

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