

PUBLIC MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON THURSDAY, 11TH JULY, 2019, 19:00-21:00

PRESENT: Cllr White, Cllr Bevan, Cllr Chiriyankandath, Cllr Tucker, Cllr Ross, Cllr Dennison, Keith Brown, Randy Plowright and Ishmael Owarish.

267. FILMING AT MEETINGS

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

268. APOLOGIES FOR ABSENCE

There were no apologies for absence.

269. URGENT BUSINESS

There were no items of urgent business.

270. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

No declarations of interest were made.

271. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr White, Cllr Bevan, Cllr Ross, Cllr Dennison, Cllr Chiriyankandath, Cllr Tucker, Keith Brown, Ishmael Owarish, and Randy Plowright attended a training session delivered by Pantheon – 11/07/2019.

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

Cllr Bevan

- AON pension conference, 02/04
- Global Private Equity Seminar, 03/04
- Fixed Income ESG Workshop, 04/04
- SPS Fiduciary Management & investment Governance, 10/04
- SPS / ESG & Sustainable Investment Strategies for Pension Funds, 09/05
- FTSE Russell Accessing Kuwaiti equities, 10/05
- Stoxx innovate2invest, 21/05
- Hymans Good Governance Project briefing, 29/05

- SPS Infrastructure & Real Assets Investment Strategies, 18/06

272. MINUTES

Resolved

That the minutes of the meeting held on the 14th March 2019 be approved as a correct record of the meeting.

273. EMERGING MARKET EQUITY

The Head of Pensions introduced this report which updated the Pensions Committee and Board (PCB) on the implementation of investment in a low carbon option for the Fund's emerging market equity portfolio, which was discussed by the PCB at its last meeting in March 2019.

The PCB noted the Fund had an overall 6.66% allocation to emerging market equity. The value of those holdings was £99.6m as at 31st March 2019. They had been held in the same emerging markets indexed fund with Legal and General since 2013/14. The report set out the proposed strategy change.

In response to questions on the public report, the following was noted:

- The proposed strategy change would result in approximately a 30% reduction in the Fund's overall carbon footprint.
- The proposal was for the PCB to agree to switch its entire emerging market equity holdings into a low carbon index linked fund, to be managed by Legal and General.
- Mercer, the Fund's Investment Consultant (represented by Steve Turner), noted the carbon footprint and exposure from the Fund's equity portfolio would be 50% of the traditional benchmark cap exposure.

(The PCB next considered the exempt appendices to this report in private, as per item 285. Members of the public were cleared from the meeting.

Following the conclusion of discussions in private, members of the public were invited back into the meeting room.)

The Chair thanked members of the public for their attendance and confirmed that the PCB had decided to switch its emerging market equity holdings into a low carbon index linked fund, thereby decreasing its overall carbon footprint.

RESOLVED

1. That the Committee and Board consider the report, and information outlined in Confidential Appendix 1, including any verbal updates or advice provided by the Fund's investment Consultant, Mercer, in the meeting.
2. That the Committee and Board agrees to switch its Emerging Market Equity holdings into a low carbon index linked fund.

3. That the Committee and Board delegate power to the Head of Pensions, Treasury & Chief Accountant to take all necessary steps to effect this change, including completion of necessary paperwork and to update and republish the fund's Investment Strategy Statement to be consistent with this change.

274. 2018/19 PENSION FUND ACCOUNTS AND ANNUAL REPORT

The Head of Pensions introduced this report which presented the Pension Fund Annual Report and audited Accounts for 2018/19 for the PCB's approval. The annual audit report from the Fund's external auditor BDO was also presented.

The PCB was informed Appendix 1 - *Haringey Pension Fund Draft Audit Completion Report*, had been sent as a late item due to not being ready for circulation at the publication stage.

The Head of Pensions took the PCB through the *Annual Pension Fund Report and Accounts for the year ended 31 March 2019* (at pages 19 – 62). It was highlighted to the PCB that investments had performed better than at the previous evaluation.

Following discussion, it was noted:

- Responding to a query over membership growth declining, Officers informed that the Fund lost 600 members when College of Haringey, Enfield and North East London left the Fund. Officers assured the PCB that there was an upward trend for membership of the Fund despite this.
- Regarding the McCloud ruling, Officers informed that the Section 151 Officer and Chair had delegated authority to make any changes required to the account to ensure the statutory deadline was met.
- Officers informed that CQS was the one Fund manager not a signatory to the 'United Nations Principles for Responsible Investment' initiative. Officers confirmed they would follow this up with CQS (**Action: Head of Pensions**).
- A member queried whether the verbal agreement between the Chief Whips of the Labour Party and Liberal Democrats to ensure consistency in membership should be included in the Annual Report. Officers responded that this would not usually be a matter included in the Annual Report; to which the PCB agreed. Officers noted committee turnover was being monitored on the risk register.
- Responding to inaccuracies identified between the tables on pages 38 and 40, Officers confirmed errors on page 40 would be amended.

The PCB were next taken through the Audit report by BDO (represented by Leigh Lloyd-Thomas). It was highlighted that:

- The audit was positive but the final figure on how much the Fund's liabilities were over the McCloud case had yet been finalised.
- BDO estimated that the impact on GMP equalization would increase the scheme liabilities by £6.2 million and this had not been included in the scheme liabilities disclosure.
- BDO were content with all the assumptions made.
- Female mortality for the Fund's active and deferred members was lower than expected based on national data.

RESOLVED

1. That the Committee and Board notes the findings of the external auditor in their report attached in Annex 1.
2. That the Committee and Board note and approve the Pension Fund Annual Report and Fund Accounts for 2018/19.
3. That the Committee and Board delegate authority to the Director of Finance, in consultation with Chair of the Pensions Committee, to make any necessary final changes to the published accounts and approve the Audited Statement of Accounts for 2018/19, subject to reporting back any significant changes made, to ensure the accounts are signed off by the 31 July deadline.
4. That the Committee and Board gives the Chair of the Committee and Board and Director of Finance (S151 Officer) authority to sign the letter of representation to the Auditor as set out in paragraph 6.4 of this report.

275. PENSIONS ADMINISTRATION REPORT

The Pensions Manager, Janet Richards, introduced this report which detailed a breakdown of the number of visits made to the Haringey Pension Fund website. The report also presented details of new admissions to the pension fund and provided an update on auto enrolment. The PCB were taken through the report as set out at pages 157 – 161.

Responding to a query on the tendering out of cleaning services by schools, Officers noted that the employee's participation in the LGPS was maintained as they changed employers.

RESOLVED

1. To note that the report gives a breakdown of the amount of visits made to the Haringey pension fund website.
2. To note that in May 2019, 286 members were re-enrolled into the scheme under auto enrolment, 169 members opted out of the pension scheme i.e. 59.09%.
3. To approve the admission of Schools Office Services Limited as a new employer to the Pension Fund, subject to an admission agreement being entered into and their securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.
4. To note and approve the admission of Olive Dining Limited as a new employer to the pension fund subject to an admission agreement being entered into and

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

5. To note and approve the admission of Birkin Cleaning Services Limited as a new employer to the Pension Fund, subject to an admission agreement being entered into and their securing a bond or a guarantee from a third party in line with the LGPS regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increase contribution rate in lieu of a bond.

276. PENSION FUND QUARTERLY UPDATE

The Head of Pensions introduced this report which provided an update in respect of the three months to 31 March 2019 on the following: Funding Level Update; Investment asset allocation; and market review.

The Head of Pensions took the PCB through the report as set out. The following was highlighted:

- The Fund's Actuary, Hymans Robertson LLP, had calculated an indicative funding position update for 31 March 2019, and that showed an improvement to an 83.9% funding level. This position was up from 31 December 2018 which showed 82.6%. This was an indicative position, the final 2019 Valuation would be confirmed in early 2020 once all data had been supplied to the actuary, but it cemented an expectation that the Fund's position had improved since the 2016 Valuation overall.
- The value of the Fund had increased by £80.2m between January and March 2019.
- The Fund's £50m commitment to the Aviva Lime Fund was expected to be invested in summer 2019.

The Independent Advisor took the PCB through appendix 1 - *Independent Advisor Market commentary*. The following was highlighted:

- The Federal Reserve had decisively changed its future monetary policy approach.
- Eurozone equities experienced a positive Quarter with support from the policy stances of the US Federal Reserve and the European Central Bank (ECB).
- There was continued concern over the market performance of Japan.

In response to a question on the impact of an unstable petroleum industry, the Independent Advisor noted this could cause increased oil prices which would adversely hit oil related shares.

RESOLVED

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

277. LOCAL GOVERNMENT PENSION SCHEME CONSULTATION

The Head of Pensions introduced this report which provided an update on the recent consultation released by the Ministry and Housing Communities and Local Government (MHCLG) regarding the LGPS Valuation Cycle and Employer Risk. Also appended to the report was the London Borough of Haringey's response to that consultation on pages 205 – 207. The Head of Pensions invited Members to contribute any comments, which would be incorporated in that consultation response.

In discussion, the following was noted:

- Officers noted it was unclear whether the proposed change in the valuation cycle would benefit the Fund.
- Officers welcomed the new proposed flexibilities around interim valuations and re-assessment of employer contributions mid valuation cycle.
- The Independent Advisor noted the consultation proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees' access to the LGPS. However, this would not be the case in Wales as further and higher education policy was devolved to the Welsh Government and it had not proposed to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales.
- Responding to a query over the valuation cycles, Officers noted the periodic valuation of LGPS Funds with other public service funds was being synchronised and moving to a 4 yearly valuation cycle
- Officers noted there was a concern that other Fund's may hold interim valuations between the 4-year cycles which could increase costs for the Fund, if it were to follow that practice.
- Officers noted there was no need for a Local Pension Board for the London Borough of Haringey Pension Fund as the Board was included in the Pensions Committee and Board.

RESOLVED

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

278. LOCAL GOVERNMENT PENSION SCHEME UPDATE FROM INDEPENDENT ADVISOR

The Independent Advisor introduced this item by taking the PCB through the report as set out at appendix 1, pages 211-220.

It was highlighted that Hymans Robertson were undertaking work to develop possible future options for the Governance of the LGPS which could result in significant changes to the Fund management by 2021.

The Chair thanks the Independent Advisor for his report.

RESOLVED

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

279. FORWARD PLAN

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

The Head of Pensions noted there would be an update on Equitable Life at its September 2019 meeting to update the PCB on its recent court case.

The PCB requested a presentation from the Fund's custodian, Northern Trust, to enable them to better understand the company and the work they do on behalf of the Fund. Officers confirmed they would make that request (**Action: Head of Pensions**).

Regarding reviewing the PCB's portfolio allocation to private equity, the PCB had most recently recommitted to Pantheon in December 2018. Officers noted an important question for the Fund would be whether to recommit to Pantheon or use a London CIV option, if one became available in the future. Mercer advised it was important for the Fund to make regular commitments. Mercer suggested having a regular item on the agenda to review the PCB's allocation commitment to private equity (**Action: Head of Pensions**)

RESOLVED

That the Committee was invited to identify additional issues & training for inclusion within the work plan and to note the update on member training attached at Appendix 3.

280. RISK REGISTER - REVIEW/UPDATE

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

Regarding the red rated risk, '*Frequent and/or extensive turnover of committee members causing a loss of technical and operational knowledge about the Fund and an inexperienced Committee/Board*', Officers confirmed that, due to low turnover of Committee members compared to previous years, this probability would be reduced from 4 to 3. This risk was still a concern but the verbal agreement made between the Labour Chief Whip and the Liberal Democrat Chief Whip to commit members to this committee had achieved a positive result.

Regarding the red rated risk, '*Risk that LGPS legislation regarding the benefits framework for the scheme changes significantly (and possibly at short notice) leading*

to increased fund liabilities', Officers informed the probability of that risk materialising had decreased. This was as a result of recent information being obtained from the Fund's actuary on the actual impact of the 'McCloud' ruling on the Fund's liabilities - a 0.38% increase, which was less severe than had been anticipated.

Regarding the potential risk of a no deal Brexit, Officers advised this was continuing to be monitored (Risk 21 – page 231) and was currently an orange rated risk. Mercer informed that the Fund had adequate protections in place which would largely protect it against a no deal Brexit scenario.

Officers informed a risk regarding the GMP would be added to the Risk Register for the PCB's next meeting (**Action: Head of Pensions**).

RESOLVED

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

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

The Head of Pensions introduced this report which provided an update on voting activities on behalf of the Fund. The Fund was a member of the LAPFF and the Committee and Board had previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations.

RESOLVED

That the Committee note this report.

282. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) - PENSIONS RECHARGE AND GUARANTEE AND SERVICE LEVEL AGREEMENT (SLA)

The Head of Pensions introduced this report which provided information to update members of the Pensions Committee and Board regarding the London CIV's pensions recharge and guarantee agreements, and the recently issued Service Level Agreement.

RESOLVED

1. The Committee and Board note the contents of this report, and any other verbal updates provided by officers and the fund's Independent Advisor in the meeting.
2. The Committee and Board approve both the pensions recharge and guarantee agreements attached at Appendices 2 & 3 and for these documents to be

entered into, and give delegated authority to the Section 151 officer to approve any subsequent minor amendments to these two documents.

3. The Committee and Board approve the draft SLA to be entered into with the London CIV attached at Appendix 6 and give delegated authority to the section 151 Officer to agree the final SLA .

283. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

284. EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the press and public be excluded from the meeting for consideration of item 8 as it contains exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

285. EMERGING MARKET EQUITY

As per the exempt minutes.

286. PENSION FUND QUARTERLY UPDATE

As per the exempt minutes.

287. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) - PENSIONS RECHARGE AND GUARANTEE AND SERVICE LEVEL AGREEMENT (SLA)

As per the exempt minutes.

288. EXEMPT MINUTES

Resolved

That the exempt minutes of the meeting held on the 14th March 2019 be approved as a correct record of the meeting.

289. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Matt White

Signed by Chair

Date