

NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Tuesday, 7th July, 2020, 7.00 pm – MS Teams (watch it [here](#))

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

Co-optees/Non Voting Members: Ishmael Owarish, Keith Brown and Randy Plowright

Quorum: 3

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 items 16 & 22 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. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

6. 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.

7. MINUTES (PAGES 1 - 8)

To approve the minutes of the meeting held on 5 March 2020.

8. PENSIONS ADMINISTRATION REPORT (PAGES 9 - 14)

The report provides an update regarding:

- The amount of visits made to the Haringey pension fund website.
- This report presents details of new admissions to the pension fund.
- An update in light of the current Coronavirus pandemic and how this has impacted the Fund's pensions administration.

9. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE (PAGES 15 - 24)

To report the following in respect of the three months to 31 March 2020:

- Investment asset allocation
- Independent Advisor's Market Commentary
- Funding Level Update
- Investment Performance

This report also provides members with various updates regarding on how the Coronavirus pandemic has impacted upon the fund's investments, and annual report and accounts.

10. INVESTMENT STRATEGY REVIEW (PAGES 25 - 30)

In March 2020, The Pensions Committee and Board (PCB) considered a report on the Fund's investment strategy review. A number of decisions were made in the March 2020 meeting (some in principle), and this report follows on from the last paper with options and a recommendation as to changes to be made to the fund's investment strategy.

11. PENSIONS ACTUARY CONTRACT (PAGES 31 - 34)

In order for Haringey (the Council) to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS), the Council must appoint a fund actuary for the pension fund. The fund's actuary provides a number of key technical services for the fund, including the valuation of the fund's liabilities and calculation of employer contribution rates.

The current contract for actuarial services with Hymans Robertson LLP will expire on 31 July 2020, this contract was let from 1 August 2017 for an initial 3 year period, with an option to extend for a further 3 years from 1 August 2020. The contract was let following a procurement exercise carried out by officers, using the National LGPS Framework which is hosted by Norfolk

County Council. The Framework Agreement is fully compliant with EU procurement processes. This report seeks the approval of the pensions Committee and Board to undertake this extension.

12. LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE UPDATE FROM INDEPENDENT ADVISOR (PAGES 35 - 42)

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

13. FORWARD PLAN (PAGES 43 - 48)

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.

14. RISK REGISTER - REVIEW/UPDATE (PAGES 49 - 100)

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.

15. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 101 - 104)

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.

16. NEW ITEMS OF URGENT BUSINESS

17. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

10 September 2020

17 November 2020

21 January 2021

4 March 2021

18. EXCLUSION OF THE PRESS AND PUBLIC

Items 19-22 are likely to be subject to a motion to exclude the press and public from the meeting 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).

**19. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE
(PAGES 105 - 148)**

To consider exempt information pertaining to item 9.

20. INVESTMENT STRATEGY REVIEW (PAGES 149 - 162)

To consider exempt information pertaining to item 10.

21. EXEMPT MINUTES (PAGES 163 - 164)

To approve the exempt minutes of the meeting held on 5 March 2020.

22. NEW ITEMS OF EXEMPT URGENT BUSINESS

Felicity Foley, Acting Committees Manager
Tel – 020 8489 2919
Fax – 020 8881 5218
Email: felicity.foley@haringey.gov.uk

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

Monday, 29 June 2020

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

PRESENT:

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

348. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

349. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dennison.

350. URGENT BUSINESS

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

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

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

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

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

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

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

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

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

351. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

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

352. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

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

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

Cllr Bevan

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

353. MINUTES

RESOLVED

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

354. INVESTMENT STRATEGY REVIEW

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

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

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

RESOLVED

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

355. PENSIONS ADMINISTRATION REPORT

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

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

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

RESOLVED

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

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

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

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

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

RESOLVED

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

357. 2019 PENSION FUND VALUATION

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

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

RESOLVED

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

358. FORWARD PLAN

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

RESOLVED

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

359. RISK REGISTER - REVIEW/UPDATE

The Head of Pensions introduced this report on the Risk Register. This was a standard item on the agenda and the PCB had a legal duty to review internal controls and the management of risks. The PCB were informed of the changes to the Risk Register, as shown in Appendix 1.

RESOLVED

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

360. PENSION FUND QUARTERLY UPDATE

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

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

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

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

RESOLVED

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

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

The Head of Pensions invited the PCB to note this report which provided an update on voting activities at the LAPFF on behalf of the Fund.

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

RESOLVED

That the Committee and Board note this report.

362. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

363. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of item 17 as it contains exempt information as defined in Section 100a of the Local Government

Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

364. INVESTMENT STRATEGY REVIEW

As per item 354.

365. PENSION FUND QUARTERLY UPDATE

As per item 360.

366. EXEMPT MINUTES

RESOLVED

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

CHAIR: Councillor Matt White

Signed by Chair

Date

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Report for: Pensions Committee and Board – 7 July 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 provides an update regarding:

- The amount of visits made to the Haringey pension fund website.
- This report presents details of new admissions to the pension fund.
- An update in light of the current Coronavirus pandemic and how this has impacted the Fund's pensions administration.

2 Cabinet Member Introduction

2.1 Not applicable

3 Recommendations that members:

3.1 Note

The report gives a breakdown in paragraph 6.1 of the amount of visits made to the Haringey pension fund website and an update in paragraph 6.3 – 6.5 regarding pension administration matters.

3.2 Approve

Approve the admission of Hertfordshire Catering Ltd as a new employer to the Pension Fund in respect of the following catering contracts:

- 3.2.1 St Martin of Porres School;
- 3.2.2 St John Vianney School;
- 3.2.3 St Pauls Catholic School; and

subject to Hertfordshire Catering Ltd securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.

3.3 Approve

Approve the admission of Caterlink Ltd as a new employer to the Pension Fund, in respect of a catering contract with Stroud Green Primary School, subject to their securing a bond or a guarantee from a third party in line with the LGPS regulations,

to indemnify the pension fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.

3.4 Note

The information provided in paragraph 6.3 – 6.5 of this report regarding how the current Coronavirus pandemic has impacted the Fund's pensions administration.

4 Reason for decision

New Admission Body to the Fund

- 4.1 St Martin of Porres School has tendered it's catering service and the successful bidder was Hertfordshire Catering Ltd (HCL). It is proposed that HCL Ltd be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the catering service for St Martin of Porres School, subject to HCL Ltd entering into an admission agreement with the Council and providing a suitable bond or guarantee so that those eligible employees can remain within the Haringey Pension Fund.
- 4.2 St John Vianney School has tendered it's catering service and the successful bidder was Hertfordshire Catering Ltd (HCL). It is proposed that HCL Ltd be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the catering service for St John Vianney School, subject to HCL Ltd entering into an admission agreement with the Council and providing a suitable bond or guarantee so that those eligible employees can remain within the Haringey Pension Fund.
- 4.3 St Pauls Catholic School has tendered it's catering service and the successful bidder was Hertfordshire Catering Ltd (HCL). It is proposed that HCL Ltd be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the catering service for St Pauls Catholic School, subject to HCL Ltd entering into an admission agreement with the Council and providing a suitable bond or guarantee so that those eligible employees can remain within the Haringey Pension Fund.
- 4.4 Stroud Green Primary School has tendered it's catering service and the successful bidder was Caterlink. It is proposed that Caterlink Ltd be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the catering service for Stroud Green Primary School, subject to Caterlink Ltd entering into an admission agreement with the Council and providing a suitable bond or guarantee so that those eligible employees can remain within the Haringey Pension Fund.
- 4.5 That an admission agreement satisfactory to the Council, be entered into in respect of each of the service contracts and that the agreements are closed agreements, as such that new members cannot be admitted.

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

5 Alternative options considered

- 5.1 Not applicable

6 Background information:

Website Views

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

	users	Page views
May 2020	265	572
May 2019	590	2434
April 2020	237	408
April 2019	400	1556
March 2020	329	555
March 2019	438	1517
February 2020	336	671
February 2019	428	1599

- 6.2 From February 2020 to May 2020 the average amount of users per month to the pension website is 292 and they view on average 552 pages, nearly 2 pages for each user. The amount of users and pages viewed has decreased from the previous year.

Coronavirus Update

- 6.3 The pension team have been working remotely from home since March 2020 following Governmental advice due to the Coronavirus pandemic outbreak. The team have had to make adjustments to some working practices in order to accommodate the new way of working. In line with government guidance, the pensions team are considered key workers as they are 'delivering essential public services such as the payment of benefits'. The fund has maintained the usual processing and payment of pensions benefits, as they would in normal times. The pensions team are able to access all the business applications from home that they could in the office and are therefore able to complete the vast majority of tasks remotely, however there are a small number of activities that require access to the office, and the team have therefore been working on a rota basis to continue to have access to the offices in Alexandra House in order to complete office activities. Those officers accessing the office are practising social distancing, and minimise the amount of time spent in the office.

- 6.4 The Fund has seen an increase in the amount of pensioner deaths over recent months. The table below illustrates the number of pensioner deaths this year and last year in the months of March to May. The increase in deaths in this three month period is an increase of over 61%. Pensioners are ex employees of Haringey Council and the other employers in Haringey Pension Fund: many of whom are not Haringey residents. The fund does not have data to be able to determine what proportion of this increase is attributable to the pandemic.

	2019	2020
March	53	49
April	44	68
May	28	85

- 6.5 The annual benefit statements for the active and deferred members of the fund are due to be distributed by 31 August 2020. August 2020 was the first year that the annual benefit statements for active members were due to be published online only via the member self-service portal. Onboarding a large number of members onto the member self-service portal is a significant workload pressure, and unfortunately has coincided with the move to remote working and a general increased workload for the team. It will therefore not be possible to complete the mass advertising campaign to onboard members to member self service this year and this will be postponed. Annual benefits statements will therefore be sent by post this year as previously, but will also be available online on the member self-service. The annual benefits statements exercise is anticipated to be completed in line with the usual deadline of 31 August.

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.

Assistant Director of Corporate Governance

- 8.2 The Assistant Director of Corporate Governance has been consulted on the content of this report.
- 8.3 The report seeks authority to admit two employers as admitted bodies to the Haringey Pension Fund. A person is eligible to be an active member of the Scheme in an employment if employed by an admission body and is designated, or belongs to a class of employees that is designated by the body under the terms of an admission agreement, as being eligible for membership of the Scheme;
- 8.4 Both Hertfordshire Catering Ltd and Caterlink Ltd are bodies that are providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement. The two bodies are entering into service contracts to

provide catering services to the schools mentioned in this report and the administering authority may enter into the Admission Agreements pursuant to Schedule 2 of The Local Government Pension Scheme Regulations 2013.

9. Use of Appendices

None

10. Local Government (Access to Information) Act 1985

Not Applicable

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Report for: Pensions Committee and Board 7 July 2020

Title: Pension Fund Quarterly Update and Investments Update

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

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

1. Describe the issue under consideration

1.1. To report the following in respect of the three months to 31 March 2020:

- Investment asset allocation
- Independent Advisor's Market Commentary
- Funding Level Update
- Investment Performance

1.2. This report also provides members with various updates regarding on how the Coronavirus pandemic has impacted upon the fund's investments, and annual report and accounts.

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 March 2020 is noted.

3.2 That the information provided in respect how Coronavirus has impacted on the fund 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.
- 6.2. This report would usually focus solely on the quarter in question, however given the wide ranging impacts of Coronavirus, this report gives further information to members in respect of the period since 31 March 2020.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

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

Finance and Procurement

- 8.1. The CFO (S151 Officer) has been consulted on this report and there is no direct financial impact from the contents of this report.

Legal Services Comments

- 8.2. The Council as administering authority for the Haringey Pension Fund must periodically review the suitability of its investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with its overall investment strategy.
- 8.3. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

Comments of the Independent Advisor

- 8.4. As appended to this report in Appendix 1

Equalities

- 8.5. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. There are no impacts in terms of equality from the recommendations contained within this report.

9. Use of Appendices

- 9.1. Appendix 1: Independent Advisor's Market commentary
- 9.2. Confidential Appendix 2: Funding and Risk Report from the Fund Actuary
- 9.3. Confidential Appendix 3: Pension Fund Performance

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

11. Market Commentary

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

12. Update on the Fund's Accounts and Annual Report

- 12.1. The Fund's accounts and annual report are usually presented in the July Pensions Committee and Board meeting for the committee's approval. This would normally be expected to take place prior to 31st July in line with government deadlines. However, for 2019/20, exceptionally, the government has delayed the deadline by which it is expected that audits are concluded and accounts approved to 30th November.
- 12.2. The Fund's annual accounts were delayed in being produced (compared to previous years), due to delays in receiving valuation information for some of the fund's assets, the draft accounts were published at the same time as the Council's accounts on 29th June. Additionally, some of the information which would be included in the fund's annual report was unavailable within normal timescales, so the so the annual report would not have been able to be produced in time for the July meeting.
- 12.3. Officers have been informed by the Fund's auditor, BDO, that the audit of the accounts will not begin until August 2020. Officers and the auditor are working towards concluding the audit by September so that the Pensions Committee and Board are able to approve the accounts and annual report in the September meeting, however this will be a challenging deadline.

13. Funding Position Update

- 13.1. 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.
- 13.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 31 March 2020, and this showed a decrease to a 92.8% funding level. This position was down from 31 December 2019 showed 104.6%.
- 13.3. The 100.4% funding level as at 31 March 2019 corresponded to a net surplus of £6m, which has decreased to an indicative deficit of £102m as at 31 March 2020.

13.4. Confidential Appendix 2 shows the funding and risk report produced by the fund actuary as at 31 March 2020, giving further detail regarding this.

14. Portfolio Allocation Against Benchmark

14.1. The value of the fund decreased by £145.2m between December 2019 and March 2020, further details are shown in the following table. However, it should be noted that much of this decrease was regained within the months of April and May, with the fund increasing by an indicative £113.3m by the end of May.

Total Portfolio Allocation by Manager and Asset Class

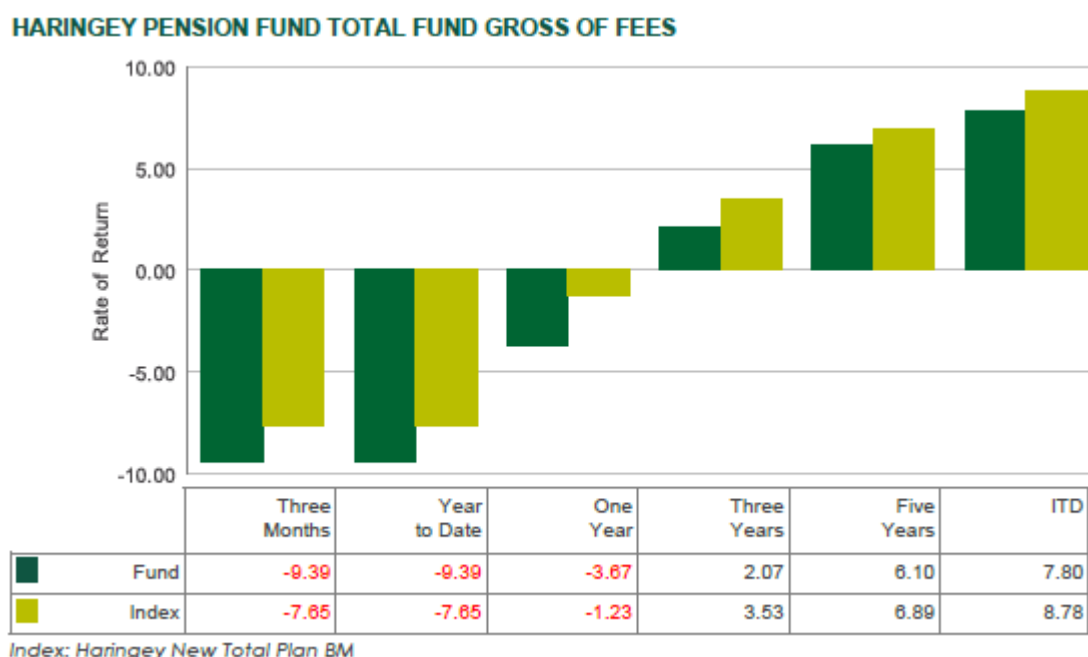
	Value	Value	Estimated Value	Estimated Value	Allocation	Strategic	Variance
	31.03.2019	31.12.2019	31.03.2020	31.05.2020	31.05.2020	Allocation	
	£'000	£'000	£'000	£'000	%	%	%
Equities							
Multi Factor Global	274,055	300,675	235,740	270,677	18.78%	19.20%	-0.42%
Emerging Markets Low Carbon	99,382	106,392	86,999	96,048	6.66%	6.60%	0.06%
Global Low Carbon	281,914	306,198	245,870	285,846	19.83%	19.20%	0.63%
Total Equities	655,351	713,265	568,609	652,571	45.27%	45.00%	0.27%
Bonds							
Index Linked	195,855	196,822	217,519	224,592	15.58%	15.00%	0.58%
Property							
Aviva	0	49,792	47,865	47,865	3.32%	5.00%	-1.68%
CBRE	97,136	99,277	97,214	96,394	6.69%	7.50%	-0.81%
Private equity							
Pantheon	65,489	67,376	70,569	73,396	5.09%	5.00%	0.09%
Multi-Sector Credit							
CQS	126,267	115,625	96,013	104,915	7.28%	7.00%	0.28%
Multi-Asset Absolute Return							
Ruffer	152,887	136,012	132,914	134,398	9.32%	7.50%	1.82%
Infrastructure Debt							
Allianz	43,611	46,976	42,260	41,692	2.89%	3.00%	-0.11%
Renewable Energy							
CIP	3,538	8,127	15,952	16,238	1.13%	2.50%	-1.37%
Blackrock	21,066	23,355	26,493	28,568	1.98%	2.50%	-0.52%
Cash & NCA							
Cash	22,968	16,763	12,804	20,912	1.45%	0.00%	1.45%
Total Assets	1,384,168	1,473,390	1,328,211	1,441,541	100%	100%	0.00%

14.2. The fund's investment valuations at the end of March 2020 were reviewed by the Head of Pensions, Independent advisor, and Investment Consultant Mercer in early April. At this point, there was some concern that the coronavirus pandemic might impact on financial markets to the extent that trading in listed markets could cease, meaning that investors would be unable to liquidate investments potentially. This would have posed a significant risk for the fund as it is cashflow negative – i.e. it pays out more in pension benefits than it collects in employer and

employee contributions. To meet this ongoing cashflow need to pay pension benefits, officers liquidate small values of investments several times each year (usually £3m 3 or 4 times per year dependent on cashflows). Arrangements were therefore made to liquidate investments in April such that the fund would have enough cash to cover the fund's day to day cashflows for the remainder of the calendar year, in case this risk of markets ceasing to trade materialised. The fund sold its investments from the two portfolios which gained value in the quarter to March 2020, so as not to crystallise losses on the fund's investments which lost value following the pandemic.

15. Investment Performance

15.1. 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:



15.2. The Fund's annual report is usually produced and approved by the Pensions Committee and Board in the July meeting, alongside the Fund's annual accounts. The annual report includes comparative performance information that benchmarks the fund against its group of peers of other LGPS funds. In recent years, the fund has compared well to its peer group, with performance over the long term generally being within the top quartile. This benchmarking exercise has not yet concluded this year, but the indicative initial results show that an average LGPS Fund delivered performance of around -5.1% over the course of 2019/20, which means Haringey's performance of -3.67% is very likely to be in the top half of funds, unless the initial indicative benchmarking results change significantly.

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background January to March 2020

The resolution of some of the trade tensions between the United States and China in late 2019 and the further loosening of monetary policy by the US Federal Reserve and European Central Bank in the second half of 2019 had led to a general view that global stocks would likely continue their long upward trend through 2020. Indeed, on 19 February 2020 the US S&P 500 Index reached a new record closing high of 3,386 almost 5% above the 31 December 2019 closing figure of 3,231. On 24 February 2020, however, equities across the globe began to rapidly fall following the decision of Italy to quarantine 10 towns in response to Coronavirus. By 31 March 2020 despite unprecedented monetary and fiscal stimulus by central banks and governments world equity markets were down by over 20% for the Quarter and the potential impact of Coronavirus on both financial markets and the world economy looked extremely serious.

It is easy to overlook but in January and until late February 2020 it continued to seem as if 2020 would be a positive year for stocks and for at least some large economies. Major developed market equity indices – for example the S&P 500, MSCI EMU, FTSE All Share, Nikkei 225 traded until mid-February above or around their high closing levels as at the end of 2019. At his press conference on 29 January 2020 the Chairman of the US Federal Reserve Jay Powell stated *“I would say, now there are grounds for what I would call “cautious optimism” about the outlook now for the global economy. Many analysts are predicting a pickup in growth this year, although still to relatively modest growth rates.”* The Bank of Japan Summary of Opinions from the Monetary Policy meeting of 20/21 January 2020 included the statement *“The probability that the global economy will follow its recovery trend through the middle of this year seems to be increasing.”* The January 2020 meetings of the interest rate setting committees of the US Federal Reserve, the Bank of Japan and the Bank of England all maintained interest rates/monetary policy unchanged.

Although in January 2020 China had imposed a quarantine in Wuhan and a number of other cities Coronavirus then appeared a Chinese centred issue. World markets, the world economy and world governments only, and then dramatically, reacted to Coronavirus from 24 February 2020 the following the decision, over the weekend of 22/23 February of Italy to quarantine 10 towns in response to Coronavirus. Concerns regarding Coronavirus started to hugely affect US equity markets and other major markets including Europe, the UK and Japan on Monday 24 February. By the end of Friday 28 February, the S&P 500 had fallen approximately 13% from its 19 February all time high.

The governments of a number of leading world economies - the UK, Canada, France and Italy announced major fiscal initiatives to support their economies and citizens and also, by extension, financial markets on or before 20 March 2020. Measures included income subsidies for laid off workers, tax deferrals and state loans or guarantees for companies. The German Parliament and US Congress also agreed unprecedented fiscal

support packages in the last week of March. While these measures were crucial to mitigating the adverse impact of Coronavirus on economies and financial markets going forward it was the unprecedented and truly extraordinary interventions of the US Federal Reserve which, surely, prevented a financial market meltdown in March 2020.

On 28 February Federal Reserve Chair Jay Powell stated that “... *the coronavirus poses evolving risks to economic activity. The Federal Reserve is closely monitoring developments and their implications for the economic outlook. We will use our tools and act as appropriate to support the economy.*” The actions subsequently taken by, and led by the US Federal Reserve during March 2020 were unprecedented even in comparison to those following the 2008 financial crisis. These actions, the actions of other central banks and huge fiscal stimulus by governments including the UK, France and (finally) the US succeeded by the end of March in averting a complete collapse in financial markets which during that tumultuous month seemed a genuine possibility.

At an emergency meeting on 3 March 2020, the US Federal Reserve, reduced the target range for federal funds rate (its main interest rate) by $\frac{1}{2}\%$, to the range 1 to $1\frac{1}{4}\%$. The Federal Reserve was however clear that action by central banks could not nearly, in itself, counter the potential economic impact of Coronavirus. Chair Jay Powell stated at the press conference following the rate cut on 3 March that while the US Federal Reserve had eased monetary policy to “*provide a meaningful boost to the economy*” also stated that “*The virus outbreak is something that will require a multi-faceted response. And that response will come in the first instance from healthcare professionals and health policy experts. It will also come from fiscal authorities, should they determine that a response is appropriate. It will come from many other public and private sector actors, businesses, schools, state and local governments.*”

Coronavirus equity related market chaos continued and was compounded by adverse reaction to an oil price plunge on 9 March arising from Russian and Saudi Arabian action which resulted in a trading break in New York, the first time this measure had been used. As the Coronavirus crisis unfolded, as expected, the demand for and price of US Treasury and other haven bonds increased. Then, also, in the week commencing 9 March the demand for such bonds fell despite further equity market falls meaning that both equity and haven bonds were collapsing together and therefore, in effect, breaching a fundamental expectation of financial market behaviour. An unwelcome effect was a rush by investors to hold cash particularly in US dollars resulting in a significant strengthening of the dollar v other currencies.

Then in a highly unusual (and unscheduled) Sunday meeting on 15 March the US Federal Reserve intervened on an unprecedented scale. Interest rates were reduced by a full 1% to the range 0% to $\frac{1}{4}\%$ and an asset purchase programme announced of “*at least*” \$500bn of Treasury bonds and “*at least*” \$200bn of mortgaged backed securities to “*support the smooth functioning of markets....*” To further support the flow of credit to businesses and households the US Federal Reserve also announced measures to ease requirements upon and to support banks and other savings institutions. To directly support not only the US markets and economy but other major developed markets and economies the Federal Reserve also announced, in a press release, on 15 March 2020 “*co-ordinated action*” with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank to lower the cost of borrowing dollars internationally “*to ease strains in global funding markets, thereby helping to mitigate the effects of such strains on the supply of credit to households and businesses, both domestically and abroad.*”

The European Central Bank (ECB) acted decisively at an emergency meeting on 18 March announcing a 750 billion Euro Pandemic Emergency Purchase Programme (PEPP) covering government and corporate debt (in the words of the official press release) to “...*counter the serious risks to the... outlook for the euro area posed by the outbreak and escalating diffusion of the coronavirus, COVID-19.*” The Bank of England also acted decisively reducing Bank Rate by from 0.75% to 0.25% on 10 March and then on 19 March to an all time low of 0.10% together with the introduction of a £200 billion purchase programme of government and corporate bonds. On 10 March, it also introduced measures to facilitate further lending to businesses by UK banks.

Turmoil however continued in markets when they reopened on Monday March 16. The S&P 500 fell by 12% only to rise by 6% on 17 March and then to fall by 5% on 18 March. In the context of the clearly rapid spread of Coronavirus in Europe, closures and severe disruption to businesses not only in Europe but the US, including for example the closure of the properties of the high end hotel and casino operator Wynn resorts and a warning by United Airlines, in a letter to employees of 15 March that “...*We expect both the number of customers and revenue to decline sharply in the days and weeks ahead...*”, coupled with an admission by President Trump that the Coronavirus crisis could last till “*August, could be July, could be longer...*” US markets fell 12%. 18 March was a day of panic in world markets with the FTSE All World equity index falling almost 7%, government bond prices falling, oil prices again plummeting, sterling falling to its lowest level against the dollar since the 1980s. The S&P index closed on Friday 20 March at 2,305 which was 15% lower than at the close on Friday 13 March.

Then on the morning of 23 March, the US Federal Reserve intervened in an unprecedented manner. First it extended its purchases of Treasury Bonds and mortgage backed securities from \$700billion to (in the words of the official press release) “*the amounts needed to support smooth market functioning and effective transmission of monetary policy...*” This meant that to help facilitate the supply of credit to households and businesses the US Federal Reserve was prepared to buy unlimited amounts of government securities. Secondly, in an extraordinary break with previous precedent the Federal Reserve announced initiatives to purchase both new issue and secondary market corporate debt. This meant that in effect the Federal Reserve was prepared to directly support employers and act as a backstop in the corporate bond market.

In the days following this extraordinary intervention by the Federal Reserve of 23 March 2020, financial markets began to recover with the S&P 500 closing at 2,585 on 31 March a full 12% higher than on 20 March. Admittedly, after much argument Congress finally passed a huge \$2.2 trillion fiscal stimulus on 27 March to assist US business and families. However, there can be no doubt that during March 2020 the US Federal Reserve acted decisively and in an unprecedented manner to avoid a financial market meltdown while the US Congress argued over what measures to take.

In summary, over the Quarter global equity prices fell heavily with the MSCI World Index down 21% (in \$ terms). All sectors of equity markets saw significant declines with, for example, travel, financials and energy particularly badly hit while areas likely to be more in demand in a lockdown such as information technology saw smaller declines. As the Quarter progressed it also became clear that many companies would either suspend or reduce Dividend payments going forward. European and UK equities were especially badly affected with the MSCI EMU Index down 25% (in Euro terms) and the FTSE All Share down 25% (in £ terms). The S&P 500 lost 20% as did the Nikkei 225.

Despite volatility the leading government bond prices rose (and yields fell) over the Quarter, as investors favoured their perceived safety as equity markets fell and a severe global recession became increasingly likely/inevitable. The US 10 Year Treasury Bond increased in value as its yield fell to 0.7% at the end of March compared to 1.92% at the end of December. The 10 Year UK Gilt and 10 Year German Bund also clearly increased in value as their yields fell from 0.82 to 0.35 and -0.19 to -0.46 respectively. Corporate credit, and in particular high yield weakened.

Even though the effects of Coronavirus were only really felt by the world economy and financial markets from late February onwards GDP data for the first Quarter 2020 demonstrates the immediate and devastating economic effects. The “Second” estimate from the US Bureau of Economic Analysis, issued on 28 May 2020, indicated that US *“gross domestic product (GDP) decreased at an annual rate of 5.0 percent in the first quarter of 2020...In the fourth quarter [of 2019], real GDP increased 2.1 percent....The decline in first quarter GDP reflected the response to the spread of COVID-19...This led to rapid changes in demand, as businesses...switched to remote work or cancelled operations, and consumers cancelled, restricted, or redirected their spending...”* In the previous three Quarters an annualised rate of approximately plus 2% was achieved. Eurozone GDP was down 3.6% in the first Quarter of 2020, compared to the previous Quarter, according to (revised) estimates issued by Eurostat on 9 June 2020. *Eurostat stated “These were the sharpest declines observed since time series started in 1995...”* In each of the previous three Quarters Eurozone GDP increased by plus 0.1%-0.3%. The UK Office for National Statistics (release 13 May 2020) included in relation to Coronavirus the statement *“There has been a widespread disruption to economic activity, as services output fell by a record 1.9% in Quarter 1; there were also significant contractions in production and construction.”*

In conclusion the calendar year 2020 began positively for both financial markets and the global economy. The realisation, however of the health/economic implications of Coronavirus during late February and March 2020 resulted in both a huge worldwide equity market sell off and a closedown of large parts of the world economy. Only because of both huge fiscal and monetary policy intervention, and in particular the intervention of the US Federal Reserve, was a meltdown in financial markets avoided. Going forward this downturn will be far more difficult to resolve than that of 2008. This is because this crisis, which arises from a deadly disease, is affecting all economic sectors while the previous one was a financially originated and focussed crisis.

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

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

Report for: Pensions Committee and Board 7 July 2020

Title: Investment Strategy Review

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

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

1. Describe the issue under consideration

- 1.1. In March 2020, The Pensions Committee and Board (PCB) considered a report on the Fund's investment strategy review. A number of decisions were made in the March 2020 meeting (some in principle), and this report follows on from the last paper with options and a recommendation as to changes to be made to the fund's investment strategy.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the PCB note the Investment Strategy Review Paper, appended as Confidential Appendix 1.
- 3.2. That the Committee approves a change to the fund's target investment strategy to implement the 'strawman portfolio 1' as shown in Confidential Appendix 1, namely to:
- Increase the allocation to equity by 2.5%
 - Increase the allocation to multi-asset credit by 3.0%
 - Reduce the allocation to infrastructure debt by 0.5%
 - Reduce the allocation to gilts by 5.0%

Alternatively, the Committee and Board could choose to implement 'strawman portfolio 2' as detailed in the Mercer paper in Confidential Appendix 1.

- 3.3. The PCB delegate authority to the Assistant Director of Finance to implement the above changes (if approved), on the advice of Mercer, and in conjunction with the Chair of the PCB and Independent Advisor.

- 3.4. The PCB delegate authority to the Assistant Director of Finance to update and republish the fund's Investment Strategy Statement consistent with decisions made above.

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, and this report forms part of the ongoing investment strategy review following on from the 31/3/2019 Valuation of the Fund.

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.

Gilts Allocation

- 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 on a temporary basis until the uncertainty surrounding the RPI consultation concluded. The Fund's current allocation of 15% is understood to be relatively 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%. This has been taken into account in the investment strategy review appended at Confidential Appendix 1 – with both portfolios proposed reducing this allocation.
- 6.4. Officers have reviewed this switch to fixed gilts in early 2020, as it is noted that fixed gilts have performed better during the volatile market conditions in recent months. Officers have calculated that this decision has benefited the fund by approximately £10.7m: i.e. had the fund continued to hold index linked gilts, it would have been £10.7m lower in value as at 30/5/20.

Residential Property

- 6.5. 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. A training session on the asset class was arranged in February 2020 for members of the PCB. This was discussed in the March 2020 PCB meeting: there was not a clear consensus that this should ultimately be included in the fund's investment strategy, however it was clear that the PCB would prefer this to be implemented via the London CIV if at all. The London CIV is working on a 'London Fund' currently which will primarily be aimed at investing in residential property. The CIV has set up a 'Seed Investors Group' which officers are involved with.

Decisions made in the March 2020 PCB Meeting

6.6. The PCB made two firm decisions in the March 2020 meeting:

- To draw income from the London CIV Multi-Asset Credit portfolio (managed by CQS) to improve the fund's cashflows by c. £5m per annum;
- To commit a further £25m to the Aviva Long Lease Property fund, to bring this in line with the 5% target allocation in the fund's investment strategy;

Both of these have been actioned, although the Aviva £25m is not anticipated to be invested until Q4 2020 at the earliest, given the 'queue' for the Aviva Fund, and the fact that transaction activity is relatively slow due to Covid-19.

Recommendations in this paper

6.7. The paper in Confidential appendix 1 proposes two possible changes to the fund's investment strategy. Both of these options increase the fund's allocation to liquid growth assets, and decrease the allocation to gilts by a greater or lesser extent.

6.8. The Fund's allocation to infrastructure debt has been fully invested for several years now, and capital is gradually being returned to the fund. This means the allocation will naturally shrink in comparison to the size of the whole fund, so it is proposed to reduce this allocation from 3.0% of assets to 2.5% of assets and allocate the 0.5% elsewhere in the investment strategy. This is a minor change and something that will have to be revisited as time goes on and this allocation shrinks further. It is not proposed to reallocate funds to this asset class to 'top up' the allocation.

6.9. The more substantial change in strategy is the proposed reduction in the allocation to gilts of either 5% or 10% in strawmen portfolios 1 and 2 respectively. This would be reallocated to the fund's equity, multi-asset credit portfolios, and for strawman portfolio 2, the multi asset absolute return portfolio as well. All of these portfolios are liquid growth asset classes, and all are invested in London CIV Funds, or are under the CIV's oversight. The switch into more growth assets increases the expected return of the fund, however this does marginally increase risk, as would be expected.

6.10. Both of these options are proposed on the basis that 5% of the residual allocation to gilts is earmarked for a future decision on whether to allocate to residential property. As such, if residential property is included in the investment strategy in the future, the target allocation to gilts would be either 5% (strawman portfolio 1) or 0% (strawman portfolio 2).

Further work and future decision making

- 6.11. Later in 2020 the Fund will have to review its commitments to Renewable Energy and Private equity and decide whether to 'top up' these commitments, so that they achieve and maintain an allocation of 5% of total fund assets. The London CIV have also set up a 'Seed Investors Group' for a Renewable Fund, which officers are a part of. A report on this will be targeted for the September PCB meeting.
- 6.12. The Fund will also have to review the allocation to fixed gilts and make a decision regarding switching these back into index linked gilts later in 2020 when the government consultation is finalised and results are announced. This is likely to be presented to the PCB in the November meeting, bearing in mind the consultation is now due to close in August, and it will take some time for the results to be announced.
- 6.13. The PCB agreed in principle in the March 2020 meeting to utilise a low carbon variant of the RAFI multifactor strategy, subject to implementation considerations, once this is launched. It is anticipated that a report regarding this for final decision making will be presented in the September or November PCB meeting.
- 6.14. A final decision regarding residential property will be somewhat dependent on the CIV's progress in setting up the London Fund. At this point, it is not anticipated that this will have progressed sufficiently for the September PCB meeting, however it may be possible to present a report at the November meeting.

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. As highlighted in previous meetings, 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 highlights options which will increase expected returns, however it should be noted that this does marginally increase overall risk.

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

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

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Report for: Pensions Committee and Board 7 July 2020

Title: Pensions Actuary Contract

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Key decision (Pensions Committee)

1. Describe the issue under consideration

- 1.1. In order for Haringey (the Council) to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS), the Council must appoint a fund actuary for the pension fund. The fund's actuary provides a number of key technical services for the fund, including the valuation of the fund's liabilities and calculation of employer contribution rates.
- 1.2. The current contract for actuarial services with Hymans Robertson LLP will expire on 31 July 2020, this contract was let from 1 August 2017 for an initial 3 year period, with an option to extend for a further 3 years from 1 August 2020. The contract was let following a procurement exercise carried out by officers, using the National LGPS Framework which is hosted by Norfolk County Council. The Framework Agreement is fully compliant with EU procurement processes. This report seeks the approval of the pensions Committee and Board to undertake this extension.

2. Cabinet Member Introduction

- 2.1. N/A

3. Recommendations

- 3.1. That the Pensions Committee and Board approve an extension of the current contract with Hymans Robertson LLP for actuarial services as allowed under the contract for the period 1 August 2020 – 31 July 2023 in accordance with CSOs 3.03 and 10.02.1 at an estimated value of £239k.

4. Reason for Decision

- 4.1. The existing contract for actuarial services expires on 31 July 2020. Having a fund actuary appointed at all times is a requirement of the LGPS regulations.
- 4.2. The incumbent provider of actuarial services is Hymans Robertson LLP. Officers have felt that the relationship between the Council and Hymans Robertson has been successful over the course of the contract to date, and that their performance has delivered value for the Pension Fund and its employers (including Haringey Council). Therefore an extension to the current contract as is allowed under the terms of the contract is sought.

5. Other options considered

- 5.1. The fund must appoint an actuary as this is a regulatory requirement. Therefore not appointing a fund actuary would be an inappropriate course of action.
- 5.2. There are only four firms who provide actuarial services to LGPS funds, and these are all signed up to the framework hosted by Norfolk County Council: therefore at the time the contract was originally let in 2017, it was thought best to utilise this framework agreement to conduct the procurement exercise in order for the Council to benefit from the efficiencies involved with a framework call off. The position regarding the number of providers and the Norfolk Framework has not changed in the three years since the contract was originally let when Hymans Robertson's tender was found to have the best quality/price offering.

6. Background information

- 6.1. All costs of the contract will be met fully by the pension fund, i.e. there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as those for actuarial services. This is a standard practice for LGPS funds, and a regulatory requirement.
- 6.2. The contract was procured by way of a call off from a Framework Agreement set up by Norfolk County Council for actuarial benefits and governance consultancy services as permitted by CSO 7.01.b). The original Pensions Committee and Board report of 20 July 2017 where the contract was awarded is at the below link:

<https://www.minutes.haringey.gov.uk/documents/s95096/12%20-%20Pensions%20Actuarial%20Contract.pdf>
- 6.3. The contract is priced by activity, and the pricing structure for each provider on the framework is fixed so that the prices for all LGPS funds calling off the framework for this specific provider are the same. Officers estimate that the likely spend over the course of the three year contract extension will be in the region of £239k.

7. Contribution to Strategic Outcomes

7.1. None.

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

Finance

8.1. The chief finance officer has been consulted over the contents of the report and confirms that the annual costs can be legitimately charged to the pension fund.

8.2. It is a regulatory requirement that all LGPS funds have a fund actuary appointed at all times.

Procurement

8.3 The current contract has provision to extend which “Service” have decided to trigger for justified reasons. Strategic Procurement note the contents of this report and the reasons for the extension, and as a result, endorse the request for the extension of the contract. (SS)

Legal

8.4 This report is seeking approval for an extension of the Council’s contract for actuarial services to the Pension Fund with an estimated value of £239K. As originally awarded, the contract includes an option to extend the contract by 3 years after the initial 3-year term.

8.5 Under Contracting Standing Order (CSO) 3.03, the Pension Committee has the same powers and duties under CSOs as Cabinet in relation to procurement decisions, though limited to Pension Fund contracts. Under CSO10.02.1 Cabinet and, by extension, the Pensions Committee may approve contract extensions. Although authority to grant approvals for contracts valued, like the contract in this report, at under £500K, is delegated under CSO 10.2.1 to a Director, the exercise of authority so delegated may be referred instead for decision by Cabinet or other relevant Committee such as the Pensions Committee in this case.

8.6 There are no legal reasons preventing the Pensions Committee from approving the recommendation in paragraph 3 of this report.

Equalities

There are no equalities issues arising from this report.

9. Use of Appendices

N/A

10. Local Government (Access to Information) Act 1985

N/A

Report for: Pensions Committee and Board 7 July 2020

Title: Local Government Pension Scheme Governance Update from Independent Advisor

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

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

1. Describe the issue under consideration

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

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

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

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The attached update from the Fund's Independent Advisor covers the following topics:
- Good Governance in the LGPS – update
 - Supreme Court Case regarding 2016 LGPS Statutory Guidance

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

Finance and Procurement

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

Legal Services Comments

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

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor's Update

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

JOHN RAISIN FINANCIAL SERVICES LIMITED

Haringey Pension Fund

LGPS Update

A paper by the Independent Advisor
June 2020

Introduction

The purpose of this paper is to update the Pensions Committee and Board on developments relating to two important issues. Firstly, developments relating to the Good Governance in the LGPS project. Secondly, to report on the outcome of a legal case relating to the LGPS in respect of which the Supreme Court delivered its judgement on 29 April 2020.

1. Good Governance in the LGPS project

As reported in detail in previous papers to the Pensions Committee and Board (21 January 2019, 11 July 2019, 19 September 2019 and 20 January 2020) the Scheme Advisory Board for England and Wales (SAB) has been developing proposals to significantly enhance governance within the LGPS. This paper briefly reviews the Good Governance in the LGPS project and in particular provides an update on developments since the end of January 2020.

This project – The Good Governance in the LGPS project - is the most important development presently underway in the LGPS as it seeks to fundamentally enhance and strengthen the governance of the individual LGPS Funds across England and Wales (now 85 in total). Completion of the project and its effective implementation across the LGPS in England and Wales is surely the most effective means of maintaining the existing and longstanding local management of the LGPS.

As previously reported a Phase I report was produced by Hymans Robertson in July 2019 and a Phase II report by Hymans Robertson and two stakeholder Working Groups was considered by the SAB and issued in November 2019. [The Independent Advisor was a member of both the Working Groups]. This Phase II report included a broad range of proposals to enhance the governance of the LGPS across England and Wales.

At the meeting of the Scheme Advisory Board held on 3 February 2020 it was agreed that the two working groups who prepared the Phase II report be combined to form an Implementation Group [of which the Independent Advisor is a member]. It was further agreed that this group prepare a detailed paper for consideration by the Board at its meeting in May 2020 to include proposals for necessary changes to the LGPS Regulations and new Statutory Guidance, the establishment of Key Performance Indicators, and the process for the independent assessment of the governance of the individual LGPS Funds.

The Implementation Group began its work in February 2020. In March an initial draft of the new Statutory Guidance on Governance in the LGPS and draft paper on the role of the LGPS Senior Officer were issued and circulated for comments. The social distancing restrictions introduced by the government in March prevented the group meeting in person. Telephone conferencing discussions were held but attendance was limited due to the fact that local government Officers on the group were engaged in responding to Coronavirus.

Therefore, on 6 April 2020 at a virtual meeting involving the SAB Chair, Vice Chair and Chairs of the Investment and Cost Management Committees it was agreed to stand down the Implementation Group until further notice but that the project team at Hymans Robertson be asked to continue to work on papers for consideration by the Implementation Group once meetings again become viable. This action was approved at the Board meeting of SAB held on 5 May 2020. Consequently, the timetable for the completion of the Good Governance in the LGPS project is on hold pending the resolution of the Coronavirus epidemic.

The Ministry for Housing Communities and Local Government (MHCLG) were represented on the Phase II Working Groups and are represented on the (Phase III) Implementation Group. Therefore, the proposals of the Good Governance in the LGPS project are likely to be adopted, eventually, by the MHCLG and compliance required of all LGPS Funds in England and Wales through the issuing, in due course, of new Statutory Guidance on Governance in the LGPS.

Given the delays to the work of the Implementation Group caused by Coronavirus, the need for the SAB to consider and as necessary consult upon the proposals of the Implementation Group and then the need for the MHCLG to formally propose, consult upon and enact changes to the LGPS Governance requirements it will be mid 2021 at the very earliest and potentially considerably later before this new and much enhanced framework becomes a requirement upon all LGPS Funds across England and Wales.

2. Supreme Court Case regarding 2016 LGPS Statutory Guidance

In 2016 the Local Government Pension Scheme (Management and Investment of Funds) Regulations were updated. To accompany the new Regulations the Government issued Statutory Guidance to assist Administering Authorities in the LGPS to formulate, publish and maintain their Investment Strategy Statement as required under the new Regulation 7. This was entitled “Guidance on Preparing and Maintaining an Investment Strategy Statement.”

This Statutory Guidance was 10 pages long and provided much clear and helpful guidance to Administering Authorities. The Statutory Guidance did however include two short paragraphs that became the subject of a case taken by the Palestine Solidarity Campaign and an individual member of the LGPS who claimed that the inclusion of two specific paragraphs in the Guidance were unlawful and that they should be removed.

Before discussing the case initiated by the Palestine Solidarity Campaign and its implications it is essential to stress that the fundamental investment duty of an LGPS Administering Authority is not affected by this case. LGPS Funds, in the words of the 2016 Statutory Guidance, *“should make the pursuit of a financial return their predominant concern...”* Both the case taken by the Palestine Solidarity Campaign and the Judgement of the Supreme Court did not concern, challenge or alter this overriding duty.

The case raised by the Palestine Solidarity Campaign merely concerned the breadth of the ethical investments that Administering Authorities of the LGPS (such as Haringey) are permitted to make. In the Judgement of the Supreme Court of 29 April 2020 Lord Wilson defined (in paragraph 1) an ethical investment as follows *“By an ethical investment, I mean an investment made not, or not entirely, for commercial reasons but in the belief that social, environmental, political or moral considerations make it, or also make it, appropriate.”*

The paragraphs that the claimants believed were unlawful are in italics below:

- *“However, the Government has made clear that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.”*
- An Administering Authority *“Should not pursue policies that are contrary to UK foreign policy or UK defence policy”*

The case was originally heard in the High Court in 2017 which declared the two passages in the Guidance under challenge to be unlawful. This decision was reversed by the Court of Appeal in 2018. Leave was granted for the case to be finally determined by the Supreme Court which heard the case in November 2019 and delivered its Judgement on 29 April 2020.

In their Judgement the Supreme Court determined by a majority of 3 to 2 that the two passages in the Guidance under challenge were indeed unlawful as in issuing them the Secretary of State had exceeded his powers. As part of the Judgement (in paragraph 31) Lord Wilson stated *“Power to direct HOW administrators should approach the making of investment decisions by reference to non-financial considerations does not include power to direct (in this case for entirely extraneous reasons) WHAT investments they should not make.”*

On 11 May 2020 the LGPS Scheme Advisory Board for England and Wales posted the following initial statement on its website: *‘The SAB welcomes the clarity brought by the judgement of the Supreme Court in the case of R (on the application of Palestine Solidarity Campaign Ltd and another) Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent). In seeking to restrict the outcome as well as the considerations taken account of by an LGPS administering authority when developing its responsible investment policy, the government has been judged to have overstepped its powers. It is the Board’s view that Responsible Investment policy decisions belong at the local level reflecting: the need to pay pensions both now and in the future; local democratic accountability and the views of scheme members; and that outcomes of policy developments should not be subject to restrictions based on unrelated matters’*

The Judgement issued by the Supreme Court is 35 pages long and statements made by the Judges in this may clearly have implications beyond the issue of the two passages in the Statutory Guidance which were the subject of the case. Therefore, the Scheme Advisory Board (SAB) agreed that its Secretariat, in conjunction with the Board’s legal adviser, draft a statement summarising the Judgement for publication on the Board’s website. This was to include the direct effect of the decision and possible indirect impacts of the decision.

The Scheme Advisory Board issued their (five page) note on the Judgement on 8 June 2020 which *“seeks to clarify the direct legal impact of the Supreme Court’s judgement in relation to investment guidance issued by the Secretary of State. It also includes items of interest from the court’s reasoning in reaching its judgement that may inform the thinking of both scheme stakeholders and government in the future.”* It is surely significant that in three separate places in the note (pages 2,3,4/5) the comment is made that the Judgement does not change the fundamental duties and responsibilities of LGPS Administering Authorities in relation to their investment or other powers and confirms that the Administering Authority remains *“responsible for investment decisions”*.

Comments in the note on ***“The Decision and its Direct Impact”*** include:

- *The outcome of the decision is that the Secretary of State went beyond his powers by including the contested passages in the guidance. The reissued guidance from July 2017 (with the relevant passages removed) remains valid.*
- *The judgement does not change the fundamental duties and responsibilities of LGPS administering authorities in relation to their investment or other powers. The administering authorities remain responsible for investment decisions.*

In the section ***“Are LGPS Funds Public Money?”*** the SAB note very helpfully addresses issues considered in paragraphs 28 to 30 of the Judgement issued by the Supreme Court in April 2020. One of the arguments that was raised by the Barrister (Julian Milford) representing the Secretary of State at the hearing before the Supreme Court in November 2019 was the concept that LGPS Funds are *“public money.”* The SAB note contains the following statement on this issue which, I think, it is helpful to quote below in full. I have however highlighted in bold the two paragraphs that perhaps merit particular attention.

“In pursuing an argument that administering authorities were part of the machinery of state, MHCLG also argued that LGPS funds are “public money”. What MHCLG appear to have argued is that because LGPS funds are ultimately funded by the taxpayer, they are effectively the government’s money and therefore the government has the power to direct how those funds should be used via guidance.

Lord Wilson rejected this argument, quoting Sir Nicolas Browne-Wilkinson VC from the Imperial Tobacco case², making the point that contributions are paid by both employees and employers and that employer contributions are made in consideration of the work done by their employees and so represent another element of the employees’ overall remuneration.

Lord Wilson came to the conclusion that LGPS funds should rather be viewed as representing employees’ money rather than public money.

This comment may be at risk of being taken out of context and should not be interpreted as meaning that LGPS funds are owned or controlled by the members. It is clear elsewhere in the judgement that the LGPS is a statutory pension scheme and that the primary responsibility for delivering the functions of the LGPS rests with its administering authority.

There is no suggestion that the assets of an LGPS fund legally vest in anybody but the administering authority. We do not believe that Lord Wilson was making such a suggestion. In fact, Lord Carnwath specifically states that, “responsibility for investment decisions thus rests with the administering authorities”

The full text of the SAB note on the Supreme Court Judgement can be found at the link https://www.lgpsboard.org/images/Guidance/SAB_SCSN062020.pdf This SAB note on the Supreme Court Judgement provides Administering Authorities with helpful information as to the overall consequences of the Judgement.

In conclusion the Judgement issued by the Supreme Court on 29 April 2020 determined that the Secretary of State exceeded his powers by including in the Statutory *“Guidance on Preparing and Maintaining an Investment Strategy Statement”* of 2016 the (few) lines contested in the case relating to not pursuing policies that are contrary to UK foreign policy or UK defence policy. The contested lines (but nothing else) were removed from a revised version of the Statutory Guidance issued in July 2017 (following the original High Court ruling) and this remains valid in its entirety.

The Judgement does not in any way suggest that Administering Authorities, such as the London Borough of Haringey, are not completely responsible for investment decisions relating to their LGPS Fund. Indeed in paragraph 42 of the Supreme Court Judgement Lord Carnwath explicitly stated *“...Responsibility for investment decisions thus rests with the administering authorities.”*

Finally it is worth restating that it can be said with certainty that the Judgement does not undermine the overriding duty of the Administering Authority, in the words of the 2016 Statutory Guidance on Preparing and Maintaining an Investment Strategy Statement, that *“...schemes should make the pursuit of a financial return their predominant concern...”* This element of the Statutory Guidance was not disputed in this case.

John Raisin

12 June 2020

Note: The full Supreme Court Judgement referred to above can be accessed at <https://www.supremecourt.uk/cases/docs/uksc-2018-0133-judgment.pdf>

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

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

www.jrfpensions.com

Report for: Pensions Committee and Board 7 July 2020

Title: Forward Plan

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer) thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

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

1. Describe the issue under consideration

- 1.1. The purpose of the paper is to identify topics that will come to the attention of the Committee and Board in the next twelve months and to seek Members input into future agendas. Suggestions on future training are also requested.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. The Committee and Board is invited to identify additional issues & training for inclusion within the work plan and to note the update on member training attached at Appendix 3.

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. It is best practice for a Pension Fund to maintain a work plan. This plan sets out the key activities anticipated in the coming twelve months in the areas of governance, members/employers, investments and accounting. The Committee and Board is invited to consider whether it wishes to amend future agenda items as set out in the work plan.

- 6.2. Members will recall that the governance review recommended that the Committee and Board should be provided with an update on member training. This information is provided in Appendix 3 of the report.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

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

Finance and Procurement

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

Legal Services Comments

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

Equalities

- 8.3. None applicable.

9. Use of Appendices

- 9.1. Appendix 1: Forward Plan
9.2. Appendix 2: Training Plan.
9.3. Appendix 3: Update on TPR Public Service Toolkit/Training Needs Analysis

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

APPENDIX 1

7 July 2020	10 September 2020	17 November 2020	21 January 2021	4 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
Independent Advisor's LGPS Update	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
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 LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration and Governance				
Actuarial Services Contract	Annual Pension Fund Accounts and Annual Report (including various statutory documents) - This item may be deferred until November 2020	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
Investments				

7 July 2020	10 September 2020	17 November 2020	21 January 2021	4 March 2021
Investment Strategy Review 2nd Paper	Investment Strategy Renewable Energy and Private Equity Commitments	Investment Strategy - Gilts portfolio		
		Investment Strategy - Residential Property (dependent on London CIV)		
Funding and Valuation				
Training				
Training & Conferences	Training & Conferences Update	Training & Conferences	Training & Conferences Update	Training & Conferences Update
Investment Strategy - Mercer	Tbc	Tbc	Tbc	Tbc

APPENDIX 2

Conference / Event	Training/Event Organiser	Cost	Delegates Allowed
Scheme Advisory Board Website	LGPS Scheme Advisory Board	Free - Online	N/A
The Pension Regulator's Pension Education Portal	The Pension Regulator	Free - Online	N/A
The Pension Regulator's Trustee Toolkit	The Pension Regulator	Free - Online	N/A
LGPS Regulation and Guidance	LGPS Regulation and Guidance	Free - Online	N/A
LGPS Members Website	LGPS	Free - Online	N/A
Local Government Association (LGA) Website	LGA	Free - Online	N/A

020 8489 1341

thomas.skeen@haringey.gov.uk

APPENDIX 3

Public Sector Toolkit (Online)	Training Needs Analysis
x	✓
✓	✓
✓	✓
✓	✓
✓	✓
x	✓
x	✓

Report for: Pensions Committee and Board 7 July 2020

Title: Risk Register - Review/Update

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
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 new risks added into the risk register cognisant of the current Coronavirus pandemic.

4. Reason for Decision

- 4.1. None

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The Pensions Regulator requires that the Committee and Board establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.
- 6.2. The Committee and Board approved a full version of the risk register on 20 September 2016 and from each meeting after this date different areas of the

register have been reviewed and agreed so that the risk register always remains current.

- 6.3. An abridged version of the full register is attached. This highlights the areas to be considered for this Committee and Board meeting in line with the agreed work plan for regular review of the risk register. Red rated risks are highlighted separately.
- 6.4. The risk register has been reviewed and updated in light of the Coronavirus pandemic. Usually the Pensions Committee and Board review two sections of the risk register in each meeting, however as the updates to the risk register span across a number of different areas the full version of the risk register is appended to this report. Updates made in light of Coronavirus are below (with further information given in the risk register itself):

Risk Reference	Description of risk	Risk score (from 1-25)
GOV18	The Fund's Governance processes are impaired following the Coronavirus Pandemic resulting in a lack of controls, or delays to decision making causing harm to the fund	10
ACC9	Risk of the fund's accounts being delayed beyond statutory deadlines due to impacts of coronavirus pandemic. Delays beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline	6
ACC10	Risk of misstatement of figures in the Fund's accounts and potential audit qualification due to material uncertainty at the year end caused by the Coronavirus pandemic	9
ADM12	Risk of being unable to administer pension benefits due to the Coronavirus pandemic	5
ADM13	Risk of increased numbers of death cases due to the Coronavirus pandemic causing work backlogs and delays to benefit payments	10
ADM14	Risk of employers failing to pay across employer or employee contributions or becoming insolvent as a result of the coronavirus pandemic, potentially leading to the fund being unable to recover deficits if these exist when the employer leaves the fund	12
INV12	Risk that the Fund's investment performance, valuation and funding level is significantly reduced following the Coronavirus pandemic	15

FLI12	Risk of the fund experiencing liquidity issues in the wake of the coronavirus pandemic, as a result of cashflow demands to pay pensions, and inability to sell investment assets or being forced to sell these in challenging market conditions, crystallising losses	5
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6.5. Members will note that none of the above risks have been flagged as ‘red’ risks to date. They will however be kept under review.

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 (Full Version)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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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

Risk No	Cat Ref	Risk	Risk Ranking
INVESTMENTS			
48	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	10
49	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	5
50	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	10
51	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	5
52	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	10
53	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
54	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	4

Risk No	Cat Ref	Risk	Risk Ranking
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
55	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
56	INV9	Actual asset allocations move away from strategic benchmark.	12
57	INV10	No modelling of liabilities and cash flow is undertaken.	5
58	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
59	INV12	Risk that the Fund's investment performance, valuation and funding level is significantly reduced following the Coronavirus pandemic	15

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

COMMUNICATION			
60	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
61	COM2	Communication is overcomplicated and technical leading to a lack of engagement and understanding by the user (including members and employers).	6

Risk No	Cat Ref	Risk	Risk Ranking
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
18	GOV18	The Fund's Governance processes are impaired following the Coronavirus Pandemic resulting in a lack of controls, or delays to decision making causing harm to the fund	10

Risk No	Cat Ref	Risk	Risk Ranking
62	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	12
63	COM4	Apathy from members and employers if communication is irrelevant or lacks impact leading to uninformed users.	9
64	COM5	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	8
65	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	12

LEGISLATION			
19	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

Risk No	Cat Ref	Risk	Risk Ranking
20	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	5
21	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	8
22	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
23	LEG5	Risk of legislation change post Brexit having negative impact on the fund	12

ACCOUNTING			
24	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	5
25	ACC2	Internal controls are not in place to protect against fraud/ mismanagement.	5
26	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	8

Risk No	Cat Ref	Risk	Risk Ranking
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FUNDING/LIABILITY			
66	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	10
67	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	10
68	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	10

Risk No	Cat Ref	Risk	Risk Ranking
27	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
28	ACC5	Inadequate monitoring of income (contributions) leading to cash flow problems.	4
29	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
30	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	6
31	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	8
32	ACC9	Risk of the fund's accounts being delayed beyond statutory deadlines due to impacts of coronavirus pandemic. Delays beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline	6
33	ACC10	Risk of misstatement of figures in the Fund's accounts and potential audit qualification due to material uncertainty at the year end caused by the Coronavirus pandemic	9

Risk No	Cat Ref	Risk	Risk Ranking
69	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	10
70	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	10
71	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	10
72	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	5
73	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	5
74	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	8
75	FLI10	Processes not in place to capture or review covenant of individual employers.	8

Risk No	Cat Ref	Risk	Risk Ranking
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Risk No	Cat Ref	Risk	Risk Ranking
76	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	5
77	FLI12	Risk of the fund experiencing liquidity issues in the wake of the coronavirus pandemic, as a result of cashflow demands to pay pensions, and inability to sell investment assets or being forced to sell these in challenging market conditions, crystallising losses	5

ADMINISTRATION			
34	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
35	ADM2	Pension structure is inappropriate to deliver a first class service	5
36	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	8
37	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	5
38	ADM5	Failure to pay pension benefits accurately leading to under or over payments.	8
39	ADM6	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	8

Colour Risk Level



Low



Moderate

Risk No	Cat Ref	Risk	Risk Ranking
40	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	4
41	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	10
42	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
43	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
44	ADM11	Cybersecurity, the risk posed to data and assets held by the fund, such as personal sensitive data regarding beneficiaries of the Fund.	10
45	ADM12	Risk of being unable to administer pension benefits due to the Coronavirus pandemic	5

Risk No	Cat Ref	Risk	Risk Ranking
		High	
		Very High	

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

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

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

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted as required.	4	3	12		Mar-20
4	GOV4	Member non-attendance at training events.	A record of training events attended is a standing agenda item.	4	2	8	PCB	Ongoing
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	Job descriptions are used at recruitment to appoint officers with relevant skills and experience. The recruitment process would have identified key knowledge/skills that the successful applicant would need to demonstrate that they possess before being offered a role. Training and improvement plans are in place for all officers as part of the	4	1	4	CFO	Ongoing
6	GOV6	Committee members have undisclosed conflicts of interest.	Declaration of conflict of interest is a standing item on the agenda. All members of the Committee are	3	1	3	PCB	Quarterly

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	<p>There are five Committee/Board meetings scheduled for 2019/20 municipal year.</p> <p>Where urgent decisions are required this can be done either by organising an additional meeting outside the scheduled meetings or canvassing opinions and votes electronically following dissemination of relevant information to Members.</p> <p>Delegation of necessary authority can be granted to relevant officers for extremely time critical matters too.</p>	4	1	4	PCB	Ongoing
8	GOV8	Known risks not monitored leading to adverse financial, reputational or resource impact.	The Committee has agreed to have the risk register on the agenda for all future meetings including a review of all high risk items and a periodic review of risks by category of risk.	4	1	4	PCB	Quarterly

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
9	GOV9	Failure to recognise new Risks and/or opportunities.	Quarterly Committee/management meeting to identify new risks/opportunities. <i>Attendance at regional and national</i>	4	1	4	HoP; PCB	Quarterly
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	All procurement carried out in line with the Council's procurement rules and guidance. Expert legal and procurement advice sought where appropriate.	5	1	5	HoP	Periodically

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

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

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

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB), or other bodies, resulting in reputational damage.	Guidance (included updates) issued by TPR and SAB is reported to the Committee with gaps identified and clear timetables to address weaknesses agreed.	5	2	10	HoP	Ongoing

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	<p>The London CIV is planning to have as wide a range of mandates as possible and also that there will be a choice of manager for each mandate/asset class.</p> <p>The Fund will be able to retain mandates not currently appointed to by the London CIV, or where moving a mandate to the CIV would not be financially beneficial. Draft Statutory Guidance issued in January 2019 makes clear that a small proportion of assets may remain under local control (provided there is a clear rationale for doing so, and financial benefits can be demonstrated). This draft Statutory Guidance also allowed for the potential of cross pool investments, which will be a helpful option for funds/pools to consider if it is included in the actual new Statutory Guidance expected to be finalised in 2020</p>	5	1	5	HoP	Ongoing

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

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	The Investment Strategy is in accordance with LGPS investment regulations and it takes into consideration the Fund's liabilities and funding levels among other things.	5	2	10	HoP	Mar-20
18	GOV18	The Fund's Governance processes are impaired following the Coronavirus Pandemic resulting in a lack of controls, or delays to decision making causing harm to the fund	The Fund has had to alter usual governance processes due to the coronavirus pandemic, for example day to day activities where approval of a staff member would usually be given by a wet ink signature have been moved to become electronic approvals. Pensions Committee and Board meetings will take place in line with the previously agreed timetable, and these will take place virtually as allowed for by recent government guidance. Decision making should therefore still go ahead as usual.	5	2	10	HoP	Dec-20

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

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Respon-sibility	Timescale
20	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	<p>Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training presentation on impact and implementation of new legislation.</p> <p>Collaborative working with other Funds to assess requirement and impact of new legislation.</p>	5	1	5	HoP; PAM	Ongoing
21	LEG3	Lack of skills or resource to understand complex regulatory changes or understand their impact.	The Pensions Service has been restructured in recent years to ensure appropriately skilled staff are recruited and to ensure that there is a concentration of knowledge between the pensions administration and investment teams.	4	2	8	CFO; HoP; PAM	Ongoing
22	LEG4	Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading to increased fund liabilities due to McCloud and GMP rulings.	Current legal challenges regarding the change from final salary in the scheme, and GMP will potentially impact on all public sector schemes, increasing liabilities and potentially changing the new career average benefits frameworks put in place in 2014 in LGPS. Officers will remain abreast of this situation and keep members informed.	4	4	16	CFO; HoP; PAM	Ongoing

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

ACCOUNTING: RISK MANAGEMENT FRAMEWORK

24	ACC1	The Pension Fund Statement of Accounts does not represent a true and fair view of the Fund's financing and assets.	<p>Qualified Accountant to produce the accounts using the most up to date Statement of Recognised Practice, Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials/publications.</p> <p>Attendance at Pensions Officers Group Meetings, Based on latest Code of Practice, robust in year (quarterly) monitoring / reconciliation processes.</p> <p>Draft Statement of Accounts and working papers reviewed by the Head of Pensions and the Chief Accountant.</p>	5	1	5	HoP;	Jul-20
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ACCOUNTING: RISK MANAGEMENT FRAMEWORK

25	ACC2	Internal controls are not in place to protect against fraud/ mismanagement.	<p>The Internal Audit plan includes dedicated hours for pensions to the review of internal controls in relation to the management and accounting of the Pension Fund. Pensions is audited annually, with investments and administration covered on alternate years.</p> <p>The plan is designed on a risk basis, so that areas of high risk will be subject to more frequent internal audits.</p> <p>Pensions feed into the process by identifying areas where improvements are required.</p> <p>Recommendations from internal audits of processes and controls are implemented in a timely manner to reduce or remove identified risks.</p>	5	1	5	HoP; PAM	Mar-20
26	ACC3	The Fund does not have in place a robust internal monitoring and reconciliation process leading to incorrect figures in the accounts.	<p>A checklist of all daily, weekly, monthly and quarterly reconciliations is maintained to ensure that all tasks are completed in a timely manner.</p> <p>All reconciliations are independently reviewed and signed off by a second officer.</p>	4	2	8	HoP;	Ongoing

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
27	ACC4	Market value of assets recorded in the Statement of Accounts is incorrect leading to a material misstatement and potentially a qualified audit opinion.	Reconciliation undertaken between the book cost and market values to the custodians book of records recieved quarterly, reports can be run off online portal - Passport. Further reconciliation undertaken between the custodian and investment managers' records.	5	2	10	HoP	Quarterly
28	ACC5	Inadequate monitoring of income (contributions) leading to cash flow	A majority of total income to the Fund comes from contributions by the Council.	4	1	4	PAM; HoP	Ongoing
29	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.	Employers are sent all employers a contribution form at the start of each year and confirm the correct rates to be paid. Payment is monitored against expected payment quarterly. Where there are discrepancies, the employer is expected to make immediate payment to make up the shortfall - overpayments cannot be refunded. Employers making late payment are	5	1	5	PAM; HoP	Ongoing

ACCOUNTING: RISK MANAGEMENT FRAMEWORK								
30	ACC7	The fund fails to recover adhoc /miscellaneous income adding to the deficit.	<p>All expenditure incurred by the fund on behalf of employers is recharged. Invoices are itemised and all recoverable items are identified and charged back to the relevant employer.</p> <p>All income recoverable, including withholding taxes on investments are itemised in the custodian reports.</p>	3	2	6	HoP;	Ongoing
31	ACC8	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	<p>Levels of transfers out initially anticipated have not materialised in relation to transfers to DC Funds.</p> <p>However transfers out from employers exiting the fund and bulk transfers will have some impact on the fund. This is not anticipated to cause material change to the Fund's cashflow however.</p>	4	2	8	PAM; HoP	Ongoing

ADMINISTRATION								
34	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.	<p>Ensure staff are adequately trained.</p> <p>Appropriate checking processes.</p> <p>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.</p>	5	2	10	PCB; DoF; HoP; PAM	Ongoing
35	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

ADMINISTRATION								
36	ADM3	Insufficiently trained or experienced staff leading to knowledge gaps	<p>Training programme for staff including CPD qualification in some places. Regular briefings and updates on LGPS changes from CIPFA and other training providers.</p> <p>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.</p> <p>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.</p>	4	2	8	DoF; HoP	Ongoing
37	ADM4	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	<p>Pensioner administration system Altair is subject to daily software backups and off-site duplication of records.</p> <p>The business recovery plan once implemented allows the pension administration system to be run from</p>	5	1	5	PAM	Ongoing

probability
reduced to
a '2'

ADMINISTRATION								
38	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.	4	2	8	PAM	Ongoing
39	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.	4	2	8	PAM	Ongoing
40	ADM7	Not dealing properly with complaints leading to escalation that ends ultimately with the ombudsman	<p>The Fund has an Internal Dispute Resolution Policy (IDRP) which has been approved by the Committee. This was last approved in March 2019.</p> <p>In attempting to resolve any complaints by members, the IDRP will guide officers to ensure that due process is applied through out the process.</p> <p>The Pensions Service understands that by comparison to other LGPS Funds it</p>	4	1	4	PCB; HoP; PAM	Ongoing
41	ADM8	Data protection procedures non-existent or insufficient leading to poor security for member data	<p>The Council's data protection policy is issued to and signed by all staff.</p> <p>The Council has in place a system that ensures pension fund data is sufficiently protected.</p> <p>Staff trained in data protection and regularly reminded of its importance.</p>	5	2	10	HoP; PAM	Ongoing

Probability reduced to a '1'

ADMINISTRATION								
42	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
43	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.	<p>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.</p> <p>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.</p>	5	2	10	HoP	Ongoing

ADMINISTRATION									
44	ADM11	Cybersecurity, the risk posed to data and assets held by the fund, such as personal sensitive data regarding beneficiaries of the Fund.	<p>The Council performs an annual healthcheck and penetration testing on all Council IT.</p> <p>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.</p>	5	2	10	PCB; DoF; HoP; PAM	Ongoing	New risk added following conversation in the Jan PBC Meeting
45	ADM12	Risk of being unable to administer pension benefits due to the Coronavirus pandemic	<p>The Council has moved almost all of its workforce to remote working in March 2020. The majority of pensions administration tasks can be concluded remotely with staff working from home, and for those few activities where an office presence is required, staff members are on a rota to visit the office to complete these duties.</p> <p>In line with the Pensions Regulator Guidance, the Fund has prioritised the payment of pension benefits, processing of retirements and dealing with death cases. The fund has largely been able to perform these duties as it would in normal times, albeit with some modifications to usual processes.</p>	5	1	5	HoP; PAM	Ongoing	

ADMINISTRATION								
46	ADM13	Risk of increased numbers of death cases due to the Coronavirus pandemic causing work backlogs and delays to benefit payments	The Fund has seen an uptick in death cases as would be expected. It has prioritised dealing with these cases in line with the Pensions Regulator Guidance, and has dealt with this work within existing headcount. Members of the pensions administration team cancelled planned annual leave in April and May which helped the fund deal with the increased caseload, and some overtime has been used to manage workloads.	5	2	10	HoP; PAM	Ongoing

ADMINISTRATION								
47	ADM14	Risk of employers failing to pay across employer or employee contributions or becoming insolvent as a result of the coronavirus pandemic, potentially leading to the fund being unable to recover deficits if these exist when the employer leaves the fund	The fund has reviewed its employers on a risk basis: cognisant of whether employers are in a deficit position and whether they will be affected materially by the Coronavirus pandemic. The majority of fund employers provide key public services which are continuing despite coronavirus and therefore are not anticipated to suffer severe financial consequences of coronavirus. Additionally, the majority of fund employers are in a surplus position, so if they do exit the fund this is not anticipated to leave a deficit which requires recovery. No employers have contacted the fund to say they are unable to pay contributions to date.	4	3	12	HoP; PAM	Ongoing

Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Time-scale
INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	<p>The Investment and Funding Strategy Statements are reviewed regularly and discussed at Pensions Committee and Board meeting. Both will be updated as part of the 2019 Valuation.</p> <p>These Strategies are presented to the committee annually as part of the process of approving the Fund Annual Report.</p> <p>There is close liaison between the Fund's actuary and strategic investment adviser.</p>	5	2	10	HoP	Mar-20
INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose. Good contract management is key here as the Fund relies on external parties to be appointed for these purposes.	5	1	5	HoP	Ongoing
INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	<p>Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.</p> <p>A strength of covenant analysis is</p>	5	2	10	HoP	Mar-20

Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Time-scale
INV4	The Fund doesn't take expert advice when determining Investment Strategy.	The Fund currently utilises the services of Mercer as the Investment Consultant to the Fund.	5	1	5	HoP; PCB	Ongoing
INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	The Fund employs the services of an investment consultant, Mercer, but has also engaged an independent advisor to challenge/confirm investment/investment strategy decisions. This model ensures that advice is subject to peer review to ensure that it is fit for purpose.	5	2	10	PCB; PCB	Ongoing

Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Time- scale
INV6	Investment Manager Risk - this includes both the risk that the wrong manager is appointed and /or that the manager doesn't follow the investment approach set out in the Investment Management agreement.	<p>Rigorous selection process in place to ensure that Fund appoints only the best investment managers based on available information during tendering of a new mandate.</p> <p>Expert professional advice provided by Investment Consultant supporting manager selection exercise. It is a requirement of the Fund that all Investment Managers are FCA registered.</p> <p>Where necessary specialist search managers will be engaged to assist investment manager selection.</p>	5	2	10	PCB;	Ongoing
INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	<p>The Pensions Committee receives formal quarterly reports on both the overall performance of the Fund and individual investment managers.</p> <p>Where appropriate members may be asked to utilise electronic decision making, such as, email to allow the Committee to make timely/urgent decisions relating to investment of fund assets.</p>	4	1	4	HoP; CC	Ongoing

Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Time- scale
INV8	The risks associated with the Fund's assets are not understood resulting in the Fund taking either too much or too little risk to achieve its funding objective.	Full Investment Strategy review undertaken by Investment Consultant on triennial basis after triennial valuation with Annual/Ad-hoc Strategy reviews undertaken in intervening years to ensure the Strategy is still appropriate to achieve long term funding objectives.	5	2	10	HoP; PCB	Jul-20
INV9	Actual asset allocations move away from strategic benchmark.	Asset Allocations formally reviewed as part of quarterly report to Pensions Committee and necessary action will be taken to correct imbalance that is over and above the tolerance threshold . LGIM, the equity investor is able to affect a rebalancing of the Fund's assets to benchmark and has been tasked to do so on an ongoing basis. This is a topic that has been discussed with the PCB recently for property and private equity.	4	3	12	HoP	Ongoing

Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Time- scale
INV10	No modelling of liabilities and cash flow is undertaken.	Annual cash flow monitoring at Fund level undertaken by Head of Pensions and utilised to inform Investment Strategy to ensure that the Fund is always able to meet its liabilities as they fall due.	5	1	5	HoP	Mar-20

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

Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Time-scale
INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	<p>The Fund is a founding member of London CIV and actively engages with them.</p> <p>The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools due to the inefficiencies involved.</p> <p>Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been generally positive. Haringey has benefited from fee savings, and has a number of investments that are either via the CIV or under the CIV's oversight. These are however still subject to Haringey specific monitoring meetings with the relevant Investment Manager which are organised by the Head of Pensions and attended by</p>	5	3	15	HoP	Ongoing

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

Cat Ref	Risk	Current Controls	Impact	Proba- bility	Overall Risk Rating	Respon- sibility	Time- scale
INV12	Risk that the Fund's investment performance, valuation and funding level is significantly reduced following the Coronavirus pandemic	The fund's value declined sharply in March 2020, however it has recovered following this, and at the current time has recovered to a level above that at the latest valuation. However there are significant concerns about global economic growth going forwards, which may result in sustained lower investment performance in the future.	5	3	15	HoP; PCB	Ongoing

COMMUNICATIONS: RISK MANAGEMENT FRAMEWORK								
60	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	<p>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.</p> <p>Member provided with explanatory notes and guidance to enable them to make informed decision and given access to further pension support.</p>	4	3	12	PAM; HoP	Ongoing
61	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
62	COM3	Employer doesn't understand or carry out their legal responsibilities under relevant legislation.	<p>Ensure information communicated to Employers is clear and relevant by using simple understandable wording.</p> <p>Where available use standard template/information from the LGA.</p>	4	3	12	PAM; HoP	Ongoing
63	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								
64	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.	4	2	8	PAM; HoP	Ongoing
65	COM6	Lack of information from Employers impacts on the administration of the Fund, places strain on the partnership between Fund and Employer.	The Pensions Manager and other staff carry All forms available on our website and Employer has access to specialist support from Fund Officers.	4	3	12	PAM; HoP	Ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
66	FLI1	Funding Strategy and Investment considered in isolation by Officers, Committee and their separate actuarial and investment advisors	Funding Strategy statement has explicit links to the investment strategy. Both the actuarial advisor and the investment advisor advise Officers and the Committee and work in partnership to ensure that the two strategies are compatible. The Funding Strategy once ready is presented to Committee for final review and approval.	5	2	10	HoP	Ongoing with any changes made to the investment strategy
67	FLI2	Inappropriate Funding Strategy set at Fund and employer level despite being considered in conjunction with Investment Strategy.	Fund commissions stochastic modelling from the fund's actuary to test the likelihood of success of achieving desired returns to deliver the Fund long term objectives of being able to pay retirement benefits as they fall due. The actuary sets a high probability bar for future service return and also a deficit recovery plan that recovers funding shortfall in the most efficient manner.	5	2	10	HoP; Fund Actuary	Mar-20

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
68	FLI3	Inappropriate Investment and Funding Strategy set that increases risk of future contribution rate increases.	The Actuary as part of the triennial valuation reviews the Funding Strategy to take account of outcomes from the triennial valuation and sets appropriate contribution rate for each employer in the Fund. Similarly, a comprehensive review of the Investment Strategy is undertaken following a triennial valuation to ensure that the Strategy is still fit for purpose - annual and ad-hoc reviews are also undertaken where opportunities present itself.	5	2	10	HoP; Fund Actuary; Investment Consultant	Mar-20
69	FLI4	Processes not in place to capture or failure to correctly understand changes to risk characteristics of employers and adapting investment/funding strategies.	Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the Funding Strategy is fit for purpose. Funding strategy statement has specific strategies in place for different types of employer depending on their covenant strength etc.	5	2	10	HoP; PAM	Ongoing
70	FLI5	Processes not in place to capture or review when an employer may be leaving the LGPS.	Employer monitoring done to capture key metrics that drive an employers' liabilities and status within the Fund. Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme.	5	2	10	PAM; HoP	Ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
71	FLI6	Processes not in place to capture or review funding levels as employer approaches exiting the LGPS.	<p>Employer monitoring to capture key metrics that drive an employers' liabilities and status within the Fund.</p> <p>Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. Where an employer is admitted on a closed basis, this usually aligns with when the last active member on the employers payroll either retires or leaves the service of the employer.</p>	5	2	10	PAM; HoP	Ongoing
72	FLI7	Investment strategy is static, inflexible and does not meet employers and the Fund's objectives.	<p>The investment strategy is constantly under review and updated to ensure that the Fund is able to meets its objectives.</p> <p>The Investment Consultant/Independent</p>	5	1	5	HoP	ongoing
73	FLI8	Process not in place to ensure new employers admitted to the scheme have appropriate guarantor or bond in place.	The Fund's admission agreement policy requires potential admitted bodies to have a guarantor/bond in place. Or alternatively a pass through arrangement.	5	1	5	PAM; HoP	ongoing
74	FLI9	Level of bond not reviewed in light of change in employers pension liabilities.	<p>All new admissions into the Fund are required to have a bond taken out in the name of the Fund or provide a guarantor, if a pass through arrangement is not used.</p> <p>The Fund Actuary undertakes a periodic</p>	4	2	8	PAM; HoP	ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK								
75	FLI10	Processes not in place to capture or review covenant of individual employers.	<p>The strength of covenant of individual employers is assessed before they are admitted into the Fund.</p> <p>The strength of covenant is a significant factor when determining the terms of admission for a new admitted body to the Fund. Along with the employer profiling, strength of covenant of each individual employer is assessed periodically by the actuary and Head of Pensions.</p>	4	2	8	HoP	ongoing
76	FLI11	Processes not in place to capture and understand changes in key issues that drive changes to pension liabilities.	<p>The Haringey Pension Fund subscribes to a number of organisations that assists officers of the Scheme to keep abreast of development and changes to the Fund (including government legislation).</p> <p>Updates are received Local Authority Pension Fund Forum; CIPFA Pensions Network; London Pension Fund Forum. These forums/networks provide regular updates on all things local government pension and facilitates awareness of proposed or imminent changes to the LGPS or Investment regulations.</p>	5	1	5	PAM; HoP	ongoing

FUNDING/LIABILITY: RISK MANAGEMENT FRAMEWORK									
77	FLI12	Risk of the fund experiencing liquidity issues in the wake of the coronavirus pandemic, as a result of cashflow demands to pay pensions, and inability to sell investment assets or being forced to sell these in challenging market conditions, crystallising losses	The fund conducted a review of cashflows in April 2020 and made arrangements to ensure it held sufficient cash to provide for all cashflows for the remainder of 2020. Whilst there was a perceived risk of listed markets potentially ceasing or reducing trading, this has not materialised during the crisis to date.	5	1	5	HoP	Ongoing	

PCB Pensions Committee/Board
HoCF Head of Corporate Finance
CC Committee Clerk

Level 3
Level 4
Level 5

Moderate Moderate
Major Likely
Catastrophic Almost Certain

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

INV11	<p>The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.</p>	<p>The Fund is a founding member of London CIV and actively engages with them.</p> <p>The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools in the near future due to the inefficiencies involved.</p> <p>Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been generally positive. Haringey has benefited from fee savings, and has a number of investments that are either via the CIV or under the CIV's oversight. These are however still subject to Haringey specific monitoring meetings with the relevant Investment Manager which are organised by the Head of Pensions and attended by both the Head of Pensions and the Independent Advisor.</p>	5	3	15	HoP	Ongoing
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Report for: Pensions Committee and Board 7 July 2020

Title: Local Authority Pension Fund Forum (LAPFF) Voting Update

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

Lead Officer: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

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

1. Describe the issue under consideration

- 1.1. The Fund is a member of the LAPFF and the Committee and Board has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations. This report provides an update on voting activities on behalf of the Fund.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee and Board note this report.

4. Reason for Decision

- 4.1. None.

5. Other options considered

- 5.1. None.

6. Background information

- 6.1. The voting alert received from LAPFF and outcome of votes, as well as how the fund's equity manager, Legal and General Investment Management (LGIM) voted, is detailed below.

Company	Description	LAPFF Recommendation For/Oppose	LGIM Vote For/Oppose	AGM Vote outcome
Santos	Amendment to constitution, disclosures in line with Paris Goals and lobbying inconsistent with Paris Goals	For (x3)	For; For; For	undisclosed
Honeywell International Inc	Proposal to declare lobbying activities	For	For	undisclosed
Astra Zeneca PLC	Approval of Director's remuneration policy	Oppose	For	94.71% FOR, 5.29% OPPOSE
Boeing	Re-election of Board, additional reporting on lobbying activities and policy requiring an independent Board Chair	Oppose; For; For	For; For; For	undisclosed
Woodside Petroleum	Amendment to the constitution to include climate resolutions at the AGM; Disclosures in line with the Paris goals; Review of lobbying inconsistent with the Paris goals; Review of advertising activities	For (x4)	Oppose; For; For; Oppose;	Amendment to the Constitution: 6.28% FOR, 93.72% OPPOSE The two remaining resolutions were contingent on the first one being passed, they were therefore not put to the meeting.
Eli Lilly and Company	Proposal to disclose direct and indirect lobbying activities and expenditures	For	For	undisclosed
General Electric	Independent Board Chair	For	For	Oppose
Dominion Energy	Policy to require independent Chair	For	For	Oppose
Duke Energy Corporation	Policy to require independent Chair	For	For	undisclosed
Barclays PLC	Commitment to tackling climate change; ShareAction requisitioned resolution	For (x2)	For; For;	99.93% For; 23.95% For
Rio Tinto Ltd	Amendment of constitution; Resolution on emissions targets	For (x2)	For; For;	undisclosed

Ford Motor Company	Disclosure of lobbying activities and expenditure	For	For	undisclosed
Motorla Solutions Inc	Chair of audit committee; Political spending disclosure	Oppose; For	For; For;	undisclosed
Royal Dutch Shell	Targets aligned to Paris Agreement	For	Oppose	14.39% FOR, 85.61% OPPOSE
ExxonMobil	Election of board; Independent Chair; Report on risks of gulf coast petrochemical investments; Report on lobbying	Oppose; For; For; For	LGIM voted to oppose the election of 4 board members, and for the election of 6; For; For; for;	Independent Chair: 32.7% FOR, 67.3% OPPOSE Report on Petrochemical Investments: 24.5% FOR, 75.5% OPPOSE Report on Lobbying: 37.5% FOR, 62.5% OPPOSE
Amazon Inc	Report on effect of food waste; Report on customer use of certain technologies; report on customer misuse of certain technologies; Report on efforts to restrict certain products; Independent Board Chair; Alternative report on gender/racial pay; report on certain community impacts; Report on promotion data; Reduction in threshold for calling special shareholder meetings; Specific supply chain report format; Additional reporting on lobbying	For (x11)	For (x10); Oppose (x1)	undisclosed
Facebook Inc	Change in shareholder voting; Independent Chair; Voting for Directors; Election of human/civil rights expert on board	For (x4)	For (x4)	undisclosed
Chevron	Create a committee on climate risk; Independent Chair	For (x2)	For (x2)	undisclosed

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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