

MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON THURSDAY, 2ND DECEMBER, 2021, 7.10 - 8.55 PM

PRESENT: Councillor Eldridge Culverwell (Vice-Chair in the Chair), Councillor Dana Carlin, Councillor Paul Dennison, Councillor Viv Ross, Keith Brown, Craig Pattinson, 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

Apologies for absence were received from Councillor Yvonne Say, Councillor Patrick Berryman, and Ishmael Owarish.

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

The Chair reminded members to inform the Pensions Committee and Board officers whenever they had attended training so that this could be recorded.

7. MINUTES

In relation to item 14, Forward Plan, it was noted that the political parties had previously agreed to have minimal changes in the membership of the Pensions Committee and Board due to the knowledge and training requirements. It was agreed that this message would be passed to the Whips. **Post-meeting note:** the Whips had been informed of the request to have minimal changes in the membership of the Pensions Committee and Board.

RESOLVED

That the minutes of the Pensions Committee and Board meeting held on 15 September 2021 be confirmed and signed as a correct record.

8. PENSION FUND AUDIT PLAN 2020-2021

The Head of Pensions and Treasury introduced the report which presented the audit plan prepared by the Pension Fund's external auditors, BDO, for the audit of the Pension Fund's Statements of Accounts for the year ended 31 March 2021 for the Pensions Committee and Board's consideration.

It was noted that the year end close down activities had been completed on time. The audit had commenced slightly later than usual due to the impact of Covid-19 on the auditor's workloads. It was explained that fieldwork for the audit had started on 22 November 2021 and the auditors had identified the key areas of risk for testing. The Head of Pensions and Treasury highlighted that these areas were similar to previous years and officers were confident that assurances could be provided.

It was commented that an outline of audit fees was provided on page 19 of the agenda pack. It was anticipated that the auditors would be charging approximately £3,000 less this year as they were not required to conduct the triennial work that had been undertaken in the previous year. The Head of Pensions and Treasury explained that additional areas of testing might be required which would have an impact on fees and the audit timeline.

It was noted that the timeline for the audit was set out on page 29 of the agenda pack. It was anticipated that all testing would have been undertaken by February 2022 and that the auditors would be in a position to provide an initial audit completion report which would be presented to the Pensions Committee and Board in March 2022.

In response to a question about materiality, it was noted that the materiality figure was 1% and that this had not changed. It was explained that the auditors would seek additional assurances for anything in excess of 1% but could also ask for additional evidence for any issues, even where this was less than 1%.

Some members of the Committee noted that the auditor considered the management override of controls to be a significant risk but that management felt that this was low risk and asked why there was a variation in opinion. The Assistant Director of Finance

explained that the management override of controls was always considered to be a high value risk in audit plans but highlighted that this was not a reflection of any particular concerns in Haringey.

In relation to a question about benchmarking controls against other Pension Funds, the Head of Pensions and Treasury explained that, although assurance was dictated by audit standards, an audit was based on the procedures and systems in place which would be different for each Pension Fund. It was noted that testing would be undertaken in areas that the auditor considered to be higher risk. It was added that no particular concerns had been highlighted at present but that the auditor would be able to provide more detail when they addressed the Pensions Committee and Board.

RESOLVED

To note and agree to the audit plan that has been prepared by the Pension Fund's external auditors, BDO, attached at Appendix 1 of the report.

9. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Pension Fund's performance for the quarter. It was noted that, in the quarter, the market value of the Pension Fund's investment assets was £1.7 billion which represented an increase of 1.64% compared to the previous quarter.

It was noted that, at the last meeting, the Pensions Committee and Board had drawn attention to the overweight position in equities and had asked officers to consider options for rebalancing the allocation. It was explained that this exercise had been undertaken, after consultation with Mercer, and that £40 million of equity investments had been transitioned into the London Collective Investment Vehicle (LCIV) Absolute Return Fund (Ruffer). In addition, as part of the rebalancing, it was recommended that up to 1.5% of assets be held in cash and would be earmarked for illiquid investments such as the LCIV Renewable Infrastructure Fund and London Fund. It was added that the Pension Fund was recommended to review options for topping up the underweight position in relation to the property allocation.

Alex Goddard, Mercer, noted that the rebalancing was a prudent risk management decision. It was explained that equity assets had experienced strong returns which had driven the strong improvement in funding to over 100% as at 30 June 2021 but, as the allocation was now overweight, this also introduced some risks. It was noted that, although there would be an actuarial valuation exercise as at 31 March 2022, the proposed actions were intended to rebalance the Pension Fund's portfolio to its strategic asset allocation. It was explained that Ruffer had experienced strong returns over the last year and had a track record in protecting when there was volatility in markets; this would provide a safer position for the Pension Fund than being overweight to equities if there was a significant market event. In response to a question about the ability of the Pension Fund to react to market events, it was noted that the rebalancing activity was a prudent measure and that any more 'tactical' changes would introduce additional governance challenges.

Steve Turner, Mercer, noted that consideration had been given to advising a top up to the LCIV Multi Asset Credit (MAC) Fund but that this had not been recommended as a new manager was due to be introduced shortly and, therefore, a top up in advance of this would have incurred two sets of transition costs. It was commented that, if the Pension Fund was still overweight in Quarter 1 of 2022-23, this option could be reconsidered after the new MAC manager was introduced.

In response to a question about whether it was possible to rebalance the Pension Fund to other areas of the world, it was noted that there was an existing allocation to developing and emerging markets but that it would be challenging to implement a regional approach without fundamental changes to the Pension Fund's investment strategy. It was noted that the Pension Fund was currently 100% invested in low carbon strategies which would be difficult to replicate using a regional approach. It was added that this would also involve a change from a passive global approach to active management.

Steve Turner, Mercer, informed the Pensions Committee and Board that the Pension Fund was currently underweight in its property allocation. It was suggested that there were some options to increase this towards the target allocation as part of the rebalancing work. This included options to increase the allocation to Aviva, to discuss options with CBRE who identified suitable funds, and to consider allocating to a new type of property.

Randy Plowright, employee member, asked about the availability of training for those approaching retirement and about decision-making for flexible retirement. In relation to training, the Head of Pensions and Treasury explained that the Pensions Administration Team provided training for those approaching retirement and was looking to provide this for the wider membership as well. In relation to flexible retirement, the Interim Pensions Manager explained that the option of flexible retirement was at the discretion of an employer. It was noted that the Interim Pensions Manager was willing to discuss any individual cases outside of the meeting.

The Independent Advisor noted that the quarterly market background report was included in the agenda pack and that he was happy to answer questions. In response to a query, the Independent Advisor confirmed that the European Central Bank (ECB) had published a new Monetary Policy Strategy Statement in July 2021 and that this had not been revised since 2003.

The Head of Pensions and Treasury summarised that the Pensions Committee and Board were asked to note the information provided in respect of the activity for the quarter, including the request for officers to take forward a review of the Pension Fund's property allocation and to bring an update to a future meeting.

Following consideration of the exempt information, it was

RESOLVED

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

10. GOOD GOVERNANCE IN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) PROJECT

The Head of Pensions and Treasury introduced the item which provided an update on the progress of the Good Governance in the Local Government Pension Scheme (LGPS) project and the possible actions the Pension Fund might take ahead of the formal introduction of Regulations and/or Statutory Guidance from the Department for Levelling Up, Housing and Communities (DLUHC). It was noted that the project aimed to consider the relationship between Pension Funds and their Administering Authorities, in this case Haringey Council.

It was explained that the project had three phases. The first phase considered ideas and outcomes, the second phase looked at the framework and highlighted some recommendations for good practice, and the third phase was now looking at the recommendations in detail and aiming to give them a statutory footing.

The Independent Advisor stated that the project had been ongoing for approximately three years and that the DLUHC had been involved. It was highlighted that there were no surprises in the report but that the Pensions Committee and Board were asked to look at the action plan and consider where it might be possible to implement things ahead of schedule.

In response to a question about why the report asked the Pensions Committee and Board to note the report, rather than accept the recommendations, the Independent Advisor explained that the report was seeking early views and that it would not be possible to implement the recommendations without some initial work from officers on the practicalities. The Head of Pensions and Treasury added that, before any work was undertaken, it was common practice to obtain direction from the Pensions Committee and Board. After this, it would be possible for some detailed options and timelines to be presented.

The Pensions Committee and Board commented that it would be beneficial to deliver most, if not all, of the recommendations in order to improve governance arrangements. It was suggested that it would be useful to consider which of the recommendations were most significant and to deliver these first. Some members suggested that recommendations A2, B1, C1, D1, and D3 were felt to be important as initial priorities.

In relation to recommendation E4, it was commented that the Pensions Committee and Board was already quite involved in budgeting and other matters and that this might not require as much attention as other recommendations. The Independent Advisor noted that the recommendations envisioned deeper involvement from the Pensions Committee and Board and consideration separate from Council budgeting. It was explained that the aim of this recommendation was to ensure that pensions were properly provided for everywhere across the LGPS.

In relation to recommendation A2, that each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for

that fund, it was clarified that this would still be a Council officer. It was added that this aimed to ensure that sufficient resources were allocated to Pension Fund activity.

The Head of Pensions and Treasury noted that officers could look into each recommendation in detail and provide an update on the options and likely implementation dates. The Pensions Committee and Board noted that this report was likely to be considered a number of times and that it may be useful to present the recommendations in sections, possibly focusing on short term and then long term options.

RESOLVED

1. To note and consider the Independent Advisor's Good Governance in the Local Government Pension Scheme (LGPS) Project paper, appended as Appendix 1 to the report, and in particular the potential implications and possible actions for the Haringey Pension Fund.
2. To request that officers look into each recommendation in the Independent Advisor's Good Governance in the Local Government Pension Scheme (LGPS) Project paper, appended as Appendix 1, and provide an update on the options and likely implementation dates. The Pensions Committee and Board noted that this report was likely to be considered a number of times and that it may be useful to present the recommendations in sections, possibly focusing on short term and then long term options.

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

The Head of Pensions and Treasury introduced the report which provided an update on the Local Authority Pension Fund Forum's (LAPFF) voting activities on behalf of the Pension Fund.

RESOLVED

To note the report.

12. RISK REGISTER

The Head of Pensions and Treasury introduced the item and explained that the area of focus for review at this meeting was Accounting.

It was noted that some risks which were given a risk score of 15 were marked as amber risks. Some members of the Pensions Committee and Board believed that a score of 15 equated to a red risk. The Head of Pensions and Treasury explained that he would check this figure. **Post-meeting note:** any risks scored 16 or over became red risks.

RESOLVED

1. To note the Pension Fund's risk register.
2. To note that the area of focus for review at the meeting was Accounting.

13. FORWARD PLAN

The Head of Pensions and Treasury introduced the report which identified items for future meetings and sought members' input. It was highlighted that members were required to complete The Pension Regulator's toolkit and the training needs assessment. It was also requested that members updated officers whenever they attended relevant training so that this could be included in members' training records.

RESOLVED

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.
2. To complete The Pensions Regulator's public sector toolkit and training needs assessment.

14. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

15. DATES OF FUTURE MEETINGS

It was noted that the dates of future meetings were:

24 January 2022
15 March 2022

16. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 17-20 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); paras 3 and 5; namely information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

17. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

18. LONDON COLLECTIVE INVESTMENT VEHICLE (LCIV) REGULATORY UPDATE

The Pensions Committee and Board considered the exempt information.

19. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the Pensions Committee and Board meeting held on 15 September 2021 be confirmed and signed as a correct record.

20. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Yvonne Say

Signed by Chair

Date