

MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON THURSDAY, 21ST JANUARY, 2021, 7.00 - 8.10 PM

PRESENT: Councillor John Bevan (Chair), Councillor Julie Davies (Vice-Chair), Councillor James Chiriyankandath, Councillor Paul Dennison, Councillor Viv Ross, Councillor Noah Tucker (from item 13), Ishmael Owarish, Keith Brown, and Randy Plowright.

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

1. FILMING AT MEETINGS

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

2. APOLOGIES FOR ABSENCE

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, Keith Brown, and Randy Plowright had attended a training session on 21 January 2021 entitled: Governance and Sustainable Investments.

It was also noted that the Chair had undertaken the following training: London CIV Low carbon equity briefing (November 2020); LGPS Live: Pension Issues briefing, North London Pension Funds Chairs' Forum, London CIV Pension Chairs' briefing, London CIV Low Carbon Equity Investing (December 2020); Pensioners Trustees

Circle virtual forum seminar, and London CIV business update (January 2021). Cllr Ross confirmed that he had attended Pension Investment Academy training on Environment, Social, and Governance – Regulation Developments, Practical Implications and Trustee Issues (January 2021).

7. MEMBERSHIP

It was explained that the term of office for one employee member, as appointed by trade unions, had expired and the term of office for one employer member was about to expire.

Following consultation with trade unions, it was noted that Randy Plowright had been nominated as an employee member, as appointed by trade unions. Following consultation with employers, it was noted that Keith Brown had been nominated as an employer member. It was explained that the Pensions Committee and Board was asked to confirm these appointments for a four year term of office.

RESOLVED

To confirm Keith Brown as an employer member and Randy Plowright as an employee member, as appointed by trade unions, on the Pensions Committee and Board for a four year term of office.

8. MINUTES

Cllr Ross noted that members of the Pensions Committee and Board were due to observe the investment management consultancy services interview process in early January 2021. The Chair explained that the interviews had not taken place yet as the procurement exercise had to be re-run; when a new date for interviews was set, members would be invited.

RESOLVED

That the minutes of the Pensions Committee and Board meeting held on 23 November 2020 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 to the Haringey Pension Fund website, an update in light of the Covid-19 pandemic, and details of an employer joining the fund. It was noted that the number of website visits in November 2020 was slightly higher than the previous year and the number of deaths in November 2020 was lower than the 2015-2019 average. The Pensions Committee and Board were also asked to note and approve the admission of Little Engineers Nursery, which was part of the London Diocesan Board for Schools (LDBS) Academies Trust to the pension fund. It was confirmed that there were 10 members of staff currently employed by Holy Trinity School, which was part of the

Local Government Pension Scheme, who would be transferring to the nursery, which was entering the Local Government Pension Scheme as a new employer.

RESOLVED

1. To note 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 note and approve the admission of Little Engineers Nursery, an Academy which was part of the London Diocesan Board for Schools (LDBS) Academies Trust, as a new scheduled employer in the pension fund.

10. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Pension Fund and investments. It was noted that the annual accounts were due to be signed off on 30 November 2020 but that the National Audit Office had directed that both the audit opinion for the Council and Pension Fund accounts should be issued together. As the audit of the Council's accounts was due to be completed in January 2021, it was anticipated that the audit opinion for the Pension Fund would be issued in January 2021.

In relation to the portfolio allocation, it was reported that there were a few asset classes which were slightly different to the benchmark. It was noted that renewable energy was slightly under the allocation but that this would be rectified once the recently approved investments were made with the new London CIV renewable energy strategy. It was stated that pension fund's investment performance was 2.24% which was slightly under the benchmark of 2.34%. It was added that the fund compared well in relation to the year to date and in the long term.

It was reported that the London Collective Investment Vehicle (CIV) had made some key appointments, including the Head of Private Markets, who would be leading on the London Fund and private equity, and a Responsible Investment Manager. It was noted that a report on the London Fund, which had recently launched, was due to be presented to the Pensions Committee and Board in March. The Head of Pensions and Treasury reported that three London CIV sub fund managers remained under enhanced monitoring, one of which was CQS which had been in this position for over 10 months. The London CIV still planned to appoint a second multi asset credit (MAC) manager to complement CQS but had confirmed that the Haringey Pension Fund would not be required to divide its investments equally between the two MAC managers unless it wished to do so, as a separate sub-fund would retain 100% in CQS. It was confirmed that, once the London CIV proposals were finalised, due diligence work would be undertaken and a decision would be made about whether to remain invested in CQS or to accept the proposed additional manager.

The Head of Pensions and Treasury noted that the Pensions Committee and Board had raised concerns that one of the fund's investment managers had not signed up to the United Nations Principles of Responsible Investment (UNPRI). It was explained

that this manager had now signed up and this would be effective from February 2021. It was enquired whether the investment manager, being a smaller manager, was able to secure smaller fees in signing up to the UNPRI; the Head of Pensions and Treasury agreed to confirm.

An update was provided in relation to companies that were operating in Occupied Palestinian Territories/ Israeli Settlements. It was noted that the Pensions Committee and Board had agreed that the Local Authority Pension Fund Forum (LAPFF), as Environmental, Social, and Governance (ESG) engagement lead for the Fund, would lead on engagement work with the relevant companies. It was explained that, if progress was not made with these companies, the LAPFF was willing to consider escalation strategies such as voting recommendations at Annual General Meetings (AGMs). It was added that more detail on the LAPFF initial findings was included in the exempt report for members of the Pensions Committee and Board.

It was noted that the Pensions Committee and Board had recently agreed to implement the RAFI Multi Factor Climate Transition strategy to reduce the carbon intensity of the fund. Alex Goddard, Mercer, explained that the fund would be switching 100% of its current holdings in the RAFI Multi Factor Fund to a version of the same strategy which had initial carbon emissions reductions as well as a 7% reduction annually over time in order to be aligned with the Paris Agreement. It was noted that, in terms of the total equity portfolio, it would be possible to reduce the carbon footprint by 50% by implementing this switch. It was commented that this fund was not currently set up within Legal and General Investment Management (LGIM) and, therefore, some time was required to implement the switch. It was confirmed that LGIM was on track to launch this fund in line with the previous timetable and it was anticipated that this would be completed in May 2021. It was added that LGIM would be setting up two funds, one with currency hedging and one without, to replicate the existing arrangement where 50% was invested in currency hedged funds and 50% was invested in unhedged funds.

Steve Turner, Mercer, provided an update in relation to Ruffer; it was explained that they were an unconstrained multi asset absolute return manager which meant that they had significant flexibility to invest. It was noted that their primary objective was to protect capital and their performance over the last year had been good with a 14% return. It was reported that they had made a noteworthy addition to their fund in November 2020 through a small allocation to bitcoin; this had comprised 2.5% of the portfolio and it had been very profitable, with a doubling of the investment in six to eight weeks. It was highlighted that, at this stage, Ruffer had taken some profits and rebalanced to the original position. It was commented that Ruffer had been one of the first institutional managers to invest in bitcoin but that Mercer did not have any concerns as this was part of their potential remit and the decision had been made following thorough research.

The Chair expressed some concerns about bitcoin following a warning from the regulator that there were a number of uncertainties and that there was a significant potential for error. Steve Turner, Mercer, noted that Mercer was aware of the comments made by the Financial Conduct Authority in relation to bitcoin. It was stated that this caution was most likely aimed at retail investors and the warning that it was possible to lose all of the money from an investment applied equally to equities. It was

highlighted that Ruffer fully understood these points and had acted cautiously in investing a small amount and in rebalancing their position after several weeks. The Chair asked that issues relevant to bitcoin were monitored closely. Steve Turner, Mercer, noted that there was regular contact with Ruffer and it would be possible for them to cease investments in bitcoin relatively quickly. The Chair also noted that the Pensions Committee and Board was due to receive a report on gilts and it was asked that this included information about green government bonds.

RESOLVED

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

11. REVIEW OF CONFLICTS OF INTEREST POLICY

The Chair noted that, under the Conflicts of Interest Policy, the latest version of the register of interest would be made available to the Chair prior to each Pensions Committee and Board meeting. He noted that he did not believe that this was currently done and he did not recall submitting a declaration form. The Principal Committee Co-ordinator explained that councillors who were members of the Pensions Committee and Board were required to declare all of their interests as part of their ordinary councillor role and these interests were published online. In relation to co-opted members, it was explained that a declaration of interest form was circulated and submitted by co-opted members annually. The Head of Pensions and Treasury added that any relevant interests were declared at each meeting and it could be checked whether the register needed to be shared with the Chair in advance of each meeting. The Chair stated that this was an administrative matter and the details could be decided outside of the meeting.

RESOLVED

To approve and adopt the Conflicts of Interest Policy as set out in Appendix 1 to the report.

12. PROPOSED AMENDMENT TO THE CONSTITUTION - MEMBERSHIP OF THE PENSIONS COMMITTEE AND BOARD

The Principal Committee Co-ordinator introduced the report which sought to amend the wording of the Pensions Committee and Board terms of reference in relation to employer representatives to bring it in line with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (the Pensions Regulations). It was noted that any comments from the Pensions Committee and Board would be passed on to the Standards Committee who would be considering the proposal at a meeting on 25 January 2021.

It was explained that the existing wording in relation to employer members of the Pensions Committee and Board in the Haringey Council constitution was narrower than the statutory wording in the Pensions Regulations. The proposed amendment

would bring the wording in line with the Pensions Regulations and would mean that employer members would not need to be from scheduled and admitted employers but would need to have the capacity to represent scheduled and admitted employers. It was added that one employer member position had been vacant for several years and it was hoped that this wider definition would assist in filling the vacancy.

The Assistant Director of Finance confirmed that there had been numerous efforts to recruit an employer member to fill the vacant position; this had included writing to employers approximately four times in the last few years, communicating with senior management within the employers, and contacting individual academies. It was suggested that the vacancy could be advertised in a relevant journal or brought to the attention academy governors.

RESOLVED

1. To note the proposed amendment of the wording in relation to employer representatives of the Pensions Committee and Board to bring it in line with Pensions Regulations.
2. To provide the following comments to the Standards Committee for its consideration: That the Pensions Committee and Board noted the proposed amendment and hoped that the amended wording, which would provide a wider pool of potential employer representatives, would assist in filling the employer representative vacancy which had existed for several years.

13. 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 four voting recommendations from the Local Authority Pension Fund Forum (LAPFF). The Pension Fund's equity manager, Legal and General Investment Management (LGIM), had voted in line with three of the four recommendations and the fourth had been withdrawn. Notably, it was reported that Procter & Gamble had been defeated on the vote on efforts to eliminate deforestation at the Procter & Gamble AGM. In the other cases, the results of the votes had been contrary to the LAPFF recommendations.

RESOLVED

To note the report.

14. RISK REGISTER

The Chair noted that the risk register contained two sections; the first section had a summary of all risks and the second section presented two or three risk areas per meeting for more detailed consideration by the Pensions Committee and Board.

Keith Brown noted concerns in relation to risk 58 (London CIV investment strategy) which stated that, if the London CIV did not adopt the right strategy, this would be a risk to the Haringey Pension Fund. He commented that, if this was the case, the Pension Fund could decline to use the London CIV or, if the Pension Fund had to use the CIV, this amounted to a conflict of interest under the new governance rules. The Head of Pensions and Treasury noted that, before investing, the Pension Fund would need to make sure that the manager and mandate met the criteria for investment. It was explained that the Pension Fund could decide whether or not to invest but the risk was that, once the Pension Fund had invested, there would be less direct control and things could change. Keith Brown noted that this applied to any manager and that there would still be an option to withdraw.

Cllr Dennison noted that the Pensions Committee and Board considered two areas of risk in more detail at every meeting but that this could lead to some risks not being considered in detail for some time; he provided the example of risk 59 (impact of Coronavirus). The Head of Pensions and Treasury explained that all risks were provided with brief details at every meeting and that, if the Pensions Committee and Board had any concerns, a risk level could be increased to very high (red) as red rated risks were reported in detail to each meeting. It was confirmed that risk 59 (impact of Coronavirus) was already rated very high (red) and was currently presented to each Pensions Committee and Board meeting.

RESOLVED

1. To note the risk register.
2. To note that the area of focus for review at the meeting was Administration and Communication.

15. FORWARD PLAN

The Head of Pensions and Treasury introduced the item and highlighted that it had been necessary to extend the tender period for the item on investment management consultancy services, which was due to be presented to this meeting; the item was now projected to be presented to the Pensions Committee and Board in March 2021.

It was highlighted that there were training opportunities for members, including a Local Government Association update on the Local Government Pension Scheme (LGPS) Governance and Investment on 26 January 2021 and a LGPS Local Pension Board spring seminar on 19 February 2021. If any members wanted to attend these sessions, they were asked to inform the Head of Pensions and Treasury. It was added that the Public Sector Tool Kit was a good source of training.

The Chair noted that the London CIV had regular meetings which he attended and he had asked for any major issues, in particular issues going to the Annual General Meeting (AGM), to be presented to the Pensions Committee and Board. It was confirmed that the next London CIV meeting was not due to consider any material items but that the London CIV AGM would be included as an item on future forward plans.

Cllr Dennison noted that it was suggested at the training session for the Pensions Committee and Board on 21 January 2021 that it would be useful to conduct some gap analysis in relation to the Ministry of Communities, Housing, and Local Government proposals for pensions; it was also enquired whether it would be possible to benchmark potential costs compared with other pension funds. It was also asked when and how the Pensions Committee and Board would consider the pension fund allocation to the London CIV, namely whether this would be a 50% or 100% allocation. The Head of Pensions and Treasury noted that a gap analysis and some cost benchmarking would be included on the forward plan. In relation to the London CIV, it was explained that the options would be presented after some initial due diligence work had been undertaken.

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

16. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

17. DATES OF FUTURE MEETINGS

It was noted that the next Pensions Committee meeting was scheduled for 4 March 2021.

18. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 19-22 as they contained exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3; namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

19. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no items of exempt urgent business.

20. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

21. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the Pensions Committee and Board meeting held on 23 November 2020 be confirmed and signed as a correct record.

CHAIR: Councillor John Bevan

Signed by Chair

Date

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