NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Monday, 23rd November, 2020, 7.00 pm - MS Teams (watch it here)

Members: Councillors John Bevan (Chair), Julie Davies (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 Council members and 2 Non Voting Members.

1. FILMING AT MEETINGS

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. 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', 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

To receive any apologies for absence.

3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under item 16 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 - 10)

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

8. PENSION ADMINISTRATION REPORT (PAGES 11 - 14)

This report provides updates regarding:

- The amount of visits made to the Haringey pension fund website;
- Details of an employer leaving the pension fund; and
- An update in light of the current Coronavirus pandemic.

9. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2019/20 (PAGES 15 - 158)

This report presents the Pension Fund Annual Report and Statement of Accounts for 2019/20 for the Pensions Committee and Board's approval. The report also presents the annual audit report from the Fund's external auditor, BDO.

10. INVESTMENT MANAGEMENT CONSULTANCY SERVICES TENDER (PAGES 159 - 162)

This report provides an update on the investment consultancy services contract and procurement exercise.

11. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 163 - 164)

The Fund is a member of the Local Authority Pension Fund Forum (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.

12. RISK REGISTER (PAGES 165 - 186)

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.

13. FORWARD PLAN (PAGES 187 - 192)

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 for future training are also requested.

14. IMPLEMENTATION OF THE RAFI MULTI FACTOR CLIMATE TRANSITION STRATEGY (PAGES 193 - 196)

In March 2020, the Pensions Committee and Board agreed in principle to switch the Fund's investment in the RAFI Multi Factor developed strategy to a low carbon derivative of the RAFI strategy: RAFI Multi Factor Climate Transition (MFCT) Developed Index. This report presents the result of further assessment of the RAFI MFCT index in line with Pensions Committee and Board instructions and summarises implementation considerations for the Fund.

15. PERFORMANCE REVIEW OF THE PENSION FUND'S INVESTMENT MANAGEMENT CONSULTANTS (PAGES 197 - 200)

This report presents a review of the performance of the pension fund's investment management consultants, Mercer, over the past twelve months since the strategic objectives were agreed and will form the basis of the report which is required to be submitted to the Competition and Markets Authority.

16. NEW ITEMS OF URGENT BUSINESS

17. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

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. IMPLEMENTATION OF THE RAFI MULTI FACTOR CLIMATE TRANSITION STRATEGY (PAGES 201 - 220)

As per item 14.

20. PERFORMANCE REVIEW OF THE PENSION FUND'S INVESTMENT MANAGEMENT CONSULTANTS (PAGES 221 - 224)

As per item 15.

21. EXEMPT MINUTES (PAGES 225 - 228)

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

22. NEW ITEMS OF EXEMPT URGENT BUSINESS

Fiona Rae, Principal Committee Co-ordinator
Tel – 020 8489 3541
Email: fiona.rae@haringey.gov.uk

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

Friday, 13 November 2020

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MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON TUESDAY, 20TH OCTOBER, 2020, 7.00 - 9.00 PM

PRESENT: Councillor John Bevan (Chair), Councillor Julie Davies (Vice-Chair), Councillor James Chiriyankandath, Councillor Paul Dennison, Councillor Viv Ross, Councillor Noah Tucker, Ishmael Owarish (from item 8), Keith Brown, and Randy Plowright.

In attendance: John Raisin (Independent Advisor), Alex Goddard (Mercers), and Steve Turner (Mercers).

1. FILMING AT MEETINGS

The Chair referred to the notice of filming at meetings and this information was noted.

2. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Ishmael Owarish.

3. URGENT BUSINESS

There was no urgent business.

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no deputations, petitions, presentations, or questions.

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

The Chair noted that various, free training opportunities were available online. He encouraged members to undertake training, to keep a record, and to submit it so that it could be recorded. The Head of Pensions and Treasury noted that he would be circulating The Pensions Regulator’s tool kit analysis to members to identify and organise any required training.

It was noted that the Chair had undertaken the following training: Local Authority Pension Fund Forum AGM (July 2020), North London Pension Funds Chairs Forum (July 2020), Local Government Pension Scheme Management During Covid-19 (August 2020), LGPS Live: Local Government Pension Scheme issues briefing

(September 2020), North London Pension Funds Chairs Forum (September 2020), Pension Investment Academy Fees, Cost and Transparency – Latest Developments (September 2020), Local Authority Pension Fund Forum (October 2020), LGPS Live: Local Government Pension Scheme, the administration challenge for 2021 (October 2020).

7. MINUTES

Cllr Tucker noted that it had been agreed at the last meeting that the Palestine Solidarity Campaign would be contacted in relation to their offer to provide a list of pension fund investment companies which they considered to be in contravention of international law. It was explained that a response had been received and an update was requested.

The Head of Pensions and Treasury noted that the response was being reviewed and officers had asked the fund manager for the equities portfolio to look into their investments; it was anticipated that an update would be available for the next meeting. The Chair added that the response from the Palestine Solidarity Campaign stated that they could not currently identify any investments in violation of international law. Cllr Tucker noted that they had offered to look at the pension fund's investments in detail and asked that officers consulted with fund managers to obtain a full list of investments and shared this with the Palestine Solidarity Campaign. The Legal Advisor noted that the Pension Committee and Board had a fiduciary duty to invest funds in accordance with the Investment Strategy and should take advice from appropriate advisors.

The Chair confirmed that officers would investigate these issues and would provide an update at the next meeting. It was noted that the letter from the Palestinian Solidarity Campaign had only been received recently but that a copy would be circulated to members.

RESOLVED

That the minutes of the Pensions Committee and Board meeting held on 7 July 2020 be confirmed and signed as a correct record.

8. PENSION ADMINISTRATION REPORT

The Pensions Manager introduced the report which provided an update on pension administration matters and sought approval for the admission of Lunchtime Company Limited as a new admission body.

It was highlighted that Lunchtime had originally wanted to leave the pension fund but, after further communications, had decided to remain in the pension fund. The Pensions Manager explained that there would be an update at the next meeting to confirm that the individual schools would be remaining in the pension fund with Lunchtime.

In response to a question about Pabulum's departure from the pension fund; it was confirmed that staff would be transferred (TUPEd) into a new company and would be joining the scheme in due course.

RESOLVED

1. To note paragraphs 6.1 to 6.8 of the report which gave a breakdown of the amount of visits made to the Haringey Pension Fund website and an update regarding pension administration matters.

2. To approve the admission of Lunchtime Company Limited as a new admission body to the Pension Fund for the reasons set out in paragraph 4 of the report, subject to their securing a bond or a guarantee from a third party in line with the Local Government Pension Scheme (LGPS) regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increased contribution rate in lieu of a bond.

3. To note the following admitted bodies will have left or will shortly be leaving the scheme as employers in the scheme. These are: Lunchtime Bounds Green, Lunchtime Devonshire Hill, Lunchtime Earlsmead, Lunchtime Welbourne School, Pabulum St John Vianney, Pabulum St Martin of Porres, Pabulum St Peter in Chains, The Octagon.

9. GOVERNMENT CONSULTATION ON THE MCCLOUD REMEDY (AGE DISCRIMINATION)

The Head of Pensions and Treasury introduced the report which provided an update on the government consultation to address age discrimination relating to protections introduced when the Local Government Pension Scheme (LGPS) was reformed in 2014, commonly referred to as 'McCloud'.

The independent advisor, John Raisin, noted that the consultation proposed a solution and amendments to the LGPS Regulations to extend protections to those who were not old enough to receive them originally. It was explained that this would only apply to active members between 1 April 2014 and 31 March 2022 but, as the final salary for comparison purposes was the salary when the member ceased being an active member or reached the age of 65, this could mean that calculations would need to be undertaken into the 2050s. As this could involve obtaining new data from employers, this could result in substantial additional work for the pensions administration team. It was added that there would need to be training and a project plan. It was also noted that, although the remedies would not have a significant financial impact on the fund as a whole, there could be significant variations between employers and, particularly for smaller employers, there could be material financial consequences.

Cllr Dennison noted that there would likely be a small impact on the pension fund as a whole but a larger impact on individuals and smaller employers; he enquired how the complexities of this issue would be investigated with employers and explained to employees. The independent advisor noted that every employer would be impacted and that, although few people were likely to benefit from this, all data for employees would need to be checked. It was explained that there would be significant communication with employers. The Pensions Manager noted that this issue would be a long term exercise and that Regulations were currently awaited; as such, there were no timescales at present. However, it was explained that the relevant data from employers in previous years had already been obtained and discussions were underway to discuss a programme to identify affected individuals.

RESOLVED

To note the contents of this report and the verbal updates provided by officers and the fund's Independent Advisor.

10. FORWARD PLAN

In response to a question about the McCloud Remedy (age discrimination), it was confirmed that McCloud was on the risk register and a quarterly report was normally provided to the Pensions Committee and Board. It was explained that McCloud was included as a specific agenda item at this meeting and was therefore not in the quarterly report.

It was confirmed that no additional issues and training would be included in the work plan at present.

RESOLVED

To note the work plan, the training programme, and the update on member training, attached as Appendices 1-3 of the report.

11. RISK REGISTER

Cllr Chiriyankandath asked for more information about the three high risk areas identified in the risk register, items 22, 58, and 59; it was also enquired whether the Covid-19 pandemic impacted upon these risks. The Head of Pensions and Treasury explained that all red rated risks were monitored as regularly as possible. It was noted that, although there were moderate risk levels associated with administering pension benefits during the pandemic, the fund had been able to fulfil all of its obligations. The Pensions Manager noted that the pensions administration team had been working remotely and that the transition to remote working had worked well.

RESOLVED

1. To note the risk register.

2. To note the area of focus for review at the meeting was 'Funding/ Liability' risks.

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

The Chair noted that the Local Authority Pension Fund Forum (LAPFF) made a number of recommendations for voting and enquired whether officers passed on these recommendations to investment managers. The Head of Pensions and Treasury confirmed that the recommendations were passed on; it was added that the recommendations and the outcomes of the votes were also circulated to Pension Committee and Board members.

The Head of Pensions and Treasury noted that the LAPFF voting recommendations and the outcomes of the votes were stated in the report. It was explained that there had been 14 votes and that the fund's equity manager, Legal and General Investment Management, had broadly followed the LAPFF recommendations for voting at various Annual General Meetings (AGMs). However, the various AGMs had voted contrary to all of the LAPFF recommendations.

RESOLVED

To note the report.

13. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Head of Pensions and Treasury introduced the report which provided a quarterly update on the pension fund. It was noted that the value of the fund had increased by approximately £128 million between March and June 2020.

In relation to the London Collective Investment Vehicle (LCIV), it was noted that representatives from the LCIV would be providing an update under item 15, specifically on the issue of appointing a second multi asset credit (MAC) manager. It was also noted that the Pensions Committee and Board had agreed in principle to move to a low carbon strategy; a RAFI Multi Factor Climate Transition Strategy had been created, was ready to launch, and a report would be presented to the next meeting.

Cllr Ross enquired why the appointment of a second MAC manager by the LCIV was considered to be a dangerous precedent, as set out in the report. The Head of Pensions and Treasury explained that the LCIV could appoint a second manager but it was considered that their proposal to mandate how the pension fund split its funding between the two managers might be overstepping into the role of the Pensions Committee and Board.

Randy Plowright enquired whether the appointment of a second MAC manager would have any cost implications for the fund. It was confirmed that the pension fund would not have to pay for the second manager unless the Pensions Committee and Board decided to allocate additional funds to that manager.

Cllr Ross noted that the independent advisor's report noted that there was a possibility of negative interest rates and enquired how this would affect the pension fund. The independent advisor, John Raisin, explained that negative interest rates effectively meant that banks were charged for depositing in the Central Bank, which drove down yields and suppressed interest rates to support the economy. He commented that he did not believe this would have a significant effect as interest rates were already very low.

RESOLVED

To note the information provided in respect of the activity in the three months to 30 June 2020.

14. PRIVATE EQUITY AND RENEWABLE ENERGY COMMITMENT PLANNING

The Head of Pensions and Treasury introduced the report which sought approval to commit funding to maintain the commitment for 5% of the fund to be invested in private equity and in renewable energy. This would be achieved by committing £20 million to private equity through Pantheon and £65 million to the London Collective Investment Vehicle renewable energy strategy, subject to due diligence. The report also sought delegated authority for officers to implement these changes.

Following consideration of the exempt information,

RESOLVED

1. To note the renewable energy and private equity commitment planning paper, appended as Confidential Appendix 1.

2. That, so the Fund can achieve and maintain its commitment to 5% allocation to renewable energy and private equity, to approve the proposals set out in Confidential Appendix 1, namely to:
   (i) Commit £20 million to private equity via Pantheon (split £15 million into the Global Select 2019 Fund and £5 million into the Global Co-Investment V Fund);
   (ii) Commit £65 million to London Collective Investment Vehicle (LCIV) renewable energy strategy, subject to investment due diligence, once the LCIV strategy is in a position to launch; and
   (iii) Fund (i) and (ii) above from available cash holding and, where there are insufficient cash holdings, to fund from other liquid assets including: equity, bonds, multi asset absolute return and multi asset credit.

3. To delegate authority to the Assistant Director of Finance to implement the above changes (if approved), on the advice of the Fund’s investment consultant, and after consultation with the Chair of the Pensions Committee and Board and Independent Advisor.

15. LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE

The Chair invited representatives from the London Collective Investment Vehicle (LCIV), Silvia Knott-Martin, Client Relations Manager, and Rob Hall, Deputy Chief Investment Officer, to provide an update.

Rob Hall explained that the pension fund was invested in the absolute return fund and the multi asset credit (MAC) fund. It was noted that the absolute return fund had performed well despite the volatile market but the MAC fund had not fared as well. It was explained that the MAC fund had quite a narrow portfolio and been under enhanced monitoring for over nine months; the LCIV had wanted this fund to have a wider portfolio and was now looking to appoint a second fund manager to access the full range of options, particularly given the existing market volatility and the need to adapt investments. Silvia Knott-Martin added that the LCIV was not changing the investment objective of fund and it was still aimed to achieve a return of 4-5%. The appointment of a second manager was aimed to complement the existing fund manager and to provide a more robust profile in the long term.

Steve Turner, Mercers, noted that the pension fund had appointed the fund manager, CQS, in 2014 explicitly as a MAC manager with a bias to high yield risk. It was explained that, when the LCIV had appointed CQS, it was decided to join the LCIV as it was a way to access the same manager for lower fees. It was added that there was no objection to the principle of manager diversification but that, in Haringey, the Pensions Committee and Board would need to undertake an extra layer of investigation to consider whether they were comfortable with the changes. Rob Hall acknowledged this position and noted that appointing a second manager was intended to provide a better risk return profile, accessing other parts of the credit spectrum, and react to struggling or changing markets.

The Assistant Director of Finance noted that, ultimately, the Pensions Committee and Board would need to take advice on the investments and, if the appointment of a second manager did not meet the fund’s objectives, there would be an issue. The points about multi manager funds were noted but it was enquired why the LCIV was only introducing this to the MAC fund; it was added that clearer articulation on the progression of multi manager funds would be required. Silvia Knott-Martin stated that she did not see the LCIV moving towards multi manager models for other funds in the short to medium term. In the case of the MAC fund, it was proposed to introduce a second manager to maximise investment opportunities. It was added that there would be a group discussion with investors on 11 November 2020 to address questions about strategy and for the LCIV to listen to investors.

The Head of Pensions and Treasury noted that CQS had not changed its investment approach and enquired what had happened to prompt the addition of a fund manager. Silvia Knott-Martin stated that markets evolved and, due to the current environment, there were alternative options for MAC which the current manager was not exploiting. Rob Hall added that, for the MAC fund to access the whole market, different skills and specialities were required.

Cllr Dennison noted that the decision of where to invest the pension fund took into consideration the fund managers. Silvia Knott-Martin acknowledged this and explained that the LCIV needed to offer a robust product in line with the fund objectives. Cllr Dennison stated that this would amount to a change in the fund’s strategy and removed control from the Pensions Committee and Board; it was enquired whether the LCIV would allow investors to choose which fund managers to invest in. Rob Hall commented that the fund manager should not influence decision making as the underlying manager could change. The LCIV hoped to progress to the point where the LCIV was seen as the fund manager who decided the split between fund managers based on the relevant analysis. It was added that, if the pension fund wanted to invest outside the MAC, this decision could be facilitated.

Steve Turner, Mercers, noted that the Pensions Committee and Board would have to consider the detail of the proposal for a new fund manager to ensure that it was comfortable with the strategy change and the composition of the fund. Rob Hall stated that the LCIV was not trying to change the pension fund's strategic decision but that it was aimed to make the MAC fund more well-rounded.

Keith Brown noted that he did not object in principle to multiple managers but commented that this would change the nature of the fund that Haringey initially invested in. He stated that he would like to look at the data of prospective managers. Concern was expressed that the allocation between the multiple managers would be determined by the LCIV as it was the responsibility of the Pension Committee and Board, not the LCIV, to set the pension fund's allocation and strategy.

The Chair commented that this discussion had raised a number of important points and that any final decision would rest with the Pensions Committee and Board.

The Pensions Committee and Board noted the update from the LCIV.

16. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

17. DATES OF FUTURE MEETINGS

It was noted that the future Pensions Committee and Board meetings were scheduled for:

17 November 2020
21 January 2021
4 March 202

18. EXCLUSION OF THE PRESS AND PUBLIC

It was noted that items 19-22 contained 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).

RESOLVED

That the press and public be excluded from the meeting for consideration of items 19-22 as they contained 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

The Committee considered the exempt information.

20. PRIVATE EQUITY AND RENEWABLE ENERGY COMMITMENT PLANNING

The Committee considered the exempt information.

21. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the Pensions Committee and Board meeting held on 7 July 2020 be approved as a correct record.

22. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor John Bevan

Signed by Chair ………………………………..

Date …………………………………

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Agenda Item 8

Report for: Pensions Committee and Board – 23 November 2020

Title: Pensions Administration Report

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy s151 Officer)

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

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. The report provides:

- An update on the amount of visits made to the Haringey pension fund website.
- Details of an employer leaving the pension fund.
- An update in light of the current Coronavirus pandemic.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the information in the report which gave a breakdown of the amount of visits made to the Haringey pension fund website and an update regarding pension administration matters.

3.2. To note that K M Cleaning had left as an employer in the scheme.

4. Reason for decision

4.1. Not applicable.

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 month is as follows (presented with prior year comparator figures):

Month	users	Page views
October 2020	359	704
October 2019	478	1504

6.2. For October 2020, the average amount of users per month to the pension website was 359 and they viewed 704 pages, nearly 2 pages per user. The number of users and pages viewed has decreased from the previous year.

6.3. There has been less pensioner deaths in September and October 2020 during the coronavirus pandemic compared to the average pensioner death for the five previous years. The table below illustrates the number of pensioner deaths this year and the average of the last 5 years in the months of September and October. The deaths in the periods are as follows:

Month	Average Pensioner Deaths 2015 to 2019	Pensioner Deaths 2020	Increase /Decrease
September	22	16	Decrease of 6
October	24	16	Decrease of 8

6.4. Lunchtime UK Limited have confirmed that they will not be leaving the pension fund on 30 November 2020 as previously notified to the Fund, so the catering staff in the pension scheme for the following schools, Bounds Green School, Welbourne School, Devonshire Hill School, and Earlsmead School will remain in the pension fund.

6.5. KM Cleaning no longer has the cleaning contract for the London Diocesan Board for Schools (LDBS) Academies Trust Schools so will cease to be an admitted body on 31 August 2020. The LDBS schools have not employed a new cleaning contractor, the transferred staff are now employed directly by the schools. A cessation valuation for the employer leaving the scheme will be carried out.

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 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. There are no legal issues arising from this report.

9. Use of Appendices

Not applicable.

10 Local Government (Access to Information) Act 1985

Not Applicable.

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Report for: Pensions Committee and Board – 23 November 2020

Title: Pension Fund Accounts and Annual Report 2019/20

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Oladapo Shonola**,** Head of Pensions, oladapo1.shonola@haringey.gov.uk, 020 8489 1860

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This report presents the Pension Fund Annual Report and audited Accounts for 2019/20 for the Pension Committee and Board's approval. The annual audit report from the Fund's external auditor, BDO, is also presented.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the findings of the external auditor in their report, attached as Annexe 1 to the report **(annexe to follow)**.

3.2. To note the content of the Pension Fund Annual Report and Fund Accounts for 2019/20.

3.3. To approve the Pension Fund Annual Report and Fund Accounts for 2019/20.

3.4. To delegate authority to the Director of Finance, after consultation with Chair of the Pensions Committee and Board, to make any necessary final changes to the published accounts and approve the Audited Statement of Accounts for 2019/20, subject to reporting back any significant changes made, to ensure that the accounts are signed off by the 30 November deadline.

3.5. To authorise the Chair of the Pensions Committee and Board and Director of Finance (S151 Officer) to sign the letter of representation to the Auditor to acknowledge the Council's responsibility for the fair presentation of the information in the financial statement and the Pension Fund Annual Report.

4. Reason for Decision

4.1. The Pensions Committee and Board is required by law to approve the Pension Fund Accounts and Annual Report before the final version is published.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Local Government Pension Scheme Regulations 2013 require local government pension funds to produce an annual report every year to be published by 1 December following the year end (regulation 57 (2)). One of the key components of the annual report is the audited pension fund accounts for the year. The pension fund accounts are also required to be part of the Council's main statement of accounts, even though they are audited separately. Due to the coronavirus pandemic, the deadline for the publication of the Council's audited accounts has been moved back this year to 30 November this year – the deadline is normally 31 July 2020.

6.2. In previous years, the Committee and Board received a draft version of the annual report and accounts in the July committee meeting, prior to the final version and audit report being presented at the September meeting for approval. The Audit and Accounts Regulations 2015 require that all Local Authorities publish draft accounts by 31 May, and final audited accounts by 31 July each year. These deadlines were extended to 31 July and 30 November respectively for the 2019/20 accounts due to the coronavirus pandemic.

6.3. The Committee and Board is asked to approve a draft set of accounts at this meeting and delegate authority to the Assistant Director of Finance and the Chair of the Pensions Committee to make any final changes required to the audited accounts prior to publication.

6.4. At the Pensions Committee and Board meeting on 5 March 2020, BDO, the Council's auditors, presented their plan detailing how they would undertake the audit of the 2019/20 accounts.

6.5. The Committee and Board is asked to authorise the Chair and the Director of Finance (S151 Officer) to sign a letter of representation to acknowledge the Council's responsibility for the fair presentation of the information in the financial statement and the Pension Fund Annual Report. A proposed draft of this letter is shown at Annex 3 **(to follow)** for the Committee and Board's information.

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 comments of the Chief Finance Officer have been incorporated in the main text of the report.

Legal

8.2. As the report confirms the Authority is required under Regulation 57 of the Local Government Pension Scheme Regulations 2013 to publish a pension fund annual report in a specific format annually on or before 1 December of the year following the year end to which the annual report relates. The Regulation also sets out the information that should be contained within the report.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. Annexe 1 – BDO Audit Report (ISA 260) **(To follow)**

9.2. Annexe 2 – Annual Pension Fund Report and Accounts 2019/20

- Appendix 1 – Pension Fund Statement of Accounts
- Appendix 2 – Governance and Compliance Statement
- Appendix 3 – Investment Strategy Statement
- Appendix 4 – Communications Policy
- Appendix 5 – Pension Fund Funding Strategy Statement

9.3. Annexe 3 – Draft Letter of Representation **(To follow)**

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Haringey LONDON

Annual Pension Fund Report and Accounts

For the year ended 31 March 2020

Contents

Introduction

Haringey Council presents its Annual Report and Accounts of the Haringey Local Government Pension Fund for the year ended 31st March 2020.

The Local Government Pension Scheme (LGPS) is a defined benefit pension scheme for the employees of local government and related organisations within the UK. It is a national scheme run locally by councils nominated as “Administering Authorities”. Haringey Pension Fund was established on 1st April 1965.

Haringey Council is the Administering Authority in the London Borough of Haringey and runs the Scheme to provide retirement benefits to all eligible employees of Haringey Council and other scheme employers who participate in the fund in the borough. More detail about these organisations can be found in the Membership section on page 13. The Management report on page 11 provides further information about how the scheme is run. The Scheme’s registration number is 00329316RX.

Scheme Rules

The benefits payable for members of the scheme in respect of service from 1st April 2014 are based on career average revalued earnings. Pensions are increased each year in line with the Consumer Price Index. For service prior to April 2014 benefits are based on final salary and years of service. Other than in accordance with legislative requirements, there were no increases to benefits in payment in the year. The Administration report on page 32 provides details about the administration of the Scheme.

Membership

There were 6,091 active members (2019: 6,445), 9,027 (2018: 8,733) deferred members, and 7,905 (2018: 7,794) pensioners and dependents receiving benefits. More details can be found in the Membership section on page 13.

Financial position

The financial statements and notes in Appendix 1 show that the value of the Fund's assets decreased by £56m to £1,327m as at 31 March 2020 (2019, £1,383m). The performance reported varied across the portfolio over the year, with the fund’s private equity and renewable energy infrastructure investments delivering the best returns and significantly outperforming target. Equities, properties and other alternatives assets had negative net assets returns over the year with the multi sector credit portfolio suffering the most losses with double digit losses in the year.

Investments

During the year the rate of return on the Fund’s investments was -3.7%. This was 2.5% below the Fund’s target of -1.2% for the year. The Fund participates in a benchmarking group maintained by the Pensions and Investment Research

Consultants (PIRC): around two thirds of all LGPS Funds take part in this benchmarking group. The median performance in the benchmarking group in 2019/20 was a return of -4.1%. Over the course of 2019/20, Haringey's investment performance was in the 38th percentile out of all the funds which took part in this benchmarking (1st percentile being the best performing fund, 100th being the worst). However, Haringey's performance was in the 33rd, 13th , and 16th percentiles over the rolling three, five and ten year periods which ended on 31 March 2020 respectively, showing that over the medium and long term the fund benchmarks well against its peers. More details of the investment strategy and the performance can be found on page 19.

Funding position

The last formal valuation of the funding position took place as at 31st March 2019, when the funding level was 100%. Details can be found in the Funding report on page 38. The next formal valuation will be carried out over the course of the 2022/23 financial year as at 31st March 2022.

Management and Financial Performance Report

- Governance Arrangements
- Service Delivery
- Pension Fund Advisers
- Management report for 2019/20
- Membership

Governance Arrangements

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2019/20 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The committee fulfils the duties required by regulations for the Council to operate a Pensions Board. The Committee and Board consists of elected Councillors, and employer and employee representatives all with equal voting rights. Councillors are selected by their respective political Groups and their appointments are confirmed at a meeting of the full Council. They were not appointed for a fixed term but the membership is reviewed regularly by the political groups. The other representatives were appointed by their peer groups. The membership of the Committee during the 2019/20 year was:

Councillor Matt White	Chair
Councillor John Bevan	Vice Chair
Councillor Viv Ross	Member
Councillor Dr James Chiriyankandath	Member
Councillor Paul Dennison	Member
Councillor Noah Tucker	Member
Randy Plowright	Employee Representative
Ishmael Owarish	Employee Representative
Keith Brown	Employer Representative

Contact Details for Pensions Committee and Board

Pensions Committee and Board

C/O: Pensions Team

London Borough of Haringey

5th Floor, Alexandra House,

London, N22 7TR.

Governance Compliance Statement

The Pension Fund has published a Governance Compliance Statement in accordance with the LGPS Regulations and this is set out in Appendix 2. The objective of the statement is to make the administration and stewardship of the Pension Fund transparent and accountable to all stakeholders.

Service Delivery

Haringey Council Pension Service includes accounting, investments and pensions administration activity, this is managed by Haringey Council officers within the finance department. The pension service receives support from other services across the Council such as legal, human resources, procurement and democratic services.

The key tasks for the investments and accounting staff of the fund include:

- Support to the Committee and Board to set investment strategy and monitor investment performance;
- Managing the contracts with the Pension Fund's advisers;
- Producing the annual Pension Fund workplan and Annual report and accounts; and
- Maintaining the key governance statements the Pension Fund is required to publish (the current versions can be found in the Appendices to this report).

The Scheme Administration report on page 32 sets out the key tasks of the pensions administration service.

The Pension Fund's internal auditors are Mazars Public Sector Internal Audit Limited. Regular audits are carried out on both pension fund investments and pensions administration.

Key Officer Contacts

Director of Finance (S151 Officer)	Jon Warlow
Assistant Director Corporate Governance (Monitoring Officer)	Bernie Ryan
Head of Pensions, Treasury and Chief Accountant	Thomas Skeen
Pensions Administration Manager	Janet Richards

Pension Fund Advisers

The Pension Fund retains a number of advisers to provide specialist advice and services. The contracts with these advisers are reviewed on a regular basis. A list of all advisers is provided below:

Secretary to the Committee	Assistant Director Corporate Governance (Monitoring Officer)
Scheme Administrator	Director of Finance (S151 Officer)
Actuary	Hymans Robertson LLP
Investment Managers	Allianz Global Investors Aviva Investors BlackRock CBRE Global Investors Copenhagen Infrastructure Partners (CIP) Legal & General Investment Management (LGIM) London CIV (Ruffer LLP & CQS Subfunds) Pantheon
Custodian	Northern Trust
Investment Consultants	Mercer UK Limited
Independent Adviser	John Raisin Financial Services Limited
Bankers	Barclays Bank Plc
Legal advisers	Assistant Director Corporate Governance (Monitoring Officer)
Additional Voluntary Contribution providers	Clerical and Medical Equitable Life Assurance Society Prudential Assurance
Internal Auditors	Mazars Public Sector Internal Audit Limited
External Auditors	BDO LLP
Investment Pool	London Collective Investment Vehicle (CIV)

Pensions Committee and Board Attendance 2019/20

Attendee	Voting Right	11-Jul-19	19-Sep-19	19-Nov-19	20-Jan-20	05-Mar-20
Councillor Matt White	√	√	√	√	√	√
Councillor John Bevan	√	√	√	√	√	√
Councillor Dr James Chiriyankandanth	√	√	√	√	x	√
Councillor Noah Tucker	√	√	√	√	√	√
Councillor Paul Dennison	√	√	√	√	√	x
Councillor Viv Ross	√	√	√	√	√	√
Keith Brown	√	√	√	√	√	√
Randy Plowright	√	√	√	√	√	√
Ishmael Owarish	√	√	√	√	√	√

Training was provided to committee members on a wide range of topics. Training sessions are generally held prior to meetings of the committee, or on half day slots as is deemed necessary consistent with the committee’s work plan at a given point. Committee members are also able to receive training from external providers, and this was the case throughout 2019/20. Training was provided in line with CIPFA’s knowledge and skills framework to ensure that the committee members received appropriate training.

Management Report for 2019/20

Financial Performance

The investment performance during the year was -3.7% relative to its own bespoke benchmark of -1.2% - so the Fund underperformed its target by 2.5%, underperformance was driven by the final quarter of the year following the onset of the Covid-19 pandemic. The majority of the Fund's investment managers delivered positive returns, the best performance came from the fund's private equity and renewable energy infrastructure investments which delivered double digit returns.

In the medium to long term, the Fund has underperformed target slightly with returns of 2.1% against target of 3.5% over 3 years and returns of 6.1% against 6.9% over five years. All fund managers, other than the Multi Asset Credit (MAC) manager, who have been engaged over 3 and 5 year periods, which provide a more meaningful view of performance figures than the 1 year figures, have delivered positive returns over these timescales. The MAC manager show negative return over 3 years most of which can be attributed to challenges faced by all managers in this asset class in the first quarter of 2020 due to the Covid-19 virus outbreak.

The Fund participates in a benchmarking group maintained by the Pensions and Investment Research Consultants (PIRC): around two thirds of all LGPS funds take part in this benchmarking group. The median performance in the benchmarking group in 2019/20 was a return of -4.1%. Haringey achieved -3.7% which exceeded the median performance by all LGPS funds in 2019/20. Over the course of 2019/20, Haringey's investment performance was in the 38th percentile out of all the funds which took part in this benchmarking, (1st percentile being the best performing fund, 100th being the worst). Haringey's performance was in the 33rd and 13th percentiles over the rolling three and five year periods which ended on 31 March 2020 respectively, showing strong performance over the longer term.

In 2019/20, the fund's assets decreased by £56m from £1,383m to £1,327m. In the 2018/19 financial year, the corresponding figure was an increase of £27m, and investment performance of 5.7%. The decrease in this financial year is due to across the board fall in many asset classes triggered by the Covid-19 outbreak.

Administrative Management Performance

The Fund's maintains a Pension Administration Strategy Statement, which was last updated in early 2018 and is reviewed regularly. During the financial year 2019/20 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally. The timeliness of contribution payments from employers in the Fund has been monitored by the Pensions Committee and Board and issues have been followed up by the Fund's officers. Membership of the Fund has increased by 51 in the financial year (from 22,972 in 2018/19 to 23,023 in 2019/20).

Risk Management

Risk management is inherent to all pensions activity: both within the investment and administration of the fund. All activities carried out by officers of the fund include processes and procedures to manage relevant risks, and decision making by the

Pensions Committee and Board includes robust risk assessment. The Pensions Committee and Board tables a version of the fund's risk register in every meeting, where different areas of the risk register are reviewed and discussed in each meeting, with new risks added when they are identified. The highest rated risks are reviewed in every meeting. The risk register is available in the public section of the Pensions Committee and Board meetings which are published online.

The fund completes regular data matching exercises via specialist software provided by the fund's administration system, for example to identify pensioners who have passed away. The fund also receives National Fraud Initiative (NFI) data for matching purposes.

Investment risk is a key risk which the Fund is exposed to due to the range of different types of assets the Fund has chosen to invest in. All investments are undertaken in line with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016 and in consideration of advice from the Fund's investment management consultant and from the Independent Adviser.

The Committee and Board has set an investment strategy which involves a wide range of asset classes and geographical areas. This provides diversification which reduces the risk of low and volatile returns. Following the decision to invest a large portion of the Fund on a passive basis, the risk of underperforming the benchmark has been reduced.

The vast majority of the Pension Fund's assets are managed by external fund managers and they are required to provide audited internal controls reports regularly to the Council, which set out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The Committee and Board consider reports on investment performance, responsible investment activities and other pertinent matters relating to investment risk and fund managers at each committee meeting.

The Council's pensions team, employed on behalf of the fund, are subject to annual audits, both by the external auditor (appointed by Public Sector Audit Appointments), and by the Council's internal auditor. Internal audits are performed separately for the fund's administration and investment/accounting functions. External and internal audits have been generally positive in recent years.

Membership

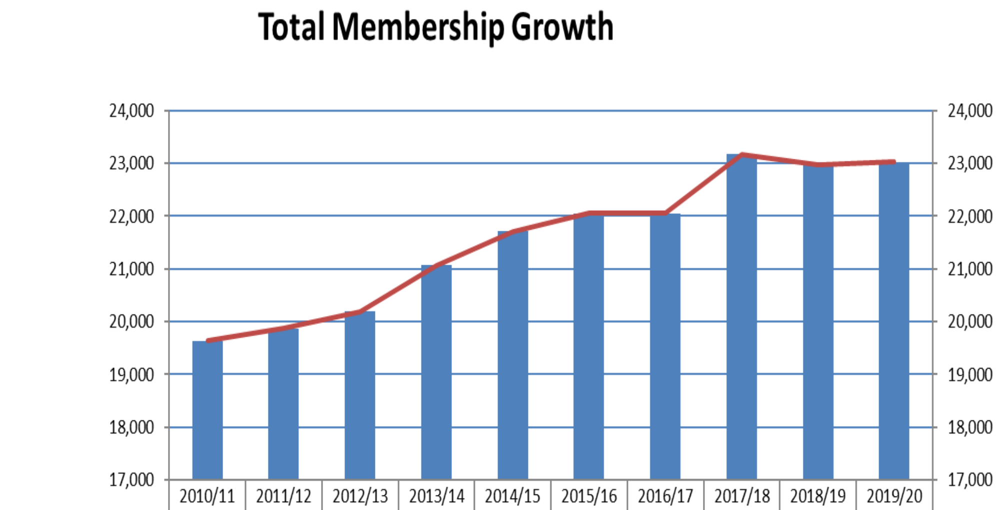
Haringey Council is the Administering Authority for the Haringey Pension Fund and eligible staff are members of the scheme. In addition the Pension Fund has a number of other organisations (scheduled and admission bodies) participating in the Fund.

A scheduled body is a public body which is required by law to participate in the LGPS. Each scheduled employer is listed in the LGPS regulations. The most common type of scheduled employers are academy schools.

There are two types of admitted bodies:

- A transferee admission body is an employer permitted to participate in the LGPS. This might be a non profit making body carrying out work that is similar in nature to a public service like local government, or it might be a private company to which a service or assets have been outsourced. The majority of the fund's admitted bodies fall into this category.
- A community admission body is an organisation providing a public service in the UK otherwise than for gain. The organisation is expected to have sufficient links with the Council such that it is regarded as having a community interest. The fund has only two employers who fall into this category.

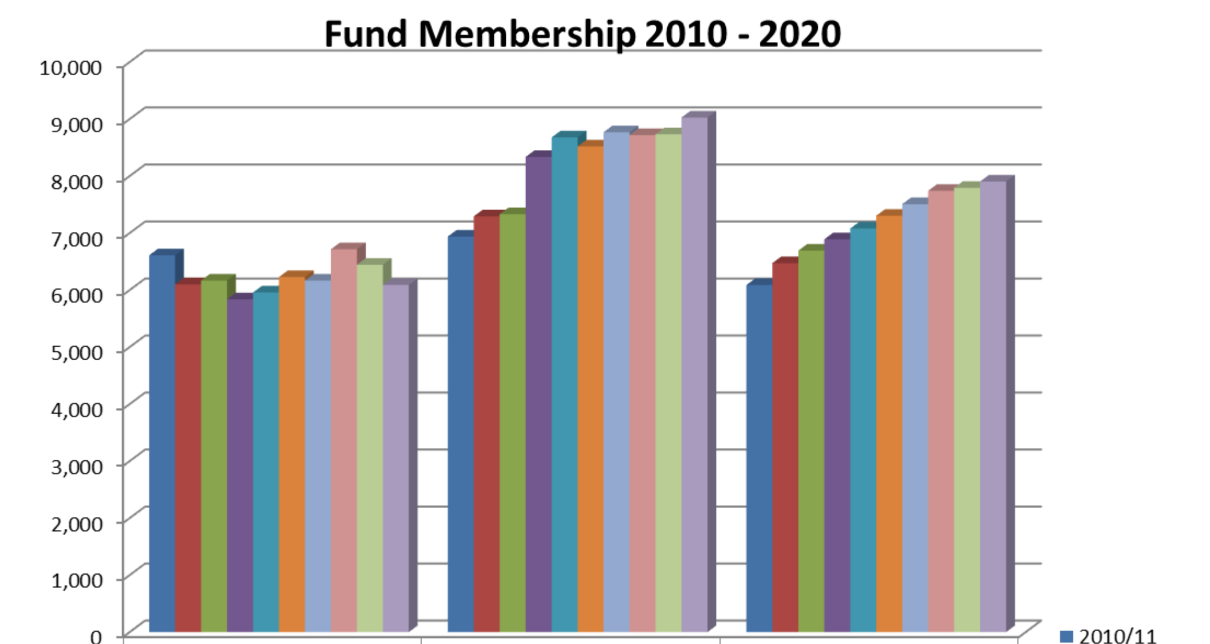
The membership of the Pension Fund at 31st March 2020 compared with the previous financial year is shown in the table below.



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Total Membership	19,638	19,868	20,192	21,065	21,716	22,052	22,052	23,177	22,972	23,023
Total Membership	19,638	19,868	20,192	21,065	21,716	22,052	22,052	23,177	22,972	23,023

The table above shows an overall increase in membership of 0.2% over the past year. Active membership in the Fund reduced by 354 (5.5%) in the year due to natural attrition which is reflected in combined increase of 405 (2.5%) in deferred or pensioner membership. It is anticipated that there will be modest increases in overall membership as new employers are admitted into the Fund and as more staff move into the deferred and pensioner groups.

The table below shows the breakdown of membership between active members, deferred and pensions over the past ten years.



	Actives	Deferreds	Pensioners
2010/11	6,610	6,939	6,089
2011/12	6,102	7,293	6,473
2012/13	6,168	7,332	6,692
2013/14	5,838	8,336	6,891
2014/15	5,958	8,678	7,080
2015/16	6,229	8,519	7,304
2016/17	6,167	8,769	7,508
2017/18	6,716	8,719	7,742
2018/19	6,445	8,733	7,794
2019/20	6,091	9,027	7,905

A schedule of the membership from each of the employers is shown below:

Employer Organisation	Active Members	Deferred Beneficiaries	Pensioners and Dependants	Employee Contributions £	Employer Contributions £
Scheduled Bodies					
Haringey Council	4401	8014	7,206	7,329,646.56	29,182,042.05
Haringey Magistrates	0	17	16	-	-
Greig City Academy	45	50	8	69,975.16	182,581.33
Homes for Haringey	613	290	287	1,374,404.76	3,738,408.02
John Loughborough School	0	11	8	-	-
Fortismere School	46	35	18	74,706.96	201,740.84
Alexandra Park School	64	35	13	95,816.62	293,582.67
Woodside School	68	26	9	107,537.72	285,436.78
Eden School	19	15	-	16,889.56	49,108.44
Harris Academy Coleraine	33	29	2	29,248.66	84,204.28
Harris Academy Philip Lane	38	24	4	25,592.72	76,046.79
AET Trinity Primary	23	17	7	25,420.04	83,433.89
AET Noel Park	42	20	5	42,211.49	118,505.79
Haringey 6th Form Centre	46	35	7	101,825.15	260,472.11
St Pauls & All Hallows Infants Academy	15	7	2	13,195.67	42,200.31
St Pauls & All Hallows Junior Academy	16	6	-	11,728.26	38,765.56
St Michaels N22 Academy	10	13	3	9,421.84	30,758.74
St Ann CE Academy	10	15	6	9,048.56	30,108.16
Holy Trinity CE Academy	20	12	2	18,997.86	67,277.84
Brook House Primary (formally Hartsbrook)	34	12	-	41,873.71	98,452.44
St Thomas More School	52	8	10	64,871.12	223,803.02
Heartlands High School	66	64	2	92,938.40	210,633.74
Milbrook Park Primary School	30	3	-	23,834.54	78,411.43
Harris Academy Tottenham	29	6	-	42,411.94	126,948.00
The Octagon	8	7	1	14,723.96	41,989.98
London Academy of Excellence Tottenham	18	5	-	22,993.06	73,007.93
Dukes Aldridge Academy	57	18	2	101,347.85	358,389.40
The Grove School	33	4	-	28,829.42	80,743.43
LDBS Central	4	0	-	11,777.20	31,649.42
Braybourne Mulberry School	6	0	-	-	-
Scheduled Bodies Sub Total	**5,846**	**8,798**	**7,618**	**9,801,269**	**36,088,702**

Employer Organisation	Active Members	Deferred Beneficiaries	Pensioners and Dependants	Employee Contributions £	Employer Contributions £
Admitted Bodies					
Haringey Age UK	0	2	17	-	-
CSS (Haringey) Ltd	0	20	51	-	-
Haringey Citizen Advice Bureau	3	0	9	6,802.37	89,534.94
Jarvis Workspace Ltd	0	19	24	-	-
Alexandra Palace Trading Co.	1	7	14	2,790.12	150,361.24
Urban Futures London Ltd	0	8	2	-	-
Enterprise (formerly Accord) Ltd	0	33	46	-	-
Mittie (formerly Trident) Securities Ltd	0	0	2	-	-
Initial Catering Ltd	0	1	1	-	-
OCS Group Ltd	0	1	1	-	-
Harrisons Catering	0	1	2	-	-
R M Education PLC	0	3	-	-	-
TLC At Cooperscroft (formerly Rokeley Dene)	4	11	11	5,650.83	-
Ontime Parking Solution	0	2	2	-	-
Europa	0	0	1	-	-
Veolia	63	40	38	134,500.17	32,472.78

Employer Organisation	Active Members	Deferred Beneficiaries	Pensioners and Dependants	Employee Contributions £	Employer Contributions £
Churchills	0	1	3	-	-
Fusion Lifestyle	11	40	11	12,869.50	-
Cofely Workplace Limited(formally Balfour Beatty Workforce)	0	16	27	-	-
Lunchtime St Gildas School	1	0	-	218.42	1,481.19
Lunchtime St Francis De Sales School	0	0	1	1,911.05	11,054.31
Lunchtime St Marys School	0	1	1	43,532.29	190,443.37
Lunchtime St Pauls RC School	2	0	1	2,159.76	6,032.78
Lunchtime Ferry Lane School	0	1	2	-	-
Lunchtime Bounds Green School	4	0	-	2,563.82	6,631.91
ABM Weston Park School	1	0	1	-	-
ABM Muswell Hill	1	1	-	1,060.26	548.42
Caterlink Bruce Grove School	0	3	-	-	-
Superclean Willow School	0	2	-	-	-
Absolutely Catering Rokesly School	2	1	-	1,257.37	2,791.34
Caterlink Holy Trinity School	0	0	1	-	-
Caterlink St Michaels School	0	1	-	-	-
Caterlink St Pauls and All Hallows School	5	0	-	-	-
Lunchtime Seven Sisters	0	0	1	778.31	815.58
Lunchtime Welbourne	3	0	-	2,095.40	6,520.58
Lunchtime Earlsmead	2	1	-	1,806.20	1,557.14
Amey Community Ltd	61	6	7	56,228.16	14,884.77
K M Cleaning	2	1	2	-	-
Pabulum Lea Valley Primary	3	0	-	2,216.09	10,012.89
Pabulum St John Vianney	2	1	-	1,260.83	5,618.56
Pabulum St Martin de Porres	2	0	-	1,797.37	8,737.85
Pabulum South Harringay	2	0	2	1,207.32	5,970.70
Pabulum Earlham School	2	0	1	577.19	3,672.94
Pabulum Belmont School	2	0	1	1,192.28	6,611.70
Pabulum Tetherdown	3	0	-	2,388.52	13,070.33
Pabulum Alexandra Primary	3	0	-	1,442.69	6,767.46
Pabulum St Peter in Chains	0	1	-	251.80	1,358.00
Hillcrest Cleaning Chestnuts	0	0	1	719.58	3,937.94
Lunchtime St Marys Priory School	0	1	2	193.77	539.24
Ategi Limited	2	2	-	4,466.90	22,690.63
Hertfordshire Catering Limited	6	0	-	5,240.87	30,494.71
Hillcrest Stroud Green	0	0	-	349.50	1,912.80
Haringey Education Partnership	21	0	-	9,040.20	42,261.56
Olive Dining St Marys Priory	2	0	-	2,060.03	13,507.22
ISS Mediclean	3	0	-	-	-
Schools Office Services (cheshunt)	1	0	-	-	-
Pabulum North Harringay School	1	0	1	489.20	3,077.38
Birkin Cleaning Services Ltd (Hornsey)	3	0	-	886.04	5,912.22
Olive Dining St Peter in Chains	1	0	-	638.60	4,047.43
Olive Dining St Francis de Sales	4	0	-	1,078.04	1,608.27
Olive Dining St Gildas	1	0	-	127.71	332.03
Olive Dining St Mary CE School	3	0	-	3,036.45	13,123.13
NVIRO Ltd Dukes Aldridge Academy	12	1	-	3,412.64	13,109.14
Admitted Bodies Total	**245**	**229**	**287**	**320,298**	**733,504**
GRAND TOTAL	**6,091**	**9,027**	**7,905**	**10,121,566.44**	**36,822,206.87**

Investment Policy and Performance Report

Investment Strategy

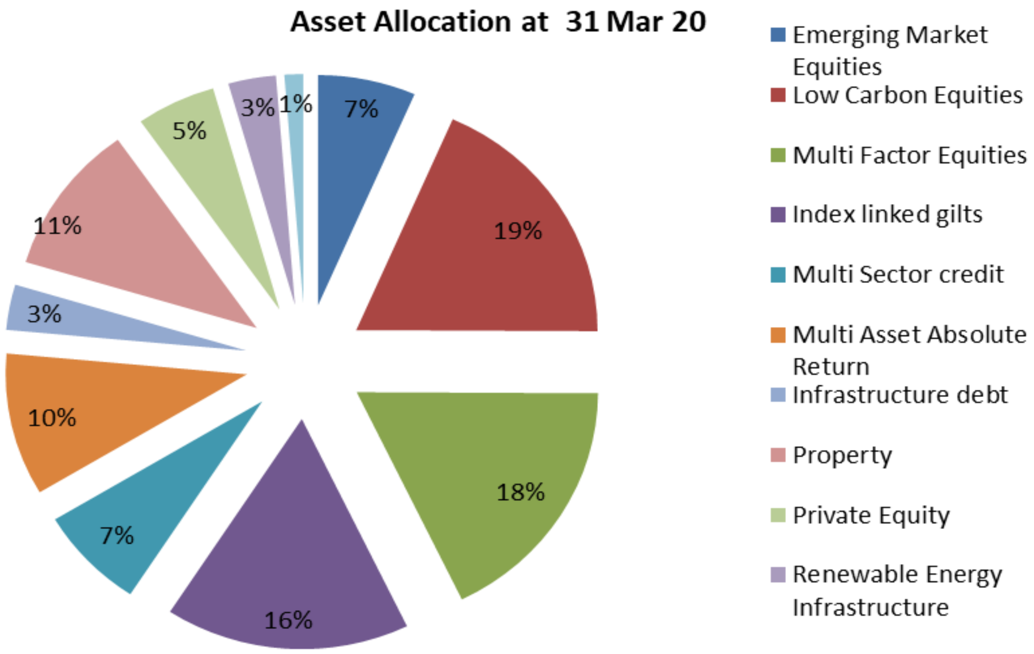
The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Pensions Committee and Board is responsible for setting the investment strategy with the aid of independent advice from the Pension Fund's advisers. Day to day investment decisions are delegated to fund managers.

The strategy is set out in detail in the Investment Strategy Statement, which is shown in Appendix 3 to this report. All investments were externally managed, with the exception of a small allocation of cash used to meet benefit payments, which was held in-house.

The current strategic asset allocation includes allocations to passively managed equity, index linked gilts, multi sector credit, private equity, infrastructure debt, renewable energy infrastructure, a multi asset absolute return fund, and UK property. The UK long lease property is now fully funded following a call by the fund manager during the year. The renewable energy infrastructure mandate continues to be funded in 2019/20. Funding of the infrastructure mandate now stands at 3.2% which is 1.8% short of target weight of 5% of overall portfolio.

The actual asset allocation as at 31st March 2020 is illustrated by the below chart.

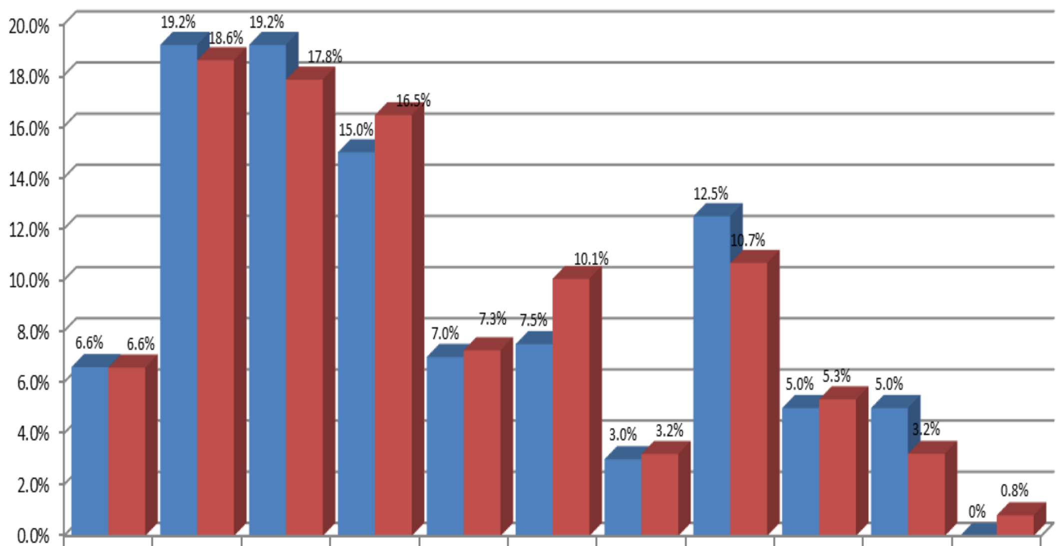


*includes current asset/liability balances

The Fund's benchmark showing target asset allocation during 2019/20 is shown below, alongside the actual allocation of the Fund's investments at 31st March 2020.

The financial statements show that the Fund is invested in pooled funds and the breakdown in the table below shows the allocation of the underlying holdings.

Asset Class - Benchmark vs Actual 31/3/20



	Emerging Market Equities	Low Carbon Equities	Multi Factor Equities	UK Index linked gilts	Multi Sector credit	Multi Asset Absolute Return	Infrastructure debt	Property	Private Equity	Renewable Energy Infrastructure	Cash*
Benchmark % at 31-Mar-20	6.6%	19.2%	19.2%	15.0%	7.0%	7.5%	3.0%	12.5%	5.0%	5.0%	0%
Actual % at 31-Mar-20	6.6%	18.6%	17.8%	16.5%	7.3%	10.1%	3.2%	10.7%	5.3%	3.2%	0.8%

* includes current asset/liability balances

Custodial Arrangements

The Council employs Northern Trust to act as independent custodian of the Pension Fund's investments. As professional custodians, they employ a rigorous system of controls to ensure the safekeeping of assets entrusted to them. The custodian is responsible for the settlement of all day-to-day investment transactions, collection of investment income and the safe custody of the Pension Fund's investments.

Responsible Investment

The Pension Fund believes that the adoption by companies of positive Environmental, Social and Governance (ESG) principles can enhance their long term performance, sustainability and increase their financial returns. These issues are of concern to the Fund because it is considered that companies who do not have regard for the social and environmental impact of their business, or who conduct their business in a way which is not sustainable over the longer term are in danger of adversely affecting the future prospects of the company, and potentially the company's long term valuation.

Due to the need to prioritise the fiduciary duty, the Fund does not participate in stock screening or exclusionary approaches. Instead the Fund seeks to influence the behaviour of companies through engagement. This engagement is undertaken through the following parties:

- The Fund's investment managers
- Local Authority Pension Fund Forum (LAPFF)
- Maintaining Tier 1 Signatory status to the UK Stewardship code

The Fund maintains membership of the LAPFF in order that engagement can be undertaken on its behalf.

In addition to this, all but one of the Fund's managers are signatories to the 'United Nations Principles for Responsible Investment' initiative.

At each committee meeting the Pensions Committee and Board receive reports on the engagement activity undertaken on behalf of the Fund, by the fund managers in relation to voting alerts from LAPFF, covering environmental issues, governance and remuneration and all other responsible investment issues.

The Fund incorporates ESG considerations into all decision making when making alterations to the investment strategy, but the fund is mindful of the fact that the fiduciary duty must take precedence over any other considerations when investing the fund. The fund has made a number of investments in recent years which have a clear ESG benefit. The fund has committed circa £70m to be invested in renewable energy infrastructure funds, and 50% of the fund's developed market equity investments and 100% of the fund's emerging market equity investments are held within low carbon funds, which reduces the carbon emissions associated with these investments by approximately 70%. All investments must be judged solely on their own merit, and while some investments may have a clearly identifiable ESG aspect, ESG is considered for all investments that the Fund makes: for example by ensuring that equity managers vote in line with LAPFF recommendations.

For further information regarding the Fund's approach to investing responsibly, please see the Investment Strategy Statement at Appendix 3.

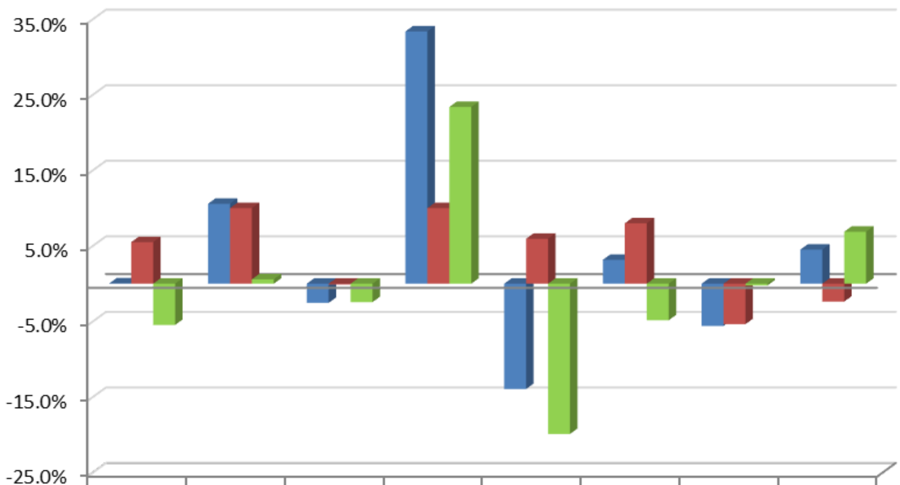
Fund Managers

The Pension Fund has appointed external fund managers to undertake day to day management of the Fund's investments. Each fund manager is appointed with a mandate covering a defined asset class or classes with a target set that relates to a benchmark covering the asset class or classes they are managing. The fund managers in place during the 2019/20, the asset classes they cover, their percentage of the Fund's investments at 31st March 2020 and targets are shown in the table below.

Investment Manager	Mandate	Asset Class	Passive /Active	Benchmark	Target (3 Yr Rolling Period)	Strategic Allocation	Allocation at 31 Mar 2020
LGIM	Passive Global Equities & Bonds	Global Multi Factor Equities	Passive	RAFI Multi Factor Global Unhedged	Benchmark	9.60%	9.19%
LGIM	Passive Global Equities & Bonds	Global Multi Factor Equities	Passive	RAFI Multi Factor Global Hhedged	Benchmark	9.60%	8.64%
LGIM	Passive Global Equities & Bonds	Emerging Markets Equities	Passive	FT World Global Emerging Markets GBP Unhedged	Benchmark	6.60%	6.58%
LGIM	Passive Global Equities & Bonds	Global Low Carbon Equities	Passive	MSCI World Low Carbon Target Index Unhedged	Benchmark	9.60%	9.51%
LGIM	Passive Global Equities & Bonds	Global Low Carbon Equities	Passive	MSCI World Low Carbon Target Index Hedged	Benchmark	9.60%	9.10%
LGIM	Passive Global Equities & Bonds	Index Linked Gilts	Passive	FTA Index Linked Over 5 Years Index	Benchmark	15.00%	16.45%
CBRE	Property	Property	Active	HSBC/APUT Balance Funds Index	+1% (Gross) of Fees p.a	7.50%	7.37%
Pantheon	Private Equity	Private Equity	Active	MSCI World Index plus 3.5%	Benchmark	5.00%	5.37%
CQS	Multi Sector Credit	Multi Sector Credit	Active	LIBOR plus 5%	Benchmark	7.00%	7.26%
London CIV - Ruffer subfund	Multi Asset Absolute Return	Multi Asset	Active	8.00%	Benchmark	7.50%	10.05%
Allianz	Infrastructure Debt	Infrastructure Debt	Active	5.50%	Benchmark	3.00%	3.20%
Aviva	Long lease UK Property	Long lease UK Property	Active	50% FTSE Actuaries 5-15 Year Gilt Index, 50% FTSE 15 year + Gilt Index plus 1.5%	Benchmark	5.00%	3.62%
Copenhagen Infrastructure Partners	Renewable Energy	Renewable Energy	Active	10.00%	Benchmark	2.50%	1.21%
Blackrock	Renewable Energy	Renewable Energy	Active	10.00%	Benchmark	2.50%	2.02%
					Total	**100%**	**100%**

The fund had invested funds with eight managers (including two sub fund managers the LCIV; CQS and Ruffer) for the whole of 2019/20; investment in the Aviva fund commenced part way through the year. The Covid-19 pandemic caused significant disruption to the markets in March meaning that only three out of eight fund managers who were invested with for the whole year achieved positive returns. The fund's private equity and renewable energy infrastructure investments outperformed relative benchmark and also delivered positive return in 2019/20.

Fund Manager Performance Against Benchmark



	Allianz	BlackRock	CBRE	CIP	London CIV - CQS	London CIV - Ruffer	LGIM	Pantheon
Actual (2019/20) %	0.0%	10.6%	-2.5%	33.4%	-13.9%	3.2%	-5.6%	4.5%
Benchmark (2019/20) %	5.5%	10.0%	-0.1%	10.0%	6.0%	8.0%	-5.4%	-2.4%
(Under)/ Over Performance %	(5.5%)	0.6%	(2.4%)	23.4%	(19.9%)	(4.8%)	(0.2%)	6.9%

LGIM (Passive equity (including low carbon), and index linked gilts) – The manager performed broadly in line with target as expected as the portfolio is invested passively. Equity markets delivered stable positive returns for most of the financial year, however the advent of Covid-19 had the most impact on equities leading to most of gains made in the financial year were lost in the first quarter of 2020. The manager delivered net negative return in line with benchmark. The manager has achieved positive returns in the three year (1.68%), five year (5.47%) and since inception (8.04%).

CBRE (Property)– The manager achieved negative returns of -2.5% against benchmark of -0.1% leading to underperformance of -2.4%. The manager has achieved positive returns in the three year (4.1%), five year (5.1%) and since inception (5.55%).

PANTHEON (Private Equity) – the private equity manager delivered a positive return of 4.5% in the year, against a target benchmark of -2.4% leading to relative positive return to benchmark of 6.9%. This manager has achieved significant positive returns in the three year (8.8%), five year (13.9%) and since inception (8.9%).

ALLIANZ (Infrastructure Debt) – The manager significantly underperformed target benchmark of 0.0% in the year by 5.5%. All funds have now been drawn for this investments which are invested via a limited partnership structure in a total of five assets that include two roads, a port and two university halls of residence. The investment will now continue to yield income to the fund for the remainder of the life of the investment which is anticipated to be in the region of 25 years. The manager has achieved positive returns in the three year (1.59%), five year (5.13%) and since inception (5.23%).

London CIV - CQS (Multi Sector Credit) – The manager achieved negative returns of 13.9% against target benchmark of 6.0% multi sector credit portfolio significantly lagged target benchmark of in 2019/20, by 19.9%. The asset class has faced challenging conditions in 2019/20 due to impact of the pandemic, however the manager has recovered some of the losses in subsequent quarters of 2020. Given the size of the underperformance in 2019/20, the fund has achieved negative return of 2.61% in the three year. In the five year and since inception, the manager has achieved returns of 0.38% and 0.64% respectively.

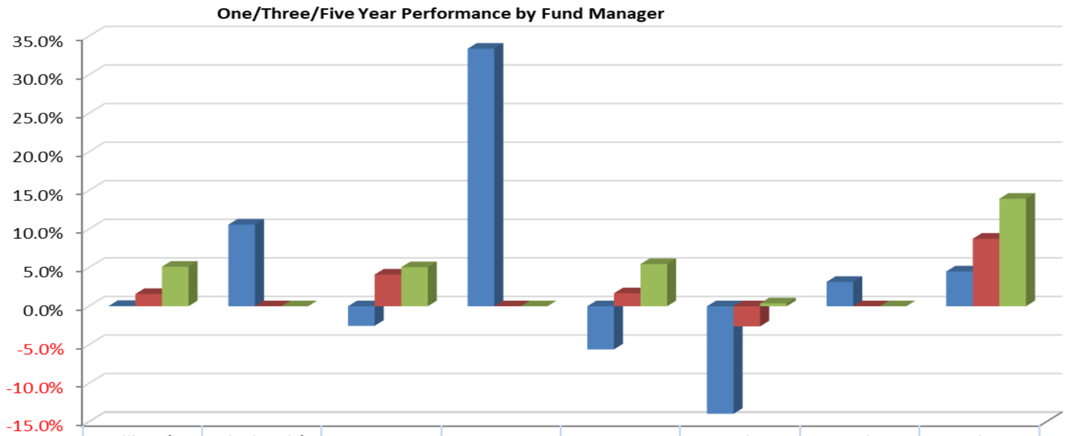
London CIV – Ruffer (Multi Asset Absolute Return) – The manager achieved 3.2% underperforming target benchmark of 8.0% by 4.8%. The investment was made to increase downside protection for the fund and to diversify from listed equities, and indeed, in the period of market correction in the first quarter of 2020, the fund did perform better than the fund's listed equity funds. Overall however, performance across the year significantly lagged target.

Blackrock (Renewable Energy Infrastructure) – This investment is via a closed ended limited partnership structure, similar to private equity. Following a slow start, the manager achieved significant positive return of 10.58% this year. Overall, the manager has achieved positive returns of 1.7% since inception.

Copenhagen Infrastructure Partners (Renewable Energy Infrastructure) – This investment is via a closed ended limited partnership structure, similar to private equity. The manager had a very strong year with positive return of 33.4% outperforming benchmark of 10.0% by 23.4%. Overall, the manager has achieved positive returns of 14.8% since inception.

Aviva (Long Lease UK Property) – The objective of this fund is to deliver returns by investing in low risk UK property assets with long term income streams. The manager has not had a full year of trading, but it was a challenging first year of investments in the Fund.

Fund managers' performance over the past three and five years is illustrated by the below chart.



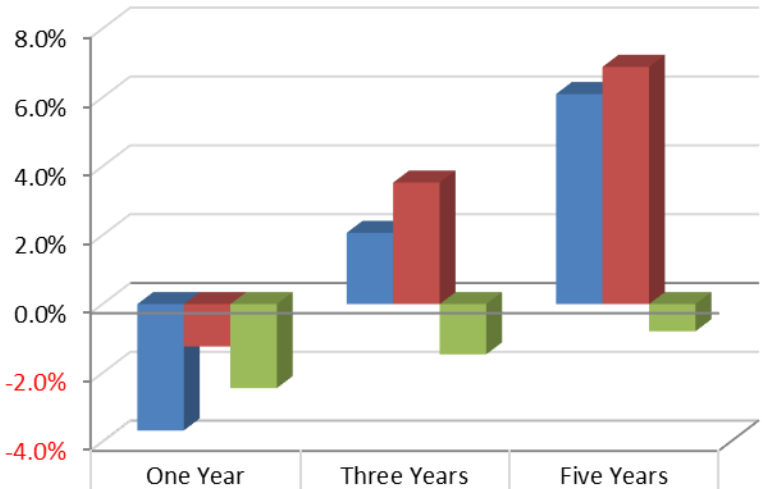
	Allianz*	Blackrock* ***	CBRE	CIP	LGIM	London CIV - CQS**	London CIV - Ruffer***	Pantheon
One Year	0.0%	10.6%	-2.5%	33.4%	-5.6%	-13.9%	3.2%	4.5%
Three Years	1.6%	0.0%	4.1%	0.0%	1.7%	-2.6%	0.0%	8.8%
Five Years	5.1%	0.0%	5.1%	0.0%	5.5%	0.4%	0.0%	13.9%

* Commenced Dec 2014; ** Commenced Aug 2014 *** Commenced Dec 2017 **** Commenced May 2017

Investment Performance

The investment performance of the Pension Fund and the fund managers is regularly reviewed by Committee members. Performance reports to compare actual performance against the targets set for the fund managers are provided to and discussed by the Committee quarterly. The overall Pension Fund performance is summarised in the table below. All figures shown are annualised performance figures over the various periods to 31st March 2020.

Overall Fund Performance against Target



	One Year	Three Years	Five Years
Overall Fund Performance	-3.7%	2.1%	6.1%
Target	-1.2%	3.5%	6.9%
Under/Over Performance	-2.4%	-1.5%	-0.8%

Investment Pooling

The fund has two investments made directly through the London CIV, the investment pool for London Boroughs. These are the CQS (Multi Sector Credit), and Ruffer (Multi Asset Absolute Return) investments. Besides this, the fund's passive equity and index linked gilts mandates with Legal and General fall under the CIV's oversight, and the fund benefits from lower fees negotiated on behalf of all funds. The fund therefore has around 77% of all assets held within the pool or under the pool's oversight as at 31 March 2020. Investment management fees for these investments account for approximately 35% of all investment management costs. Those investments outside the pool are generally alternative investments which have proportionally higher fees associated with them.

The remaining investments held outside the pool represent alternative or illiquid investments, and which will remain under regular review to see if it is possible to transition them into the London CIV, or whether it would be in the fund's interests to sell the investments and instead invest via a London CIV strategy.

The fund is a shareholder in the CIV, all London Funds contributed £150k of shareholder capital, which is presented on the fund's balance sheet in Appendix 1 to these accounts. In addition to this, all shareholders in the CIV contribute an annual service charge of £25k and a development funding charge of £65k (for 2019/20). The fund estimates that the fund has generated a net saving via its participation in the CIV in 2019/20, so CIV costs are offset by ongoing reduced investment management fees for the funds under the CIV's oversight.

Market Developments 2019/20

Market Background

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2019-20

Given the outbreak of COVID-19 and the huge fall in equity markets in late February and March 2020 it is easy to forget that for most of the year 1 April 2019 to 31 March 2020 global stocks increased in value and the world economy continued to experience positive, if modest, economic growth. During April to December 2019 markets were clearly influenced by pessimism and ultimately optimism regarding US-China trade relations, and accommodative major central bank policy. April to December 2019 saw global equities advance with the MSCI World Index up 11% and the United States S&P 500 up 14%.

April to December 2019 saw uncertainly in the United States-China trade relationship. 2019, however, ended positively – on 12-13 December both sides announced significant progress on a "Phase 1" deal. The US S&P 500 index reached a (then) new closing high of 3,169 on 13 December.

April to December saw strong consumer confidence in the United States and low unemployment in the major economies of the United States, the Eurozone and the United Kingdom. US unemployment was 3.5% in December 2019 a fifty-year low and Eurozone unemployment was 7.3% its lowest since the financial crisis of 2008. There were however also concerning economic indicators.

US inflation continued to be clearly below the Federal Reserve's 2% target. Eurozone and Japanese inflation remained well below the targets of their central banks. Economic growth showed signs of weakness. US annualised growth fell to below 2.5% compared with around 3% for the April to December 2018 period. Chinese growth at around 6% (annualised) was the lowest since 1990.

April to December 2019 saw the US Federal Reserve and the European Central Bank clearly move towards looser more supportive (of both financial markets and the economy) monetary policy. This was in clear contrast to 2018 when both had tightened their monetary policy approach with the Federal Reserve increasing interest rates three times in the period June to December 2018.

In July, September and October 2019 the US Federal Reserve reduced the target range for the federal funds rate by 0.25%. At the press conference following the October meeting Chair Jay Powell stated *"Today we decided to lower the interest rate for the third time this year…. weakness in global growth and trade developments have weighed on the economy and pose ongoing risks. These factors, in conjunction with muted inflation pressures, have led us to lower our assessment of the appropriate level of the federal funds rate…"*

The European Central Bank (ECB) also acted to support financial markets and the Eurozone economy. In June the ECB extended to at least the first half of 2020 the existing ultra-low interest rate policy. In September the ECB further loosened monetary policy including reducing the deposit interest rate by 0.1% to minus 0.5% and reintroducing quantitative easing which was restarted on 1 November at the rate of asset purchases of 20 billion Euros per month. The Bank of Japan continued its huge monetary stimulus programme which commenced in 2013.

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 ECB in the second half of 2019 had led to a general view that global stocks would 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 COVID-19 (Coronavirus). Concerns regarding COVID-19 then rapidly and hugely affected US equity markets and other major markets. By the end of Friday 28 February, the S&P 500 had fallen approximately 13% from its 19 February all-time high. 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... 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.

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 COVID-19 on economies and financial markets it was the extraordinary interventions of the US Federal Reserve which, surely, prevented a financial market meltdown in March 2020.

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 ½%, to the range 1 to 1 ¼%. COVID-19 equity related market chaos continued however and was compounded by 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.

Then in an unscheduled (Sunday) meeting on 15 March the US Federal Reserve intervened on an unprecedented scale. The federal funds rate was reduced by a full 1% to the range 0% to ¼% 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, on 15 March 2020, *"co-ordinated action"* with a number of other central banks to lower the cost of borrowing dollars internationally.

The ECB acted decisively on 18 March announcing a 750 billion Euro Pandemic Emergency Purchase Programme (PEPP) covering government and corporate debt 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 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 bonds. On 10 March, it also introduced measures to facilitate further lending to businesses by UK banks.

Turmoil however continued when markets 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. On 16 March in the context of the clearly rapid spread of COVID-19 in Europe, closures and severe disruption to businesses not only in Europe but the US 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 with liquidity shocks exacerbating the declines in equities.

Then on 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 *"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 January to March 2020 Quarter global equity prices fell heavily with the MSCI World Index down 21% (in $ terms). 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.

Though the effects of COVID-19 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 "Third" estimate from the US Bureau of Economic Analysis, issued on 25 June 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 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 a Eurostat data release of 20 July 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%.

In conclusion the period April to December 2019 was positive for both equity markets and the world economy. However the effects of COVID-19 in late February and March 2020 resulted in a market crisis which would almost certainly have resulted in a financial market meltdown had it not been for the unprecedented actions of the US Federal Reserve supported by other major central banks and the fiscal policy initiatives announced by the governments of a number of leading world economies.

However, despite unprecedented monetary and fiscal stimulus by central banks and governments world equity markets were down over 20% for the January to March 2020 Quarter and the impact of COVID-19 on the world economy looked extremely serious. Overall, for the year 1 April 2019 to 31 March 2020 world equity markets measured by the MSCI World Index were down over 10%.

John Raisin

27 July 2020

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

Scheme Administration Report

- Local Government Pension Scheme
- Administration Service Delivery
- Administration KPIs and statistics
- Communications Policy
- Pensions Administration Strategy

Local Government Pension Scheme

The Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme which provides defined pension benefits based on membership and pay levels. The benefits are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2013 and Local Government Pension Scheme (Transitional, Provision Savings and Amendment) Regulations 2014. Haringey Pension Fund cannot make changes to the scheme, and may only exercise such discretions as are prescribed by the LGPS regulations.

Membership is open to the non-teaching employees of the Administering Authority, all scheduled bodies and certain employees of admitted bodies until the day before age 75. From April 2014, the benefit structure changed from a final salary scheme to career average revalued earnings based scheme, with changes to the accrual rate and to align the normal retirement date with the age at which the state pension commences.

Administration Service Delivery

The Pension Administration service calculates and pays pension benefits, maintains a database of members and is responsible for the interpretation and implementation of the Local Government Pension Scheme regulations and related legislation for the administration of the scheme.

The service operates in accordance with their professional standards and within the regulations laid down by the Local Government Pension Scheme.

Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, an Internal Disputes Resolution Procedure has been established. In the first instance, members are expected to take up matters with the Pensions Manager, Janet Richards at the following address:

Level 5 Alexandra House
10 Station Road
Wood Green
London
N22 7LR

Alternatively email janet.richards@haringey.gov.uk. If the matter remains unresolved, a stage 1 appeal may be made to the Head of Finance and thereafter, if necessary a further stage 2 appeal may be made to Bernie Ryan, Assistant Director, Corporate Governance at

Level 5 River Park House
225 High Road
Wood Green

London
N22 8HQ

If the problem remains unresolved, members then have the facility to refer the matter to The Pensions Ombudsman, who can be contacted at:

11 Belgrave Road
London
SW1V 1RB

The statutory body responsible for the regulation of pension schemes in the United Kingdom is The Pensions Regulator and can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

A central tracing agency exists to help individuals keep track of deferred pension entitlements from previous employers' pension schemes. An application for a search can be submitted to:

Pension Tracing Service
The Pension Service
Whitley Road
Newcastle upon Tyne
NE98 1BA

The Haringey Pension Fund's details are registered with the tracing agency.

Further information

For information about the Scheme generally, further information about resolving disputes, or an individual's entitlement to benefit, please refer to the Employee's guide, which can be found on the council's website (details below) or contact the Pensions Team, at

Level 5 Alexandra House
10 Station Road
Wood Green
London
N22 7LR

telephone 020 8489 5916 or refer to the Council's website:
www.haringey.gov.uk/pensionfund

Administration KPIs and Statistics

The Fund believes it provides value for money for its members and employers. The fund has previously completed benchmarking against its peers to compare staffing numbers and costs, and found it compared favourably to other similar funds.

Administration statistics are presented below. Those which demonstrate the the cost of the administration service are based on the pensions administration IT system and the recharge from Haringey Council (including staff, premises, support services etc), these differ from 'administrative costs' displayed in the fund's accounts, which include items such as tax charges, legal fees, and ill health liability insurance.

	2018/19	2019/20
Administration Cost per fund member	£35.45	£37.24
Administration FTEs	7.6	7.6
FTEs per 1000 fund members	0.33	0.33

Process	Cases Outstanding 1/4/19	Cases commenced	Cases completed	Cases outstanding 31/3/20	% Completed in 2019/20
Deaths notifying amount of dependents benefits	49	327	387	93	84%
Retirements (estimates)					
- active	70	588	704	105	83%
- deferred	1	20	23	5	86%
Total Retirements (estimates)	**71**	**608**	**727**	**110**	**83%**
Retirements (letter actual)					
- active	74	379	399	96	95%
- deferred	4	22	25	10	88%
Retirement (process)					
- active	74	379	399	96	95%
- deferred	4	22	25	10	88%
Deferment					
Calc and notify benefits	478	83	340	631	24%
Transfers in					
Letter (quote)	96	63	171	101	37%
Letter	96	63	171	101	37%
Letter tv out quote	11	111	117	27	94%
Transfer out letter	37	13	19	27	68%
Refund	357	191	191	499	100%
Divorce quote	0	13	15	3	86%
Divorce settlement	0	1	1	0	100%
Joiners	107	314	455	144	69%
Aggregation	21	50	50	13	100%

Communications Policy

Effective communication between the Administering Authority, the scheme members, and the employers within the Fund is essential to the proper management of the Local Government Pension Scheme on a transparent and accountable basis.

The current policy, which has been prepared in accordance with the LGPS regulatory requirement is attached in Appendix 4, and sets out the policy framework within which the Pension Fund communicates with:

- Members of the scheme;
- Representatives of scheme members;
- Scheme employers; and,
- Prospective scheme members.

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and scheme employers.

The Communications Policy includes the provision of a pension's page on the Haringey website www.haringeypensionfund.co.uk. This facility enables staff to access information about the Local Government Pension Scheme in their own home with families and partners who may also have an interest in the benefits of the scheme.

Pensions Administration Strategy

The Fund implemented a Pensions Administration Strategy Statement on 1st April 2011, following consultation with the employers participating in the Fund and approval by Committee, this is regularly reviewed and updated.

This statement sets out the performance standards expected of the Council in its role of Administering Authority for the Fund and those expected of employers participating in the scheme. It seeks to promote good working relationships, improve efficiency and ensure quality of service and data. It sets out details of how performance will be monitored and what action might be taken in the event of persistent failure.

During the financial year 2019/20 no formal action has been taken against any employers. The only breaches of the performance standards have been minor and have been dealt with informally.

The Pensions Administration Strategy Statement can be found on the Haringey Pension Fund website www.haringeypensionfund.co.uk

Actuarial Funding Report

- Funding Position
- Funding Strategy Statement
- Statement of the Fund Actuary

Funding Position

The Pension Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's assets to meet its long term obligations.

The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2019 in a report dated 25 February 2020.

The 2019 valuation was carried out in accordance with the Fund's Funding Strategy Statement and Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The resulting contribution rates reflected the cost of providing year by year accrual of benefits for the active members and the level of funding for each employer's past service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2016 was £1,046m. Against this sum liabilities were identified of £1,323m equivalent to a funding deficit of £277m. The movement in the actuarial deficit/surplus between 2016 and the last valuation in 2019 is analysed below:

Reason for Change	Assets £	Liabilities £	Total Movement £
Deficit at last valuation (31 March 2016)	**1,046.5**	**1,322.5**	**(276.0)**
Employee/employer contributions	131.6	-	131.6
Benefits paid out/other expenses	(192.4)	(186.4)	(6.0)
Membership changes	-	283.6	(283.6)
Membership experience vs expectations	4.0	(14.0)	18.0
Investment returns on fund asset	394.6	-	394.6
Future inflation expectations	-	38.0	(38.0)
Actuarial assumptions	-	(65.4)	65.4
Valuation as at 31 March 2019	**1,384.3**	**1,378.3**	**6.0**

The level of funding on an ongoing funding basis increased to 100% from 79% between the triennial actuarial valuations as at 31st March 2016 and as at 31st March 2019. The main reason for the improved position was improved investment returns and membership experiences that were better than projected.

The funding objective of the Fund is to be fully funded. As this objective had not been achieved at the last valuation date it was agreed with the actuary that the past service deficit would be recovered over a period not exceeding 20 years. Further information about the principles for achieving full funding is set out in the Funding Strategy Statement in Appendix 5.

The main assumptions used in the 2019 valuation were:

Investments	**Annual nominal rate of return %**
Discount rate	4.2
	Annual change %
Pay increases	3.3
Price Increases (pension increases)	2.3

Funding Strategy Statement

The Local Government Pension Scheme Regulations require Local Government Pension Funds to prepare, publish and maintain a Funding Strategy Statement in accordance with guidance issued by CIPFA.

The purposes of a Funding Strategy Statement are:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and,
- to take a prudent longer-term view of funding those liabilities.

The Funding Strategy Statement is reviewed in detail every three years alongside the triennial valuation. It is reviewed in collaboration with the Pension Fund's actuary, and after consultation with the Pension Fund's employers and investment advisers. The current statement was reviewed and agreed in March 2020.

The objectives of the Funding policy set out in the Statement are:

- to ensure the long-term solvency of the Fund (and of the share of the Fund notionally allocated to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The policy is shown in full in Appendix 5.

Statement of Fund Actuary

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2020	31 March 2019
Active members (£m)	601	877
Deferred members (£m)	505	568
Pensioners (£m)	709	643
Total (£m)	**1,815**	**2,088**

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £156m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £39m.

Financial assumptions

Year ended (% p.a.)	31 March 2020	31 March 2019
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.9%	3.1%
Discount Rate	2.3%	2.4%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.5 years	23.7 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.7 years	25.3 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	161
0.5% p.a. increase in the Salary Increase Rate	1%	11
0.5% p.a. decrease in the Real Discount Rate	9%	169

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies our covering report titled 'Actuarial Valuation as at 31 March 2020 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Douglas Green FFA

7 May 2020

For and on behalf of Hymans Robertson LLP

Financial Report

- Director of Finance’s Responsibilities
- Appendix 1 Pension Fund Accounts and Auditor’s Report

Director of Finance's Responsibilities

The financial statements are the responsibility of the Director of Finance (S151 Officer). Pension scheme regulations require that audited financial statements for each Scheme year are made available to Scheme members, beneficiaries and certain other parties, which:

"show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom".

The Director of Finance has supervised the preparation of the financial statements and has, agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Director of Finance is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Director of Finance is responsible for ensuring that records are kept in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Administering Authority and other participating scheme employers by the due dates.

The Director of Finance is responsible for the maintenance and integrity of the financial information of the Scheme included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Director of Finance also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Statement of the Director of Finance

I certify that the financial statements set out in Appendix 1 have been prepared in accordance with the accounting policies set out below and give a true and fair view of the financial position of the Pension Fund at the reporting date and of its expenditure and income for the year ended 31st March 2020.

Jon Warlow, CPFA
Director of Finance (S151 Officer)
30 October 2020

Appendices

Current approved versions of key policy statements

1. Pension Fund Accounts 2019/20 and Auditors Report
2. Governance Compliance Statement
3. Investment Strategy Statement
4. Communications Policy
5. Funding Strategy Statement

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PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF HARINGEY

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2019/20	Pension Fund Account	Note	2018/19
£000			£000
	Dealings with members, employers and others directly involved in the fund		
46,945	Contributions	7	44,194
4,788	Transfers in from other pension funds	8	3,738
51,733			47,932
(51,457)	Benefits	9	(49,774)
(4,555)	Payments to and on account of leavers	10	(44,409)
(56,012)			(94,183)
(4,279)	**Net withdrawals from dealings with members**		**(46,250)**
(7,670)	Management expenses	11	(7,448)
(11,949)	**Net withdrawals including fund management expenses**		**(53,698)**
	Returns on Investments:		
12,083	Investment Income	12	7,236
(7)	Taxes on income	13	(11)
(56,311)	Profit and losses on disposal of investments and changes in market value of investments	14a	73,337
(44,235)	**Net return on investments**		**80,562**
(56,184)	**Net increase/decrease in the net assets available for benefits during the year**		**26,864**
1,382,767	**Opening net assets of the scheme**		**1,355,903**
1,326,583	**Closing net assets of the scheme**		**1,382,767**

31/03/20	Net Asset Statement	Note	31/03/19
£000			£000
	Long Term Investments		
150	London CIV	1	150
150			150
	Current Investments		
1,311,199	Investment assets	14	1,365,784
17,314	Cash deposits	14	18,384
1,328,513			1,384,168
1,283	Current assets	21	822
(3,363)	Current liabilities	22	(2,373)
1,326,583	**Net assets of the fund available to fund benefits at the period end**		**1,382,767**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the year end. The actuarial present value of promised benefits is disclosed at note 20.

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2020

1. Description of the fund and effect of any changes during the period

Introduction

Haringey Local Government Pension Fund is part of the Local Government Pension Scheme and is administered by Haringey Council. The Council is the reporting entity for this pension fund. However, the Fund is separately managed by the Council acting in its role as Administering Authority and its accounts are separate from the Council's accounts. The following description of the fund is for summary only. For more detail, reference should be made to Haringey Annual Pension Fund Report and Accounts.

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2019/20*, which is based on International Financial Reporting Standards as amended for the UK public sector. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Net Asset Statement sets out the assets and liabilities (except liabilities to pay retirement benefits) for the Fund as at 31st March 2020.

Investments and Statement of Investment Principles

The Pension Fund's investment strategy is formulated within the parameters of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Pensions Committee and Board is responsible for setting investment strategy with the aid of independent advice from the Pension Fund's advisers. Day to day investment decisions are delegated to fund managers.

The strategy is set out in detail in the Investment Strategy Statement (ISS), which is published in the Pension Fund Annual Report. The ISS is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits, which is managed internally. The Fund made no significant changes to its Investment Strategy in 2019/20.

Fund administration and membership

At 31st March 2020, there were 6,091 (2019: 6,445) active fund memberships with employees contributing to the Fund and 7,905 (2019: 7,794) pensioner and dependent memberships with individuals receiving benefits. There were also 9,027 (2019: 8,733) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

Employees in the following organisations, in addition to Council staff contribute to and accordingly benefit from the fund.

Transferee Admission Bodies:

- Cofely Workplace Limited
- Fusion Lifestyle
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (five school contracts)
- ABM (two school contracts)
- Caterlink
- Absolutely Catering
- Cooperscroft Care Home
- K M Cleaning
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Amey Community Limited
- Pabulum (nine school contracts)
- Hillcrest Cleaning (two school contracts)
- Ategi Ltd
- Hertfordshire Catering Ltd
- Haringey Education Partnership
- Olive Dining (five school contracts)
- ISS Mediclean
- Braybourne
- Schools Office Services
- Birkin Cleaning Services
- NVIRO Ltd

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

- Homes for Haringey
- Greig City Academy
- Fortismere School
- Alexandra Park Academy
- Woodside Academy
- Eden Free School
- Harris Academy Coleraine
- Harris Academy Philip Lane
- AET Trinity Primary
- AET Noel Park
- Haringey 6th Form Centre
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Michael's Academy
- St Ann CE Academy
- Holy Trinity CE Academy
- Heartlands High School
- St Thomas More RC Academy
- Brook House Primary
- Millbrook Primary School
- Harris Academy Tottenham
- The Octagon
- Dukes Aldridge Academy
- The Grove School
- LDBS Central

Scheduled bodies are public bodies required by law to participate in the LGPS. Admitted bodies are in the LGPS either because services have been outsourced or because they have sufficient links with the Council to be regarded as having a community interest.

Description of the Fund

The Fund is a defined benefit scheme and was established on 1st April 1965 to provide retirement pensions and lump sum allowances, survivor dependants' and death benefits to all eligible employees of Haringey Council. Certain other organisations also participate in the Fund and details of these are set out above. The Fund's income is derived contributions from employees, contributions from employing organisations and income from investments.

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2019/20 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consists of six elected Councillors and four employer and employee representatives, (one of which was vacant in 2019/20). Councillors are selected by their respective political groups and their appointment is confirmed at a meeting of the full Council. Councillors are not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The membership of the Committee and Board during the 2019/20 year was:

Cllr Matt White	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Dr James Chiriyankandath	-	Member
Cllr Noah Tucker	-	Member
Cllr Viv Ross	-	Member
Cllr Paul Dennison	-	Member
Randy Plowright	-	Employee representative
Ishmael Owarish	-	Employee representative
Keith Brown	-	Employer representative

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31st March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Significant accounting policies

The principal accounting policies of the Fund are set out below.

<u>Contributions</u>
Employer and employee contributions are included on an accruals basis relating to wages and salaries payable for the financial year. Employers' capital cost payments are also accounted for on an accruals basis relating to the period in which the liability arises.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

<u>Transfers in and out</u>
Transfers in and out are accounted for on a cash basis whenever the transfer value is paid or received.

Investment income
Interest on cash and short term deposits is accounted for on an accruals basis. Distributions from equity and bond pooled funds are recognised on the date of payment. Distributions from property unit trusts are shown on an accruals basis by reference to the ex-dividend date. Income retained within pooled funds is accounted for as part of the change in the market value of investments posted to the fund account. Interest is recognised on an effective interest rate basis.

Benefits
Benefits are shown on an accruals basis relating to the date on which they become payable.

Taxation
The Fund is exempt from UK income tax on interest received and capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

Management expenses
Administrative, governance and oversight expenses are shown on an accruals basis. A proportion of relevant Council officers' time, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters. Up front charges paid to HMRC in respect of scheme members breaching the Pensions Lifetime allowance are disclosed under administrative expenses.

Fund managers' fees are based on the market values of the portfolios under management. Where managers invest in in-house investment vehicles, e.g. unit trusts where management fees are covered in the price of the units, the market value of such holdings are deducted from the portfolio value before calculating chargeable fees. All the investment management expenses are shown on an accruals basis.

Financial assets and liabilities
Financial assets and liabilities are included in the net assets statement and carried at fair value or amortised cost on the reporting date. A financial asset or liability is recognised in the net assets statement on the date the fund became party to the contractual acquisition of the asset or party to the liability. From this date any gains or losses from changes in the fair value of the asset or liability are recognised by the Fund. Investment assets are included at fair value in accordance with IFRS 13. See note 16 for further detail including the valuation methodology for different investments.

The value of these holdings is based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers adjusted for draw-downs paid and distributions received in the period from the date of the private equity financial statements to 31st March 2020. Infrastructure holdings are valued by third parties appointed by the fund manager using mark to market modelling.

The valuation of securities denominated in overseas currencies is calculated by using the overseas bid or mid price current at the year-end date and the exchange rate for the appropriate currency at the year-end to express the value as a sterling equivalent.

Foreign currency transaction
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in a three month period or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. These are used in the day-to-day cash management of the Fund.

Actuarial Present Value of Promised Retirement Benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and a roll forward approximation is applied in the intervening years. This is done in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26 and CIPFA guidance, the Fund has opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements, however a brief summary of this is also included as note 20 in these accounts.

Additional Voluntary Contributions ("AVCs")
Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in.

Further details about the AVC arrangements are disclosed in note 23 to the financial statements.

4. Critical judgements in applying accounting policies

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19. These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5. Assumptions made about the future and other major sources of estimation uncertainty

Items	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, Pension increase and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% decrease in the discount rate would result in a increase in the pension liability of £169m (9%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £11m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £161m (9%)
Private Equity	The figure for "Investments at fair value" is based on the latest information received from global partners prior to the Fund's accounting records closing for the quarter. Some of this information is at 31 December 2019. Given the significant stock market declines in the first quarter of the year, a general provision has been made against the value of the underlying investments. The provision has been based on a combination of: (i) December audited accounting information subsequently received; (ii) global partners' estimates of valuation movements; and (iii) changes in relevant public market indices.	The total private equity investments in the financial statements are £113m. There is a risk that this may be over or understated. Further detail is shown in Note 16 regarding the sensitivity of this valuation.
Pooled Property Funds	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data. Due to the impact of COVID-19, most of the holdings in this Fund include material valuation uncertainty clauses that have been used as the basis for valuing the affected holdings.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% ie an increase or decrease of £14m, on carrying values of £140m.

Items	Uncertainties	Effect if actual results differ from assumptions
McCloud Ruling	The McCloud case relates to age discrimination in the judges public sector pension scheme, and this ruling is applicable to all other public sector schemes, including the LGPS and Haringey Pension Fund. When the public service pension schemes moved from final salary benefit structures to career average revalued earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government's appeal of this ruling was rejected by the Courts. This will increase the liabilities of the Fund, potentially increasing the costs for employers in the future. The impact of McCloud is now forecast to be much less than initial estimates, but the precise size and scale of such liabilities are as yet unknown. The MHCLG have consulted on its proposed remedy to the McCloud issue which would be to remove the requirement that a member to have been within ten years of their normal pension age on 1st April 2012. An estimate for the impact of McCloud is included within the actuarial disclosures within these accounts.	There is a risk that the estimate of the McCloud additional liabilities may be over or understated in these accounts. The value of the additional liability relating to the McCloud ruling in these accounts is £8m.

Items	Uncertainties	Effect if actual results differ from assumptions
Effect of Coronavirus pandemic on investment valuations	The valuations of the Fund's level 3 investments in private equity and property may be affected by the Coronavirus pandemic The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. The Fund's private equity investments are usually valued in the accounts based on the 31st December valuations, with adjustments for cashflows and foreign exchange movements that have taken place between December and March. However, given the significant market distortions that took place in March 2020, in this set of accounts, the private equity valuations have been reviewed and revised downwards taking into account public market movements, this has resulted in a downwards movement in the valuations of private equity investments of £5.4m. The Fund's property valuations are difficult to ascertain as professional valuers have not been actively valuing assets at the end of March 2020. Valuations have been rolled forward from February 2020 valuations in the majority of cases.	There is a risk that valuations may be over or understated. Further detail is shown in Note 16 regarding the sensitivity of these valuations.

6. Events after the reporting date

There were no significant events which occurred after the reporting date.

PENSION FUND

7. Contributions receivable

2019/20		2018/19
£000	**By category**	£000
10,122	Employee contributions	9,619
	Employer contributions	
25,526	- Normal contributions	24,392
10,503	- Deficit recovery contributions	9,488
794	- Augmentation contributions	695
36,823	Total employers' contributions	34,575
46,945	**Total**	**44,194**

2019/20		2018/19
£000	**By authority**	£000
36,678	- Administering authority	33,789
9,351	- Scheduled bodies	9,549
917	- Admitted bodies	856
46,945	**Total**	**44,194**

8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2019/20 of £4.788 million (£3.738 million in 2018/19) and these all related to individuals.

9. Benefits payable

2019/20		2018/19
£000	**By category**	£000
42,122	- Pensions	40,446
7,372	- Commutation and lump sum retirement benefits	7,916
1,963	- Lump sum death benefits	1,412
51,457	**Total**	**49,774**

2019/20		2018/19
£000	**By authority**	£000
46,842	- Administering authority	45,473
3,331	- Scheduled bodies	3,069
1,284	- Admitted bodies	1,232
51,457	**Total**	**49,774**

10. Payments to and on account of leavers

2019/20		2018/19
£000		£000
175	Refunds to members leaving service	91
0	Bulk Transfers	40,436
4,380	Individual transfers	3,881
4,555	**Total**	**44,408**

In 2018/19 one of the Fund's employers, the College of Haringey, Enfield and North East London (CoNEL) left the fund following a merger with another college. This is the £40.4m bulk transfer shown in the 2018/19 year above.

11. Management expenses

2019/20		2018/19
£000		£000
794	Administrative costs	1,306
6,509	Investment management expenses	5,814
367	Oversight and governance costs	328
7,670	**Total**	**7,448**

This analysis of the costs of managing the Haringey Pension Fund during the period has been prepared in accordance with CIPFA guidance. The oversight and governance costs category includes £24k for external audit fees in 2019/20 (£16k in 2018/19).

11a. Investment Management Expenses

2019/20		2018/19
£000		£000
6,036	Management Fees	5,590
0	Performance Related Fees	0
42	Custody fees	71
431	Transaction Fees	153
6,509	**Total**	**5,814**

12. Investment income

2019/20		2018/19
£000		£000
12,044	Pooled investments - unit trusts and other managed funds	7,200
39	Interest on cash deposits	36
12,083	**Total**	**7,236**

13. Taxes on income

The income tax shown on the face of the Pension Fund Account relates to withholding tax (pooled).

14. Investments

14a. Reconciliation of movements in investment assets and liabilities

The changes in market value during the year comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

2019/20	Value at 31st March 2019	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2020
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,360,742	87,663	(80,908)	(56,348)	1,311,150
Cash deposits	18,384	59,023	(60,129)	36	17,314
Other investment assets/ liabilities*	5,043	15	(5,010)	1	49
Total	**1,384,168**	**146,702**	**(146,048)**	**(56,311)**	**1,328,513**

* excludes £150k seed investment in the London Collective Investment Vehicle

PENSION FUND

2018/19	Value at 1st April 2018	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2019
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,283,646	153,682	(149,748)	73,162	1,360,742
Cash deposits	73,879	49,025	(104,755)	235	18,384
Other investment assets	(36)	5,140	(1)	(60)	5,043
Total	**1,357,489**	**207,847**	**(254,504)**	**73,337**	**1,384,168**

14b. Analysis of investments

31/03/2020	By category	31/03/2019
£000		£000
	Equities UK)	
150	Unquoted	**150**
	Equities (Overseas)	
568,610	Quoted	**655,352**
	Pooled Investment Vehicles (UK)	
140,867	Property	96,717
217,520	Fixed Income	195,856
42,261	Debt Infrastructure	43,611
400,648		**336,184**
	Pooled Investment Vehicles (Overseas)	
132,914	Absolute Return Fund	157,309
96,013	Multi Asset Credit	126,536
113,014	Private Equity	90,403
341,941		**374,248**
	Cash Deposits	
13,344	Sterling	14,367
3,969	Foreign Currency	4,017
17,314		**18,384**
1,328,663	**Total Investments**	**1,384,318**

14c. Analysis by Fund Managers

31/03/2020		By fund manager	31/03/2019	
£000	%		£000	%
0	0.00	Capital International	5	0.0
786,127	59.2	Legal and General	854,075	61.7
97,260	7.3	CBRE Global Investors	99,657	7.2
42,260	3.2	Allianz Global Investors	44,216	3.2
96,013	7.2	CQS	126,935	9.2
71,031	5.3	Pantheon	67,718	4.9
26,743	2.0	BlackRock	22,488	1.6
132,914	10.0	Ruffer	158,286	11.4
15,952	1.2	CIP	3,538	0.3
47,865	3.6	Aviva	0	0.0
12,348	0.9	In house cash deposits	7,250	0.5
1,328,513	**100.0**	**Total**	**1,384,168**	**100.0**

The following investments represent more than 5% of the investment assets of the scheme.

31/03/2020 £000	31/03/2020 %	Name of holding	31/03/2019 £000	31/03/2019 %
86,999	6.5%	Legal & General World Emerging Equity Index	99,382	7.2%
0	0.0%	Legal & General Index Linked Gilts	195,855	14.1%
245,870	18.5%	Legal & General Low Carbon Index	281,914	20.4%
132,914	10.0%	London CIV Ruffer Subfund	152,887	11.0%
96,013	7.2%	CQS Multi Asset Credit Fund	126,267	9.1%
235,740	17.7%	RAFI Multi Factor Global	274,055	19.8%

15. Analysis of derivatives

The Fund does not hold any derivatives at 31st March 2020.

16. Fair Value Hierarchy

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques, which represent the highest and best price available at the reporting date.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled equity and (unitised insurance policies)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset credit fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Pooled multi asset absolute return fund (other managed funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not Required
Infrastructure Debt (other managed funds)	Level 2	Most recent valuation	NAV published, cashflow transactions, i.e. distributions or capital calls	Not Required

PENSION FUND

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled UK property unit trusts	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period	NAV published, cashflow transactions, i.e. distributions or capital calls	Valuations could be affected by material events between the date of the financial statements fund's own reporting date, and by differences between audited and unaudited accounts. Valuations of underlying property assets.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager.	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's own reporting date, and by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data, current market trends and information received regarding the valuation techniques of the fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2020	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	140,867	143,685	138,050
Private Equity	5%	113,014	118,665	107,363
		253,882	**262,350**	**245,414**

16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. Criteria utilised in the instrument classifications are detailed below.

<u>Level 1</u>

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, exchange traded quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

<u>Level 2</u>

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

<u>Level 3</u>

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (private equity), which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The figures below do not include the cash holdings of the fund.

Values as at 31/03/20	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets / liabilities at fair value through profit and loss	49	1,057,268	253,881	1,311,198
Total	**49**	**1,057,268**	**253,881**	**1,311,198**

Values as at 31/03/19	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	5,042	1,168,623	187,119	1,360,784
Total	**5,042**	**1,168,623**	**187,119**	**1,360,784**

16b. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

16c. Reconciliation of fair value measurements within level 3

2019/20	Value at 1st April 2019	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2020
	£000	£000	£000	£000	£000	£000
Pooled UK	96,718	57,341	0	(12,895)	(296)	140,868
Private Equity	90,401	27,682	(11,778)	(1,430)	8,137	113,012
Total	**187,119**	**85,023**	**(11,778)**	**(14,325)**	**7,841**	**253,880**

17. Financial Instruments

17a. Classification of financial instruments

Most the Fund's financial assets and liabilities are classified as "fair value through profit and loss". This means that the assets can be exchanged between parties at a market price. The Accounting Policies describe how fair value is measured. Assets which have fixed payments and are not quoted in an active market are classified as "financial assets at amortised cost". The only financial assets in this class held by the Fund are cash deposits and debtors. Creditors to the Fund are classified as financial liabilities at amortised cost because they are not held for trading.

31/03/2020 Carrying Value	Name of holding	31/03/2019 Carrying Value
£000		£000
	Financial assets or liabilities at fair value through profit or loss	
150	- Long term investments	150
1,311,150	- Pooled investment vehicles	1,355,742
48	- Other investment balances	5,042
1,311,349		**1,360,934**
	Financial assets at amortised cost	
17,314	- Cash deposits	18,384
1,283	- Debtors	822
18,597		**19,206**
	Financial liabilities at amortised cost	
(3,174)	- Creditors	(2,373)
(189)	- Cash overdrawn	0
(3,363)		**(2,373)**
1,326,583	**Net Assets**	**1,377,767**

The carrying values shown above are the same as the fair value for each line.

17b. Net gains and losses on financial instruments

2019/20		2018/19
£000		£000
	Financial Assets	
(56,348)	Fair value through profit or loss	73,162
37	Financial assets and liabilities at amortised cost	175
(56,311)		73,337

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18. Nature and extent of risks arising from Financial Instruments

The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level, although this leads to a potential higher volatility of future funding levels and therefore contribution rates.

a) Management of risk

The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme Management and Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. The latest version is attached to the Pension Fund Annual Report and Accounts.

The majority of the Pension Fund's assets are managed by external fund managers and they are required to provide an audited internal controls report regularly to the Council which sets out how they ensure the Fund's assets are safeguarded against loss and misstatement.

The listed equity and index linked portfolios held within pooled investment vehicles, representing 59% of the fund's investment strategy which in line with the Fund's Strategic Asset Allocation, are managed on a passive basis to minimise the volatility of returns compared with market indices and to reduce the fees and governance requirements.

b) Market price risk

The key risk for the Pension Fund is market risk, which is the risk that the values of the investments fluctuate due to changes in market prices. The majority of the Fund is invested in pooled funds with underlying assets which can fluctuate on a daily basis as market prices change e.g. equities and bonds. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years.

As at 31/03/2020	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	8.5	617,104	520,115
UK bonds	217,520	5.2	228,789	206,251
Cash	17,314	0.0	17,314	17,314
Property	140,867	7.0	150,702	131,033
Alternatives	384,202	3.5	397,747	370,656
Total Assets	**1,328,513**		**1,411,656**	**1,245,369**

As at 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	655,352	15.1	754,100	556,604
UK bonds	195,856	11.1	217,682	174,028
Cash	18,384	0.0	18,384	18,384
Property	96,786	4.2	100,725	92,632
Alternatives	417,860	8.7	454,368	381,350
Total Assets	**1,384,238**		**1,545,259**	**1,222,998**

A number of controls have been put in place to minimise this risk. A key method to reduce risk is to diversify the Pension Fund's investments. This is achieved through the setting of a benchmark, which incorporates a wide range of asset classes and geographical areas. Nine investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. Funds had been invested with nine of these fund managers as at 31st March 2020.

In addition to diversification, parameters have been set for the investment managers to work within to ensure that the risk of volatility and deviation from the benchmark are within controlled levels.

Investment values and performance of the fund managers is measured on a quarterly basis through reporting to Pensions Committee and Board.

c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 59% of the Fund value on 31st March 2020, equivalent to £782 million (2018/19: £877 million). These arise from passive pooled equities, private equity, property and cash. Foreign currency exposures are hedged in the equity asset class only, via the purchase of units in hedged versions of index tracking funds.
The main non-sterling currency exposures at 31st March 2020 was

the US dollar. Other major exposures were the Euro, other European, Asian and emerging market country currencies.

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

As at 31/03/2020	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	10.0	625,471	511,749
Multi-sector credit	96,013	10.0	105,614	86,412
Private equity	113,014	10.0	124,315	101,713
Cash	3,970	10.0	4,367	3,573
Total Assets	**781,606**	**10.0**	**859,767**	**703,447**

As at 31/03/2019	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	655,352	10.0	720,887	589,817
Multi-sector credit	126,935	10.0	139,629	114,242
Private equity	90,403	10.0	99,443	81,363
Cash	4,017	10.0	4,419	3,615
Total Assets	**876,707**	**10.0**	**964,378**	**789,037**

The cash balances managed internally are only permitted to be in sterling.

d) Interest Rate risk

Movements in interest rates affect the income earned by the Fund and can have an impact on the value of net assets. To demonstrate this risk, the table below shows the impact on income earned of a 1% increase and decrease in interest rates.

	Interest earned 2019/20	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	39	96	(17)
Total	**39**	**96**	**(17)**

	Interest earned 2018/19	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	36	178	(107)
Total	**36**	**178**	**(107)**

e) Credit risk and counterparty risk

Credit risk is the risk a counterparty fails to fulfil a transaction it has committed to entering into. This risk is particularly relevant to the Council's non-sovereign bonds (including those held in pooled funds) and cash investments.

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31st March 2020 and 31st March 2019. The majority of bonds (2020: £218 million, 2019 £196m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA credit rating.

	Market value 31/03/2020	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	313,533	69	3	2	26
Total / Weighted Average	**313,533**	**69**	**3**	**2**	**26**

	Market value 31/03/2019	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	322,790	61	3	2	34
Total / Weighted Average	**322,790**	**61**	**3**	**2**	**34**

The cash that the Council manages internally on behalf of the Pension Fund is invested in line with the Council's Treasury Management Strategy, which sets out very strict limits on the counterparties which can be used and the amounts that can be invested with them. The amount of cash held by fund managers is kept to a minimum and when held for a period of time is invested in the custodian bank's AAAm rated money market fund. The table below details the credit ratings of the institutions the cash was held with.

31/03/2020			31/03/2019	
Exposure	**Credit rating**		**Exposure**	**Credit rating**
£000			£000	
10,707	AA-	Northern Trust	11,133	AA-
2	A	Barclays Bank Plc	5	A
6,605	AAAm	Money Market Funds	7,245	AAAm
17,314			**18,383**	

The limits for cash is kept under constant review to be able to respond quickly to changes in the creditworthiness of counterparties which may increase risk.

f) Liquidity risk

Liquidity risk is the risk that monies are not available to meet the Pension Fund's obligation to pay pension benefits on time. Maintaining a level of internally managed cash balances enables the Pension Fund to ensure liquidity is not an issue. All of the internally managed cash held on 31st March 2020 was in money market funds and bank accounts with the main bank or custodian, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

The majority of the Council's non cash investments are in pooled funds whose underlying holdings are listed equities or bonds. These funds have regular (at least monthly) trade dates, which ensure it is possible to realise the investments easily if necessary.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2019. Based on the current regulations, the next valuation will take place as at 31st March 2022, (this valuation will be finalised prior to 31st March 2023).

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering body considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the tax payer from an employer defaulting on its pension obligations.

The market value of the Fund at the time of the last triennial valuation as at 31st March 2019 was £1,384 million. Against this sum liabilities were identified of £1,378 million equivalent to a small funding surplus of £6 million (2016 valuation: deficit £277m). The movement in the actuarial deficit between 2016 and the last valuation in 2019 is analysed below:

Reason for change	£m
Contributions greater than cost of accrual	12
Net transfers into/out of the Fund	(2)
Other cashflows	(4)
Interest on benefits already accrued	(164)
Membership Experience versus expectations	18
Investment returns higher than expected	395
Change in inflation assumptions	(38)
Change in actuarial assumptions	65
Total	**282**

The aim is to achieve and maintain 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investments returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding is less than 100% of the funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the fund was assessed as 100% funded (79% at the 31st March 2016 valuation). This corresponds to a surplus of £6m (2016 valuation: deficit of £277m) at that time.

Contribution increases or decreases may be phased in over the three-year period ending 31 March 2023 for scheme employers, or changes may take immediate effect from 1 April 2020. The actuary agreed that the Council's contribution rate could decrease by 1.5% over a three year period from April 2020, from 26.4% of pensionable salaries to 24.9%. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

Individual employer's rates will vary depending on the demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2019 actuarial valuation report.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows.

Future assumed rates as at 31st March 2019	%
Discount rate (annual nominal return rate)	4.2
Pay increase (annual change)*	3.3
Pay increase - Pension (annual change)	2.3
Retail Price Index (RPI)	3.3

*An allowance is also made for promotional pay increases.

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

31/03/20		31/03/19
£000		£000
(1,815,000)	Present Value of promised retirement benefits	(2,088,000)
1,326,583	Fair Value of scheme assets	1,383,000
(488,417)	**Net Liability**	**(705,000)**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Please see Annex 1 to these accounts for more information.

21. Current assets

31/03/20		31/03/19
£000		£000
	Debtors	
157	- Contributions due - employees	95
1,008	- Contributions due - employers	639
118	- Sundry debtors	88
1,283	**Total**	**822**

The below is an analysis of debtors.

31/03/20		31/03/19
£000		£000
49	Central government bodies	33
72	Public corporations and trading funds	40
1,162	Other entities and individuals	749
1,283	**Total**	**822**

22. Current liabilities

The below is an analysis of creditors.

31/03/20		31/03/19
£000		£000
(2,945)	Sundry creditors	(1,922)
(417)	Benefits payable	(451)
(3,363)	**Total**	**(2,373)**

23. Additional Voluntary Contributions ("AVCs")

Separately invested AVCs are held with the Equitable Life Assurance Society, Prudential Assurance, and Clerical Medical in a combination of With Profits, Unit Linked and Building Society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Movements by provider are summarised below:

2019/20	Utmost Life and Pensions/Equitable Life Assurance Society	2018/19
£000		£000
204	Value as at 6 April	231
0	Contributions received	0
(11)	Retirement benefits and changes	(36)
8	Changes in market value	9
201	**Value as at 5 April**	**204**
0	Equitable with profits	83
0	Equitable with deposit account fund	0
201	Equitable unit linked	121
201	**Total**	**204**
1	Number of active members	1
25	Number of members with preserved benefits	28

2019/20	Prudential Assurance	2018/19
£000		£000
1,020	Value as at 1 April	856
196	Contributions received	168
(166)	Retirement benefits and changes	(32)
73	Changes in market value	28
1,123	**Value as at 31 March**	**1,020**
574	Prudential with profits cash accumulation	564
264	Prudential deposit fund	210
285	Prudential unit linked	246
1,123	**Total**	**1,020**

2019/20	Clerical and Medical	2018/19
£000		£000
31	Value as at 1 April	28
2	Contributions received	2
(5)	Changes in market value	1
28	**Value as at 31 March**	**31**
6	Clerical Medical with profits	6
22	Clerical Medical unit linked	25
28	**Total**	**31**
2	Number of active members	2
2	Number of members with preserved benefits	2

24. Agency Services

There were no agency services provided by the fund in the year.

25. Related party transactions

Haringey Council

In 2019/20 the Pension Fund paid £0.649m to the Council for administration and legal services (£0.651 million in 2018/19). As at 31st March 2020 an amount of £0.477m was due from the Council to the Fund (£0.161 million in 2018/19).

Governance

During 2019/20 no Council members who served on the Pensions Committee and Board were also members of Haringey Pension Fund. Two of the employer and employee representatives for the Committee and Board were fund members. Committee and Board members are required to declare their interests at the beginning of each Committee meeting and as necessary during the discussion of individual items of business at Committee meetings if it becomes clear that a conflict of interest has arisen.

Key Management Personnel

The key management personnel for the fund is the Section 151 Officer for Haringey Council. The Council recharges the pension fund for a portion of this officer's costs. The Section 151 Officer was a permanent member of staff who was a member of the fund.

31/03/20	Key Management Personnel	31/03/19
£000		£000
24	Short - term benefits	10
6	Post-employment benefits	3
30		**13**

26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £124.9m (£69.2m with Pantheon – Private Equity, £9.0m with Blackrock, and £21.7m with Copenhagen Infrastructure Partners and £25.0m with Aviva Property at 31st March 2020 (2019: £182.4m). The commitments relate to outstanding call payments due in relation to the private equity, renewable energy infrastructure and property portfolios.

27. Contingent assets

Twelve admitted body employers in the Haringey Pension Fund hold insurance bonds in the value of £1.7m to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Annex 1 to the Financial Statements

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund (“the Fund”).

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund’s funding assumptions.

Present value of promised retirement benefits

Present value of Promised Retirement Benefits	Year ended 31/03/2020 (£m)	Year ended 31/03/2019 (£m)
Active members	601	877
Deferred pensioners	505	568
Pensioners	709	643
Total	**1,815**	**2,088**

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the “McCloud ruling”, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority’s IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £156m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £39m.

Financial assumptions

Year ended	31 Mar 2020 % p.a.	31 Mar 2019 % p.a.
Inflation/Pensions Increase Rate	1.9	2.5
Salary Increase Rate	2.9	3.1
Discount Rate	2.3	2.4

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25%. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.5 years	23.7 years
Future Pensioners	22.7 years	25.3 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	9	169
0.5% increase in salary increase rate	1	11
0.5% increase in pensions increase rate	9	161

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2020 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Douglas Green FFA

7 May 2020

For and on behalf of Hymans Robertson LLP

Governance Compliance Statement

1 Introduction

This Governance Compliance Statement document sets out how governance of the Pension Fund operates in Haringey. It is prepared in accordance with paragraph 55 of the Local Government Pension Scheme Regulations 2013 and the associated statutory guidance issued by the Department for Communities and Local Government.

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to the stakeholders.

2 Council delegation

Haringey Council, in its role as Administering Authority, has delegated responsibility for administering the Local Government Pension Scheme to the Pensions Committee and Board. The terms of reference for the committee were adopted by the Council in 2017, are included in the Council's constitution and are set out in the section below:

3 Terms of reference

The responsibilities for Pensions Committee and Board are set out below from the terms of reference for the committee:

a. all the functions which are stated not to be the responsibility of The Executive in Regulation 2 and Schedule 1 paragraph H of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) and in any Statute or subordinate legislation further amending these Regulations relating to those matters concerning the Local Government Pension Scheme.

b. Exercising all the Council's functions as "Administering Authority" and being responsible for the management and monitoring of the Council's Pension Fund and the approval of all relevant policies and statements. This includes:

    i. Selection, appointment and performance monitoring of investment managers, AVC scheme providers, custodians and other specialist external advisers;
    ii. Formulation of investment, socially responsible investment and governance policies and maintaining a statement of investment principles and funding strategy statement;
    iii. Determining the allocation of investments between each asset class;
    iv. Reviewing specialist external advisers performance;

   v. Publicising statements and policy documents as required by legislation, government directives and best practice.

c. Monitoring and as appropriate to decide upon Pensions Administration issues.

d. Monitoring the Pension Fund Budget including Fund expenditure and actuarial valuations; and to receive the Pension Fund Budget annually.

e. Agreeing to the admission of bodies into the Council's Pension scheme.

f. Receiving actuarial valuations.

g. Ensuring that members receive appropriate training to undertake their responsibilities.

h. Approving the Annual Accounts of the Local Government Pension Scheme and consider recommendations from the Auditor.

i. To secure, and to assist in securing compliance with:

   i. the Regulations,
   ii. and any other legislation relating to the governance and administration of the Scheme and any connected scheme,
   iii. any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme, and

j. To ensure, and to assist in securing the effective and efficient governance and administration of the Scheme and any connected scheme.

4 Membership of Committee

The Committee’s membership is made up of six elected members of Haringey Council and two employee and two employer representatives.

5 Compliance with statutory guidance

The Council is fully compliant with the statutory guidance issued by the Department for Communities and Local Government in 2008. Annex 1 details this compliance in each area of the guidance.

6 Local Pension Board

The Local Government Pension Scheme Regulations 2013 (paragraph 53 (4)) requires the Council to establish a Local Pension Board to assist the Pensions Committee. The Council applied under paragraph 106(2) of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to operate a combined Board and Committee, this request was approved, and the joint Pensions Committee and Board is now fully operational.

Annex 1: Compliance with Statutory Guidance

A. Structure
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council. *b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.* *c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.* *d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.*
<u>Haringey position</u> Fully compliant. The terms of reference for Pensions Committee and Board are clear that administration of benefits and strategic management of fund assets are part of the remit. In addition to elected members, there are members on the Committee representing Scheduled & Admitted Bodies, Active members and Pensioners. There is no secondary committee dealing with pension issues.
B. Representation
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- *i) employing authorities (including non-scheme employers, e.g. admitted bodies);* *ii) scheme members (including deferred and pensioner scheme members);* *iii) independent professional observers, and* *iv) expert advisers (on an ad-hoc basis).* *b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.*
<u>Haringey position</u> Fully compliant. In addition to elected members, there are four employer and employee positions on the committee representing Scheduled & Admitted Bodies, Active members and Pensioners. Independent and expert advisers attend as required by the Committee. All members of the committee have equal voting rights and access to all of the same papers, meetings and training.
C. Selection and role of lay members
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.
<u>Haringey position</u> Fully compliant. The terms of reference for the Pensions Committee and Board sets out the role and function of the Committee in relation to Pensions. This is supplemented by induction training offered to all new members of the Committee. Training is reported on at every meeting, members of the committee are actively encouraged to complete wider training sessions, as well as those organised for committee members prior to committee meetings.
D. Voting

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
Haringey position Fully compliant. The policy regarding voting rights is clearly set out and all members of the Pensions Committee and Board have equal voting rights. The nature of the decision making by the committee is such that almost all decision making is done by a reached consensus among the group of committee members, rather than by voting.
E. Training, Facility time, Expenses
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. *b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.*
Haringey position Fully compliant. There is a clear policy on reimbursement of expenses for elected members of the Pensions Committee and Board. All members of the committee, have equal access to training.
F. Meetings (frequency/quorum)
a) That an administering authority's main committee or committees meet at least quarterly. *b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.* *c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.*
Haringey position Fully compliant. The committee meets at least four times a year (recently this has been five times per annum). Additional formal or informal e.g. training meetings or manager selection days are held when necessary.
G. Access
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
Haringey position Fully compliant. All members of the committee have equal access to all papers, documents and advice.
H. Scope
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.
Haringey position

Fully compliant. The Pensions Committee and Board's terms of reference include the wide range of pension's issues – investment, funding, administration, admission and budgeting.
I. Publicity
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.
<u>Haringey position</u> Fully compliant. The Governance Compliance Statement is circulated to all employers in the Pension Fund and published on the Council's website.

LONDON BOROUGH OF HARINGEY PENSION FUND

INVESTMENT STRATEGY STATEMENT

1. Introduction

Haringey Council is the Administering Authority for the Local Government Pension Scheme in the London Borough of Haringey area and as such is responsible for the investment of the Pension Fund's ("the Fund") assets. The Council has delegated this responsibility to the Pensions Committee and Board (henceforth referred to as "the Committee").

The Committee is responsible for setting the investment strategy for the Fund, appointing fund managers to implement it and monitoring the performance of the strategy. The Committee retains an independent adviser and the services of an investment Consulting firm, in addition to the advice it receives from the Chief Financial Officer and other Officers.

Stock level decisions are taken by the investment managers appointed by the Fund to implement the agreed investment strategy. These decisions are taken within the parameters set out for each manager – more details are provided in Appendix B.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The Investment Strategy Statement will be an important governance tool for the Fund, as well providing transparency in relation to how the Fund's investments are managed. It will be kept under review and revised from time to time in order to reflect any changes in policy.

The Committee complies with the requirements of the Myners Review of Institutional Investment, which can be found in Appendix A, alongside a review of the Fund's compliance with the principles.

Key Investment Beliefs

The key investment beliefs held by the Committee form the foundation of discussions, and assist decisions, regarding the structure of the Fund's investment policy

The Fund's key investment beliefs are set out below:

(i) Investment Governance

The Fund has the necessary skills, expertise and resources to take decisions on asset allocations, rebalancing and fund manager appointments.

Day to day investment decisions are delegated to regulated external fund managers that have appropriate skills and experience.

Investment Consultants, Independent Advisors and Officers are a source of expertise and research to inform Committee decisions.

The Committee's primary goal is the security of assets, and it will only take decisions when it is convinced that it is right to do so. In that regard, training in advance of decision making is considered a priority.

(ii) Long Term Approach

The strength of the largest employers' covenant (London Borough of Haringey) allows a longer term deficit recovery period and for the Fund to take a long term view of investment strategy.

The most important aspect of risk is not the volatility of returns but the risk of absolute loss and of not meeting the objective of facilitating low, stable contribution rates for employers.

Illiquidity and volatility are risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term markets.

Participation in economic growth is a major source of long term equity returns.

Over the long term, equities are expected to outperform other liquid assets, particularly government bonds.

Well governed companies that manage their businesses in a responsible manner will likely produce higher returns over the long term.

(iii) Appropriate Investments

Allocations to asset classes other than equities and government bonds (e.g. multi-sector credit, private equity, infrastructure and property) offer the Fund access to other forms of risk premia and provide diversification.

Diversification across asset classes and asset types is expected to reduce the volatility of the overall Fund return.

(iv) Management Strategies

Passive management provides low cost exposure to asset class returns and is especially attractive in efficient markets, where there is limited evidence that active management can consistently generate returns (after additional costs) that exceed index benchmarks. The Committee takes the view that most equity markets are sufficiently efficient to prefer passive equity investment.

Active management will be considered in markets in which passive approaches are either impossible or where there is strong evidence that active management can add value over the long-term (for example Property and alternative investments such as Private Equity) and which are therefore suited to active management.

Active management is more expensive than passive management, and fees should be aligned to the value created in excess of the performance of the market.

Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

Implementation of strategies should be consistent with the governance capabilities of the Committee.

Objectives

The primary objective of the Fund is:

- To provide for members' pension and lump sum benefits on their retirement or for their dependants benefits on death before or after retirement on a defined benefits basis.

The investment objective of the Fund is:

- To achieve a return on Fund assets that is sufficient, over the long term, to meet its funding objectives.

The Committee recognises that the investment performance of the Fund is critical as it impacts directly on the level of employer contributions that the employers are required to pay.

This statement will be reviewed by the Committee at least triennially, or more frequently should any significant change occur.

2. Investment strategy and the process for ensuring suitability of investments

The Fund's benchmark investment strategy, along with an overview of the role each asset is expected to perform is set out in the following table:

Asset class	**Allocation (%)**	**Allowable ranges (%)**	**Role(s) within the strategy**
Listed Equities	47.5	+/- 10.0	Aim to generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
Multi Asset Absolute Return	7.5	+/- 3.0	Aim to generate equity like returns but with lesser volatility, via exposure to multiple asset classes, whilst diversifying the risk from market cap equity.
Private Equity	5.0	-*	Aim to generate returns in excess of inflation, through exposure to companies that are not publicly traded, whilst providing some diversification away from listed equities and bonds.
Property	**12.5**	-*	Aim to generate returns in excess of inflation through exposure to UK and overseas property markets, through both income and capital appreciation, whilst providing some diversification away from equities and bonds.
Conventional Property	7.5	-*	Traditional "core" property.
Long Lease Property	5.0	-*	Long Lease Property is a lower risk approach compared to conventional property and focuses on delivering returns by harvesting long-term, secure contractual income that will increase over time through a combination of fixed and inflation related increases.
Infrastructure Debt	2.5	-*	A low risk asset producing returns by investing in senior debt secured on infrastructure assets
Renewable Energy Infrastructure	5.0	-*	Aims to generate returns in excess of inflation, through exposure to a diversified mix of renewable energy infrastructure sectors whilst

			providing some diversification away from listed equities and bonds.
Multi-Sector Credit	10.0	+/- 3.0	Provides diversified exposure to global credit markets to capture both income and capital appreciation of underlying markets and securities.
UK Index-Linked Gilts**	10.0	+/-3.0	Expected to produce an income stream with an explicit linkage to inflation, and interest rate sensitivity, which is expected to mitigate the impact to some extent of changes in interest rates and inflation expectation on the Fund's funding position.
Total	**100.0**		

* Given the illiquid nature of these asset classes, there is no formal tolerance range in place. However, the Committee will closely monitor the position of the Fund over time, including these asset classes.

** From 2/3/20 fixed gilts have been held instead of index linked gilts, due to ongoing uncertainty regarding RPI reform.

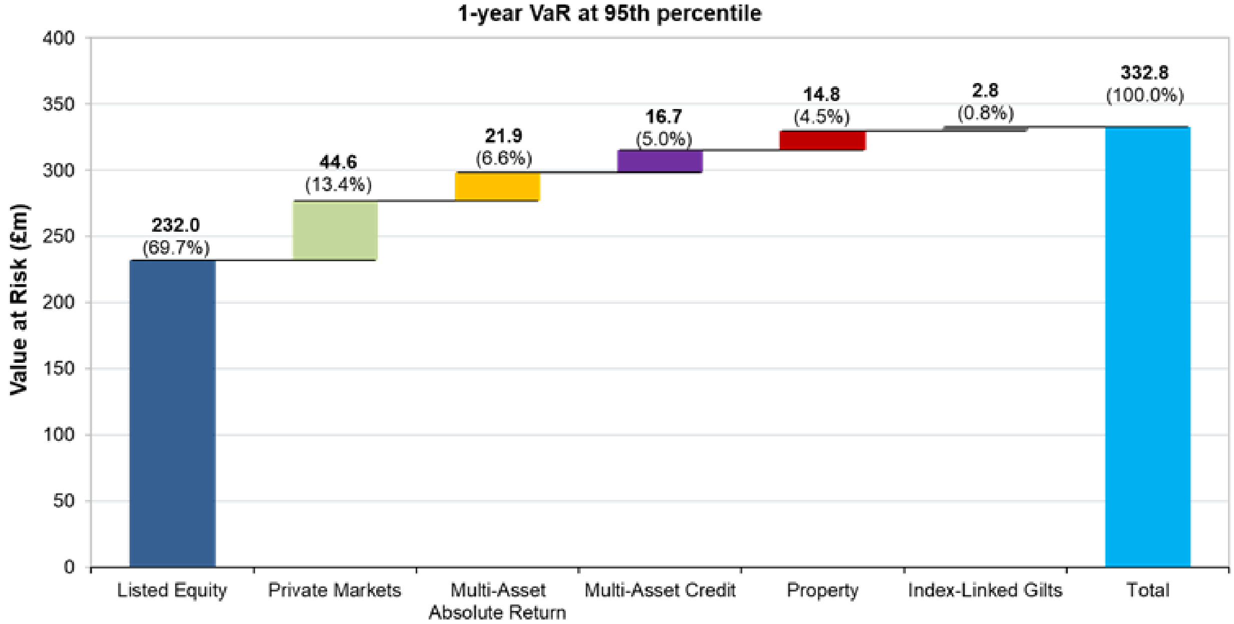
Note: Full details of the asset allocation of the Fund, including the investment managers and their respective performance benchmarks, are included in Appendix B.

3. Risk measurement and management

There are a number of risks to which any investment is exposed. The Fund's investment strategy has an inherent degree of risk which has to be taken in order to achieve the rate of return required to meet its funding objectives. The Fund has put in place a number of controls in order to manage the level of risk taken.

The benchmark the Committee has set involves a wide range of asset classes and geographical areas. This diversification aims to reduce the risk of low or negative returns to an acceptable level. As noted above, the Committee believes that active management of investments is appropriate in some asset classes, but not all. Active management introduces the risk of relative underperformance of an investment compared to its benchmark or wider market returns for that asset class. As the majority of the Fund's assets (all equities and index-linked gilts) are invested on a passive basis, the risk of underperforming the benchmark has been significantly reduced.

The graph overleaf provides an indication of the main sources of investment risk (estimated by Mercer) on an absolute basis (this is an estimate as at July 2020 and will change over time). The graph shows risk, as measured by a one year "value at risk" measure at the 5% level - in other words, if we consider a downside scenario which has a 1 in 20 chance of occurring, this would be the impact on the assets relative to the value today. This is attributed between the different parts of the portfolio, and takes account of the diversification benefits of holding assets that are not fully correlated to each other.



The following risks are recognised and considered by the Committee:

Valuation risk: the Actuarial Valuation assumes that the Fund generates an expected return equal to or in excess of the Fund's discount rate. An important risk to which the Fund is exposed is that the return is not achieved, either due to unexpected increases in the value placed on the liabilities, or if the assets do not perform as expected. This risk is reduced by the diversified investment strategy the Fund employs, through the alignment of the investment strategy with funding requirements through regular reviews, and through regular monitoring.

Longevity risk: this is the risk that the members of the Fund live longer than expected under the Actuarial Valuation assumptions. This risk is captured within the Actuarial Valuation report which is conducted at least triennially and monitored by the Committee, but any increase in longevity will only be realised over the long term.

Sponsor Covenant risk: the financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

Diversification risk: the Committee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Committee aims to ensure that the asset allocation policy results in an adequately diversified portfolio.

Liquidity risk: the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the Fund's long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice.

Manager risk: the Fund's assets are invested with a number of managers to provide appropriate diversification.

Regulatory and political risk: across all of the Fund's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Committee will attempt to invest in a manner which considers the impact of any such regulatory or political change should such a change occur.

Exchange rate risk: this risk arises from unhedged currency exposure on investments overseas. The Committee has agreed to hedge 50% of the overseas equity exposure (excluding Emerging Markets) to protect the sterling value of these investments and to reduce the volatility that arises from movements in exchange rates. Currency hedging on other assets is considered on a case of case basis, as appropriate.

Cashflow risk: the Fund's cashflow position is carefully monitored on a regular basis. As appropriate, positive and negative cashflows are used to help rebalance the investment policy closer into line with the target. Over time, it is expected that the size of pensioner cashflows will increase as the Fund matures and greater consideration will need to be given to raising assets to meet outgoings. The Committee recognises that this can present additional risks, particularly if there is a requirement to sell assets at inopportune times.

Governance: members of the Committee participate in regular training sessions. The Committee is aware that poor governance and, in, particular, high turnover of members may prove detrimental to the investment strategy, fund administration, liability management and corporate governance, and seek to minimise turnover where possible.

Environmental, Social and Governance: the Committee wishes to have an active influence on issues of environmental, social or governance (ESG) concern with companies in which the Fund is a shareholder. It will seek to codify its approach with Fund Managers and will use the services of specialist agencies as necessary to identify issues of concern. The Committee requires the Fund Managers to take into account the implications of substantial "extra-financial" considerations, e.g., ESG or reputational issues that could bring a particular investment decision into the public arena.

The full ESG policy of the Fund is outlined in Section 5.

4. Approach to asset pooling

The Fund has formally agreed to join the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

The Fund will consider transitioning liquid assets (as appropriate) into the London CIV when there are suitable investment strategies that meet the asset allocation and investment strategy available on the London CIV platform.

The Fund's illiquid assets (e.g. Property, Private Equity and Infrastructure related) are expected to remain outside of the London CIV pool. The cost of exiting these strategies would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds are re-invested through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision not to reinvest. The Committee will regularly review the assets that it has determined should be held outside the London CIV, at least every three years, to ensure that this decision continues to demonstrate value for money.

5. Social, environmental and corporate governance policy

The Fund believes the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. The Fund has demonstrated this by adopting the United Nations Principles for Responsible Investment and by being a member of the Local Authority Pension Fund Forum, which undertakes engagement activity with companies on behalf of its members.

In addition, the Fund has demonstrated this by allocating one-half of its developed markets equity portfolio to a passive fund that tracks the MSCI World Low Carbon Target Index, and all of its emerging markets equity into a passive fund that tracks the MSCI Emerging Markets Low Carbon Target Index. These indices aim to reduce exposure to companies with the highest carbon footprints, relative to a market capitalisation benchmark. Further, the Fund has made commitments expected to be equivalent to c. 5% of assets to two Renewable Energy mandates. These mandates will invest in infrastructure assets that are linked to the production of different forms of Renewable Energy (e.g. Wind, Solar, Tidal power). This further demonstrates the commitment of the Fund to Environmental principles. The Fund believes that further reduction in exposure to fossil fuel industries will reduce risk and secure stronger returns for the fund over the long term.

Investment managers are expected to consider responsible investment issues when voting on behalf of the Fund. However in instances where shareholder value and responsible investment conflict, the investment managers are instructed to vote for shareholder value and report these instances to the Committee. All investment managers are expected to vote in respect of all pooled funds.

The Committee has member and other stakeholder representatives who actively engage with stakeholders to ensure the Fund is aware and can respond effectively to stakeholder concerns.

Investments that deliver social impact as well as a financial return are often described as “social investments”. Social investment includes a wide spectrum of investment opportunities. The Fund is consistent in the application of risk and return requirements when evaluating all investment opportunities including those that address societal challenges but generate competitive financial returns with an acceptable risk / return profile in line with the investment strategy.

6. Policy of the exercise of rights (including voting rights) attaching to investments

The Fund believes that active Stewardship can promote the long term success of companies for the benefit of stakeholders including investors.

Stewardship Code Statement

The Fund is a Tier 1 Signatory to the Financial Reporting Council UK Stewardship Code and has prepared a formal statement of compliance, which is shown below.

Statement of Compliance with the UK Stewardship code

The London Borough of Haringey Pension Fund takes the stewardship responsibilities that come with being an institutional investor very seriously. The Fund believes the adoption by companies of positive Environmental, Social and Governance principles can enhance their long term performance and increase their financial returns. The Fund has demonstrated this by *adopting the United Nations Principles for Responsible Investment and by being a member of the Local Authority Pension Fund Forum, which undertakes engagement activity with companies on behalf of its members.*

The Fund has a clear commitment to stewardship and ESG that is embedded in its investment strategy, with roughly one third of developed market equity holdings allocated to a low carbon fund, and with an additional allocation to renewable energy mandates. The fund believes that a commitment to sound responsible investment principles will yield stronger returns for the fund in the long term.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Haringey is a member of the Local Authority Pension Fund Forum, and actively monitors voting alerts issued by LAPFF. When voting alerts are issued, we notify the relevant fund managers and request that they vote in line with the LAPFF recommendation. Whilst Haringey invests all equity holdings passively, and therefore cannot compel its equity fund manager to vote in a particular way at AGMs, we follow up on all voting alerts to monitor whether fund managers vote in line with the LAPFF recommendations. If the fund manager does not do this, a rationale for their decision is sought, and this is circulated to members of the Pensions Committee and Board (the S101 decision making body for the Haringey Pension Fund). Further to this, LAPFF voting alerts are reported on at every Pensions Committee and Board meeting to monitor how the fund managers have voted compared to LAPFF recommendations. The papers for these meetings which show how fund managers have voted, are published on the internet and are therefore made available for the beneficiaries of the fund as well as the general public.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Haringey's Pensions Committee and Board has a robust conflicts of interest policy which is reviewed at least annually. Conflicts of interest are embedded in the terms of reference of the Pensions Committee and Board, and a register of any conflicts which arise is maintained. Members of the Pensions Committee and Board complete declaration of interest forms annually. There is a clear process in place for managing any conflicts of interest which occur for Committee and Board members during meetings.

Haringey expects all Fund Managers to employ similarly robust conflicts of interest policies, and this is something that is considered upon any new manager appointment.

Principle 3 - Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing the Fund's equity holdings is delegated to the relevant fund managers: these are all currently invested in passive pooled funds. The Fund expects managers to monitor and engage with companies they invest in, and to report on these engagement activities.

Through membership of the Local Authority Pension Fund Forum, key ESG concerns are highlighted, to ensure that Haringey is able to probe fund managers to understand their voting intentions and attempt to influence this.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary. On occasion, the Fund may itself choose to escalate activity; this will typically be through our membership of the Local Authority Pension Fund Forum (LAPFF). When this occurs, the Committee will typically take a minuted vote on the decision whether to participate in the proposed activity.

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. This is achieved through our LAPFF membership, together with initiatives proposed by our investment managers or other advisors. The Fund takes its membership of LAPFF seriously, Officers and Councillors are engaged with LAPFF activity, with Councillor members of the Pensions Committee and Board attending LAPFF meetings such as the AGM. One of the members of the Pensions Committee and Board ran for a position on the LAPFF executive in the spring of 2017.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

Haringey actively monitors all LAPFF voting alerts, and monitors fund manager compliance with these voting recommendations in each Pensions Committee and Board meeting. All voting activity that takes place is published on Haringey's website highlighting where any fund managers have not complied with LAPFF voting guidelines.

The Fund invests via pooled funds and is therefore subject to the underlying investment managers' policies. The Fund expects its investment managers to exercise all votes associated with the Fund's equity holdings where practicable. The Fund encourages its investment managers to publicly disclose their voting records, and expects these to be made available to Haringey upon request. The Fund also looks to fulfil its responsibilities regarding shareholder voting through its membership of LAPFF.

Generally, the Fund expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the Committee expects the managers to take account of local best practice principles.

Where resolutions or issues fall short of the expected standards, the Committee and Board expects managers will either abstain or vote against, depending on the individual circumstances of the company and the issues presented. The Committee and Board expects the investment managers to *report on their voting activities on a regular basis and the Fund's Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policies.*

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund expects its underlying investment managers to report regularly to both the Officers and the Committee and Board with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Fund encourages its investment managers to publicly report on their stewardship activities. The Fund reports on its stewardship activity via LAPFF voting alerts to the Committee and Board at each meeting, and these papers are published on the internet.

The Fund also expects its investment managers to take steps to report publicly on their stewardship activity. The Fund's listed equity manager, Legal and General Investment Management publishes various documents periodically on their website at the below web address:
http://www.lgim.com/uk/en/capabilities/corporate-governance-responsible-investment/stewardship-integration/

Advice Taken

In constructing this statement, the Committee has taken advice from a representative of the Fund's professional investment advisor (Mercer Limited), an independent advisor (John Raisin Financial Services Limited), and the Borough's Chief Financial Officer (and other Officers).

Appendix A - Myners Investment Principles – Compliance Statement

Principle 1: Effective Decision-making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and

- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Haringey Position - Compliant

Haringey offers regular training to all members of the Committee to ensure they have the necessary knowledge to make decisions and challenge the advice they receive. All members are requested to complete the pensions regulator online public service toolkit, and annual training needs analysis is completed to highlight areas of weakness or gaps in knowledge. Training is completed prior to every Committee meeting, and members are actively encouraged to undertake training independently in their own time. All training activity undertaken is reported in the minutes of each Committee meeting.

Principle 2: Clear Objectives

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Haringey Position - Compliant

The Fund sets out an investment objective in this statement, which reflects the financial requirements of the agreed funding policy and the desire to return to full funding over the long-term, in combination with an acceptable level of contributions.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for the local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Haringey Position - Compliant

The Fund's investment strategy was set following the results of the last formal Actuarial Valuation, which incorporated these issues. The investment strategy has since been revised to seek to further improve risk adjusted returns. Any changes to the investment strategy are only made subject to due consideration of the liability profile of the fund.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Haringey Position - Compliant

The Committee reviews the performance of Fund investments on a quarterly basis and meets with investment managers (via Officers) at least once a year. Contracts with advisers are reviewed regularly. The Committee undertakes an assessment of its own effectiveness on a regular basis.

Principle 5: Responsible ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Financial Reporting Council (FRC) UK Stewardship Code on the responsibilities of shareholders and agents
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

Haringey Position - Compliant

The Fund's investment managers have adopted or are committed to the UK Stewardship Code.

The Fund is a Tier 1 signatory to the FRC Stewardship code and has produced a statement which is included in the Investment Strategy Statement.

Principle 6: Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives
- Provide regular communication to scheme members in the form they consider most appropriate

Haringey Position - Compliant

The Fund communicates with its stakeholders through the publication of policy statements and an Annual Report on its website. The Fund communicates regularly with its members and the communication policy statement provides information about how this is done. The Communications Policy is updated or reviewed at least annually.

Appendix B – Investment Manager Performance Targets and Benchmarks

Manager	Portfolio	%	Benchmark	Performance Target
LGIM	Global Equities and Index-Linked Gilts	57.5	See Appendix C	Index (passively managed)
Pantheon Private Equity	Private Equity	5.0	MSCI World Index	+ 3.5% p.a.
CBRE Global Investors	Conventional Property	7.5	IPD UK Pooled Property Funds All Balanced Index	+1% p.a. gross of fees over a rolling 5 year period
Aviva Investors	Long Lease Property	5.0	50% FTSE Actuaries 5-15 Year Gilt Index 50% FTSE 15 Years + Gilt Index*	+1.50% p.a. over the medium to long term
Allianz	Infrastructure Debt	2.5	5.5% p.a.	Benchmark
BlackRock	Renewable Energy Infrastructure	2.5	10.0% p.a.	Benchmark
Copenhagen Infrastructure Partners (CIP)	Renewable Energy Infrastructure	2.5	10.0% p.a.	Benchmark
CQS (London CIV)	Multi Sector Credit	10.0	3 month GBP LIBOR	+ 5.0% p.a.
Ruffer (London CIV)	Multi Asset Absolute Return	7.5	6.0% p.a.**	Benchmark

* The Fund invests in the Aviva Lime Property Fund, which invests in a diversified portfolio of UK Real Estate assets with long leases and strong covenants. The official performance objective is to outperform the composite benchmark in the table above by 1.5% over the medium to long term. In practice, the shorter term performance of the benchmark has the scope to perform very differently to the underlying property assets. Over shorter periods (less than 5 years), the Officers will assess the performance of this part of the portfolio on a total return basis, whereby around 60% to 80% of this is expected to be derived from rental income (with capital appreciation being the balance).

** The Ruffer portfolio does not have a formal performance target. We have used an absolute return target of 6% p.a. as indicative of the expected level of performance over a full market cycle.

Appendix C – Global Equity and Bond Benchmarks

The table below outlines details on the Fund's passive managed investments, held with LGIM. This allocation comprises all of the Fund's listed equity and index linked gilt exposure. The aim of these passively managed funds is to track the performance of the respective indices within a lower level of tracking deviation (gross of fees) over rolling 3-year periods.

Asset Class	**Benchmark**	**Allocation (% total Fund assets)**
Multi Factor Global Equity	RAFI Multi Factor Index (Unhedged)	10.1%
	RAFI Multi Factor Index (Hedged)	10.1%
Emerging Markets Equity	MSCI Emerging Markets Low Carbon Target Index	7.1%
Global Low Carbon Equities	MSCI World Low Carbon Target Index (Unhedged)	10.1%
	MSCI World Low Carbon Target Index (Hedged)	10.1%
Index Linked Gilts*	FTA Index Linked Over 5 Years Index	10.0%
Total		**57.5%**

*From 2/3/20 fixed gilts have been held in place of index linked gilts, on a tactical basis, due to the ongoing uncertainty regarding RPI reform.

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Local Government Pension Scheme Regulations 2013 Regulation 61

Policy Statement on Communications with Scheme Members and Employers

Effective communication between Haringey Council, the scheme members, and the employers within the fund is essential to the proper management of the LGPS on a transparent and accountable basis.

This document sets out a policy framework within which the Council will communicate with :-

- Members of the scheme and their family units.
- Representatives of members
- Employing bodies and
- Prospective members

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

Members of the scheme:

A. Points of Contacts:

i. Pension Team for day-to-day contact and visits.

ii. Ad hoc briefings and workshops

iii. Harinet

iv. Pensions Web Page

A pensions page is maintained on Harinet and on the Haringey Web Site which provides:-

- Guides to the LGPS including Pension Sharing on Divorce, Increasing Pension Benefits and the Appeals Process
- Forms which allow members to :-
    - Join or leave the scheme or opt to join the 50/50 scheme.
    - Indicate to the Council how any death grant should be disbursed.
- Policy Statements on the use of the Council's Discretionary Powers, Investment Principles. The Financial Strategy Statement and the Communications Strategy
- Annual Reports and Pensions Bulletins
- Notice of events
- Contact details for the Pensions Team

- Links to other useful sites including the scheme regulations and on-line to the Local Government Pension Scheme.

The information held on the Harinet and Pensions Web Pages is reviewed and updated on a regular basis. Although the web page mirrors the information held on Harinet, it extends to a wider audience and allows the family unit to access pensions information relevant to them.

B. Levels of Communication:

i. General day to day administration of the scheme
ii. Annual payslips and annual newsletter to Pensioner Members
iii. Statutory notices and statements e.g : individual notices regarding entry to the scheme or hours changes and Annual Benefits Statements .
iv. Formal notice of significant proposals to change the scheme
v. Life certificates to Pensioners living abroad.

C. Medium of communication

i. Telephone and e-mail
ii. Hard copy dispatches
iii. Workshops/ Employee Briefings
iv. Face to face meetings

D. Timing

i. General policy is to issues statutory notifications and statements within the prescribed limits and to respond to written enquiries within 10 working days.
ii. An Annual Report on the Fund is published annually.
iii. Pension Bulletins on items of significance are issued as the need arises.
vi. The Pensions Newsletter is published in April of each year to coincide with pensions increase awards.
v. The Deferred Members Newsletter is published each year and coincides with the distribution of the Deferred Members Annual Benefits Statements

Representatives of members

A. Points of Contact

i. The Corporate Industrial Relations Group

ii. Council and Staff Joint Consultative Committee

iii. Pensions Committee and General Purposes Committee

iv. Face to face meetings or issues raised in correspondence or by telephone.

v. Ad hoc presentations to Trade Union Officers and work place representatives.

B. Levels of communication

i. Consultation on proposed scheme changes and significant policy issues on the use of employer discretions.

ii. Joint meetings with staff affected by TUPE transfers

iii. Response to employee complaints or queries via their representatives.

iv. Semi- formal meetings to brief employee representatives on scheme changes or to explain existing scheme rules.

C. Medium of communication

i. Telephone and e-mail

ii. Hard copy dispatches

iii. Group meetings at Officer level

iv. Committee meetings at Elected Member level

v. Face to face meetings

D. Timing

Formal meetings are dictated by pre determined dates. Informal meetings as an when required.

Employers

A. Points of contact:

Day to day contact falls into three categories:-

i. Pensions Team for day to day administration

ii. Pay Support (where the Council provides a payroll service)

iii. Finance for FRS 17 disclosure and funding issues.

B. Levels of Communication:

i. General day to day administration of the scheme

ii. Formal notification of discussion documents and consultation papers

iii. Employer briefings on issues affecting the scheme including an Employers Guide to the LGPS

iv. Pre and post fund valuation meetings.

C. Medium of communication

i. Telephone and e-mail

ii. Site visits

iii. Hard copy dispatches

D. Timing

The general policy is to keep employers informed of issues as they arise or are expected to arise in good time for the appropriate action to be taken or comments considered.

We are proposing to improve the data quality from the employers through the implementation of iconnect which is a system to interface between employer payroll systems and the pension systems and should improve data quality at source.

Prospective Members and promoting the LGPS

i. All new starters are issued with a leaflet Important Pensions Information as part of their new starter packs. This gives a brief outline of the scheme benefits and the alternative choices available.

ii. An Annual Benefits Statement are issued yearly. This ensures that members appreciate the value of being a scheme member which they can share with colleagues.

iii. Promotions of the Additional Voluntary Contributions Scheme are held in conjunction with the Council's AVC providers. These events are open to all staff and act to attract non members to the LGPS.

London Borough of Haringey Pension Fund

Funding Strategy Statement

March 2020

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Appendices

1 Introduction

1.1 What is this document?

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

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

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

1.2 What is the London Borough of Haringey Pension Fund?

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

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

1.4 How does the Fund and this FSS affect me?

This depends who you are:

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

1.5 What does the FSS aim to do?

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

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

1.6 How do I find my way around this document?

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

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

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

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

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

B. who is responsible for what,

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

D. some more details about the actuarial calculations required,

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

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

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

2 Basic Funding issues

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

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

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

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

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

2.2 What is each employer's contribution rate?

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

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

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

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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2.5 How is a funding level calculated?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.8 When will the next actuarial valuation be?

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

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

3 Calculating contributions for individual Employers

3.1 General comments

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

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

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

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

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

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

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

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

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

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

3.3 The different approaches used for different employers

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

	cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).	to the circumstances of cessation – see Note (j).	exit basis, unless the admission agreement is terminated early by the contractor in which case the low risk exit basis would apply. Letting Employer will be liable for future deficits and contributions arising. See Note (j) for further details

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

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

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

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

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

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

Note (c) (Maximum time horizon)

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

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

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

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

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

Note (d) (Secondary rate)

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

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

Note (e) (Likelihood of achieving funding target)

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

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

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

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

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

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

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

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

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

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

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

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

Note (h) (New Admission Bodies)

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

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

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

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

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) <u>Pooling</u>

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

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

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

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

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

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

Note (j) (Admission Bodies Ceasing)

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4 Pooled contributions

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

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

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

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

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

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

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

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

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

3.5 Additional flexibility in return for added security

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

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

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

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

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

3.6 Non ill health early retirement costs

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

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

3.7 Ill health early retirement costs

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

3.8 Employers with no remaining active members

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

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

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

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

3.9 Policies on bulk transfers

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

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

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

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

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

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

The same investment strategy is currently followed for all employers.

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

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

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

4.4 Does the Fund monitor its overall funding position?

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

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

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

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

5.2 Solvency

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

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

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

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

5.3 Long Term Cost Efficiency

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

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

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

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

Relative considerations include:

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

Absolute considerations include:

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

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

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

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

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

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

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

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

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

A2 Does the Administering Authority consult anyone on the FSS?

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

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

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

b) Comments were requested within 30 days;

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

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

A3 How is the FSS published?

The FSS is made available through the following routes:

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

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

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

Copies sent to investment consultants and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

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

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

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

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

A5 How does the FSS fit into other Fund documents?

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

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

Appendix B – Responsibilities of key parties

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

B1 The Administering Authority should:-

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

B2 The Individual Employer should:-

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

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

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

Appendix C – Key risks and controls

C1 Types of risk

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

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

C2 Financial risks

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

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

C3 Demographic risks

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

Risk	Summary of Control Mechanisms
	from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

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

C5 Governance risks

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

Risk	Summary of Control Mechanisms
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in a large proportion of highly liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

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

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

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

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

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

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

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

Employer contributions are normally made up of two elements:

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

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

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

D2 How is the Primary contribution rate calculated?

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

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

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each triennial valuation.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

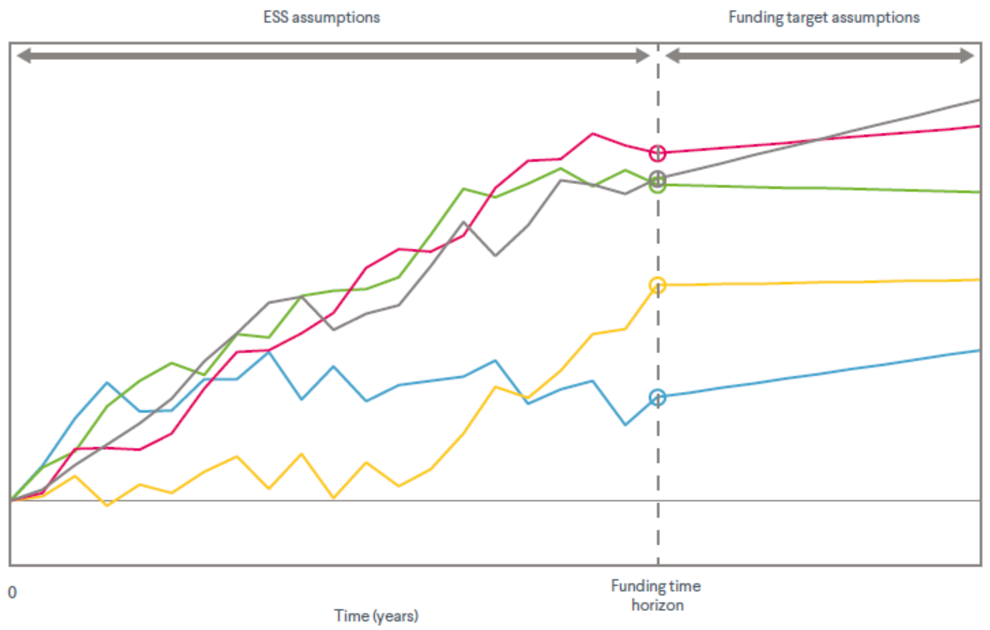
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

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

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

E3 What assumptions are used in the funding target?

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

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

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	**Ongoing participation basis**	**Contractor exit basis**	**Low risk exit basis**
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.8% p.a.	Long term government bond yields plus an AOA of 1.8% (on the same principle as that used to allocate assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers and the Committee and Board, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 4% then 2% for the two years until 31 March 2021, followed by
2. the retail prices index (RPI) per annum p.a. thereafter.

This gives a single blended rate of CPI plus 1.0%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 0.6% per annum. The change has led to an increase in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These

	Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

Report for: Pensions Committee and Board – 23 November 2020

Title: Investment Management Consultancy Services Contract

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)

Lead Officer: Oladapo Shonola, Head of Pensions, oladapo1.shonola@haringey.gov.uk, 020 8489 1860

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1 In order for Haringey (the Council) to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS), the Council must take proper advice in relation to investment of the fund's assets: this is done via procuring the services of an external specialist firm: the fund's investment consultant. The incumbent provider is Mercer Limited who has advised the fund for approximately seven years, under two separate contracts, the most recent of which was let in 2018.

1.2 The current contract for investment management consultancy services with Mercer will expire on 31 March 2021.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the proposals for the Fund to tender for a new two year contract for investment management consultancy services, with possible extension for one further year; this would be similar to the contract that is about to lapse.

3.2. To note that this contract award will be made following a procurement exercise carried out by officers, using the National LGPS Framework; and

3.3. To note that the Pensions Committee and Board will be asked to approve the appointment of the successful bidder once the selection process is complete.

4. Reason for Decision

4.1. The existing contract for investment management consultancy services expires on 31 March 2021. The Fund must take proper advice on investment matters as Administering Authority for Haringey LGPS Fund.

4.2. Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. The LGPS investment environment continues to evolve with the introduction of pooling, therefore, officers feel that the best value can be delivered by testing the market at fairly regular intervals. Hence, it is recommended that this contract would be awarded for a period of 2 years only, with an end date of 31 March 2023 and the possibility of extending for a further year.

4.3. Norfolk County Council has set up a National Framework for Investment Consultancy Services for the use of LGPS Funds. There are seven firms signed up to this framework:

- Aon Hewitt
- Deloitte
- Hymans Robertson LLP
- Isio
- Mercer Ltd
- PricewaterhouseCoopers LLP
- Redington Ltd

4.4. Officers are proposing to carry out a mini competition in order to appoint one of the firms above, and Invitation To Tender (ITT) will be sent to all seven firms inviting them to tender for the contract with Haringey.

4.5. The procurement exercise will consist of two stages. The first stage will assess written submissions from all firms to assess ‘price’, and ‘quality’. The three firms who score most highly at this stage will then be called to the second stage of the procurement. This second stage will consist of a presentation and interview where ‘service fit’ will be assessed. It is proposed that Officers undertake the scoring process with the involvement of the Independent Advisor who has previous experience of participating in procurement processes to appoint Investment Consultants to LGPS Funds, and as is the usual practice for procurements for Haringey Pension Fund. Members of the Committee and Board could nominate representatives to attend the interview stage meeting if they are minded to. Notification of a date for this meeting will be circulated once the process is advanced well enough to have a firm date.

5. Other options considered

5.1. The fund must appoint an investment management consultant to ensure it is able to access proper investment advice in order to fulfil its duty as Administering Authority for Haringey LGPS Fund. Therefore, not appointing an investment consultant would be an inappropriate course of action.

5.2. The framework hosted by Norfolk County Council is used extensively by LGPS funds. The framework increases transparency when it comes to fees, and comparability between firms. Officers therefore feel that the use of the framework presents best value for the fund. It was therefore thought best to use the framework agreement to conduct the procurement exercise.

6. Background information

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

6.2. The contract will be procured by a call off from a Framework Agreement set up by Norfolk County Council for Investment Management Consultancy Services as permitted by CSO 7.01.b). There are three lots on this particular framework agreement, Haringey is calling off from Lot 1 on the framework which is for Investment Consultancy services.

6.3. The Fund's subscription to the Norfolk Framework Agreement is still valid, so there is no need for the Fund to renew its license or incur additional subscription fees for this tender.

6.4. Officers will invite the seven firms signed up to Lot 1 of the framework to participate in a mini competition to tender for the contract with Haringey.

6.5. By inviting members of the Committee and Board to attend the presentation and interview stage of the mini competition, members of the Committee and Board would be able to have oversight of the process, and meet the firms tendering for the contract.

6.6. The contract will be 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 2 year period will be in the region of £200k, with an additional £100k likely to be incurred if the option for a 1 year extension is taken up (prices are subject to indexation).

Haringey LONDON

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

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. The Fund must take proper investment advice in relation to the fund's assets, therefore appointing an investment consultant is necessary.

Procurement

8.3. Strategic Procurement notes that the recommendation of the report is to undertake a procurement process to award a contract for investment consultancy services. The proposed procurement route is a further competition under the National LGPS Framework and can confirm that the framework is compliant with CSO 7.01 b).

Legal

8.4. The Assistant Director of Corporate Governance has been consulted in the preparation of the report.

8.5. There are no legal implications at this stage. Legal advice should be sought at an appropriate stage, in particular when awarding the contract following the tender exercise.

Equalities

8.6. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. Not applicable.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Agenda Item 11

Report for: Pensions Committee and Board – 23 November 2020

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

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy s151 Officer)

Lead Officer: Oladapo Shonola, Head of Pensions, oladapo1.shonola@haringey.gov.uk, 020 8489 1860

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 Local Authority Pension Fund Forum (LAPFF) and the Pensions 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

The Pensions Committee and Board is asked:

3.1. To note this report.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

Haringey LONDON

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
Tesla	Executive compensation; disclosures on human rights	Oppose; For;	Oppose; For	For (93.9%); Oppose (88.5%)
Ryanair	Re-elect Dick Milliken as Chair of the Audit Committee	Oppose	Oppose	For (91.7%)
Diageo	Approval of Director's remuneration policy	Oppose	Oppose	For (93.1%)

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 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. Not applicable.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Agenda Item 12

Report for: Pensions Committee and Board – 23 November 2020

Title: Risk Register

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy s151 Officer)

Lead Officer: Oladapo Shonola, Head of Pensions, oladapo1.shonola@haringey.gov.uk, 020 8489 1860

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 Pensions Committee and Board to further review the risk score allocation.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the risk register.

3.2. To note that the area of focus for review at the meeting is Governance and Legal.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Pensions Regulator requires that the Committee and Board establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

6.2. The Committee and Board approved a full version of the risk register on 20 September 2016 and from each meeting after this date different areas of the register have been reviewed and agreed so that the risk register always remains current.

6.3. An abridged version of the full register is attached. This highlights the areas to be considered for this Committee and Board meeting in line with the agreed work plan for regular review of the risk register. Red rated risks are highlighted separately.

7. Contribution to Strategic Outcomes

7.1. Not applicable.

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

Finance and Procurement

8.1. The Chief Finance Officer confirms that there are no financial implications directly arising from this report.

Legal

8.2. The Assistant Director of Corporate Governance has been consulted on the content of this report. The recommendation would enhance the administering authority’s duty to administer and manage the Scheme and is in line with the Pension Regulator’s Code of Practice.

Equalities

8.3. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. Appendix 1 – Haringey Pension Fund Risk Register (Abridged Version)

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
GOVERNANCE			
1	GOV1	Pension Fund Objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	3
2	GOV2	Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board.	12
3	GOV3	Members have insufficient knowledge of regulations, guidance and best practice to make good decisions.	12
4	GOV4	Member non-attendance at training events.	8
5	GOV5	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	4
6	GOV6	Committee members have undisclosed conflicts of interest.	3
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	4
8	GOV8	Known risks not monitored leading to adverse financial, reputational or resource impact.	4
9	GOV9	Failure to recognise new Risks and/or opportunities.	4
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	5
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	4

Risk No	Cat Ref	Risk	Risk Ranking
INVESTMENTS			
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
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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
59	INV12	Risk that the Fund's investment performance, valuation and funding level is significantly reduced following the Coronavirus pandemic	15

Risk No	Cat Ref	Risk	Risk Ranking
GOVERNANCE			
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	3
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	12
14	GOV14	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
15	GOV15	Failure to comply with guidance issued by The Pensions Regulator (TPR) and Scheme Advisory Board (SAB), or other bodies, resulting in reputational damage.	10
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	5
17	GOV17	The Fund adopts and follows ill-suited investment strategy.	10
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
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
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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
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
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 fruad/ 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
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

Risk No	Cat Ref	Risk	Risk Ranking
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
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

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
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	12
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
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
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 cashfow demands to pay pensions, and inability to sell investment assets or being forced to sell these in challenging market conditions, crystallising	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

Colour **Risk Level**

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Risk Ranking
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
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
		Low	
		Moderate	
		High	
		Very High	

Risk Register - Haringey Pension Fund

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

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**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.	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. A comprehensive training programme that is in line with CIPFA guideine/The Pension Regulator has been developed and is continously reviewed/updated. Training needs analyses undertaken annually to identify knowledge gaps and training programme adapted accordingly New members required to complete The Pensions Regulators public service toolkit modules as a minimum requirement. All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund.	4	3	12	PCB; HoP	Ongoing, but review in May 2020

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	Timescale
GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
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. New members are requested to complete The Pensions Regulators public service toolkit modules as a minimum requirement. All members are encouraged to attend training events (internal/external) to ensure all have adequate knowledge to perform duties as trustees of the Fund. Officers and advisers (statutory, independent, actuarial) are always present at meetings to provide guidance and assist Members through decision making process.	4	3	12		Mar-20
4	GOV4	Member non-attendance at training events.	A record of training events attended is a standing agenda item. The importance of attending training events is highlighted to all members on an ongoing basis. The Committee also runs a series of internal training events which preceed or are included on the Committee meeting agenda. Member training is reported as part of the Annual Fund report.	4	2	8	PCB	Ongoing

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	Timescale
GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
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 Council's performance appraisal programme.	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 required to complete an annual declaration of interest form.	3	1	3	PCB	Quarterly
7	GOV7	The Committee's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	There are five Committee/Board meetings scheduled for 2019/20 municipal year. Where urgent decisions are required this can be done either by organising an additional meeting outside the scheduled meetings or canvassing opinions and votes electronically following dissemination of relevant information to Members. Delegation of necessary authority can be granted to revelant officers for extremely time critical matters too.	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 Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	Timescale
GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
9	GOV9	Failure to recognise new Risks and/or opportunities.	Quarterly Committee/management meeting to identify new risks/opportunities. Attendance at regional and national forums to keep abreast of current issues and their potential impact impact on the Fund.	4	1	4	HoP; PCB	Quarterly
10	GOV10	Weak procurement process leads to legal challenge or failure to secure the best value for the value when procuring new services.	All procurement carried out in line with the Council's procurement rules and guidance. Expert legal and procurement advice sought where appropriate.	5	1	5	HoP	Periodically
11	GOV11	Failure to review existing contracts means that opportunities are not exploited.	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. 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.	4	1	4	HoP; PAM	Periodically
12	GOV12	Weak process and policies around communicating with a scheme members and employers means that decisions are not available for scrutiny.	All Committee/Board minutes to be published in a timely manner. Publication of an pension fund annual report on the Council's and Fund websites.	3	1	3	PAM	Quarterly

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK									
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
13	GOV13	Lack of engagement from employers/members means that communicating decisions becomes a "tick box" exercise and accountability is not real.	The Communications Strategy sets out how the Fund will engage with all stakeholders. 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. Officers have noted a generally low level of engagement from employers, including low levels of response to consultation, and low attendance at employer forums etc.	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	Officers maintain knowledge of legal framework for routine decisions. The Council's legal team is involved in reviewing Committee papers and other legal documents. 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.	5	1	5	HoP; PCB	Ongoing
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 Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Controls/Mitigations	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	Timescale
GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
16	GOV16	Pension fund asset pooling restricts Haringey Pension Fund's ability to fully implement a desired mandate	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. 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	5	1	5	HoP	Ongoing
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. The Investment Strategy is documented, reviewed and approved by the Pensions Committee/Board.	5	2	10	HoP	Mar-20

Risk Register - Haringey Pension Fund

GOVERNANCE: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
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 previoulsy 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 Register - Haringey Pension Fund

LEGISLATION: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**Overall Risk Rating**	**Respon-sibility**	**Timescale**
19	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	Officers maintain knowledge of the LGPS legal framework for routine decisions. Use of tools available on the TPR website including the Public Service Toolkit and Scheme Advisory Board Model. 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. 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.	5	1	5	HoP: PAM; PCB	Quarterly

Risk Register - Haringey Pension Fund

Risk No	Cat Ref	Risk	Current Controls	Impact	Proba-bility	Overall Risk Rating	Respon-sibility	Timescale
LEGISLATION: RISK MANAGEMENT FRAMEWORK								
20	LEG2	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund acting illegally.	Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training presentation on impact and implementation of new legislation. Collaborative working with other Funds to assess requirement and impact of new legislation.	5	1	5	HoP; PAM	Ongoing
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 Register - Haringey Pension Fund

LEGISLATION: RISK MANAGEMENT FRAMEWORK								
Risk No	**Cat Ref**	**Risk**	**Current Controls**	**Impact**	**Proba-bility**	**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

RED RATED RISKS								
Risk No	**Cat Ref**	**Risk**	**Controls/Mitigations**	**Impact**	**Proba-bility**	Overall Risk Rating	**Respon-sibility**	**Timescale**
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	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

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.	The Fund is a founding member of London CIV and actively engages with them. The CIV has to reach consensus among its 32 funds, there is therefore a persistent risk that the full complement of mandates in the Fund may not be replicated by London CIV. However, there is acknowledgement within LGPS that more niche illiquid mandates will not transition into the pools in the near future due to the inefficiencies involved. Haringey has had a number of interactions with the CIV, in relation to fund managers, which have been generally positive. Haringey has benefited from fee savings, and has a number of investments that are either via the CIV or under the CIV's oversight. These are however still subject to Haringey specific monitoring meetings with the relevant Investment Manager which are organised by the Head of Pensions and attended by both the Head of Pensions and the Independent Advisor.	5	3	15	HoP	Ongoing
59	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

Agenda Item 13

Report for: Pensions Committee and Board – 23 November 2020

Title: Forward Plan

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy s151 Officer)

Lead Officer: Oladapo Shonola, Head of Pensions, oladapo1.shonola@haringey.gov.uk, 020 8489 1860

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 Pensions 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

The Pensions Committee and Board is asked:

3.1. To identify additional issues and training for inclusion within the work plan and to note the update on member training attached as Appendix 3 to the report.

3.2. To complete The Pension Regulator's public sector toolkit and training needs analysis.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

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. A review of the Fund's governance arrangements recommended that the Committee and Board should be provided with an update on member training. Specifically, the Committee and Board noted the importance of training and required members of the Committee to complete the TPR public sector toolkit and training analysis to assist with identifying member training needs. 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

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. Not 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.

FORWARD PLAN **APPENDIX 1**

23 November 2020	21 January 2021	4 March 2021	July 2021	September 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
Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance Update Report (if required)	Governance Update Report (if required)
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Risk Register Review / Update (Governance & Legal)	Risk Register Review / Update (Administration & Communication)	Risk Register Review / Update (Accounting & Investments)	Risk Register Review / Update (Administration & Communication)	Risk Register Review / Update (Accounting & Investments)
Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report	Quarterly LAPFF Engagement Report
Fund Administration and Governance				
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	Annual Pension Fund Accounts and Annual Report (including various statutory documents)	

23 November 2020	21 January 2021	4 March 2021	July 2021	September 2021
Annual Pension Fund Accounts and Annual Report (including various statutory documents)	Investment Consultancy Services Procurement			
Investment Consultant's Performance Review				
Investments				
	Investment Strategy - Gilts portfolio			
	Investment Strategy - Residential Property (dependent on London CIV progress on developing an investment offering)			
RAFI Multi Factor Climate Transition Strategy - Final Report				
Funding and Valuation				
Training				
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Tbc	Tbc	Tbc	Tbc	Tbc

TRAINING PROGRAMME APPENDIX 2

Date	Website	Conference / Event	Training/ Event Organiser	Cost	Delegates Allowed
	http://www.lgpsboard.org/	Scheme Advisory Board Website	LGPS Scheme Advisory Board	Free - Online	N/A
	www.thepensionsregulator.gov.uk	The Pension Regulator's Pension Education Portal	The Pension Regulator	Free - Online	N/A
	https://trusteetoolkit.thepensionsregulator.gov.uk/?redirect=0	The Pension Regulator's Trustee Toolkit	The Pension Regulator	Free - Online	N/A
	http://www.lgpsregs.org/	LGPS Regulation and Guidance	LGPS Regulation and Guidance	Free - Online	N/A
	http://www.lgps2014.org/	LGPS Members Website	LGPS	Free - Online	N/A
	www.local.gov.uk	Local Government Association (LGA) Website	LGA	Free - Online	N/A
19-Feb-21	Virtual - tbc	LGPS Local Pension Board Officers Spring Seminar 2021	CIPFA/Barnet Waddinham	£140 or CIPFA Pensions Network	N/A

Please contact Oladapo Shonola, Head of Pensions, if you wish to attend any of these courses.

Tel No: 020 8489 1860

Email: oladapo1.shonola@haringey.gov.uk

ATTENDANCE **APPENDIX 3**

Pension Committee and Board member's Name	Public Sector Toolkit (Online)	Training Needs Analysis
Cllr John Bevan (Chair)	✓	✓
Cllr Julie Davis (Vice Chair)		
Cllr Viv Ross	✓	✓
Cllr (Dr) James Chiriyankandath		
Cllr Paul Dennison	✓	✓
Cllr Noah Tucker		
Keith Brown	✓	✓
Ishmael Owarish	×	✓
Randy Plowright	×	✓

Link to the public sector toolkit:

http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx#s16691

Report for: Pensions Committee and Board – 23 November 2020

Title: Implementation of the RAFI Multi Factor Climate Transition Strategy

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section S151 Officer)

Lead Officer: Oladapo Shonola, Head of Pensions, oladapo1.shonola@haringey.gov.uk, 020 8489 1860

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. The Pensions Committee and Board, at its meeting in March 2020, agreed in principle to switch the Fund's investment in the RAFI Multi Factor developed strategy to low carbon derivative of the RAFI strategy: RAFI Multi Factor Climate Transition (MFCT) Developed Index.

1.2. This report presents the result of further assessment of the RAFI MFCT index in line with Committee and Board instructions and summarises implementation considerations for the Fund.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To agree to implement the RAFI Multi Factor Climate Transition (Developed) strategy set out in Appendix 1 and delegate the authority to implement the strategy to the Assistant Director of Finance, subject to confirmation of costs by Legal and General Investment Management.

3.2. If the above recommendation is agreed, to delegate authority to the Assistant Director of Finance to update and republish the fund's Investment Strategy Statement consistent with this change.

Haringey LONDON

3.3. To note that moving to the RAFI Multi Factor Climate Transition Strategy will reduce the Fund's carbon intensity by 70% compared to the current index and will further reduce the Fund's carbon intensity by 7% annually.

3.4. To note that moving to the RAFI Multi Factor Climate Transition Strategy will reduce the Fund's equity portfolio carbon footprint overall by 50% compared to current levels.

4. Reason for Decision

4.1. The fund has a commitment to investing in a manner which not only secures sufficient returns to meet the fund's strategy to increase the overall funding level, and keep employer contributions to a minimum, but which also takes serious consideration of Environmental Social and Corporate Governance (ESG) factors. The fund's Investment Strategy Statement states that *'The Fund believes that further reduction in exposure to fossil fuel industries will reduce risk and secure stronger returns for the fund over the long term.'*

4.2. The Pensions Committee and Board (PCB), at its March 2020 meeting, agreed in principle to move to the Fund's investment into a low carbon version of the RAFI Multi Factor strategy: the RAFI Multi Factor Climate Transition strategy subject to further due diligence work being completed on the suitability of this strategy to the Fund after the index launches.

4.3. Mercer, the Fund's Investment Consultant, has undertaken an assessment on the suitability of RAFI Climate Transition Index. This is appended at Confidential Appendix 1.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Fund has been seeking to decarbonise its investment portfolio further in recent years to manage the investment risks posed by exposure to highly carbon intensive industries. The PCB agreed in principle at its meeting in March 2020 to switch the Fund's equity allocation to the RAFI multi factor into a low carbon version of the strategy.

6.2. The PCB also requested that the decision is subject to due diligence and that a further report should be brought to the Committee and Board once the strategy has launched and prior to implementation of the new strategy.

6.3. A back test of the strategy was conducted to demonstrate the effectiveness of the RAFI MF climate transition strategy on decarbonisation of the Fund's equity holdings. Had the Fund been invested using this strategy, there would have been a 30% reduction in carbon intensity from day one of implementing the strategy and annual 7% decrease in carbon intensity annually whilst overperforming the current strategy over all periods reviewed.

6.4. LGIM, the funds passive equity manager has indicated that they will be in a position to launch a fund that tracks the RAFI Multi Factor Climate Transition index by Q2 2021. However, officers have requested that this is implemented as soon as possible, and if as late as Q2 2021 at the start of Q2.

6.5. Although, the cost of implementation is yet to be confirmed by LGIM, these costs are not expected to be significant and should be available for the meeting of the Pensions Committee and Board to be updated to the meeting verbally. Aside from fund management fees charged by LGIM, Research Affiliates also operate a license fee which is similar to what the Fund currently pays to utilise the RAFI Multi Factor strategy.

6.6. As the Haringey Fund will be a seed investor in the fund once it launches and will likely initially have to pay slightly higher operation costs to maintain the strategy. However, LGIM have expressed a high degree of confidence in potential to bring other investors on board. This will facilitate cost sharing with other investors which will lower net cost to the Haringey Fund.

7. Contribution to Strategic Outcomes

7.1. Not appliable.

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

Finance and Procurement

8.1. This report provides further details on the implementation process for the RAFI Multi Factor Climate Transition strategy that the Committee and Board had previously agreed in principle to implement. The Fund will incur some initial transactions cost for switching the current RAFI strategy to the climate transition strategy, but it is not expected that these will be significant relative to the total value of assets being transferred.

8.2. As a seed investor in this strategy, the Fund may have to pay higher operational cost to maintain the strategy, but these costs will reduce as more funds implement the strategy. Additional implementation and ongoing costs are also not anticipated to be material, and must be balanced against the benefits of implementing the strategy – namely the management of the risks associated with fossil fuel industries and the Fund's belief that further reducing exposure to these will secure stronger returns for the fund over the long term.

Legal

8.3. 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.

8.4. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the PCB should keep this duty in mind when considering this report and take proper advice on the matter.

Equalities

8.5. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. Confidential Appendix 1 – RAFI Multi Factor Climate Transition Index Implementation Proposal

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Report for:	Pensions Committee and Board – 23 November 2020
Title:	Performance Review of the Pension Fund's Investment Management Consultants
Report authorised by:	Thomas Skeen, Assistant Director of Finance (Deputy Section S151 Officer)
Lead Officer:	Oladapo Shonola, Head of Pensions, oladapo1.shonola@haringey.gov.uk, 020 8489 1860
Ward(s) affected:	N/A
Report for Key/ Non Key Decision:	Non Key Decision

1. Describe the issue under consideration

1.1. The Pensions Committee and Board agreed strategy objectives for the Fund's appointed investment management consultants, Mercer Limited, at its meeting of 19 November 2019 in line with an Order of the Competition & Markets Authority (CMA). The Order also required the Fund to review the performance of its investment management consultants against the agreed objectives and report back to the CMA.

1.2. This report presents a review of Mercer's performance over the past twelve months since the strategic objectives were agreed and will form the basis of the Fund's reporting requirement back to the CMA under the Order.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the performance review of the Fund's appointed investment management consultants against agreed strategic objectives; the review is attached as a confidential appendix to the report.

3.2. To delegate authority to the Head of Pensions to communicate the outcome of this review to the Competition & Markets Authority in order to fulfil reporting requirements.

Haringey LONDON

4. Reason for Decision

4.1. The Fund must remain compliant with all relevant legislation and regulation, this is a new requirement, which the fund must take action to comply with and report back to the CMA by 7 January 2021.

4.2. The Fund must ensure it takes proper advice on investment matters in order to carry out its role as the Administering Authority for Haringey Local Government Pension Scheme (LGPS) Fund, it does this by having an appointed Investment Consultant.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. Following an investigation into fiduciary management and investment consultancy services, the Competition and Markets Authority issued an Order: 'The Investment Consultancy and Fiduciary Management Market Investigation Order 2019' which came into effect from 10 December 2019.

6.2. The Fund already undertakes some of the actions set out in the Order, so no further action was required by the Fund in respect to these. The 'remedy 7' of the Order stipulates that Investment Consultants should be set strategic objectives. This requirement applies to Haringey and the Fund had not previously done this until the Pensions Committee and Board approved strategic objectives for the investment consultants on 19 November 2019.

6.3. The Pensions Regulator issued final guidance to defined benefit schemes in November 2019. The guidance includes advice on how to set strategic objectives for investment consultants and monitor performance against set objectives. This report sets out the outcome of a review of Mercer's performance against agreed strategic objectives in line with requirement of the CMA Order.

6.4. The outcome of the annual review of Mercer's performance against set strategic objectives is attached at Confidential Appendix 1 to this report.

7. Contribution to Strategic Outcomes

7.1. Not applicable.

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

Finance and Procurement

8.1. This report details a new regulatory requirement for the fund, with which the fund must comply. There is no direct financial implication from the report, however as the provider of strategic investment advice to the fund a successful investment consultant appointment clearly will have significant financial benefits for the fund.

Legal

8.2. The Assistant Director for Corporate Governance has been consulted on the content of this report.

8.3. Part 7 of the Order requires the administering authority to set Strategic Objectives for the Investment Consultancy Provider. The Order sets out what the Strategic Objectives means. These are the objectives for the Investment Consultancy Provider's advice as applicable by reference to (a) to (d) of the definition of Investment Consultancy Services, in accordance with the administering authority's investment strategy. This would be applicable where the provider advises the administering authority in relation to one or more of the following:

(a) investments that may be made or retained by or on behalf of the administering authority;
(b) any matters in respect of which the administering authority are required by law to seek advice in relation to the preparation or revision of the statement of investment principles;
(c) strategic asset allocation;
(d) manager selection.

8.4. This report deals with the performance of Mercer against these objectives and will be provided to the CMA as part of the reporting requirement under the Order.

Equalities

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

9. Use of Appendices

9.1. Confidential Appendix 1 – Review of Mercer Limited against the investment management consultant's strategic objectives

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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