

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

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

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

1. FILMING AT MEETINGS

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

2. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Ishmael Owarish.

3. URGENT BUSINESS

There was no urgent business.

4. DECLARATIONS OF INTEREST AND CONFLICTS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

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

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

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

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

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

7. MINUTES

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

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

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

RESOLVED

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

8. PENSION ADMINISTRATION REPORT

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

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

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

RESOLVED

1. To note paragraphs 6.1 to 6.8 of the report which gave a breakdown of the amount of visits made to the Haringey Pension Fund website and an update regarding pension administration matters.
2. To approve the admission of Lunchtime Company Limited as a new admission body to the Pension Fund for the reasons set out in paragraph 4 of the report, subject to their securing a bond or a guarantee from a third party in line with the Local Government Pension Scheme (LGPS) regulations, to indemnify the pension fund against any future potential liabilities that could arise or paying an increased contribution rate in lieu of a bond.
3. To note the following admitted bodies will have left or will shortly be leaving the scheme as employers in the scheme. These are: Lunchtime Bounds Green, Lunchtime Devonshire Hill, Lunchtime Earlsmead, Lunchtime Welbourne School, Pabulum St John Vianney, Pabulum St Martin of Porres, Pabulum St Peter in Chains, The Octagon.

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

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

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

Cllr Dennison noted that there would likely be a small impact on the pension fund as a whole but a larger impact on individuals and smaller employers; he enquired how the complexities of this issue would be investigated with employers and explained to employees. The independent advisor noted that every employer would be impacted and that, although few people were likely to benefit from this, all data for employees

would need to be checked. It was explained that there would be significant communication with employers. The Pensions Manager noted that this issue would be a long term exercise and that Regulations were currently awaited; as such, there were no timescales at present. However, it was explained that the relevant data from employers in previous years had already been obtained and discussions were underway to discuss a programme to identify affected individuals.

RESOLVED

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

10. FORWARD PLAN

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

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

RESOLVED

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

11. RISK REGISTER

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

RESOLVED

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

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

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

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

RESOLVED

To note the report.

13. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

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

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

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

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

Cllr Ross noted that the independent advisor's report noted that there was a possibility of negative interest rates and enquired how this would affect the pension fund. The independent advisor, John Raisin, explained that negative interest rates effectively meant that banks were charged for depositing in the Central Bank, which drove down yields and suppressed interest rates to support the economy. He commented that he

did not believe this would have a significant effect as interest rates were already very low.

RESOLVED

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

14. PRIVATE EQUITY AND RENEWABLE ENERGY COMMITMENT PLANNING

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

Following consideration of the exempt information,

RESOLVED

1. To note the renewable energy and private equity commitment planning paper, appended as Confidential Appendix 1.
2. That, so the Fund can achieve and maintain its commitment to 5% allocation to renewable energy and private equity, to approve the proposals set out in Confidential Appendix 1, namely to:
 - (i) Commit £20 million to private equity via Pantheon (split £15 million into the Global Select 2019 Fund and £5 million into the Global Co-Investment V Fund);
 - (ii) Commit £65 million to London Collective Investment Vehicle (LCIV) renewable energy strategy, subject to investment due diligence, once the LCIV strategy is in a position to launch; and
 - (iii) Fund (i) and (ii) above from available cash holding and, where there are insufficient cash holdings, to fund from other liquid assets including: equity, bonds, multi asset absolute return and multi asset credit.
3. To delegate authority to the Assistant Director of Finance to implement the above changes (if approved), on the advice of the Fund's investment consultant, and after consultation with the Chair of the Pensions Committee and Board and Independent Advisor.

15. LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE

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

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

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

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

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

Cllr Dennison noted that the decision of where to invest the pension fund took into consideration the fund managers. Silvia Knott-Martin acknowledged this and explained that the LCIV needed to offer a robust product in line with the fund objectives. Cllr Dennison stated that this would amount to a change in the fund's strategy and removed control from the Pensions Committee and Board; it was enquired whether the LCIV would allow investors to choose which fund managers to invest in. Rob Hall commented that the fund manager should not influence decision making as the underlying manager could change. The LCIV hoped to progress to the

point where the LCIV was seen as the fund manager who decided the split between fund managers based on the relevant analysis. It was added that, if the pension fund wanted to invest outside the MAC, this decision could be facilitated.

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

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

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

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

16. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

17. DATES OF FUTURE MEETINGS

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

17 November 2020
21 January 2021
4 March 202

18. EXCLUSION OF THE PRESS AND PUBLIC

It was noted that items 19-22 contained exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

RESOLVED

That the press and public be excluded from the meeting for consideration of items 19-22 as they contained exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act

1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

19. PENSION FUND QUARTERLY UPDATE

The Committee considered the exempt information.

20. PRIVATE EQUITY AND RENEWABLE ENERGY COMMITMENT PLANNING

The Committee considered the exempt information.

21. EXEMPT MINUTES

RESOLVED

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

22. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor John Bevan

Signed by Chair

Date

This page is intentionally left blank