NOTICE OF MEETING

PENSIONS COMMITTEE AND BOARD

Wednesday, 15th September, 2021, 7.00 pm - 40 Cumberland Road, London, N22 7SG (watch it here)

Members: Councillors Yvonne Say (Chair), Eldridge Culverwell (Vice-Chair), Patrick Berryman, Paul Dennison, Sarah James, and Viv Ross.

Employer Member: Keith Brown
Employer Member: Craig Pattinson
Employee Member: Ishmael Owarish
Employee Member: Randy Plowright

Quorum: 3 Council Members and 2 Employer / Employee Members

1. FILMING AT MEETINGS

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. 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 15 below).

4. DECLARATIONS 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 Head of Legal and Governance (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. **MEMBERSHIP**

To confirm one employer member for a four year term of office.

8. **MINUTES (PAGES 1 - 12)**

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 4 March 2021 as a correct record.

9. **PENSION ADMINISTRATION REPORT (PAGES 13 - 16)**

This report provides updates regarding:

- Resourcing of the pensions administration team
- Details of an employer joining the pension fund
- Details of the intention to accept the pension scheme assets and liabilities of Clerkenwell Parochial School into the pension fund

10. **PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE (PAGES 17 - 56)**

This report provides updates on the Pension Fund's performance for the quarter ended 30 June 2021:

- Independent advisor's market commentary
- Investment asset allocation
- Investment performance
- Funding position update
- London Collective Investment Vehicle (LCIV) Update
- Update on the Fund's accounts and annual report

11. **LOCAL GOVERNMENT PENSION SCHEME UPDATE (PAGES 57 - 66)**

This paper provides updates on several developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:

- Awaited LGPS investment related consultations
- Age Discrimination in the LGPS (commonly referred to as "McCloud")

- The Pensions Regulators (TPR) Consultation on the new Code of Practice
- Increase in the Normal Minimum Pension Age from 6 April 2028

12. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING UPDATE (PAGES 67 - 68)

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.

13. RISK REGISTER (PAGES 69 - 74)

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.

14. FORWARD PLAN (PAGES 75 - 80)

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.

15. NEW ITEMS OF URGENT BUSINESS

16. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

2 December 2021
24 January 2022
15 March 2022

17. LONDON COLLECTIVE INVESTMENT VEHICLE MULTI ASSET CREDIT REVIEW (PAGES 81 - 84)

This report provides an assessment of the suitability of the newly proposed London Collective Investment Vehicle 50/50 solution and outlines the considerations for the Pension Fund to remain invested in the updated strategy or opt for sole exposure to current manager.

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. LONDON COLLECTIVE INVESTMENT VEHICLE MULTI ASSET CREDIT REVIEW (PAGES 85 - 110)

As per item 17.

20. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE (PAGES 111 - 150)

As per item 10.

21. EXEMPT MINUTES (PAGES 151 - 160)

To confirm and sign the exempt minutes of the Pensions Committee and Board meeting on 4 March 2021 as a correct record.

22. NEW ITEMS OF EXEMPT URGENT BUSINESS

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

Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
River Park House, 225 High Road, Wood Green, N22 8HQ

Tuesday, 07 September 2021

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MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON THURSDAY, 4TH MARCH, 2021, 7PM - 10PM

PRESENT: Councillor John Bevan (Chair), Councillor Julie Davies (Vice-Chair) (until the end of the discussion but before the decisions in relation to items 24 and 25), Councillor James Chiriyankandath, Councillor Paul Dennison, Councillor Viv Ross, Councillor Noah Tucker, Ishmael Owarish, Keith Brown, and Randy Plowright.

In attendance: John Raisin (Independent Advisor), Alex Goddard (Mercer), Steve Turner (Mercer), Jason Sheets (Mercer), Leigh Lloyd-Thomas (BDO, for item 11), Silvia Knott-Martin (London CIV, for part of items 24 and 25), Jason Fletcher (London CIV, for part of items 24 and 25), and Jonathan Ord (Local Pensions Partnership, for part of items 24 and 25).

1. FILMING AT MEETINGS

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

2. APOLOGIES

There were no apologies for absence.

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 Councillor John Bevan (Chair), Councillor Julie Davies (Vice-Chair), Councillor James Chiriyankandath, Councillor Paul Dennison, Councillor Viv Ross, Ishmael Owarish, and Randy Plowright had attended a training session on 4 March 2021 entitled: Sustainable Investments.

It was also noted that the Chair had undertaken the following training: London CIV – Low Carbon Investments Briefing, Pensions Investment Academy – ESG Regulation Developments, Pensions & Investment Research Consultants Ltd (PIRC) – a just transition in food production (January 2021); North London Pension Funds, Chairs Forum (February 2021).

7. MEMBERSHIP

It was explained that the term of office for one employee member was about to expire. It was noted that Ishmael Owarish had been nominated as an employee member. It was explained that the Pensions Committee and Board was asked to confirm this appointment for a four year term of office.

RESOLVED

To confirm Ishmael Owarish as an employee member on the Pensions Committee and Board for a four year term of office.

8. MINUTES

RESOLVED

That the minutes of the Pensions Committee and Board meeting held on 21 January 2021 be confirmed and signed as a correct record.

9. PENSION ADMINISTRATION REPORT

The Pensions Manager introduced the report which provided an update on the amount of visits made to the Haringey Pension Fund website, an update in light of the Coronavirus pandemic, details of an employer joining the pension fund, and a vacancy for a pensions administration apprentice.

It was noted that CrystalCare Services had been appointed to provide cleaning services for Bruce Grove Primary School and it was proposed that they be admitted to the pension scheme. It was confirmed that only employees who had already been in the Haringey Pension Fund and were transferring to CrystalCare Services would be able to remain in the scheme throughout their contract term. It was noted that this would be a closed scheme so future employees would not be able to join the Haringey Pension Fund.

It was acknowledged that the Pension Administration Team had a vacancy for an apprentice. It was noted that the recruitment for this position was likely to commence in September 2021. It was added that the position would be generally advertised locally and through the Council scheme for apprentices; attempts would be made to appoint a local person but this could not be guaranteed. It was also confirmed that the apprentice would be able to gain pensions qualifications.

RESOLVED

1. To note the report which gave a breakdown of the number of visits made to the Haringey pension fund website and an update regarding pension administration matters.

2. To note and approve the admission of CrystalCare Services Limited as a new employer to the Pension Fund, 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 increase contribution rate in lieu of a bond.

3. To note that the Pensions Administration Team had a vacancy for an apprentice. The vacancy would be advertised after the pandemic when supervision staff returned to work in the office.

10. REVIEW OF THE PENSION ADMINISTRATION STRATEGY AND INTERNAL DISPUTE RESOLUTION PROCEDURE

The Pensions Manager introduced the item which reviewed and sought approval for the Pension Fund's Internal Dispute Resolution Procedure (IDRP). It also reviewed, updated, and sought approval for the Pension Administration Strategy which had been sent to employers for comment.

It was explained that it was proposed to update the Pension Administration Strategy to reflect changes to the number of employees in the scheme and the amount of additional pension that scheme members could choose to purchase within the scheme. In relation to the IDRP, it was noted that no amendments were proposed but that the Pensions Committee and Board could agree any changes if required.

The Pensions Committee and Board commented that it would have been useful to see the proposed amendments in tracked changes but acknowledged that, in this case, the revisions were fairly minor. It was noted that the Pension Administration Strategy set out performance indicators; it was enquired how these were monitored and where these were reported to. The Pensions Manager explained that the performance indicators were monitored annually and included in an annual survey by The Pensions Regulator and it was noted that this information could be included in the quarterly report to the Pensions Committee and Board if useful.

It was asked how many disputes had been raised over the last three years. The Pensions Manager noted that she did not have the exact numbers at present but that only one or two cases had been to the Ombudsman. It was explained that there were three stages to the IDRP which included Stage 1, Stage 2, and then the Ombudsman. The number of cases was also included in an annual report to The Pensions Regulator.

It was noted that, on page 31 of the agenda pack, the Pension Administration Strategy stated that employer's forums would be held at council offices; it was enquired whether this should include the ability to hold meetings virtually. The Pensions

Manager explained that meetings were currently taking place virtually. The Pensions Committee and Board also noted that two acronyms were used in the report: FSAVC and GAD. It was requested that these acronyms were listed in full in the strategy. The Pensions Manager explained that this referred to Free Standing Additional Voluntary Contributions and Government Actuary Department and noted that these references could be updated.

It was enquired whether references to a leave of absence with permission in the Pension Administration Strategy included furlough and it was asked whether furlough had impacted any elements of the strategy or scheme member pensions. The Pensions Manager explained that the Pension Fund had not been advised of any furloughs but highlighted that there were regulations that referred to furlough and how this should be handled.

It was noted that there were some situations where the Pension Fund might recharge employers for additional costs and it was enquired how often this was reviewed. The Pensions Manager confirmed that this was reviewed annually and that it was not proposed to increase the charges for this year. It was noted that there had been no charges in the past year.

RESOLVED

1. To approve the Pensions Administration Strategy, attached as Appendix 1 of the report.

2. To approve the Internal Dispute Resolution Procedure, attached as Appendix 2 of the report.

11. 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 investments. It was highlighted that the Pension Fund audit completion report had been circulated and published as a supplementary appendix to the report.

In relation to performance in the last quarter, it was explained that the fund outperformed the benchmark by approximately 50 basis points with an absolute return of 6.81%, largely due to growth in equities, the Multi-Asset Credit fund, and private equities. It was noted that the fund value was now nearly £1.6 billion.

It was noted that the Pensions Committee and Board had received a report on the 2019-20 Pension Fund audit at a previous meeting and that the audit completion report provided some minor updates. It was reported that there were no significant issues. It was explained there had been one outstanding item relating to the reconciliation of membership data but this had now been resolved; this just needed final confirmation and so had not been updated in the audit completion report.

The Pensions Committee and Board noted that the Pension Fund audit opinion had been delayed; it was enquired whether this was solely due to delays caused by the

Covid-19 pandemic or whether these delays were likely to recur. The Head of Pensions and Treasury explained that the auditors had been ready to sign off the audit in November 2020 but that the National Audit Commission had issued a directive that the audit opinion for the Pension Fund and the Council should be issued at the same time. It was noted that the delays had mainly resulted from Covid-19 and it was not anticipated that these issues would recur.

It was confirmed that the section of the report on the portfolio allocation against benchmark, on page 74 of the agenda pack, should state that there had been a £97 million increase in the value of the Pension Fund between September and December 2020.

Some members noted that the report provided an update on companies operating in Occupied Palestinian Territory/ Israeli Settlements and enquired whether the Pension Fund had a policy for these sorts of investments. The Head of Pensions and Treasury explained that the Pension Fund had an Investment Strategy Statement and a policy on Environment, Social, and Governance (ESG) issues which provided guidance in these situations.

Some members stated that this was not just an ethical consideration and that investments should adhere to international law; some concerns were also raised that the language used in section 16 of the report, particularly 16.6 and 16.7, was slightly vague. It was noted that the UN had identified a list of companies that were involved in illegal activity and that due diligence had established that the Pension Fund had some investments with some of these companies. It was acknowledged that it was difficult to disengage from these investments but some members felt that the Pension Fund should move away from these investments. It was suggested that the Palestine Solidarity Campaign could send a deputation to a Pension Committee and Board meeting to explain their views.

The Head of Pensions and Treasury explained that the Pensions Committee and Board had previously decided to deal with ESG issues through the Local Authority Pension Fund Forum (LAPFF). It was noted that LAPFF engaged with businesses on behalf of the fund and this method was proven to be a better, long term way to result in changes to organisations' practices. It was also stated that the companies that had been identified were not necessarily carrying out illegal activity.

The Independent Advisor commented that the problem with disengaging from investments was that the shares would be bought by another party with no interest in the issues and this would not result in any changes. It was also noted that, a number of times in the past, the Pensions Committee and Board had considered whether to invest passively or actively and had always chosen to invest passively; as a result, the fund's investments were based on indices and this could involve a small investment in a number of things that may not have been chosen if the fund had an active investment. It was added that, even with active management, it was difficult to choose exactly where all investments were made, particularly on a larger scale.

The Pensions Committee and Board enquired what actions the Pension Fund could take, whether this issue would only be resolved by removing all investments from the relevant manager, and how this would impact the Pension Fund. The Independent

Advisor noted that Legal and General Investment Management (LGIM) manages all of the Pension Fund's equity portfolio and some non-equity elements. It was explained that LGIM was the main provider and that the Pension Fund's portfolio had been developed over nine years based on the principles set out in the Investment Strategy Statement. The Independent Advisor commented that removing these investments would be a monumental change and that this would be a drastic option. It was added that the ultimate role of the Pension Committee and Board was to ensure a financial return for the pension scheme. Some members acknowledged that there had been significant improvements in ESG issues and investments in recent years but that, due to globalisation, the issues were often more complex in practice.

Steve Turner, Mercer, noted that there were some significant barriers to disinvesting in this case. It was added that, in the letter from the Palestine Solidarity Campaign, it had been suggested that it was possible to exclude certain stocks; it was noted that this had been done by the Avon Pension Fund who had invested in the Global Low Carbon Equity Index Fund. However, it was explained that the Avon Pension Fund had the same investment in this area as the Haringey Pension Fund; the investment did not exclude any stocks and it was questioned whether the point made by the Palestine Solidarity Campaign was technically correct.

Some members noted that the Pension Fund had undertaken to reduce its exposure to high carbon activity in the past few years which had been highly successful; it was suggested that a similar approach could be taken with this issue. Some other members noted that there were specific, low carbon investment options and, although there had been improvements in ESG, there were no specific investment options for this issue.

The Head of Pensions and Treasury explained that the UN Human Rights Office report listing companies with business activity connections to Israeli settlements did not provide a legal opinion on business activities. It was noted that the Palestine Solidarity Campaign was asking the Pension Fund to implement screening and due diligence processes to consider illegal activity when making investment decisions and to state in the Investment Strategy Statement. It was explained that this would be unusual and may not be possible under the Ministry for Housing, Communities, and Local Government guidelines. It was also noted that LGIM made decisions based on their processes and would not get involved in political matters. Although the Pension Fund could have discussions with LGIM, the only way to completely avoid these investments was to disinvest over £800 million, which was over half of the fund.

The Head of Pensions and Treasury explained that it would be difficult and possibly risky for the Pension Fund to include specific references to special interest groups or topics within the Investment Strategy Statement. The Independent Advisor added that LGIM was unlikely to be invested in anything that had been definitely deemed illegal as this would result in reputational damage. It was also reiterated that the ultimate responsibility of the Pensions Committee and Board was to ensure the best financial returns for the fund.

Some members acknowledged that it would not be possible to immediately remove any exposure but that there could be a commitment to reduce exposure in the future, specifically when considering future investments. The Head of Pensions and Treasury explained that the issue would be committing to something that was not necessarily within the control of the Pensions Committee and Board. It was commented that it would be more achievable to include a generic statement within the Investment Strategy Statement which did not mention specific, special interest groups or issues. Some members of the Pensions Committee and Board felt that it would not be achievable to implement this and other members felt that it would be an aspirational objective.

The Assistant Director of Finance noted that there were several paragraphs in the Investment Strategy Statement which related to ESG considerations. It was noted that the points made about legality were interesting and, although this was not included in the Investment Strategy Statement at present, it may be useful to consider. It was highlighted that legal advice would be required but that it should be possible for the Pensions Committee and Board to consider some wording around legality at a future meeting.

Leigh Lloyd-Thomas, BDO, noted that an audit progress report had been issued in November 2020 and it had been anticipated that the audit would be finalised before the statutory deadline at the end of November 2020. However, following direction from the National Audit Commission prohibiting Pension Fund accounts to be signed off without the main Council accounts. It was noted that the audit completion report had been circulated and it was anticipated that the Pension Fund and Council accounts would be signed off by the end of March 2021.

It was explained that the audit completion report provided an update and highlighted any outstanding work. It was highlighted that no outstanding work was material and it would not prevent the auditors from giving a true and fair opinion on the Pension Fund accounts. It was explained that the auditor had requested some additional information in relation to Pension Fund liabilities relating to recent legal cases such as GMB, McCloud, and Goodwin. The other issue that the auditor wanted to confirm related to whether the valuations of investments in illiquid and unquoted assets, such as property, infrastructure, and private equity, had included the impact of Covid-19. It was explained that, following some additional work, the auditor was content that each of these investments had updated valuations which took account of Covid-19.

It was explained that BDO was prepared to give a true and fair opinion; it was noted that the Council accounts were due to be closed after the Corporate Committee meeting on 17 March 2021 and that the Pension Fund would be closed shortly afterwards.

RESOLVED

To note the information provided in respect of the activity in the three months to 31 December 2020.

12. INVESTMENT MANAGEMENT CONSULTANCY SERVICES CONTRACT AWARD

Following consideration of the exempt information,

RESOLVED

To agree the selection of the Pension Fund's investment management consultant in line with the Council's procurement guidelines and the outcome of the competitive tender process, as set out in the confidential Appendix 1 to the report, for a term of three years from 1 April 2021 with an option to extend by a further 12 months in line with the specification in the tender documents.

13. INVESTMENT STRATEGY CONSIDERATIONS ON THE STRATEGIC ASSET ALLOCATION TO GILTS AND/ OR THE LONDON FUND

Following consideration of the exempt information,

RESOLVED

1. To note the Investment Strategy Considerations paper, included as Confidential Appendix 1 to the report.

2. To approve a change to the Pension Fund's strategic asset allocation within the Investment Strategy Statement, as shown in Confidential Appendix 1 to the report, namely to:

   - Allocate 3% to the London Fund;
   - Reduce the allocation to gilts by 3% **(from 10% to 7%)**; and
   - Switch the current/ residual investment in fixed interest gilts back to indexed linked gilts.

3. To delegate authority to the Assistant Director of Finance to implement the above changes (if approved), after consultation with the Chair of the Pensions Committee and Board and Independent Advisor and after taking professional advice from the Pension Fund's Investment Consultant.

4. To delegate authority to the Assistant Director of Finance to update and republish the Pension Fund's Investment Strategy Statement consistent with decisions made above.

14. LONDON COLLECTIVE INVESTMENT VEHICLE (LCIV) RENEWABLE INFRASTRUCTURE FUND (RIF) SUITABILITY ADVICE

Following consideration of the exempt information,

RESOLVED

1. To note the London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund (RIF) Suitability Advice, appended as Confidential Appendix 1 to the report.

2. To agree that the Haringey Pension Fund commits to invest £65 million in the London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund (RIF)**, subject to the satisfactory completion of the due diligence process**.

3. To delegate authority to the Assistant Director of Finance to formally notify the London Collective Investment Vehicle (LCIV) of this decision and to implement the decision to invest in the Renewable Infrastructure Fund (if agreed), after consultation with the Chair of the Pensions Committee and Board and Independent Advisor.

4. To delegate authority to the Assistant Director of Finance to update and republish the Pension Fund's Investment Strategy Statement consistent with the decisions made above.

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

The Head of Pensions and Treasury introduced the report which provided an update on voting activities on behalf of the Fund. It was explained that, in this quarter, there had been two voting recommendations from the Local Authority Pension Fund Forum (LAPFF) relating to gender pay and the election of an independent Board Chair. The Pension Fund's equity manager, Legal and General Investment Management (LGIM), had voted in line with both voting recommendations but the results of both votes had been contrary to the LAPFF recommendations.

RESOLVED

To note the report.

16. RISK REGISTER

The Head of Pensions and Treasury introduced the item and explained that the areas of focus for review at this meeting were Accounting and Investments. It was noted that risk 58 (investment strategy adopted by the London CIV through fund manager appointments) was ongoing but that the Pensions Committee and Board may want to review whether this needed to remain as a very high (red) risk.

The Pensions Committee and Board agreed to downgrade this to a high (amber) risk. It was noted that this risk would still be monitored and could change but that, currently, it was considered that a downgraded risk was more appropriate given the level of engagement with, work with, and the responses from the London Collective Investment Vehicle.

RESOLVED

1. To note the risk register.

2. To downgrade the risk rating for risk 58 (investment strategy adopted by the London CIV through fund manager appointments) from a very high (red) to a high (amber) rated risk.

3. To note that the area of focus for review at the meeting was Accounting and Investments.

17. FORWARD PLAN

The Chair enquired about the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) and whether this should be included in the forward plan. The Head of Pensions and Treasury explained that legislation had not yet been introduced for public sector funds and that there was currently no clear timeline for the implementation of any of the TCFD's recommendations. Steve Turner, Mercer, stated that it would be useful if the Pensions Committee and Board could indicate whether there was demand for the recommendations to be implemented voluntarily, regardless of any legislation; it was noted that it was likely to be two years before anything was mandatory but that implementing the TCFD recommendations would be reputation enhancing. The Independent Advisor believed that this would be beneficial and that implementing these changes earlier would constitute good governance and good practice.

It was suggested that it may be appropriate to review some of the Pension Fund's policy statements on Environmental, Social, and Governance (ESG) issues. It was also noted that the Pensions Committee and Board had agreed, at its last meeting, to consider a gap analysis in relation to benchmarking and to include this on the forward plan. It was clarified that there was a placeholder to undertake a cost benchmarking exercise and to consider the business plan and annual budget in November 2021.

The Chair noted that it would be useful to include a TCFD and an ESG review on the forward plan; this was agreed by the Pensions Committee and Board.

Councillor Davies added that, in relation to the records for training, she had completed the training needs analysis but had not yet completed the full online training programme.

RESOLVED

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

2. To include reviews of the Taskforce on Climate-related Financial Disclosure (TCFD) and Environmental, Social, and Governance (ESG) issues on the forward plan.

3. To complete The Pension Regulator's public sector toolkit and training needs analysis.

18. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

19. DATES OF FUTURE MEETINGS

It was noted that the dates of future meetings would be confirmed at the Council meeting in May 2021.

It was noted that Oladapo Shonola, Interim Head of Pensions and Treasury, would be concluding his interim role with the Council. On behalf of the Pensions Committee and Board, the Chair extended thanks to Oladapo Shonola for his excellent work. The Assistant Director of Finance added that Oladapo Shonola had covered this post at short notice, providing strong continuity for the service. It was noted that this was the second time he had covered this role on an interim basis and the Council had been delighted to be able to have him back. The Pensions Committee and Board was informed that Tim Mpofu would be joining the Council as the new permanent Head of Pensions and Treasury.

20. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 21-26 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).

ORDER OF BUSINESS

It was noted that the order of business was amended to enable representatives from the London Collective Investment Vehicle and Mercer to take part in discussions and then to depart before any decisions concerning their organisations were made by the Pensions Committee and Board.

It was agreed to consider item 22 (Pension Fund Quarterly Update and Investments Update), then the discussion of items 24 (Investment Strategy Considerations on the Strategic Asset Allocation to Gilts and/ or the London Fund) and 25 (London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund (RIF) Suitability Advice), then the decisions in relation to items 24 and 25, followed by item 23 (Investment Management Consultancy Services Contract Award).

21. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

22. INVESTMENT MANAGEMENT CONSULTANCY SERVICES CONTRACT AWARD

[The representatives from Mercer left the meeting for the duration of this item.]

The Pensions Committee and Board considered the exempt information.

23. INVESTMENT STRATEGY CONSIDERATIONS ON THE STRATEGIC ASSET ALLOCATION TO GILTS AND/ OR THE LONDON FUND

[The representatives from the London Collective Investment Vehicle (LCIV) and Local Pensions Partnership Investments (LPPI) left the meeting for the debate and decision in relation to this item.]

The Pensions Committee and Board considered the exempt information.

24. LONDON COLLECTIVE INVESTMENT VEHICLE (LCIV) RENEWABLE INFRASTRUCTURE FUND (RIF) SUITABILITY ADVICE

[The representatives from the London Collective Investment Vehicle (LCIV) left the meeting for the debate and decision in relation to this item.]

The Pensions Committee and Board considered the exempt information.

25. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the Pensions Committee and Board meeting held on 21 January 2021 be confirmed and signed as a correct record.

26. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor John Bevan

Signed by Chair ………………………………..

Date …………………………………

Report for: Pensions Committee and Board – 15 September 2021

Title: Pension Administration Report

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Nigel Keogh, Interim Pensions Manager
07505074979 – nigel.keogh@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report provides updates regarding:

- Resourcing of the pensions administration team
- Details of an employer joining the pension fund
- Details of the intention to accept the pension scheme assets and liabilities of Clerkenwell Parochial School into the pension fund

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note this report which gives an update on the plans for the future resourcing of the pensions administration team.

3.2. 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.

3.3. To note and agree to the bulk transfer of the Clerkenwell Parochial School's assets and liabilities into 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.

4. Reason for Decision

4.1. The reasons for the bulk transfer recommendation have been included in section 6 of this report.

5. Other options considered

5.1. Not applicable.

6. Background information

Resourcing of the pensions administration team

6.1. Following the retirement of the long-standing Pensions Manager in July, and the planned retirements of three further experienced members of staff over the coming months, officers have been looking at how best to resource the team for the future.

6.2. A comprehensive recruitment process is planned for the coming weeks, subject to on-going discussions with HR, and with a mind to how the team will operate and interface with other parts of the wider finance and HR/Payroll teams in the post-Covid working environment envisaged by the Council. These plans will retain the previous commitment to recruit and train an apprentice.

New admission body to the fund

6.3. Devonshire Hill Nursery and Primary School has tendered its catering service and the successful bidder was Lunchtime Company Ltd. It is proposed that Lunchtime Company Ltd (Devonshire Hill Nursery and Primary School) be admitted to the Haringey Pension Scheme as an Admission Body in relation to the provision of the catering service for Devonshire Hill Nursery and Primary School.

LDBS Multi-Academy trust transfer

6.4. LDBS Multi-Academy Trust (LDBS) recently approached the Pension Fund to explore several options regarding the treatment of the closure of Clerkenwell Parochial School. The school is a Scheduled Body in the Islington Fund, and its closure will result in a significant cessation debt for LDBS, as the school has a large pension deficit.

6.5. LDBS have enquired about the feasibility of a bulk transfer of assets and liabilities from the Islington Pension Fund into the Haringey Pension Fund via a pooling arrangement for the Trust, which currently has five other schools as Scheduled Bodies in the Haringey Pension Fund. This would mitigate the risks associated with servicing the cessation debt for the Trust.

6.6. Officers have discussed the matter with the Pension Fund's actuary, Hymans, who have advised that the Pension Fund can agree to the transfer subject to further actuarial assessments. Such a transfer will require the Trust to obtain an Ministry of Housing, Communities, and Local Government (MHCLG) Secretary of State direction order, and both Funds will need to agree to the transfer taking place.

6.7. LDBS, with the assistance of the Department for Education, are in the process of applying for the MHCLG directive for the transfer.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

<u>Finance and Procurement</u>

8.1. There are no financial implications to this report.

<u>Head of Legal and Governance (Monitoring Officer)</u>

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report.

8.3. The report seeks authority to admit an employer as admitted body to the Haringey Pension Fund. A person is eligible to be an active member of the Scheme in an employment if employed by an admission body and is designated or belongs to a class of employees that is designated by the body under the terms of an admission agreement, as being eligible for membership of the Scheme.

8.4. Lunchtime Company Ltd is a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement. Lunchtime Company Ltd has entered into a service contract to provide catering services to Devonshire Hill Nursery and Primary School and the administering authority may enter into the Admission Agreements pursuant to Schedule 2 of The Local Government Pension Scheme Regulations 2013.

8.5. The LDBS multi trust academy are Scheme Employers and therefore entitled to keep those members (who are entitled to) within the Local Government Pension Scheme and are seeking to transfer from the Islington Pension Fund to the Haringey Pension subject to approval of the Committee and Board. The report therefore seeks authority to accept a bulk transfer of the members that are within the Islington Pension Fund and that fund must also agree to the transfer as Regulations 98 of the Administration Regulations 2013 will apply and a transfer agreement will need to be entered into.

<u>Equalities</u>

8.6. Not applicable.

9. Use of Appendices

9.1. Not applicable.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Agenda Item 10

Report for: Pensions Committee and Board – 15 September 2021

Title: Pension Fund Quarterly Investment and Performance Update

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 30 June 2021:

a. Independent advisor's market commentary
b. Investment asset allocation
c. Investment performance
d. Funding position update
e. London Collective Investment Vehicle (LCIV) Update
f. Update on the Fund's accounts and annual report

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the information provided in respect of the activity for the quarter ended 30 June 2021.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

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6.1. The independent advisor has prepared market commentaries for the quarter ending 30 June 2021 as well as a full year report for the financial year ended 31 March 2021. Both reports have been included with this paper as appendix 1 and 2, respectively.

Investment asset allocation

6.2. At 30 June 2021, the Pension Fund's investment assets had a market value of £1.698bn. This was an increase of 4.72% since 31 March 2021 largely spurred on by the optimism in the global financial markets to the reopening of economies after months of lockdown due to the COVID-19 pandemic. The Pension Fund's strategic asset allocation as at 30 June 2021 is shown in Table 1 below.

Table 1: Total Portfolio Allocation by Manager and Asset Class

	Value 30.09.2020 £'000	Value 31.12.2020 £'000	Value 31.03.2021 £'000	Value 30.06.2021 £'000	Allocation 30.06.2021 %	Strategic Allocation %	Variance %
Equities							
Multi Factor Global	298,238	235,740	362,429	389,984	22.97%	20.20%	2.77%
Emerging Markets Low Carbon	107,741	86,999	123,128	128,706	7.58%	7.10%	0.48%
Global Low Carbon	307,475	245,870	355,008	382,520	22.53%	20.20%	2.33%
Total Equities	**713,454**	**568,609**	**840,565**	**901,210**	**53.08%**	**47.50%**	**5.58%**
Bonds							
Index Linked	175,531	217,519	136,132	141,727	8.35%	7.00%	1.35%
Property							
Aviva	48,098	47,865	73,058	74,764	4.40%	5.00%	-0.60%
CBRE	97,178	97,214	97,454	102,019	6.01%	7.50%	-1.49%
The London Fund	0	0	0	0	0.00%	3.00%	-3.00%
Private equity							
Pantheon	72,585	70,569	90,233	87,225	5.14%	5.00%	0.14%
Multi-Sector Credit							
CQS	143,461	96,013	155,411	158,487	9.34%	10.00%	-0.66%
Multi-Asset Absolute Return							
Ruffer	136,140	132,914	127,845	128,732	7.58%	7.50%	0.08%
Infrastructure Debt							
Allianz	46,286	42,260	45,525	44,955	2.65%	2.50%	0.15%
Renewable Energy Infrastructure							
CIP	18,636	15,952	16,652	14,089	0.83%	1.25%	-0.42%
Blackrock	26,474	26,493	27,325	23,904	1.41%	1.25%	0.16%
LCIV Renewable Infrastructure	26,474	26,493	0	7,711	0.45%	2.50%	-2.05%
Cash & NCA							
Cash	4,056	12,804	13,241	12,919	0.76%	0.00%	0.76%
Total Assets	**1,508,373**	**1,354,705**	**1,623,441**	**1,697,742**	**100.00%**	**100.00%**	

6.3. At previous PCB meetings, the Committee and Board has agreed to several changes to the Pension Fund's strategic asset allocation. An update of the progress made regarding the changes is summarised in Table 2 below.

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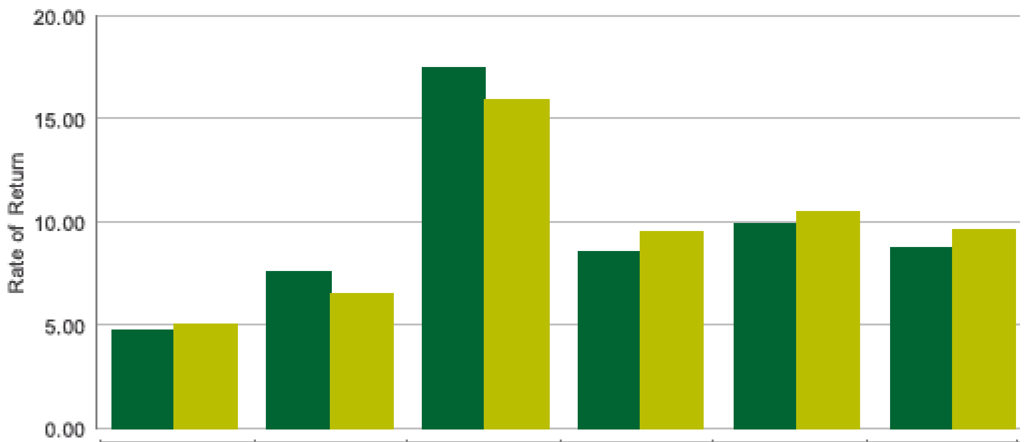
Table 2: Update on Changes Made to Asset Allocation

Switch Fixed Interest Gilts Back to Index Linked Gilts	The switch to index linked gilts was completed in April 2021.
Allocate 3% to the London Fund (£45m)	The Pension Fund has finalised the required set up paperwork and has a commitment of £45m with the London Fund. As at the reporting date, no capital calls had been made by the investment manager.
London CIV Renewable Infrastructure Fund	The Pension Fund has finalised the required set up paperwork and has a commitment of £65m with the LCIV Renewable Infrastructure Fund. As at the reporting date, £7.7m had been invested in the fund.
Implementation of the RAFI Multi-Factor Climate Transition Strategy	The switch to the RAFI Mult-Factor Climate Transition Strategy was completed in June 2021. The Pension Fund now has its entire passive equity allocation invested with low carbon funds.

Investment Performance

6.4. A performance strategy report is attached to this report as Confidential Appendix 3, this has been prepared by the Fund's Custodian, Northern Trust. The Fund's overall returns for the quarter are summarised in the chart on the following page:

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



	Three Months	Year to Date	One Year	Three Years	Five Years	ITD
Fund	4.72	7.60	17.51	8.52	9.90	8.74
Index	5.02	6.52	15.88	9.50	10.47	9.59

Index: Haringey New Total Plan BM

Funding Position Update

6.5. At the most recent valuation carried out as at 31 March 2019, the Pension Fund had a funding level of 100.4%. This meant that the Pension Fund's investment

Haringey LONDON

assets were sufficient to pay all pension benefits accrued at that date, based on the underlying actuarial assumptions.

6.6. The Pension Fund's Actuary, Hymans Robertson, regularly calculates an indicative funding position update based on the latest actuarial assumptions. The most recent update shows an estimated funding level of 110% as at 31 March 2021.

6.7. The funding level increase has been driven largely by the slightly higher than expected investment returns since March 2019. However, the outlook for future returns over the next 20 years on the fallen slightly which has increased the value placed on liabilities.

6.8. The next valuation will be carried out as at 31 March 2022, with new contribution rates to apply from 1 April 2023.

London Collective Investment Vehicle (LCIV) Update

6.9. Haringey Pension Fund, alongside all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the 8 asset pools that was set up after the government guidance issued in November 2015. The Pension Fund had approximately 80% of assets invested with the pool as at 30 June 2021.

6.10. The LCIV completed its first close of the LCIV Renewable Infrastructure Fund in March 2021. The Pension Fund was part of the first close with a commitment of £65m which was agreed at the last PCB meeting.

6.11. The LCIV is currently developing its reporting on the Task Force for Climate-related Disclosures (TCFD) and has engaged S&P/Trucost to assist with the ongoing work. The MHCLG is expected to conduct a consultation exercise on TCFD reporting for the Local Government Pension Schemes later this year.

Update on the Pension Fund's Accounts and Annual Report

6.12. The Pension Fund's draft statement of accounts has now been published and is available on the Council's website. A copy of the accounts has been included with this report as appendix 4. The annual external audit is expected to begin later in the autumn.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

<u>Finance and Procurement</u>

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

Head of Legal and Governance (Monitoring Officer)

8.2. The Council as administering authority for the Haringey Pension Fund must periodically review the suitability of its investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with its overall investment strategy.

8.3. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

Equalities

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

9. Use of Appendices

9.1. Appendix 1: Independent Advisor’s Market Commentary April to June 2021
9.2. Appendix 2: Independent Advisor’s Report Financial Year 2020-2021
9.3. Confidential Appendix 3: Pension Fund Performance Report
9.4. Appendix 4: Pension Fund’s Draft Statement of Accounts 2020-2021

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

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JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background April to June 2021

April to June 2021 proved to be yet another positive Quarter for financial markets with the MSCI World Index advancing almost 8% (in $ terms). Significant progress in vaccine rollouts in developed markets combined with the ongoing reopening of economies and the easing of social restrictions supported by both continuing ultra loose monetary (central bank) policy and fiscal (government) stimulus doubtlessly buoyed markets. Interestingly the outperformance of Value stocks over Growth stocks which was a notable (and long awaited) aspect of the previous Quarter was not repeated. During the April to June period the MSCI World Growth index advanced by 11% (in $ terms) while the MSCI Value Index advanced by less than 5%. The debate over future inflation trends continued but both the US Federal Reserve and Bank of England continued to indicate a belief that inflation above 2% would be transitory in both the US and UK.

As in the previous Quarter the period April to June 2021 saw further significant progress in the US COVID-19 vaccination programme and both economic data and sentiment continued along a positive trend. On 27 May the US Bureau of Economic Analysis estimated US GDP increased at an annual rate of 6.4% in the first Quarter of 2021 compared to 4.3% in the final Quarter of 2021. Quarter 1 corporate earnings reports were, overall, clearly positive. Consumer spending was facilitated by the arrival in later March of the $1,400 direct payments to individuals from the latest Federal stimulus package. Consumer sentiment as measured by the University of Michigan was slightly higher at the end of June compared with March. Unemployment was 5.9% in June compared to 6.0% at the end of March 2021. Further significant fiscal stimulus was proposed by President Biden which by June had resulted in an agreement with a bipartisan group of Senators to support a package worth about $1 trillion to upgrade infrastructure over an eight year period. The estimate issued by the US Bureau of Economic Analysis on 26 August indicated that GDP increased in the period April to June 2021 (Quarter 2 of 2021) at an annual rate of 6.6%. US equities enjoyed a clearly positive Quarter with the S&P index advancing to new highs during each of April, May and June closing at 4,298 on 30 June an increase of over 8% during the Quarter.

At both its April and June meetings the Federal Open Markets Committee (FOMC) of the United States Federal Reserve maintained the extraordinary measures to support the economy and financial markets introduced during 2020. An issue of discussion for the FOMC, market commentators and the press continued to be the level and future trend of US inflation. The CPI index which had been at +1.7% in February 2021 reached 5.0% in May leading to press headlines when this was announced in June. However in any debate about US inflation it must always be remembered that it is not the CPI or Core CPI rate (issued by the Bureau of Labor Statistics) but rather the Core PCE (Personal Consumption Expenditures Price Index, Excluding Food and Energy) issued by the US Bureau of Economic Analysis (BEA) that (to quote the BEA website) *"is closely watched by the Federal Reserve as it conducts monetary policy."* May Core PCE was 3.4%.

The FOMC remained cautious regarding a genuine inflationary trend with the official press release issued after both the April and June meetings including the statement that *"Inflation has risen, largely reflecting transitory factors."* However, in its "Summary of Economic Projections" issued after the June 15-16 policy meeting the FOMC indicated that interest rate increases could begin in 2023, earlier than forecast in the projections issued after the March 2021 period. This led to immediate financial market uncertainty causing the Federal Reserve to have to stress, in the following days, that it remained cautious regarding both the future inflation and the wider economic outlook. During testimony to a Select Sub Committee of the US House of Representatives on 22 June Federal Reserve Chair Jay Powell stated that *"Inflation has increased notably in recent months"* caused by *"transitory supply effects"* but that as these *"abate, inflation is expected to drop back toward our longer-run goal"* Chair Powell further stated that *"We will not raise interest rates pre-emptively… we will wait for actual evidence of actual inflation or other imbalances."*

European Equities (as measured by the MSCI EMU index) advanced 6% (in Euro terms) during the period April to June 2021. In addition to continuing government fiscal and extensive central bank monetary policy support the Quarter saw increasing vaccine rollouts, reducing restrictions on economic and social activity and positive Quarter 1 corporate earnings results all of which were favourable to the financial market environment. The European Central Bank (ECB) continued its ultra supportive monetary policy approach at both its April and June 2021 policy setting meetings. Unemployment continued to reduce from 8.1% in March to 8.0% in May and 7.7% in June (which was, of course only confirmed after the Quarter end). At her April 2021 press conference European Central Bank President Christine Lagarde was cautiously optimistic regarding the Euro area economy referring to a potential *"resumption of growth in the second quarter."* This optimism was confirmed by the "preliminary flash estimate" of GDP for the April to June Quarter issued by Eurostat on 30 July 2021 which reported a 2.0% increase in GDP in the Euro area compared to the previous Quarter.

Euro area inflation (as measured by the Harmonised Index of Consumer Prices (HICP) and reported by Eurostat) finally reached the (then) ECB inflation goal of inflation near but below 2%. The HICP figures were 1.6%, 2.0% and 1.9% for April, May, and June 2021, respectively. However at her press conference following the June meeting of the ECB Governing Council Christine Lagarde the President of the ECB expressed extreme caution regarding longer term inflation stating *"Inflation has picked up over recent months, largely on account of base effects, transitory factors and an increase in energy prices. It is expected to rise further…before declining as temporary factors fade out…"* and *"…euro area annual inflation increased from 1.3 per cent in March to 1.6 per cent in April and 2.0 per cent in May 2021… Headline inflation is likely to increase further towards the autumn, reflecting mainly the reversal of the temporary VAT reduction in Germany. Inflation is expected to decline again at the start of next year as temporary factors fade out and global energy prices moderate."*

The FTSE All Share index advanced by approximately 5% during the Quarter. A successful vaccination programme and easing of lockdown measures, together with positive economic data, supplemented the ongoing stimulus provided to financial markets and the wider economy by both the continuation of Government fiscal policy (introduced in the context of COVID-19) and the Bank of England's highly accommodative monetary policy approach.

The Bank of England expressed confidence in the UK economy going forward at its May 2021 Monetary Policy Committee (MPC) meeting. The "Monetary Policy Summary" issued after the meeting included the statement *"GDP is expected to rise sharply in 2021 Q2"* and that *"GDP is expected to recover strongly to pre-Covid levels over the remainder of this year."* The estimate of UK GDP for the April to June Quarter issued by the Office for National Statistics (ONS) on 12 August 2021 supported the Bank of England's confidence with the ONS estimating that UK GDP increased by 4.8% during the Quarter. Unemployment moved slightly lower with the ONS announcing a rate of 4.7% for the period April-June.

There was a notable increase in inflation over the Quarter. CPI which had been 0.7% in March rose to 1.5% in April, 2.1% in May and 2.5% in June. The Bank of England (like the US Federal Reserve and European Central Bank) was, however, of the view that inflation clearly above the 2% target would be transitory. The "Monetary Policy Summary issued after the June MPC meeting stated *"Twelve-month CPI inflation rose from 1.5% in April to 2.1% in May, above the MPC's 2% target…Building global input cost pressures have increasingly been passed through…CPI inflation is expected to pick up further above the target…and is likely to exceed 3% for a temporary period…"* However, the MPC's *"central expectation"* is that *"inflation will fall back"* and *"the Committee judges that UK inflation expectations remain well anchored."*

Japanese equities not only underperformed other developed markets but experienced a negative return over the April to June Quarter with the Nikkei 225 down over 1%. The Bank of Japan continued its longstanding approach of huge ongoing monetary stimulus. However, Japan saw poor COVID-19 vaccine rollouts during the Quarter and a State of Emergency in Tokyo and some other cities for a significant part of the April to June period. Deflation (which has persisted since October 2020) continued with the Japanese CPI index at -0.5 for June 2021.

Asian and Emerging Markets saw modest overall progress during the Quarter. The MSCI AC Asia (excluding Japan) index advanced by approaching 4% and the MSCI Emerging Markets index by 5% (both in $ terms). Although COVID-19 vaccination rollouts globally were doubtlessly a positive factor the overall pace of COVID-19 vaccination in Asian and Emerging Markets was generally slower than in the US, Euro Zone and UK. High commodity prices, however, particularly benefitted some Emerging Markets including Brazil and Russia.

Overall, it was a good Quarter for the leading Government Bonds. The 10 Year US Treasury yield reduced (strengthened) from 1.74 to 1.47 and the 10 Year UK Gilt yield reduced from 0.85 to 0.72. The German 10 Year Bund retained its negative yield but weakened slightly from -0.29 to -0.21. The statements of the US Federal Reserve, European Central Bank and Bank of England indicating that they believe inflation will fall back to or below their 2% targets and their continued stated commitments to low interest rates and asset purchase programmes will surely have helped support the leading Government Bonds during the Quarter. Corporate Bonds – both Investment Grade and High Yield - performed well during the Quarter. The clear evidence of economic recovery (including lower expected defaults which are especially relevant to High Yield) will have been positive for Corporate Bonds.

In conclusion, April to June 2021 was yet another positive Quarter for financial markets. The issue of inflation, however, remained highly topical given its potential major implications for both financial market and wider economic behaviour and performance. The major Central Banks robustly maintained, and sought to justify, that the increasing levels of inflation experienced recently are merely “transitory” and that inflation will not remain clearly above 2% over the longer term. While the reasoning of the US Federal Reserve, European Central Bank and Bank of England is clearly logical and would seem likely to be proved correct this is certainly not the view of all commentators and market participants some of whom have stated that Central Bank statements regarding long term inflation look increasingly questionable.

Perhaps the situation was well articulated, in a speech to the Institute for Government in June 2021, by Andy Haldane the outgoing Chief Economist of the Bank of England who while not stating longer term inflation above 2% was likely put forward a logical case that it was clearly possible. In this speech Mr Haldane stated *“…While the essentials of inflation-targeting are as strong as ever, the regime is being tested as never before…There is no evidence so far of inflation expectations, in the UK or elsewhere, becoming durably or significantly de-anchored from target... But it is early days. Overall, inflation expectations and monetary policy credibility feel more fragile at present than at any time since inflation-targeting was introduced in 1992…By the end of this year, I expect UK inflation to be nearer 4% than 3%. This increases the chances of a high inflation narrative becoming the dominant one, a central expectation rather than a risk. If that happened, inflation expectations… would shift upwards, not only in financial markets but among households and businesses too.”* Clearly, therefore, both inflation trends and how the major Central Banks respond to these in policy terms may potentially prove to be major factors affecting individuals, businesses, and the wider economy, as well as financial market asset values going forward

John Raisin

26 August 2020

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2020-2021

The official press release issued after meetings of the monetary policy setting Federal Open Markets Committee (FOMC) of the US Federal reserve from April 2020 to March 2021 included the statement that COVID-19 (coronavirus) *"is causing tremendous human and economic hardship across the United States and around the world."* The year 1 April 2020 to 31 March 2021 however saw a huge disconnect between individuals, households, and large areas of the economy on the one hand, and financial markets.

While economies faced the threat of COVID-19 including lockdowns and ongoing restrictions on activity, temporary or permanent business closure and uncertainty over the future, equity markets saw huge gains which easily erased the losses of late February and March 2020 when they fell dramatically following the decision of the Italian government to quarantine 10 towns in response to COVID-19. Having (as measured by the MSCI World index in $ terms) fallen 21% in the final Quarter of 2019-20 (January to March 2020) world equity markets increased by 54% in the period April 2020 to March 2021. Both corporate investment grade, and particularly sub investment grade credit also saw significant gains. The primary explanation for this paradox between the economy and financial markets is unprecedented central bank monetary policy stimulus, led by the US Federal Reserve, supplemented by the extensive fiscal initiatives of major governments. These interventions, however, also provided significant support to both economies and individuals across the world.

The US economy dramatically suffered in the April to June Quarter because of COVID-19 although there was a recovery as 2020-2021 progressed. The pre COVID unemployment level of 3.5% rose to 14.7% in April 2020. Although it had fallen to 8.4% by August and 6.0% by March 2021 this was still clearly well above pre pandemic levels. The University of Michigan Index of Consumer Sentiment which had been at 101.0 in February 2020 fell to 71.8 in April 2020 and remained below 80 until September. By March 2021 it was 84.9. Inflation measured by the Personal Consumption Expenditures (PCE) index (the US Federal Reserve's preferred measure) fell further below the Federal Reserve's inflation target of 2%. PCE was 1.8% in January and February 2020 but fell to 0.5% in both April and May. It then experienced a modest recovery averaging 1.1% for the remaining seven months of 2020 before increasing to 1.4%, 1.6% and 2.4% in January, February, and March 2021, respectively. During the April to June 2020 Quarter US Gross Domestic Product (GDP) suffered its largest contraction since World War II. There was a dramatic rebound in GDP in the July to September Quarter and a further recovery to March 2021. At the end of the financial year 2020-21 US GDP was however only about 1.5% above its level at the beginning.

In contrast to the weakness of the economy during the April to June 2020 Quarter US equities regained most of the losses suffered in the previous Quarter. Late February and March 2020 saw dramatic falls in equity markets before efforts led by the unprecedented actions of US Federal reserve led to a turnaround in late March. Despite this the S&P 500 closed at 2,585 on 31 March 2020 compared to 3,231 on 31 December 2019. April to June 2020 saw a dramatic turnaround with the S&P 500 closing at 3,100 on 30 June. This was an increase of 20% over the Quarter leaving the S&P 500 only 4% lower than at the close on 31 December 2019. The particular recovery in the US equity market was undoubtedly assisted by the unprecedented actions of the US Federal Reserve described in some detail in the Independent Advisors Market Background report for 2019-20.

During 2020-2021 the US Federal Reserve further supplemented its already unprecedented monetary stimulus. The unprecedented policy (announced in March 2020) of purchasing corporate bonds was implemented. Forecasts issued in September 2020 indicated policymakers expected no increase in interest rates until at least the end of 2023. At its December meeting the Federal Open Markets Committee (FOMC) issued reinforced guidance on its asset purchase programme announcing it would to continue to purchase at least $80 billion of Treasury securities and at least $40 billion of mortgage-backed securities per month *“until substantial further progress has been made toward the Committee’s maximum employment and price stability goals.”* Central bank support undoubtedly supported and buoyed financial markets (and the economy in general) but so also did the significant fiscal stimulus provided by the Federal Government under both President Trump and President Biden.

Overall, the financial year 2020-21 was hugely positive for US equities. The S&P 500 index rose from 2,585 on 31 March 2020 to 3,369 on 3 November 2020 which was presidential election day. The defeat of President Trump by (former) Vice President Joe Biden did not perturb markets with the S&P 500 climbing steadily further to close at 3,973 on 31 March an increase of 54% over the year. Information Technology was the standout performer in the context of closedowns and physical distancing immediately following COVID although by early 2021 both Energy and Financials which both suffered badly in the same context had staged impressive comebacks as the US economy as a whole progressively reopened. All 11 sectors within the S&P 500 experienced a positive year.

Eurozone equities also enjoyed a successful April 2020 to March 2021 with the MSCI EMU index gaining 44% (in Euro terms). As in the US both extensive central bank and government intervention massively supported financial markets as well as mitigating the effects of COVID-19 on the wider economy. The significant monetary policy interventions of the major central banks of March 2020 including the European Central Bank (ECB) continued to support markets and the economy throughout April 2020 to March 2021 as did additional monetary policy easing announced by the ECB in April 2020, June 2020, December 2020 and March 2021. These included expansion of the ECB’S

Pandemic Emergency Purchase Programme – covering government and corporate debt from 750 billion to 1,350 billion in June 2020, and then to 1,850 billion in December 2020 and at the same time extending it from June 2021 to *"at least the end of March 2022"* as well as the extension of financing to banks to encourage further lending. Fiscal policy interventions to support businesses and employees by major governments including France, Germany, Italy, and Spain as well as the European Union (EU) also supported financial market recovery while supporting both business and individuals. In July 2020, the EU announced a large fiscal stimulus package in the form of a 750 billion Euro Recovery Fund.

While, due to widespread national furlough schemes, Eurozone unemployment increased relatively little in the context of COVID-19 (it was 7.4% pre COVID, reached 8.6% in August 2020 before falling back to 8.1% by March 2021) other indicators suggest the Eurozone economy was more severely and materially impacted. In 2019 headline Eurozone inflation was well below the ECB policy objective of below, but close to 2% over the medium term. In December 2019 Eurozone headline inflation was 1.3%. By June 2020 it was however only 0.4% and in August the Eurozone fell into deflation where it remained until January 2021 when inflation again became positive at +0.9% rising to +1.3% in March, but still well short of the ECB target. In terms of GDP the Eurozone fared worse than the United States. The Eurozone saw three negative Quarters during the year and GDP was almost 2% lower at the end of 2020-21 than at the beginning.

Supported by both increased central bank stimulus and significant UK government fiscal interventions UK equities gained approximately 23% (as measured by the FTSE All Share index). This was however well behind world markets generally as measured, for example, by the MSCI index. UK equities therefore continued, in relative terms, to be unloved by investors. Factors which may account for this include a lack of progress on Brexit negotiations until December 2020 and a relative overexposure to oil.

The Bank of England extended its asset purchase programme from £645 billion to £745 billion in June 2020 and to £895 billion at its November 2020 Monetary Policy Committee (MPC) meeting. This further easing of monetary policy was in the context of clear concerns by the MPC regarding the UK economy and economic activity. The MPC maintained Base Rate at its all time low of 0.1% throughout the financial year. The UK government introduced and maintained extensive fiscal policy initiatives including a furlough scheme which at 30 June 2020 was supporting 9.4m employees.

Despite unprecedented support from both the central bank and the government the UK economy clearly suffered. Consumer Price Inflation (CPI) which had been 1.5% in March 2020 fell way below the Bank of England target of 2%. CPI averaged only +0.6% over the April 2020-March 2021 period. UK GDP was very disappointing ending down around 6% over the 2020-2021 financial year.

Japanese Equities had an outstanding year with the Nikkei 225 advancing by approximately 55%. Extension of the already huge monetary policy initiatives of the Bank of Japan, fiscal support for business and employees and for long term investment, together with the replacement of President Trump by President Biden were all supportive of Japanese equities. The replacement in September of Shinzo Abe as Prime Minister by Yoshihide Suga did not unnerve markets as Mr Suga quickly indicated continuity and indeed subsequently enhanced fiscal stimulus. Japanese Core CPI which despite huge monetary stimulus since 2013 had remained well below the 2% target turned, worryingly into deflation in August 2020. This continued throughout the remainder of 2020-2021 with Core CPI going as low as -1.0% in December before “recovering” to -0.1% in March 2021.

Overall Asian and Emerging Market Equities enjoyed a highly successful 2020-2021. The MSCI AC Asia (excluding Japan) and the MSCI Emerging Markets indices both returned over 55% (in US $ terms). Central bank stimulus by Asian/Emerging Market as well as the major central banks, strong (Asian) technology sectors and recovering/rising commodity prices also benefitted Emerging/Asian Markets. China was the first major economy to report growth in the context of the COVID-19 emergency. This surely reflects that as the source of COVID-19 China had longer to seek to tackle the virus, the command nature of the Chinese state and government support of the economy.

Although inflation was very low across the major economies during 2020-2021 it picked up in the last Quarter and some market participants began suggesting that after a long absence, inflation might return as a significant feature over the longer (rather than shorter) term. Possible demand/supply imbalances, more active fiscal policy by the US government (under President Biden), levels of government debt and a more favourable environment for employees post COVID-19 were all advanced as possible facilitators of future inflation – but only time will tell!

In conclusion 2020-2021 was a hugely successful year for financial markets – both equities and corporate bonds. The unprecedented interventions of the central banks and the huge fiscal interventions of developed world governments, however, not only buoyed financial markets but provided support to both economies and individuals in the face of the global human tragedy of COVID-19.

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

[TO BE INSERTED AT END OF AUDIT]

PENSION FUND

2020/21	Pension Fund Account	Note	2019/20
£000			£000
	Dealings with members, employers and others directly involved in the fund		
47,954	Contributions	7	46,945
5,731	Transfers in from other pension funds	8	4,788
53,685			51,733
(51,291)	Benefits	9	(51,457)
(8,366)	Payments to and on account of leavers	10	(4,555)
(59,657)			(56,012)
(5,972)	**Net withdrawals from dealings with members**		**(4,279)**
(5,812)	Management expenses	11	(7,670)
(11,784)	**Net withdrawals including fund management expenses**		**(11,949)**
	Returns on Investments:		
12,687	Investment Income	12	12,083
(30)	Taxes on income	13	(7)
299,556	Profit and losses on disposal of investments and changes in market value of investments	14a	(56,311)
312,213	**Net return on investments**		**(44,235)**
300,429	**Net increase/decrease in the net assets available for benefits during the year**		**(56,184)**
1,326,583	**Opening net assets of the scheme**		**1,382,767**
1,627,012	**Closing net assets of the scheme**		**1,326,583**

2020/21	Net Asset Statement	Note	2019/20
£000			£000
	Long Term Investments		
150	London CIV		150
150			150
	Current Investments		
1,604,851	Investment assets	14	1,311,199
22,209	Cash deposits	14	17,314
1,627,060			1,328,513
1,957	Current assets	20	1,283
(2,155)	Current liabilities	21	(3,363)
1,627,012	**Net assets of the fund available to fund benefits at the period end**		**1,326,583**

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 19.

Notes to the Haringey Pension Fund Accounts for the year ended 31st March 2021

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 2021.

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 2020/21.

Fund administration and membership

At 31st March 2021, there were 6,298 (2020: 6,091) active fund memberships with employees contributing to the Fund and 6,959 (2020: 7,905) pensioner and dependent memberships with individuals receiving benefits. There were also 8,864 (2020: 9,027) deferred pensioner memberships. Some individuals have multiple memberships due to having had multiple contracts of employment with fund employers.

PENSION FUND

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

Transferee Admission Bodies:

- ABM
- Absolutely Catering
- Ategi Ltd
- Braybourne
- Birkin Cleaning Services
- Cooperscroft Care Home
- Fusion Lifestyle
- Haringey Education Partnership
- Hertfordshire Catering Ltd (four school contracts)
- ISS Mediclean
- London Academy of Excellence Tottenham (formerly known as Tottenham UTC)
- Lunchtime UK Limited (four school contracts)
- NVIRO Ltd
- Olive Dining (five school contracts)
- Pabulum (seven school contracts)
- Schools Office Services
- Veolia Environmental Services (UK) PLC

Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

Scheduled Bodies:

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

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 receives its income in the form of 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.

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 2020/21). 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 2020/21 year was:

Cllr John Bevan	-	Chair
Cllr Julie Davies	-	Vice Chair
Cllr 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 2020/21 financial year and its position at year-end as at 31st March 2021. 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.

Transfers in and out

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 15 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 drawdowns paid and distributions received in the period from the date of the private equity financial statements to 31st March 2021. 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 19 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 22 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 18. 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
Private Equity	The fair value of private equity investments is based on forward-looking estimates and judgments involving many factors. The Fund's private equity investments are usually valued in the accounts based on the 31 December valuations, with adjustments for cashflows and foreign exchange movements that have taken place between December and March. The ongoing impact of the COVID-19 pandemic continues to create uncertainty around the valuations of illiquid assets.	The total private equity investments in the financial statements are £89m. There is a risk that this may be over or understated. Further detail is shown in note 15 regarding the sensitivity of this valuation.
Infrastructure	The fair value of infrastructure investments is based on forward-looking estimates and judgments involving many factors. Several of the underlying assets are traded in private markets only and therefore judgement need to be made about their value, using factors such as the enterprise value and net debt.	The total private equity investments in the financial statements are £44m. There is a risk that this may be over or understated. Further detail is shown in note 15 regarding the sensitivity of this valuation.

Items	Uncertainties	Effect if actual results differ from assumptions
Pooled Property Funds	Valuation techniques are used to determine the carrying amount of pooled property funds. 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% i.e., an increase or decrease of £16.7m, on carrying values of £167m
Actuarial Present Value of promised retirement benefits	Estimation of the 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 an increase in the pension liability of £225m (10%) - 0.5% increase in assumed salary earnings would increase the value of the liabilities by approximately £15m (1%) - 0.5% increase in assumed pension inflation would increase the value of liabilities by approximately £206m (9%)

6. Events after the reporting date

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

7. Contributions receivable

2020/21		2019/20
£000	**By category**	£000
10,807	Employee contributions	10,122
	Employer contributions	
28,344	- Normal contributions	25,526
7,857	- Deficit recovery contributions	10,503
946	- Augmentation contributions	794
37,147	Total employers' contributions	36,823
47,954	**Total**	**46,945**

2020/21		2019/20
£000	**By authority**	£000
37,603	- Administering authority	36,678
9,325	- Scheduled bodies	9,351
877	- Admitted bodies	916
47,805	**Total**	**46,945**

8. Transfers in from other pension funds

There were transfers into the Pension Fund during 2020/21 of £5,731 million (£4.788 million in 2019/20) and these all related to individuals.

9. Benefits payable

2020/21		2019/20
£000	**By category**	£000
43,198	- Pensions	42,122
7,110	- Commutation and lump sum retirement benefits	7,372
983	- Lump sum death benefits	1,963
51,291	**Total**	**51,457**

2020/21		2019/20
£000	**By authority**	£000
51,291	- Administering authority	46,842
0	- Scheduled bodies	3,331
0	- Admitted bodies	1,284
51,291	**Total**	**51,457**

10. Payments to and on account of leavers

2020/21		2019/20
£000		£000
115	Refunds to members leaving service	175
8,251	Individual transfers	4,380
8,366	**Total**	**4,555**

11. Management expenses

2020/21		2019/20
£000		£000
468	Administrative costs	794
4,919	Investment management expenses	6,509
425	Oversight and governance costs	367
5,812	**Total**	**7,670**

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 2020/21(£24k in 2019/20).

11a. Investment Management Expenses

2020/21		2019/20
£000		£000
3,925	Management Fees	6,036
262	Performance Related Fees	0
57	Custody fees	42
675	Transaction Fees	431
4,919	**Total**	**6,509**

12. Investment income

2020/21		2019/20
£000		£000
12,679	Pooled investments - unit trusts and other managed funds	12,044
8	Interest on cash deposits	39
12,687	**Total**	**12,083**

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 of 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.

2020/21	Value at 31st March 2020	Purchases at cost	Sales proceeds	Changes in market value	Value at 31st March 2021
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,311,150	91,148	(97,181)	300,146	1,605,263
Cash deposits	17,314	76,308	(70,833)	(580)	22,209
Other investment assets/ liabilities*	49	39	(490)	(10)	(413)
Total	**1,328,513**	**167,495**	**(168,504)**	**299,556**	**1,627,060**

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**

14b. Analysis of investments

31/03/2021	By category	31/03/2020
£000		£000
	Equities UK)	
150	***Unquoted***	**150**
	Pooled Investment Vehicles (UK)	
	Quoted	
166,964	Unit Trust - Property	140,867
136,132	Unit Trust - Fixed Income	217,520
45,525	Debt Infrastructure	42,261
348,621		**400,648**
	Pooled Investment Vehicles (Overseas)	
	Quoted	
127,845	Absolute Return Fund	132,914
840,566	Unit Trust - Equity	568,610
155,411	Multi Asset Credit	96,013
1,123,822		**797,537**
	Pooled Investment Vehicles (Overseas)	
	Unquoted	
132,408	Private Equity	113,014
132,408		**113,014**
	Cash Deposits	
12,748	Sterling	13,344
9,461	Foreign Currency	3,969
22,209		**17,314**
1,627,210	**Total Investments**	**1,328,663**

14c. Analysis by Fund Managers

31/03/2021		By fund manager	31/03/2020	
£000	%		£000	%
976,698	60.0	Legal & General	786,127	59.2
155,411	9.6	CQS	96,013	7.2
127,845	7.9	Ruffer	132,914	10.0
93,907	5.8	CBRE Global Investors	97,260	7.3
89,037	5.5	Pantheon	71,031	5.3
73,058	4.5	Aviva	47,865	3.6
45,525	2.8	Allianz Global Investors	42,260	3.2
26,718	1.6	BlackRock	26,743	2.0
16,652	1.0	CIP	15,952	1.2
22,209	1.4	In house cash deposits	12,348	0.9
1,627,060	**100.0**	**Total**	**1,328,513**	**100.0**

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

31/03/2021		Name of holding	31/03/2020	
£000	%		£000	%
355,008	21.8	Legal & General Low Carbon Index	245,870	18.5
362,429	22.3	RAFI Multi Factor Global	235,740	17.7
155,411	9.6	CQS Multi Asset Credit Fund	96,013	7.2
136,132	8.4	Legal & General Index Linked Gilts	217,520	16.4
127,845	7.9	London CIV Absolute Return Fund	132,914	10.0
123,128	7.6	Legal & General World Emerging Equity Index	86,999	6.5

15. 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.

Level 1

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.

Level 2

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.

Level 3

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 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 index (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
Pooled UK property unit trusts	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period. Valuation techniques are used to determine the carrying amount of the pooled property fund.	NAV published, cashflow transactions, i.e., distributions or capital calls. Valuations are generally based on observable data but where this is not possible management uses the best available data.	Valuations could be affected by material events between the reporting date of the fund's financial statements, 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 reporting date of the fund's financial statements, 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 2021.

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2021	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	166,964	170,303	163,625
Private Equity	5%	132,408	139,028	125,788
		299,372	**309,332**	**289,412**

The following tables provide 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 31/03/2021	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	(413)	1,305,892	299,372	1,604,851
Total	**(413)**	**1,305,892**	**299,372**	**1,604,851**

Values as at 31/03/2020	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**

15b. Transfers between Levels 1 and 2

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

15c. Reconciliation of fair value measurements within level 3

2020/21	Value at 1st April 2020	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2021
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	140,868	30,381	(1,912)	(2,502)	129	166,964
Private Equity	113,012	21,856	(15,764)	5,393	7,911	132,408
Total	**253,880**	**52,237**	**(17,676)**	**2,891**	**8,040**	**299,372**

16. Financial Instruments

16a. 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.

31/03/2021 Carrying Value	Name of holding	31/03/2020 Carrying Value
£000		£000
	Long Term Investments	
150	- London CIV	150
150		**150**
	Financial assets or liabilities at fair value through profit or loss	
1,605,265	- Pooled investment vehicles	1,311,150
(413)	- Other investment balances	49
1,604,852		**1,311,199**
	Financial assets at amortised cost	
22,209	- Cash deposits	17,314
1,957	- Debtors	1,283
24,166		**18,597**
	Financial liabilities at amortised cost	
(2,155)	- Creditors	(3,174)
0	- Cash overdrawn	(189)
(2,156)		**(3,363)**
1,627,012	**Net Assets**	**1,326,583**

The carrying values shown on the previous page are the same as the fair value for each line.

16b. Net gains and losses on financial instruments

2020/21		2019/20
£000		£000
	Financial Assets	
300,146	Fair value through profit or loss	(56,348)
(590)	Financial assets and liabilities at amortised cost	37
299,556		**(56,311)**

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

17. 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 assets – 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 52% 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. Most 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 31/03/2021	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	840,566	26.4	1,062,056	619,076
UK bonds	136,132	12.2	152,705	119,559
Cash	22,209	0.0	22,209	22,209
Property	166,964	4.1	173,852	160,076
Alternatives	461,189	10.3	508,878	413,500
Total Assets	**1,627,060**		**1,919,700**	**1,334,420**

As at 31/03/2020	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	568,610	8.5	617,102	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**

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 2021.

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 70% of the Fund value on 31st March 2021, equivalent to £1,141 milion (2018/19: £782 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 2021 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 31/03/2021	Value	% change	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	840,566	10.0	924,623	756,509
Multi-sector credit	155,411	10.0	170,952	139,870
Private equity	132,408	10.0	145,649	119,167
Cash	12,748	10.0	14,023	11,473
Total Assets	**1,141,133**	**10.0**	**1,255,247**	**1,027,020**

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	**781,607**	**10.0**	**859,768**	**703,446**

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 2020/21	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	8	26	(10)
Total	**8**	**26**	**(10)**

	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)**

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 on the following page shows the split of the bond investments by credit rating at 31st March 2021 and 31st March 2020. A significant amount of bonds held by the Fund (2021: £136m, 2019 £218m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA credit rating.

	Market value 31/03/2021	AA	A	BBB	Below BBB
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	291,543	47	4	4	45
Total / Weighted Average	**291,543**	**47**	**4**	**4**	**45**

	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**

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 following table details the credit ratings of the institutions the cash was held with.

31/03/2021 Exposure	Credit rating		31/03/2020 Exposure	Credit rating
£000			£000	
18,287	AA-	Northern Trust	10,707	AA-
7	A	Barclays Bank Plc	2	A
3,915	AAAm	Money Market Funds	6,605	AAAm
22,209			**17,315**	

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 2021 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.

18. 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 taxpayer 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
Employee/employer contributions	132
Benefits paid/other expenses	(6)
Membership changes	(284)
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	31-Mar-16 %	31-Mar-19 %
Discount rate (annual nominal return rate)	4.0	4.2
Pay increase (annual change)*	2.8	3.3
Pay increase - Pension (annual change)	2.1	2.3
Retail Price Index (RPI)	3.2	3.3

*An allowance is also made for promotional pay increases.

19. 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.

31/03/2021		31/03/2020
£000		£000
(2,346,000)	Present Value of promised retirement benefits	(1,815,000)
1,627,012	Fair Value of scheme assets	1,326,583
(718,989)	**Net Liability**	**(488,417)**

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.

20. Current assets

31/03/2021		31/03/2020
£000		£000
	Debtors	
121	- Contributions due - employees	157
1,698	- Contributions due - employers	1,008
138	- Sundry debtors	118
1,957	**Total**	**1,283**

An analysis of the debtors is shown in the table below.

31/03/2021		31/03/2020
£000		£000
73	Central government bodies	49
74	Public corporations and trading funds	72
1,810	Other entities and individuals	1,162
1,957	**Total**	**1,283**

21. Current liabilities

31/03/2021		31/03/2020
£000		£000
	Creditors	
1,718	Sundry creditors	2,757
437	Benefits payable	606
2,155	**Total**	**3,363**

An analysis of the creditors is shown in the table below.

31/03/2021		31/03/2020
£000		£000
767	Other local authorities	15
538	Public corporations and trading funds	675
850	Other entities and individuals	2,673
2,155	**Total**	**3,363**

22. 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:

31/03/2021	Utmost Life and Pensions/Equitable Life Assurance Society	31/03/2020
£000		£000
201	Value as at 6 April	204
0	Contributions received	0
(19)	Retirement benefits and changes	(11)
33	Changes in market value	8
215	**Value as at 5 April**	**201**
0	Equitable with profits	0
0	Equitable with deposit account fund	0
215	Equitable unit linked	201
215	**Total**	**201**
1	Number of active members	1
23	Number of members with preserved benefits	25

31/03/2021	Prudential Assurance	31/03/2020
£000		£000
1,020	Value as at 1 April	1,020
196	Contributions received	196
(166)	Retirement benefits and changes	(166)
73	Changes in market value	73
1,123	**Value as at 31 March**	**1,123**
574	Prudential with profits cash accumulation	574
264	Prudential deposit fund	264
285	Prudential unit linked	285
1,123	**Total**	**1,123**
72	Number of active members	77
19	Number of members with preserved benefits	19

31/03/2021	Clerical and Medical	31/03/2020
£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

23. Related party transactions

Haringey Council

In 2020/21 the Pension Fund paid £0.679m to the Council for administration and legal services (£0.649m in 2019/20). As at 31st March 2021 an amount of £0.551m was due from the Council to the Fund (£0.477million in 2019/20).

Governance

During 2020/21 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.

31/03/2021	Key Management Personnel	31/03/2020
£000		£000
25	Short - term benefits	24
6	Post-employment benefits	6
31		30

24. Contingent liabilities and contractual commitments

31/03/2021		31/03/2020
£000		£000
71,298	Pantheon	69,200
21,762	Copenhagen Infrastructure Partners	21,700
3,678	Blackrock	9,000
0	Aviva Lime	25,000
96,738	**Total**	**124,900**

The Fund has outstanding commitments to invest £96.7m in the private equity and renewable energy infrastructure portfolios. The £25m commitment relating to property was fully funded on 31 December 2021.

25. 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 2020/21 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 2021 (£m)	31 March 2020 (£m)
Active members (£m)	901	601
Deferred members (£m)	674	505
Pensioners (£m)	771	709
Total (£m)	**2,346**	**1,815**

The promised retirement benefits at 31 March 2021 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.

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 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £448m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £27m.

Year ended	31 March 2021	31 March 2020
Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.85%	2.90%
Discount Rate	2.00%	2.30%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.1 years	26.0 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 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	206
0.5% p.a. increase in the Salary Increase Rate	1%	15
0.5% p.a. decrease in the Real Discount Rate	10%	225

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 2021 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:-

Natalie Alexander AFA

16 April 2021

For and on behalf of Hymans Robertson LLP

Agenda Item 11

Report for: Pensions Committee and Board – 15 September 2021

Title: Local Government Pension Scheme Update

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This paper updates the Pensions Committee and Board (PCB) on several developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:

- Awaited LGPS investment related consultations
- Age Discrimination in the LGPS (commonly referred to as "McCloud")
- The Pensions Regulators (TPR) Consultation on the new Code of Practice
- Increase in the Normal Minimum Pension Age from 6 April 2028

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note the Independent Advisors LGPS Update paper, appended as Appendix 1 to the 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 independent advisor has prepared a paper for the Pensions Committee and Board which provides an update on several developments relating to the LGPS. The paper has been included as appendix 1 to this report, and a summary of the issues covered in the paper will be provided in this section.

Awaited LGPS Investment Related Consultations

6.2. The Ministry of Housing Communities and Local Government (MHCLG) has indicated its intentions to launch a couple consultations which will have significant implications for the Local Government Pension Scheme (LGPS) before the end of 2021.

6.3. In November 2020, the Government announced that it would consult on the next steps to implement a strengthened framework for LGPS investment and pooling. 8 Asset Pools were established after the Government issued the initial guidance in November 2015 which set out the criteria for their formation. The 8 Asset Pools are very diverse in their structure, resourcing, and approach; and the consultation is expected to set a more defined framework for the future progress of investment pooling across the LGPS.

6.4. The Department for Work and Pensions (DWP) has issued Regulations on TCFD (Task Force on Climate-related Financial Disclosures) reporting by private sector pension schemes. Although these regulations do not apply to the LGPS, the MHCLG is currently working on amending the LGPS Regulations to make TCFD reporting mandatory for Local Government Pension Funds. The Pension Fund will need to carefully consider the proposed amendments and training on TCFD has been included as part of the PCB’s forward plan.

6.5. The Pension Fund will need to review the contents of both Consultations and prepare the appropriate responses once they have been issued.

Age Discrimination in the LGPS (commonly referred to as “McCloud”)

6.6. The Pensions Committee and Board has previously received advice regarding the outcome of the McCloud case, an age discrimination court case involving the transitional protection arrangements introduced as part of the 2014 reforms of the LGPS.

6.7. After undertaking a consultation process, the Government confirmed that a Public Service Pensions and Judicial Offices Bill will introduce amendments to incorporate the McCloud judgement into public service pension schemes. The implications of the proposed remedial regulations will need to be considered carefully by the Pension Fund and preliminary work is underway to assess the impact of the proposed amendments to the Pension Fund.

The Pension Regulator (TPR) Consultation on a new Code of Practice

6.8. The Pensions Regulator (TPR) has had an oversight role in relation to the Administration of Benefits and Governance of the public service pension schemes (including the LGPS) since 2015. This extension of the TPR's remit resulted in the issuance of the 2015 Code of Practice No 14 "Governance and Administration of Public Service Pension Schemes".

6.9. The TPR has 15 Codes of Practice, and the new consultation is proposing to reduce them to 6 by combining 10 of the existing codes into one consolidated Code. This includes Code of Practice 14, which applies to the LGPS.

6.10. The Consultation closed in May 2021, and work is currently underway to assess the 103 responses that were received from a broad ranged of stakeholders across the private and public sector schemes. It is unlikely that the new code will become effective before summer 2022.

Increase in Normal Minimum Pension Age (NMPA) from April 2028

6.11. In July 2021, following a HM Treasury Consultation, the Government announce with effect from 6 April 2028 that the Normal Minimum Pension Age (NMPA) would increase from 55 to 57.

6.12. The NMPA is the minimum age when members of most pension schemes (including the LGPS) can usually access their pension benefits. The Government had previously announced that the state retirement age (the age where members are entitled to their full pension benefits) will increase to 67 from March 2028.

6.13. This change will undoubtedly have several implications for the Pension Fund and its membership. The Pension Fund will need to consider the effects of changes once the new Finance Act has been passed and communicate with members accordingly.

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 immediate financial implications arising from this report.

Comments of the Head of Legal and Governance (Monitoring Officer)

8.2. The Head of Legal and Governance has been consulted on the content of this report. The updates may have legal implications for the Fund which will need to be dealt with as and when they become relevant.

Equalities

8.3. None applicable.

9. Use of Appendices

9.1. Appendix 1: Independent Advisors LGPS Update August 2021

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

JOHN RAISIN FINANCIAL SERVICES LIMITED

Haringey Pension Fund

LGPS Update

A paper by the Independent Advisor

August 2021

Introduction

This paper updates the Committee and Board on some developments relating to the Local Government Pension Scheme (LGPS). The issues covered are:

1. Awaited LGPS investment related Consultations
2. Age Discrimination in the LGPS (commonly referred to as "McCloud")
3. The Pension Regulators (TPR) Consultation on new Code of Practice
4. Increase in the Normal Minimum Pension Age from 6 April 2028

Each issue will be addressed in terms of both the LGPS generally and the Haringey Pension Fund in particular.

1. Awaited LGPS investment related Consultations

Two significant LGPS investment related Consultations are awaited from the Ministry of Housing Communities and Local Government (MHCLG). Firstly, on updated Investment Pooling Guidance and secondly a Consultation on TCFD (Task Force on Climate Related Financial Disclosures) reporting by the LGPS.

In November 2015, the government issued guidance entitled "Local Government Pension Scheme Investment Reform Criteria and Guidance." This set out criteria for the (then) 89 LGPS Funds in England and Wales to form Asset Pools whose fundamental role is to select asset managers to implement the investment strategy determined by each individual LGPS Fund. This resulted in the creation of 8 Asset Pools across the LGPS. Crucially all Asset Pools are creations of their constituent LGPS Funds and are ultimately accountable to them. Furthermore, all assets continue to belong to the individual LGPS Funds not the Pools. All London Borough LGPS Funds (and the City of London) became members of the London Collective Investment Vehicle (London CIV).

The 8 Asset Pools across England and Wales are truly diverse in their structure, resourcing, and approach. In addition, the original government Guidance of 2015 has not been updated. In November 2020, the Government announced that it would *"consult"* in 2021 *"on next steps"* to implement *"a strengthened framework for LGPS investment and pooling."* As at 31 August 2021 the MHCLG has yet to issue this Consultation. The MHCLG has, however, recently clearly stated the Consultation will be issued this year.

The Consultation when issued will certainly set a more defined framework for the future progress of investment pooling across the LGPS. For the Haringey and other individual LGPS Funds it will be crucial to respond to this Consultation as it will more clearly define the relationship between individual LGPS Funds and their Asset Pool. For individual LGPS Funds it is vital that they ensure they collectively retain strategic control of their Asset Pool <u>and that there is absolutely no further drift of responsibility from Funds to Pools</u> over and above the initial function of Asset Pools which was to select asset managers to implement the investment strategy determined by each individual LGPS Fund.

The Department for Work and Pensions (DWP) has consulted upon and issued final Regulations on TCFD (Task Force on Climate Related Financial Disclosures) reporting by private sector pension schemes. These set out how private sector schemes are required to report against the TCFD framework which has four key elements – Governance, Strategy, Risk Management, Metrics and Targets for the assessment and management of climate risks and opportunities by Pension Funds.

The DWP Regulations do not apply to the LGPS. However, the MHCLG will, this year, issue a Consultation to amend the LGPS Regulations to apply TCFD reporting to Local Government Pension Funds. This will seek to apply the principles of TCFD reporting in the specific context of the LGPS. It is important that the Haringey Fund carefully considers, and responds as it considers appropriate, to this Consultation when issued as the MHCLG have stated (to the Scheme Advisory Board Investment Governance and Engagement Committee) that the regulatory requirement to report on TCFD will lie with individual LGPS Funds not their Asset Pool.

<u>2. Age Discrimination in the LGPS (commonly referred to as "McCloud")</u>

At the meeting of the Committee and Board held on 20 October 2020 the Independent Advisor presented a detailed paper on the Government Consultation issued on 16 July 2020 to address age discrimination relating to transitional protection arrangements introduced as part of the 2014 reforms of the LGPS. This paper may be accessed at www.minutes.haringey.gov.uk/documents/s118612/Appendix%201%20-%20Briefing%20on%20McCloud%20Remedy%20Consultation.pdf

On 11 May 2021, the Government confirmed that a Public Service Pensions and Judicial Offices Bill will introduce amendments to incorporate the McCloud judgment into public service pension schemes. This Bill is now in the process of passing through the Parliamentary approval process.

On 13 May 2021 in a Ministerial Statement Luke Hall MP, the Minister of State with responsibility for the LGPS, confirmed that it is intended that these remedial regulations will come into force on 1 April 2023 but *"will be retrospective to 1st April 2014."* Luke Hall MP referred to the Consultation issued in July 2020 and stated "…*The Government received responses from a variety of stakeholders. These were detailed and varied, and the Government is grateful for the consideration and thought given to the issues covered in the consultation. Responses were largely supportive of the key elements of the proposals.*

After consideration of the responses, we can now confirm the key elements of the changes to scheme regulations which will be made in due course. The overarching aim is that the changes will address the findings of the Courts and provide protection to all qualifying members when their benefits are drawn from the scheme. The key points are:

- *Underpin protection will apply to LGPS members who meet the revised qualifying criteria, principally that they were active in the scheme on 31st March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.*
- *The period of protection will apply from 1st April 2014 to 31st March 2022 but will cease earlier where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31st March 2022.*
- *Where a member stays in active membership beyond 31st March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.*
- *Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.*
- *A 'two stage process' will apply for assessing the underpin so that, where there is a gap between a member's last day of active membership and the date they take their pension, members can be assured they are getting the higher benefit.*
- *Scheme regulations giving effect to the above changes will be retrospective to 1st April 2014.*

A full Government response, containing further detail on the matters addressed above, and on other issues which were covered in the consultation, will be published later this year…It is anticipated that regulations giving effect to these changes will be made after new primary legislation in relation to public service pensions has completed its passage through Parliament and the Government's intention is that regulations will come into force on 1st April 2023…"

It is clearly very positive that the Government has now confirmed proposals to remedy the existing Age Discrimination in the LGPS and is putting a Bill through Parliament to make the necessary changes to primary legislation which are required before the LGPS Regulations can be amended. The Haringey, and all LGPS Funds, will need to carefully consider the full Government response to the 2020 Consultation, on remedying Age Discrimination in the LGPS, when issued.

3. The Pension Regulator (TPR) Consultation on a new Code of Practice

By virtue of the Public Service Pensions Act (PSPA) 2013 the Pensions Regulator (TPR) has, since April 2015, had an oversight role in relation to the Administration of Benefits and (to a lesser extent) Governance of public service pension schemes including the LGPS. The remit of TPR does not extend to LGPS investment issues which remain solely the responsibility of MHCLG.

As a result of the extension of its remit to public service pension schemes TPR issued in 2015 its Code of Practice No14 "Governance and Administration of Public Service Pension Schemes." This is one of the 15 Codes of Practice issued by TPR with the others covering various issues as they relate to private sector pension schemes/arrangements.

On 17 March 2021 TPR issued a Consultation which sought to combine 10 of the existing 15 Codes of Practice, including Code No14, into one consolidated Code. TPR drew themes from the 10 separate Codes to form 51 modules which were shorter than the previous 10 Codes. Overall, the proposed consolidated Code was a rearrangement of existing content into thematic sections but with updating where appropriate. The proposed consolidated Code built on the content of Code 14 as well as referencing aspects of other codes relevant to the public sector. The proposed new Code did not extend the Regulator's powers to include LGPS investment. Therefore, none of the modules covering investment apply directly to the LGPS.

The Consultation which closed on 26 May 2021 received 103 responses from a broad range of stakeholders across private and public service schemes and those providing services to schemes. TPR issued an interim response on 24 August 2021. In this response TPR indicated that they intend to carefully consider the extensive responses received stating *"We are carrying out a full review of the comments received on each of the modules and will consider each carefully. In considering our next steps, and preparing the final version of modules, we may contact stakeholders to examine whether our proposals address the issues they identified. We would particularly like to thank those organisations who have already volunteered to assist in this way.*

We do not currently have a firm final publication date for the new code. However, we do not expect to lay the new code in Parliament before spring 2022. It is, therefore, unlikely to become effective before summer 2022."

Therefore it appears that the Pension's Regulator will be looking very carefully at the responses it has received to ensure the Code meets the diverse circumstances of all those schemes, including the LGPS, to which the consolidated Code when issued in its final form will have applicability. From the perspective of the LGPS it is noteworthy that the Scheme Advisory Board for England and Wales issued a detailed response to the Consultation which may be accessed at http://www.lgpsboard.org/images/Responses/TPRCCJune2021.pdf

When the Pensions Regulator issues the final version of the new consolidated Code the Haringey Pension Fund should, as a matter of urgency, assess whether it fully, partially, or does not comply with each element of the Code applicable to an LGPS Fund.

4. Increase in Normal Minimum Pension Age (NMPA) from 6 April 2028

On 20 July 2021, following a HM Treasury Consultation, the Government announced that with effect from 6 April 2028 the Normal Minimum Pension Age (NMPA) will increase from 55 to 57. On the same day HMRC published a policy paper and draft legislation which will be part of the next Finance Bill and will amend the Finance Act 2004. The NMPA is the minimum age when members of most pension schemes (including the LGPS) can usually access their pension benefits. The primary reason for this change (from the Government's perspective) is to ensure pension savings are only used to provide income in later life and to maintain the earliest (normal) retirement age as 10 years earlier than state retirement age (which will increase to 67 from March 2028). The Government has indicated that it will issue further advice on any transitional arrangements (including in respect of individuals who have reached age 55 but not 57 by 6 April 2028) in due course.

For all LGPS Funds including the Haringey Fund the minimum age at which a member will, in normal circumstances, be able to access their benefits will increase (subject to any transitional or exceptional arrangements the Government may introduce/permit) from 55 to 57 on 6 April 2028. This is a matter each Fund will need to address (including in terms of communication with individual members) taking account of changes (consequent to the new Finance Act when passed) to the LGPS Regulations, any relevant Statutory Guidance and the guidance provided in LGPC (Local Government Pensions Committee) Bulletins issued on behalf of the Local Government Association. Given the changes do not come into effect for another six and a half years there should be ample time for the Fund to prepare effectively.

John Raisin

31 August 2021

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Agenda Item 12

Report for: Pensions Committee and Board – 15 September 2021

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

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

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 Local Authority Pension Fund Forum's (LAPFF) voting activities on behalf of the Pension Fund. The Pension Fund is a member of LAPFF, and the Pensions Committee and Board has previously agreed that the Fund's investment managers should cast its votes at investor meetings in line with the LAPFF voting recommendations.

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

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

Haringey LONDON

Company	Description	LAPFF Recommendation For/Oppose	LGIM Vote	AGM Vote Outcome
HSBC	• Climate change resolution	For	For	For (99.71%)
Royal Dutch Shell	• Advisory Vote on Energy Transition Strategy • Climate targets aligned with Paris Agreement	Oppose For	Oppose For	For (88.74%) Oppose (69.53%)
Booking Holdings Inc.	• Report on annual climate transition	For	For	For (53.88%)
Delta Airlines	Report on corporate climate lobbying in line with Paris Agreement	For	For	For (62.66%)
Mitsubishi UFJ Financial GRP	• Resolution plan to align financing with Paris Agreement	For	For	Oppose (77.29%)

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

<u>Finance and Procurement</u>

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

<u>Head of Legal and Governance (Monitoring Officer)</u>

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.

<u>Equalities</u>

8.3. Not applicable.

9. Use of Appendices

9.1. Not applicable.

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Agenda Item 13

Report for: Pensions Committee and Board – 15 September 2021

Title: Risk Register

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the 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 and provide any comments on the Pension Fund's risk register. The area of focus for review at the meeting is Investments.

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 Pension Committee and Board (PCB) establish and operate internal controls for the Pension Fund. 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 PCB previously 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 remains current.

6.3. Work is currently underway to update the format of the risk register and conduct a comprehensive review of each of the different risk areas. Appendix 1 to this paper includes the investment risks which have been reviewed and updated for the PCB to provide feedback on at the meeting.

6.4. The other risk areas which include administration, governance, accounting, and legislation will be presented to the PCB in the forthcoming meetings.

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.

Head of Legal and Governance (Monitoring Officer)

8.2. The Head of Legal and Governance has been consulted on the content of this report and there are no legal issues.

Equalities

8.3. Not applicable.

9. Use of Appendices

9.1. Appendix 1: Haringey Pension Fund Risk Register – Investment Risks

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

London Borough of Haringey Pension Fund Risk Register										
Risk Ref	Risk Group	Risk Description	Impact	Likelihood	Risk Score	Controls and Mitigations In Place	Further Actions	Revised Likelihood	Total Risk Score	Reviewed on
INV01	Investment Risk	The ongoing global response to the COVID-19 outbreak poses economic uncertainty across the global investment markets.	5	4	20	1) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements. The Fund's value has since recovered from the sharp declines at the start of the pandemic in March 2020. 2) The Fund continually reviews its asset allocation and makes any changes when necessary. The Fund's asset allocation is included as part of the PCB's quarterly update report.	**Treat** 1) Officers will continue to monitor the impact lockdown measures have on the Fund's underlying investments and wider economic environment.	3	15	31/08/2021
INV02	Investment Risk	Significant volatitility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainity	5	4	20	1) The Fund's investment strategy integrates portfolio diversification and risk management. 2) The Fund's investment consultant regularly provides advice to the PCB on the Fund's investment strategy.	**Treat** 1) Officers will continue to hold regular update meetings with investment managers.	3	15	31/08/2021
INV03	Investment Risk	Insufficient attention paid to environmental, social and governance (ESG) issues leading to adverse impact on the sustainability of the Fund's investments	5	3	15	1) The Fund's entire passive equity allocation is invested in low carbon strategies. The RAFI Climate Transition Fund aims to reduces carbon emissions by 7% annually. 2) The Fund also has several investments in renewable energy infrastructure funds. 3) The MHCLG is expected to issue its consultation on the Task Force for Climate-related Disclosures (TCFD) before the end of the year	**Treat** 1) Officers and the Fund's investment consultants to provide training to the PCB on the anticipated requirements for TCFD reporting	3	15	31/08/2021
INV08	Investment Risk	Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.7m.	5	3	15	1) The Fund conducts a rigorious selection process to ensure that it appoints the most suitable investment managers based on available information during the tendering process of a new mandate. 2) Expert professional advice is provided by the Fund's investment consultant supporting manager selection and ongoing monitoring of performance. 3)The Fund's Custodian provides a manager monitoring service which is reported to the PCB on a quarterly basis.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.	2	10	31/08/2021
INV04	Investment Risk	Economic uncertainity caused by the implementation some of the post-Brexit agreements	4	3	12	1) The Fund's investment portfolio is well diversified, most of the mandates have a global focus (other than property investments and the index linked gilts). 2) A segment of the Fund's equity investments have been hedged to protect against currency movements.	**Treat** 1) Officers to consult and engage with advisors and investment managers on an ongoing basis.	2	8	31/08/2021

INV05	Investment Risk	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	4	3	12	**Tolerate** 1) The LCIV has to reach consensus among its 32 member funds, meaning there is a persistent risk that the full completement of mandates in the Fund many not be replicated by the LCIV, particularly the illiquid mandates. 2) The LCIV has recently added more resources to their team across the different mandates.	**Treat** 1) Officers and the Chair of the PCB regularly participate and contribute to various LCIV working groups.	2	8	31/08/2021
INV07	Investment Risk	The Pension Fund's actual asset allocations move away from the strategic benchmark.	4	3	12	1) The Fund continually reviews its asset allocation and makes any changes when necessary. The Fund's asset allocation is included as part of the PCB's quarterly update report. 2) The Pension Fund's passive equity investments are rebalanced by the investment manager based on pre-agreed thresholds.	**Treat** 1) Officers will regularly monitor the strategic asset allocation and make recommendations for any necessary adjustments.	2	8	31/08/2021
INV06	Investment Risk	The Fund has insufficient cash available to meet pension payments when they fall due	5	2	10	1) The Fund carried out and analysis of its cash flow requirements in 2020 and several changes were made to the fund's investment strategy to increase its income from investments. The Fund receives income from its private equity, multi-asset credit and absolute return funds.	**Treat** 1) Officers regularly monitor the Fund's cashflow position. 2) An annual cashflow review at fund level is undertaken by the Head of Pensions and utilised to inform the Fund's investment strategy.	1	5	31/08/2021
INV09	Investment Risk	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	3	3	9	1) The MHCLG is expected to issue its consultation on the pooling guidance before the end of the year.	**Tolerate** 1) Officers to consult and engage with the MHCLG, LGPS Scheme Advisory Board, advisors and consultations once the consultation has been issued	3	9	31/08/2021
INV10	Investment Risk	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	3	3	9	1) The Pension Fund's investment and funding strategy statements are regularly reviewed and discussed at the PCB meetings. As at the last funding update, the Pension Fund is well funded. 2) The Pension Fund has appointed actuarial and investment consultants to provide advice on matters relating to investment and funding. 3) The PCB is presented with the Pension Fund's Annual report each year.	**Treat** 1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise. 2) Training on investment risks and fund liabilities will be provided to members over the coming months.	2	6	31/08/2021
INV11	Investment Risk	Strategic investment advice received from the investment consultants is inappropriate for the Fund	3	3	9	1) The Fund has appointed Mercer, one of the largest global investment consultants, to provide strategic investment advice to the PCB. In addition to this, the fund has also engaged an experienced investment advisor to challenge/confirm investment strategy decisions. This ensures that the advice provided is subject to peer review to ensure that it is fit for purpose.	**Treat** 1) The investment consultant's performance is reviewed on an annual basis. The next review will be provided at the next PCB meeting.	2	6	31/08/2021

INV12	Investment Risk	Financial failure of an investment manager leads to negative financial impact on the fund	4	2	8	1) Officers receive and review internal control reports from investment managers on an annual basis. 2) The Pension Fund's investment consultants regularly reviews and assigns ratings to the Fund's investment strategies.	**Treat** 1) Officers to continue to work closely with the investment consultants and independent advisor to monitor the financial and operational performance of investments managers.	1	4	31/08/2021

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Agenda Item 14

Report for: Pensions Committee and Board – 15 September 2021

Title: Forward Plan

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This paper has been prepared to identify topics that will come to the attention of the Pensions Committee and Board over the upcoming months and 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 at Appendix 3 to the report.

3.2. To complete the Pensions Regulator's public sector toolkit and training needs assessment.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

Haringey LONDON

6.1. It is best practice for a pension fund to maintain a work plan. The plan sets out the key activities anticipated over the upcoming months in the areas of governance, members/employers, investments, and accounting. The Pensions Committee and Board (PCB) is invested to consider whether it wishes to amend future agenda items as set out in the work plan.

6.2. A previous review of the Pension Fund's governance arrangements recommended that the PCB should be provided with an update on member training. Specifically, the PCB noted the importance of training and required members to complete the TPR public sector toolkit and training needs assessment 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)

<u>Finance and Procurement</u>

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

<u>Head of Legal and Governance (Monitoring Officer)</u>

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.

<u>Equalities</u>

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
9.4. Appendix 4: Training Needs Assessment Form

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

Appendix 1

September 2021	November 2021	January 2022	March 2022
Standing Items			
Administration Report	Administration Report	Administration Report	Administration Report
Governance/LGPS Update Report	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)
Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Risk Register Review	Risk Register Review	Risk Register Review	Risk Register Review
Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
Fund Adminstration & Governance			
	Investment Consultant's Performance Review	LCIV AGM Briefing and Votes	Administration Strategy Statement
	Business Plan and Annual Budget	Pension Administration System Contract	
		Cost Benchmarking Exercise	
Investments			
Multi Asset Credit Investments	LAPFF Voting update	LAPFF Voting update	LAPFF Voting update
LAPFF Voting update	TCFD Consultation		
Funding and Valuation			
Training			
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
Multi-Asset Credit Training	TCFD Training		

Date	Conference / Event	Training/ Event Organiser	Website	Cost	Delegates Allowed
	Scheme Advisory Board Website	LGPS Scheme Advisory Board	http://www.lgpsboard.org	Free - Online	N/A
	The Pension Regulator's Pension Education Portal	The Pension Regulator	www.thepensionsregulator.gov.uk	Free - Online	N/A
	The Pension Regulator's Trustee Toolkit	The Pension Regulator	https://trusteetoolkit.thepensionsregulator.gov.uk/?redirect=0	Free - Online	N/A
	LGPS Regulation and Guidance	LGPS Regulation and Guidance	http://www.lgpsregs.org/	Free - Online	N/A
	LGPS Members Website	LGPS	http://www.lgps2014.org/	Free - Online	N/A
	Local Government Association (LGA) Website	LGA	www.local.gov.uk	Free - Online	N/A

Please contact Tim Mpofu, Head of Pensions & Treasury if you require any further information on the available training
Email: tim.mpofu@haringey.gov.uk

Pensions Committee and Board Member	TPR Public Sector Toolkit (Online)	Training Needs Analysis
Cllr Yvonne Say (Chair)	☒	☒
Cllr Eldridge Culverwell (Vice Chair)	☒	☒
Cllr Patrick Berryman	☒	☒
Cllr Sarah James	☒	☒
Cllr Paul Dennison	✓	✓
Cllr Viv Ross	✓	✓
Keith Brown	✓	✓
Ishmael Owarish	✓	✓
Randy Plowright	☒	✓

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Report for: Pensions Committee and Board – 15 September 2021

Title: London Collective Investment Vehicle Multi Asset Credit Review

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury, tim.mpofu@haringey.gov.uk

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Not applicable

1. Describe the issue under consideration

1.1. The London Collective Investment Vehicle (LCIV) recently notified the Pension Fund of its intention to add a second manager to the existing LCIV Mult-Asset Credit (MAC) Fund after undertaking an investment manager selection process.

1.2. This report provides the Pensions Committee and Board (PCB) with an assessment of the suitability of the newly proposed LCIV 50/50 solution and outlines the considerations for the Pension Fund to remain invested in the updated strategy or opt for sole exposure to current manager.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

The Pensions Committee and Board is asked:

3.1. To note Mercer's London Collective Investment Vehicle Multi Asset Credit Review Paper, appended as Confidential Appendix 1, and the advice contain therein.

3.2. To agree to remain invested in the London Collective Investment Vehicle Multi Asset Credit Fund as this transitions to the new 50/50 weighted strategy.

3.3. If agreed, 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.

4. Reason for Decision

4.1. The LCIV has requested for partner funds invested in the LCIV MAC Fund to decide on whether to remain invested in the updated strategy or opt for sole exposure to the current manager. The PCB's decision will inform the LCIV on how to manage the Multi-Asset Credit mandate on behalf of the Pension Fund going forward.

5. Other options considered

5.1. The Pension Fund could opt to maintain sole exposure to the current MAC manager. Should the Fund decide on this course of action, the LCIV will need to be notified and a further paper will need to be brought to the PCB outlining the next steps.

6. Background information

6.1. The Pension Fund has been invested in a Multi-Asset Credit (MAC) mandate managed by CQS since 2014, with a current strategic allocation of 10% of total fund assets (equating £158.5m as at 30 June 2021). In 2018, the LCIV appointed CQS to manage the LCIV MAC Fund and the Pension Fund's assets were transitioned into the fund in line with the pooling agenda.

6.2. The LCIV has recently reviewed their MAC strategy and has proposed to add a second fund manager improve the balance of the strategy. MAC strategies invest in a wide range of credit-based asset classes, generally in an opportunistic and unconstrained manner. Different strategies will have different biases, often based on the historical strengths of the firms. Combining multiple complementary strategies that can invest in a diversified opportunity set across the credit spectrum could result in an improved risk/return profile for a MAC fund.

6.3. With this in mind, the LCIV has undertaken a manager selection process aimed at selecting a manager that complements the existing investment manager in the LCIV MAC Fund, whilst aiming to reduce overall management fees and improve ESG credentials.

Implementation Considerations

6.4. The PCB should carefully consider the implications for the Pension Fund of the LCIV proposal. The table below summaries the key considerations for the PCB.

Table 1 – Summary of Implementation Considerations

Manager Selection Process	The LCIV compiled a long list of managers which was reduced through a series of quantitative screening and due diligence activities. The Pension Fund's investment consultant, Mercer is satisfied that the manager selection process undertaken by the LCIV was sufficiently robust.
Ongoing Level of Governance	This is the first example of the LCIV moving from a single manager to a multi-manager solution for liquid assets. Whilst this represents a change in approach for the pool, Mercer believe the

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	LCIV has the appropriate depth of resources to provide appropriate ongoing monitoring successfully.
Risk Implications	Adding an additional manager to the existing strategy should achieve a broader and more diversified set of risk exposures. The LCIV has selected a second manager who has a bias to a different range of credit assets than the existing manager, which would be anticipated to improve the strategy's risk/return profile.
Fees	The proposed multi-manager solution is expected to reduce the ongoing management fees leading to cost savings to the Pension Fund. Further details on the fees are included in Confidential Appendix 1.
ESG Considerations	The proposed second manger has strong ESG credentials with dedicated internal resources to researching and reporting on climate change.

6.5. A detailed assessment of the implementation considerations is included in Confidential Appendix 1 to this paper.

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 report of Mercer, attached as the confidential appendix, highlights that the recommended course of action would, if implemented, likely result in increased expected returns (based on historic performance) without a commensurate increase in overall risk in the Pension Fund's investment portfolio.

Comments of the Head of Legal and Governance (Monitoring Officer)

8.2. The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management & Investment Funds) Regulations 2016.

8.3. The administering authority must also 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. Regulation 7 sets out what the Investment Strategy should contain, and any revision must be published. The Fund must invest, in accordance with its Investment Strategy, any fund money that is not needed immediately to make payments from the fund. Members of the Committee should keep these obligations in mind when considering this report and take proper advice on the matter.

8.5. The administering authority must review and if necessary, revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions. The delegated authority will authorise the Assistant Director of Finance to carry out the revision required and published the revised statement

Equalities

8.6. None applicable.

9. Use of Appendices

9.1. Confidential Appendix 1: LCIV Multi-Asset Credit Review Paper

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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