.7	0.0	0.0	0.0	0.0
Subtotal	47.9	46.6	47.0	47.5	47.9
Benefits	(49.8)	(52.3)	(54.9)	(57.5)	(60.2)
Payments to and on account of leavers*	(44.4)	0.0	0.0	0.0	0.0
Subtotal	(94.2)	(52.3)	(54.9)	(57.5)	(60.2)
Net withdrawals from dealings with members	**(46.3)**	**(5.7)**	**(7.9)**	**(10.1)**	**(12.3)**
Management expenses:					
Investment Management Expenses	(5.8)	(6.0)	(6.3)	(6.6)	(6.8)
Oversight and Governance Costs	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Administration Costs	(1.3)	(1.3)	(1.5)	(1.5)	(1.5)
Subtotal	**(7.4)**	**(7.4)**	**(7.4)**	**(7.4)**	**(7.4)**
Net withdrawals including fund management expenses	**(53.7)**	**(13.1)**	**(15.3)**	**(17.5)**	**(19.7)**
Returns on Investments:					
Investment Income	7.2	7.5	7.8	8.1	8.5
Net cash outflow	**(46.5)**	**(5.6)**	**(7.4)**	**(9.3)**	**(11.2)**

*Assumption that transfers in and out will be net neutral to the fund.

TRAINING PROGRAMME **APPENDIX 2**

Date	Conference / Event	Training/Event Organiser	Cost	Location	Delegates Allowed
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
https://live.ft.com/Events/Pensions-Expert-Local-Government-Pension-Scheme-Forum-2020					
06/07/2020-08/07/2020	The LAPF Strategic Investment Forum and Local	DG Publishing	Free	Hertfordshire	N/A
https://live.ft.com/Events/Pensions-Expert-Local-Government-Pension-Scheme-Forum-2020					
01-Oct-20	DB Strategic Investment Forum	DG Publishing	Free	London	N/A
https://www.dgpublishing.com/db-strategic-investment-forum/					
18-Nov-20	Investing with Impact Summit	DG Publishing	Free	London	N/A
https://www.dgpublishing.com/db-strategic-investment-forum/					

Other Training Opportunities					
Date	**Conference / Event**	**Training/Event Organiser**	**Cost**		**Delegates Allowed**
http://www.lgpsboard.org/	Scheme Advisory Board Website	LGPS Scheme Advisory Board	Free - Online		N/A
www.thepensionsregulator.gov.uk	The Pension Regulator's Pension Education Portal	The Pension Regulator	Free - Online		N/A
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 Guidanc	Free - Online		N/A
http://www.lgps2014.org/	LGPS Members Website	LGPS	Free - Online		N/A
www.local.gov.uk	Local Government Association (LGA) Website	LGA	Free - Online		N/A

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

Tel No: 020 8489 1341

Emal: thomas.skeen@haringey.gov.uk

APPENDIX 3

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

Link to the public sector toolkit:

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

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Agenda Item 12

Report for: Pensions Committee and Board 5 March 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 review at the meeting is 'Administration' and 'Communication' risks.

4. Reason for Decision

4.1. None

5. Other options considered

5.1. None

6. Background information

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

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) (pages 173 to 186)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Haringey LONDON

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	
42	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	10
43	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	5
44	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	10
45	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	5
46	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	10
47	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
48	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	4
49	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
50	INV9	Actual asset allocations move away from strategic benchmark.	12
51	INV10	No modelling of liabilities and cash flow is undertaken.	5
52	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
LEGISLATION			
18	LEG1	Failure to adhere to LGPS legislation (including regulations, order from the Secretary of State and any updates from The Pension Regulator) leading to financial or reputational damage	5
19	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	5
20	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	8

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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
21	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities due to McCloud and GMP rulings.	16
22	LEG5	Risk of legislation change post Brexit having negative impact on the fund	12
		ACCOUNTING	
23	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	5
24	ACC2	Internal controls are not in place to protect against fruad/ mismanagement.	5
25	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8
26	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
27	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
28	ACC6	Rate of contributions from employers' in the Fund is not in line with what is specified in actuarial ratings and adjustment certificate potentially leading to an increased funding deficit or surplus.	5
29	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	6
30	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	8

Risk No	Cat Ref	Risk	Risk Ranking
		FUNDING/LIABILITY	
59	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
60	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
61	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	10
62	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	10
63	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	10
64	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	10
65	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	5
66	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	5
67	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	8
68	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
69	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	8
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	4
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
Green	Low
Yellow	Moderate
Orange	High
Red	Very High

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
41	ADM11	Cybersecurity, the risk posed to data and assets held by the fund, such as personal sensitive data regarding beneficiaries of the Fund.	10

Risk No	Cat Ref	Risk	Risk Ranking

Risk Register - Haringey Pension Fund

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

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
33	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	Training programme for staff including CPD qualification in some places. Regular briefings and updates on LGPS changes from CIPFA and other training providers. Staff in pensions administration and investments/accounting attend events, conferences and training sessions. The Head of Pensions, and Senior Pensions Accountants are both CCAB qualified accountants who complete annual CPD requirements. Pensions Administration team have access to online training portal provided by the Fund's Administration software provider to ensure that all Administration staff receive continuous training/development.	4	2	8	DoF; HoP	Ongoing
34	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	Pensioner administration system Altair is subject to daily software backups and off-site duplication of records. The business recovery plan once implemented allows the pension administration system to be run from an alternative site. Software is no longer using Haringey Council server, meaning this will not be subject to disruption if there is an issue with Council IT.	5	1	5	PAM	Ongoing

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
35	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	The pension administration system, Altair, allows for all pensioner benefits to be automatically calculated by the administration system. Pension benefits payments are double checked by another team member before payments released. They are also checked by the Pensions Manger and Head of Pensions or S151 Officer before payments are authorised on SAP.	4	2	8	PAM	Ongoing
36	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	Pensioner payroll system is subject to daily software backups and off-site duplication of records. The business recovery plan once implemented allows the pension administration system to be run from an alternative site.	4	2	8	PAM	Ongoing

ADMINISTRATION								
Risk No	Cat Ref	Risk	Current Controls	Impact	Likeli-hood	Proba-bility	Respon-sibility	Timescale
37	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	The Fund has an Internal Dispute Resolution Policy (IDRP) which has been approved by the Committee. This was last approved in March 2019. In attempting to resolve any complaints by members, the IDRP will guide officers to ensure that due process is applied through out the process. The Pensions Service understands that by comparison to other LGPS Funds it receives very low numbers of complaints. Of the 2 cases that ultimately were escalated to the Pensions Ombudsman in the past 3 years, both were found in the Council's favour.	4	1	4	PCB; HoP; PAM	Ongoing
38	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	The Council's data protection policy is issued to and signed by all staff. The Council has in place a system that ensures pension fund data is sufficiently protected. Staff trained in data protection and regularly reminded of its importance.	5	2	10	HoP; PAM	Ongoing
39	ADM9	Loss of funds through fraud or misappropriation by officers leading to negative impact on reputation of the Fund as well as financial loss.	Robust accounting checks and adherence with best practice including undertaking regular reconciliation of payments undertaken or received into the Fund.	5	1	5	HoP	Ongoing

Risk Register - Haringey Pension Fund

ADMINISTRATION								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Likeli-hood**	**Proba-bility**	**Respon-sibility**	**Timescale**
40	ADM10	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	The selection process for recruiting officers is rigorous and focussed on the requirements of the role. Also detailed job descriptions/person specification are used to wittle down and appoint officers with the right level of skills, knowledge and experience. Training/Personal Development plans are put in place for each staff member following annual performance appraisal. Results of recent My Conversation appraisals within the department have been positive.	5	2	10	HoP	Ongoing
41	ADM11	Cybersecurity, the risk posed to data and assets held by the fund, such as personal sensitive data regarding beneficiaries of the Fund.	The Council performs an annual healthcheck and penetration testing on all Council IT. Heywoods, the provider of the pensions administration software undertakes regular penetration testing using an external specialist and reports the results of this to the Pensions Service.	5	2	10	PCB; DoF; HoP; PAM	Ongoing

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
53	COM1	Members don't make an informed decision when exercising their pension options whilst employers cannot make informed decisions when exercising their discretions leading to possible complaints and appeals against the Fund	Communication Strategy in place that outlines the most appropriate mode of communication and how the Fund will communicate with all stakeholders including its members and employers. Member provided with explanatory notes and guidance to enable them to make informed decision and given access to further pension support.	4	3	12	PAM; HoP	Ongoing
54	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	Members and Employers are provided with explanatory notes, factsheets, access to a pension help desk and a dedicated Communications Team. In addition the Fund's website provides a one stop shop for information about the Scheme and benefits.	3	2	6	PAM; HoP	Ongoing
55	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	Ensure information communicated to Employers is clear and relevant by using simple understandable wording. Where available use standard template/information from the LGA.	4	3	12	PAM; HoP	Ongoing
56	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	Ensure all communication and literature is up to date and relevant and reflects the latest position within the pensions environment including LGPS regulations and other relevant overriding legislation.	3	3	9	PAM; HoP	Ongoing

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
57	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	Provide training to employers that is specific to their roles and responsibilities in the LGPS. Employer access to a portal with regular updates in line with legislation. The Pensions Manager and other staff carry out site visits to employers as necessary to provide information and training to them.	4	2	8	PAM; HoP	Ongoing
58	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	All forms available on our website and Employer has access to specialist support from Fund Officers.	4	3	12	PAM; HoP	Ongoing

RED RATED RISKS								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
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

52	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	The Fund is a founding member of London CIV and actively engages with them. The CIV 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. 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.	5	3	15	HoP	Ongoing

Agenda Item 13

Report for: Pensions Committee and Board 5 March 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 31 December 2019:

- Investment asset allocation
- Independent Advisor's Market Commentary
- Funding Level Update
- Investment Performance

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

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

4. Reason for Decision

4.1. N/A

5. Other options considered

5.1. None

6. Background information

6.1. This update report is produced on a quarterly basis. The Local Government Pension Scheme Regulations require the Committee and Board to review investment performance. Appendix 3 to this report provides information to this end.

7. Contribution to Strategic Outcomes

Haringey LONDON

7.1. Not applicable

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

Finance and Procurement

8.1. The CFO (S151 Officer) has been consulted on this report and there is no direct financial impact from the contents of this report.

Legal Services Comments

8.2. The Council as administering authority for the Haringey Pension Fund must periodically review the suitability of its investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with its overall investment strategy.

8.3. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

Comments of the Independent Advisor

8.4. As appended to this report in Appendix 1

Equalities

8.5. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. There are no impacts in terms of equality from the recommendations contained within this report.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor's Market commentary (pages 193 to 196)
9.2. Confidential Appendix 2: Funding and Risk Report from the Fund Actuary (pages 239 to 243)
9.3. Confidential Appendix 3: Pension Fund Performance (pages 245 to 281)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

11. Market Commentary

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

Haringey LONDON

12. Funding Position Update

12.1. At the most recent valuation 31 March 2019, the Fund had a funding position of 100.4% - meaning that the fund's investment assets were sufficient to pay all pension benefits accrued at that date, based on the underlying actuarial assumptions used.

12.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 31 December 2019, and this showed an improvement to an 104.6% funding level. This position was up from 30 September 2019 which showed 98.2%.

12.3. The 100.4% funding level as at 31 March 2019 corresponded to a net surplus of £6m, which has increased to an indicative £65m as at 31 December 2019.

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

13. Portfolio Allocation Against Benchmark

13.1. The value of the fund increased by £6.0m between September and December 2019, further details are shown in the following table.

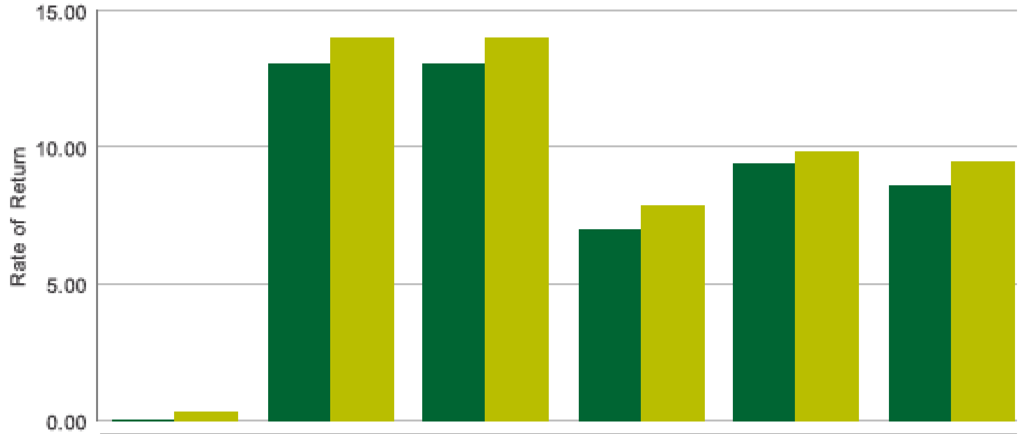
Total Portfolio Allocation by Manager and Asset Class

	Value 31.03.2019 £'000	Value 30.06.2019 £'000	Value 30.09.2019 £'000	Value 31.12.2019 £'000	Allocation 31.12.2019 %	Strategic Allocation %	Variance %
Equities							
Multi Factor Global	274,055	284,769	295,041	300,675	20.41%	19.20%	1.21%
Emerging Markets Low Carbon	99,382	103,074	102,019	106,392	7.22%	6.60%	0.62%
Global Low Carbon	281,914	296,821	293,894	306,198	20.78%	19.20%	1.58%
Total Equities	**655,351**	**684,664**	**690,954**	**713,265**	**48.41%**	**45.00%**	**3.41%**
Bonds							
Index Linked	**195,855**	**199,815**	**217,271**	**196,822**	**13.36%**	**15.00%**	**-1.64%**
Property							
Aviva	**0**	**0**	**50,000**	**49,792**	**3.38%**	**5.00%**	**-1.62%**
CBRE	**97,136**	**99,581**	**99,615**	**99,277**	**6.74%**	**7.50%**	**-0.76%**
Private equity							
Pantheon	**65,489**	**67,763**	**69,354**	**67,376**	**4.57%**	**5.00%**	**-0.43%**
Multi-Sector Credit							
CQS	**126,267**	**113,411**	**114,093**	**115,625**	**7.85%**	**7.00%**	**0.85%**
Multi-Asset Absolute Return							
Ruffer	**152,887**	**155,325**	**134,675**	**136,012**	**9.23%**	**7.50%**	**1.73%**
Infrastructure Debt							
Allianz	**43,611**	**43,068**	**44,860**	**46,976**	**3.19%**	**3.00%**	**0.19%**
Renewable Energy							
CIP	**3,538**	**5,086**	**7,657**	**8,127**	**0.55%**	**2.50%**	**-1.95%**
Blackrock	**21,066**	**23,318**	**23,198**	**23,355**	**1.59%**	**2.50%**	**-0.91%**
Cash & NCA							
Cash	**22,968**	**31,730**	**15,713**	**16,763**	**1.14%**	**0.00%**	**1.14%**
Total Assets	**1,384,168**	**1,423,761**	**1,467,390**	**1,473,390**	**100.00%**	**100.00%**	**0.00%**

14. Investment Performance

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

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Fund	0.01	13.03	13.03	6.99	9.36	8.54
Index	0.29	13.99	13.99	7.84	9.81	9.43

Index: Haringey New Total Plan BM

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background October to December 2019

The period October to December 2019 was clearly positive for world equity market as a whole. Not only did the MSCI World Index gain over 8% (in $ terms) but both the major developed and other markets experienced a clearly positive quarter. A crucial factor was renewed optimism regarding US-China trade relations progressively developing over the Quarter. The US S&P 500 index gained 9%, while the MSCI EMU Index (which tracks the largest companies in the Eurozone) was up 5% (in Euro terms), the FTSE All Share gained 4% (in £ terms) and the Japanese Nikkei 225 gained approaching 9%. In contrast to the July to September Quarter this Quarter saw significant gains for the MSCI AC Asia (exc Japan) Index and the MSCI Emerging Markets Index which both saw gains (in $ terms) of over 11%. In contrast, the major Government Bond yields rose (and prices consequently fell).

The S&P 500 advanced from 2,977 at the end of September to close at 3,231 on 31 December 2019. At the end of its 29-30 October 2019 meeting the Federal Open Markets Committee (FOMC) again lowered the federal funds rate (its main interest rate) by 0.25% to 1.5 to 1.75%. At the press conference following the October meeting Chair Jay Powell stated *"Today we decided to lower the interest rate for the third time this year…..weakness in global growth and trade developments have weighed on the economy and pose ongoing risks. These factors, in conjunction with muted inflation pressures, have led us to lower our assessment of the appropriate level of the federal funds rate….In both July and September, we reduced the target rate [range] for the federal funds rate by ¼ percentage point, and we did so again today…"* Chair Powell however then went on to indicate that this would likely be the last rate change in this cycle although he did state (as he had at the September press conference) that *"Policy is not on a preset course."* At the meeting of the FOMC which concluded on 11 December 2019 the committee unanimously voted to retain the federal funds rate at its existing level.

Trade tensions between the US and China clearly eased during the Quarter. On 11 October President Trump announced a preliminary Phase 1 deal including suspension of threatened tariffs. On 12-13 December both sides announced significant progress on Phase 1 including that new tariffs set to start on 15 December would be indefinitely postponed. The S&P reached a (then) new closing high of 3,169 on 13 December.

The US consumer appeared confident but business less so. Chair Jay Powell at his December Press Conference summarised the US economy as follows – *"Household spending has been strong, supported by a healthy job market, rising incomes, and solid consumer confidence. In contrast, business investment and exports remain weak, and manufacturing output has declined over the past year. As has been the case for some time, sluggish growth abroad and trade developments have been weighing on those sectors. Even so, the overall economy has been growing moderately."*

Inflation continued its long trend of running clearly below the Federal Reserve’s 2% target. US inflation as measured by the Personal Consumption Expenditures (PCE) Index (the US Federal Reserve’s preferred inflation measure) was 1.4% in both October and November, and 1.6% in December. Core PCE which excludes food and energy was 1.6% in October, 1.5% in November and 1.6% in December. US unemployment which had reached another fifty year low in September 2019 of 3.5% remained at the same level at December 2019. The University of Michigan Surveys of Consumers indicated very positive consumer confidence with a clear increase since September and levels above those at the end of June 2019.

Eurozone equities had a positive Quarter with the MSCI EMU index advancing 5%. This was doubtlessly aided by the positive developments in US-China trade relations as well as greater clarity over the exit of the UK from the EU, together with the implementation of further monetary policy loosening (quantitative easing) and better than expected economic growth reported for the third Quarter of 2019 (July to September).

The meeting of the Governing Council of the European Central Bank (ECB) on 12 September had, in view of continuing low inflation and to support expansion of the Euro area economy, taken a number of decisions to loosen monetary policy including reducing the deposit interest rate by 0.1% to minus 0.5% and the reintroduction of quantitative easing with effect from 1 November 2019. The two Governing Council meetings held during this Quarter (24 October and 12 December) reaffirmed the policy decisions of 12 September and quantitative easing was restarted on 1 November at the rate of asset purchases of 20 billion Euros per month.

Eurozone unemployment which had fallen to 7.5% in June 2019 (its lowest level since July 2008) fell further to 7.4% in December. Other economic indicators appear less positive however. While the headline inflation rate increased from 0.8% in September to 1.3% in December it remains well below the ECB policy objective of below, but close to, 2% over the medium term. Additionally, based on the five year, five year inflation swap market investors anticipate inflation of little more than 1.2% by the mid 2020s. While the eurozone grew by 0.3% in the July to September Quarter which was above expectations the initial data released, on 14 February 2020, by Eurostat (the EU statistics Directorate) indicated that the Eurozone grew by only 0.1% in the final Quarter of 2019. As in the previous Quarter the German economy, the largest in the Eurozone and a major centre of manufacturing demonstrated clear signs of faltering.

The FTSE All Share advanced by 4% over the Quarter. While the internationally focussed FTSE 100 was up by approximately 3% the more domestically focussed FTSE 250 advanced by over 10%. Share prices – particularly the FTSE 250 – progressively advanced at the same time that events in British politics resulted in reduced uncertainty about the future relationship between Britain and the EU with the passing of the EU Withdrawal Bill in October and the victory of the Conservative party at the December 2019 General Election. The FTSE 250 advanced by 6% in two (working) days following the General Election. The actual future relationship between the UK and EU is, however, far from settled and 2020 may well see “cliff edge” negotiations and deadlines.

Unemployment, according to the Office for National Statistics (ONS), fell to 3.8% for the period October to December 2019 its lowest level since 1974. The ONS also reported that *"For the first time since March 2008, real regular average weekly earnings exceeded the highest level reached before the economic downturn (2008 to 2009)."* Other economic news was not so positive. The ONS reported that Gross Domestic Product was flat during the October to December Quarter with increases in services and construction offset by poor performance from manufacturing. Consumer Price Inflation (CPI) fell from its September level of 1.7% to 1.5% in October and November, and 1.3% in December compared with the Bank of England (BoE) target of 2%.

The November and December Monetary Policy Committee (MPC) meetings of the Bank of England voted to maintain Bank Rate at 0.75%. At both meetings, however, two external members voted for a reduction to 0.5% citing concerns over the economy and (low) inflation.

It was a clearly positive Quarter for Japanese equities with the Nikkei 225 advancing by 9%. As not only a major world trading economy, but an economy with close trading links with both the US and China, Japan benefitted from the thaw in US-China relations with a clear upward trend in the Nikkei 225 apparent after the announcement of the preliminary Phase 1 arrangement between the US and China in October 2019.

At both its 31 October and 19 December 2019 meetings the Bank of Japan again continued its policy of huge monetary policy stimulus. This included maintaining interest rates at minus 0.1%, together with a target of *"around zero percent"* for 10 year bond yields and major ongoing asset purchase operations. Despite huge monetary stimulus since 2013 Japanese Core CPI inflation has remained well below the 2% target. It did however reach 0.7% in December 2019 up from a 2019 low of 0.3% in September. December 2019 also saw the Japanese Government announce a fiscal stimulus to repair typhoon damage, improve infrastructure and invest in new technology.

Asia (excluding Japan) and emerging market equity markets enjoyed a positive Quarter. The MSCI AC Asia (exc Japan) Index and the MSCI Emerging Markets Index both saw gains (in $ terms) of over 11%. The positive progress in US-China trade talks was clearly a major positive and a weaker US$ another.

Chinese growth (as reported by the China National Bureau of Statistics) was an annualised 6% in the October to December Quarter the same rate as for the July to September 2019 Quarter. Chinese growth in 2019 was the lowest since 1990. In November China's central bank slightly reduced benchmark lending rates. This was seen as a reaction to slowing economic growth.

The easing of trade tensions which was a major feature of the Quarter resulted in a greater appetite for risk as demonstrated by the clear advances in equity valuations. In contrast major Government bonds suffered as equities and high yield bonds were favoured by investors. The US 10 year Treasury Bond fell in value as its yield increased from 1.66 at the end of September to 1.92 at the end of December. The 10 year Gilt yield – also influenced by less uncertainty around Brexit and the Conservative Election victory – rose from 0.49 to 0.82. The German 10 year Bund yield rose from -0.57 to -0.19.

In Conclusion the October to December 2019 Quarter was heavily influenced by the clearly positive turn in US-China relations. Again, continued loose monetary policy provided both economic support and support to markets. Equity valuations are however high and the additional tools available to the major central banks to support the economy and markets in a downturn are somewhat limited. Fiscal policy which could provide further economic support has not, however, yet been widely applied.

Agenda Item 14

Report for: Pensions Committee and Board 5 March 2020

Title: Local Authority Pension Fund Forum (LAPFF) Voting Update

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

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
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Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. The Fund is a member of the LAPFF and the Committee and Board has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations. This report provides an update on voting activities on behalf of the Fund.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee and Board note this report.

4. Reason for Decision

4.1. None.

5. Other options considered

5.1. None.

6. Background information

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6.1. The voting alert received from LAPFF and outcome of votes, as well as how the fund's equity manager, Legal and General Investment Management (LGIM) voted, is detailed below.

Company	Description	LAPFF Recommendation For/Oppose	LGIM Vote For/Oppose	AGM Vote outcome
ANZ Bank	Amendment to constitution, transition planning disclosure and lobbying activities	For/For/For	For/For/For	Item 6, Amendment to the Constitution, For: 5.38% Item 7, Transition Planning Disclosure, For: 14.69% Item 8, Lobbying inconsistent with the goals of the Paris Agreement, For: 16.53%

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance and Procurement

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

Legal

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

Equalities

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

9. Use of Appendices

9.1. None

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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of the Local Government Act 1972.

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