

MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON WEDNESDAY, 15TH SEPTEMBER, 2021, 7.00 - 8.45 PM

PRESENT: Councillor Yvonne Say (Chair), Councillor Eldridge Culverwell (Vice-Chair), Councillor Patrick Berryman (from item 9), Councillor Paul Dennison, Councillor Viv Ross, Ishmael Owarish, and Randy Plowright.

In attendance: Alex Goddard (Mercer) and Steve Turner (Mercer)

1. FILMING AT MEETINGS

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

2. APOLOGIES

Apologies for absence were received from John Raisin (Independent Advisor), Keith Brown, and Craig Pattinson.

3. URGENT BUSINESS

There were no items of urgent business.

4. DECLARATIONS 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

It was noted that there had been a training session on 21 July 2021 for new members which had covered introductory information relating to the Local Government Pension Scheme. This was attended by Councillor Yvonne Say (Chair), Councillor Eldridge Culverwell (Vice-Chair), Councillor Patrick Berryman, Councillor Sarah James, Ishmael Owarish, and Craig Pattinson.

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Plowright had attended a training session on 15 September 2021 entitled: Multi Asset Credit.

The Chair reminded members to inform the Pensions Committee and Board officers whenever they had attended training so that this could be recorded.

7. MEMBERSHIP

It was noted that there had been a vacancy for one employer member for some time and that, following some suggestions for contacting employers that were made by the Pensions Committee and Board, some applications for employer members had been received. The Head of Pensions and Treasury noted that three applications were received and that, in accordance with the constitution, a panel consisting of the Chair of the Pensions Committee and Board and the Assistant Director of Finance (Deputy s151 Officer) selected the representative to be appointed. It was confirmed that, following this process, Craig Pattinson had been nominated as an employer member.

RESOLVED

To confirm Craig Pattinson as an employer member on the Pensions Committee and Board for a four year term of office.

8. MINUTES

In response to a question about the annual accounts, it was confirmed that the previous financial year accounts had been signed off and published. It was anticipated that there would be some delays in signing off the accounts for this financial year, due to the ongoing effects of the Covid-19 pandemic, but the process was expected to conclude in March 2022. It was added that this was a national issue and that no major issues were anticipated in the content of the accounts.

RESOLVED

That the minutes of the Pensions Committee and Board meeting held on 4 March 2021 be confirmed and signed as a correct record.

9. PENSION ADMINISTRATION REPORT

The Interim Pensions Manager introduced the report which provided an update on the resourcing of the Pensions Administration Team, details of an employer joining the Pension Fund, and details of the intention to accept the pension scheme assets and liabilities of Clerkenwell Parochial School into the Pension Fund.

It was explained that there were still plans to recruit an apprentice in the Pensions Administration Team and that this was crucial for the long term stability of the team. It was commented that the apprentice role would require significant face to face training which would be difficult to deliver remotely and that a plan for reintroducing the team

to the office would need to be put in place before an apprentice was appointed. It was explained that this was part of the wider programme for staff returning to the office, which was an evolving and ongoing conversation, and it was anticipated that the recruitment process would commence shortly. Following a question from the Committee, it was clarified that there would be one apprenticeship position, at least initially, as the Pensions Administration Team was small in size and had approximately 10 people.

The Interim Pensions Manager highlighted that the report sought approval for the admission of Lunchtime Catering Company (Devonshire Hill Nursery and Primary School) as a new employer to the Pension Fund. It was explained that this company employed a number of existing Pension Fund members and the admission would enable their continued membership.

It was also noted that the LDBS Academy Trust had recently approached the Pension Fund as their last active member at Clerkenwell Parochial School had ceased or was due to cease and, as a result, the school was facing a large cessation payment to the Islington Pension Fund for outstanding liabilities. It was explained that the Local Government Pension Scheme (LGPS) rules required a scheme to be closed as soon as there were no more active or contributing members. Following a conversation with the actuary and officers, it was proposed that the most effective way to manage the risk faced by the school having to make a large payment for pensions rather than focusing on education would be for the Haringey Pension Fund to absorb the school, subject to the school obtaining a direction from the Secretary of State and confirmation of the numbers with the actuary. It was clarified that, although the school in question was based in Islington, LDBS had a number of schools in Haringey which could be affected by the requirement to make a large cessation payment.

The Committee noted that the academy had been paying a larger contribution rate and deficit recovery contributions and it was enquired whether the Pension Fund should be absorbing this. The Assistant Director of Finance explained that academies often had smaller numbers of staff which could lead to statistically random funding positions. It was also noted that the position would be assessed by the actuary at the next Pension Fund valuation and that, if there was an increased risk, the contribution rate would be increased. It was highlighted that this would also ensure that the schools in Haringey could continue to meet their educational requirements. The Committee enquired whether this would materially impact other people's contributions. The Head of Pensions and Treasury confirmed that any increases should be specific to the employer.

RESOLVED

1. To note the report which gave an update on the plans for the future resourcing of the Pensions Administration Team.
2. To note and approve the admission of Lunchtime Company Limited (Devonshire Hill Nursery and Primary School) as a new employer to the Pension Fund, as set out in paragraph 6.3 of the report.

3. To note and agree to the bulk transfer of the Clerkenwell Parochial School's assets and liabilities into the Haringey Pension Fund in principle, subject to further actuarial assessments and the LDBS Academy Trust obtaining a Ministry of Housing, Communities, and Local Government (MHCLG) direction order for the transfer to take place. If agreed, to delegate to the Assistant Director of Finance (Deputy S151 Officer) to implement the transfer after consultation with the Chair of the Pensions Committee and Board, as set out in paragraphs 6.4 to 6.7 of the report.

Councillor Berryman did not take part in the voting on this item as he was not present for the full item.

10. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Pension Fund and performance for the quarter. It was noted that the report included market commentary from the independent advisor and the annual report and statement of accounts.

It was explained that the Pension Fund's investment assets currently had a market value of approximately £1.7 billion which was an increase of 4.72% since March 2021. This was likely due to the reopening of economies, after the most severe periods of the Covid-19 pandemic, which had a positive impact on financial markets. It was added that this was the highest value since the Covid-19 pandemic began. It was noted that the funding position for the Pension Fund was approximately 110% but that this might be subject to change following the full actuarial assessment in 2022.

It was noted that the Pension Fund allocation to equities had been increased several years' ago and it was enquired when the strategic allocations would be reviewed, particularly in case of any inflation over the next year. Alex Goddard, Mercer, noted that inflation was a known risk which had been factored into some recent discussions, such as retaining the allocation to index linked gilts at 7% within the portfolio and allocating to the London Fund, property, and renewable energy to provide some resilience to and protection against the impact of inflation. It was highlighted that the Pension Fund was a long term investor and was therefore likely to make fewer tactical calls in the shorter term but that the allocation could be considered and rebalanced where necessary. It was acknowledged that the allocation to equities was currently overweight and that this could be considered for rebalancing; this was agreed by the Committee.

It was enquired how quickly the Pension Fund could change its allocations if required. Alex Goddard, Mercer, explained that, if there was a serious market event, it would be possible to raise this with officers and the Pensions Committee and Board at an urgent meeting which provided more immediate protection for the Pension Fund. This was consistent with the experience during the Covid-19 pandemic, when Mercer held calls with officers to discuss whether any changes should be made.

Cllr Dennison noted that the governance section of the annual report, which stated that no members of the Pensions Committee and Board were members of the

Pension Fund, would need to be updated to reflect the fact that he was a deferred member of the Pension Fund.

The Committee enquired whether it would be possible to include the net asset value as at the last valuation by investment manager and asset class as part of the quarterly report so that this could be compared against the most recent quarterly valuations. The Head of Pensions and Treasury noted that this could be considered.

RESOLVED

1. To note the information provided in respect of the activity for the quarter ended 30 June 2021.
2. To review and rebalance the allocation to equities and to report back on this at the meeting of the Pensions Committee and Board in December 2021.
3. To amend the governance section of the annual report to reflect that one member of the Pensions Committee and Board was a deferred member of the Haringey Pension Fund.

11. LOCAL GOVERNMENT PENSION SCHEME UPDATE

The Head of Pensions and Treasury introduced the item which provided an update on several developments relating to the Local Government Pension Scheme (LGPS). It was noted that a number of consultations relating to the LGPS were awaited. This included a consultation on the implementation of a strengthened framework for LGPS investment and pooling. It was explained that there were eight asset pools across the country, which were quite different in their structures and approaches, and it was expected that the government would be consulting on a more defined framework to streamline the asset pools.

It was reported that a consultation on TCFD (Task Force on Climate-related Financial Disclosures) reporting was expected in October 2021. It was noted that Regulations had been issued by the Department for Work and Pensions (DWP) for private sector pension schemes and that, although these did not apply to the LGPS, the Ministry of Housing, Communities, and Local Government (MHCLG) was looking to similarly amend the LGPS Regulations. The Head of Pensions and Treasury explained that it was aimed to include any relevant considerations in the forward plan, provide training, and put an action plan in place to ensure that the Pension Fund could meet the requirements for TCFD reporting and explore any potential investment opportunities related to the implementation of TCFD.

In relation to age discrimination in the LGPS, commonly referred to as McCloud, it was explained that the LGPS Regulations had changed the scheme in 2014 from a final salary to a career average scheme and those who had been within 10 years of retiring raised claims of age discrimination against the government. The claims of age discrimination were upheld by the Supreme Court and it had been confirmed that a Bill would be introduced to rectify any issues. The Head of Pensions and Treasury noted that the impact on the Haringey Pension Fund was currently unknown but work was

underway to ascertain this and it would continue to be considered by the Pensions Committee and Board.

The Committee noted that the McCloud case had been ongoing for several years and it was enquired why the liabilities for the Pension Fund had not been ascertained. The Assistant Director of Finance explained that the decision would be more significant in terms of the administrative work required than the monetary impact. It was noted that the Bill would set out the requirements for Pension Funds in more detail. The Interim Pensions Manager commented that the legislation would aim to ensure that the issue was rectified by 2024. It was added that the Haringey Pension Fund had commissioned a pensions administration supplier to start collecting data for the affected individuals and that this work would start imminently. It was explained that, when the scheme had become a career average scheme in 2014, the Pension Fund was no longer required to collect certain data but that the McCloud ruling would require the retroactive collection of data which would be challenging with a number of ceased employers and previous contractors.

The Head of Pensions and Treasury explained that The Pensions Regulator (TPR) currently had 15 codes of practice but they were proposing to reduce this, combining some of the codes. It was highlighted that only one of the codes of practice was relevant to the LGPS and that Haringey had not responded to the consultation on this issue in May 2021. It was added that there were no material implications for the Pension Fund and that this update was provided for information.

It was noted that there would be an increase in the Normal Minimum Pension Age, the minimum age when members of most pension schemes could usually access their pension benefits, from 55 to 57 from 2028. It was commented that the government had previously announced that the state retirement age, the age where members were entitled to their full pension benefits, would increase to 67 from March 2028. It was explained that the Pension Fund now had six years to decide how best to communicate the changes to members.

The Committee understood that the government was aiming to increase the pension age incrementally over the next 10 years and asked whether there was any further detail on this. The Head of Pensions and Treasury stated that he was not aware of any proposed increases but that this would not be surprising as the most recent actuarial assumptions suggested that people were now living and working longer. It was noted that any changes would require a significant amount of notice following the McCloud case.

RESOLVED

To note the Independent Advisors LGPS Update paper, appended as Appendix 1 to the report.

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

The Head of Pensions and Treasury introduced the report which provided an update on the Local Authority Pension Fund Forum's (LAPFF) voting activities on behalf of

the Pension Fund. It was explained that the report provided a summary of the key resolutions, the LAPFF recommendations, and details of how the Pension Fund's equity manager, Legal and General Investment Management (LGIM), had voted.

RESOLVED

To note the report.

13. RISK REGISTER

The Head of Pensions and Treasury introduced the item and explained that the area of focus for review at this meeting was Investments.

The Committee noted that the risk of Brexit had been downgraded. The Head of Pensions and Treasury explained that the Pension Fund asset allocation was largely based overseas and would be subject to fewer direct risks relating to Brexit. It was added that, since the Brexit agreement had been finalised, it was easier to identify and assess the relevant risks.

In relation to investment risk INV06, it was enquired whether cash flow was regularly reviewed and whether the Pensions Committee and Board could be provided with further information on a regular basis. The Assistant Director of Finance explained that the Investment Strategy was reviewed after the last valuation in 2019 and this had included a consideration of cash flow (including taking income where possible from the assets to help meet pension payments). It was suggested that a high level report on cash flow could be provided to the Committee. The Head of Pensions and Treasury commented that there was also information in the annual accounts, in particular page 32 of the agenda pack; it was added that this was not considered to be an area of concern.

In relation to a question about the mismatching of assets and liabilities, the Assistant Director of Finance explained that it was difficult to assess the Pension Fund's overall position accurately on a quarterly basis and that this was generally undertaken as part of the three year valuation process. It was added that the Fund would rely on Mercer to provide advice if there was a short term market event that impacted this. Steve Turner, Mercer, noted that the Pension Fund's actuarial valuation would be undertaken in 2022 and that this was typically followed by an Investment Strategy review.

RESOLVED

1. To note the Pension Fund's risk register.
2. To note that the area of focus for review at the meeting was Investments.

14. FORWARD PLAN

The Head of Pensions and Treasury introduced the report which identified items for future meetings and sought members' input. It was highlighted that members were required to complete The Pension Regulator's toolkit and the training needs assessment. It was also requested that members updated officers whenever they attended relevant training so that this could be included in members' training records.

In relation to the Task Force on Climate related Financial Disclosures (TCFD), it was confirmed that training would be provided before the Pensions Committee and Board meeting in December 2021. It was noted that there had been some progress in terms of the expected format and the government consultation.

It was commented that there had been some recent turnover in the Pensions Committee and Board membership. It was noted that the political parties had previously agreed to have minimal changes in membership due to the knowledge and training requirements; it was suggested that the Committee should raise this with the Whips.

RESOLVED

1. To identify additional issues and training for inclusion within the work plan and to note the update on member training attached at Appendix 3 to the report.
2. To complete The Pensions Regulator's public sector toolkit and training needs assessment.

15. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

16. DATES OF FUTURE MEETINGS

It was noted that the dates of future meetings were:

2 December 2021
24 January 2022
15 March 2022

17. LONDON COLLECTIVE INVESTMENT VEHICLE MULTI ASSET CREDIT REVIEW

Following consideration of the exempt information,

RESOLVED

1. To note Mercer's London Collective Investment Vehicle Multi Asset Credit Review Paper, appended as Confidential Appendix 1, and the advice contain therein.
2. To agree to remain invested in the London Collective Investment Vehicle Multi Asset Credit Fund as this transitioned to the new 50/50 weighted strategy.
3. To delegate to the Assistant Director of Finance (Deputy S151 Officer) to update and republish the Fund's Investment Strategy Statement (ISS) to be consistent with this change.

18. EXCLUSION OF THE PRESS AND PUBLIC

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. LONDON COLLECTIVE INVESTMENT VEHICLE MULTI ASSET CREDIT REVIEW

The Pensions Committee and Board considered the exempt information.

20. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

21. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the Pensions Committee and Board meeting held on 4 March 2021 be confirmed and signed as a correct record.

22. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Yvonne Say

Signed by Chair

Date