

NOTES OF THE INFORMAL PENSIONS COMMITTEE AND BOARD MEETING HELD ON TUESDAY, 15TH MARCH, 2022, 7.00 - 8.40 PM

PRESENT: Councillor Yvonne Say (Chair), Councillor Dana Carlin, Councillor Viv Ross, and Keith Brown.

The following members joined the meeting virtually: Councillor Eldridge Culverwell (Vice-Chair, from item 10), Ishmael Owarish, and Craig Pattinson.

In attendance: John Raisin (Independent Advisor), Alex Goddard (Mercer), Steve Turner (Mercer), David Eagles (BDO, for item 9), and Kerry Lin (BDO, for items 1-17).

As some members were unable to join the meeting in person, this meeting was not quorate. However, the Pensions Committee and Board members agreed to proceed informally, receiving briefings on each item and making comments where relevant.

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 Patrick Berryman, Councillor Paul Dennison, and Randy Plowright. Apologies were also received from Councillor Eldridge Culverwell, Ishmael Owarish, and Craig Pattinson who were unable to join in person but joined the meeting virtually.

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

Councillor Yvonne Say (Chair), Councillor Dana Carlin, Councillor Viv Ross, and Craig Pattinson had attended a training session on 15 March 2022 entitled: Property Allocation. This session was also recorded and circulated to members who were not present.

Keith Brown noted that he had recently attended 'Beyond the Obvious', a Global Asset Management investment conference.

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

There were no comments on the minutes of the Pensions Committee and Board meeting held on 2 December 2021.

8. PENSION ADMINISTRATION REPORT

The Interim Pensions Manager introduced the report which provided updates on the Pension Fund's administrative activities. It was noted that the report included a statement on fund membership. It was also highlighted that, following some retirements, a new staff structure had been agreed for the Pensions Administration Team. It was noted that recruitment was underway to fill vacancies in the team and it was anticipated that interviews would take place in April 2022. In relation to a question about the recruitment, it was confirmed that the vacancies were for: a manager, two officers, a senior officer, and a pensions payroll officer. It was added that there were still plans to recruit an apprentice but that this would be undertaken when there were sufficient staff in the office to provide appropriate training and support.

The Committee was informed that the current contract for the provision of Haringey Pension Fund's pensions administration software services was due to expire shortly and that an update on the contract award would be presented to a future meeting.

In relation to the McCloud remedy (an age discrimination case), it was noted that data was being gathered from employers to verify any gaps in information. It was highlighted that the remedies would be implemented once they were confirmed in legislation and any relevant guidance.

The Pensions Committee and Board noted the report and the information provided regarding the Pension Fund's administration activities.

9. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Pension Fund performance for the quarter ended 31 December 2021.

It was noted that, in the quarter, the market value of the Pension Fund's investment assets was £1.818 billion, which represented an increase of 5.62%. The total funding level as at 15 March 2022 was at 110%. It was noted that the next valuation exercise was due to be undertaken in March 2022 and new contribution rates would apply from 1 April 2023.

In relation to the London Collective Investment Vehicle (LCIV), it was confirmed that, as at 28 February 2022, 30 of the 32 London Boroughs had agreed to amendments which were intended to resolve a technical issue regarding the accounting classification of the LCIV's regulatory capital and had signed the written resolution to effect the change. The LCIV was engaging with the two remaining boroughs and the Financial Conduct Authority (FCA) had been informed of the current position.

Some members noted that the recent geopolitical issues in Russia and Ukraine would likely have a significant, long term effect on markets such as commodities and suggested that it would be appropriate to re-examine the Pension Fund's investment strategy. The Head of Pensions and Treasury explained that the upcoming actuarial valuation of the Pension Fund's liabilities would inform the investment strategy. The Independent Advisor noted that the use of more active managers had been considered by the Pensions Committee and Board in the past and could be revisited.

An update on the external audit was provided by David Eagles, BDO. It was noted that the audit had been expected to conclude in advance of the Pensions Committee and Board meeting in March 2022 but that some evidence and explanations were awaited, a number of which related to investments (which was a key area), bank reconciliations, and some benefits work. It was noted that there had been some delays in the benefits work due to software access issues. It was stated that all parties were working to complete the work as soon as possible and it was aimed to present the finalised audit to the Pensions Committee and Board in July 2022. It was added that it was not possible to sign off the Pension Fund accounts until the main Council accounts were finalised and that the main Council audit was subject to a national issue on the accounting treatment of infrastructure assets which would require additional time to resolve.

Some members enquired whether anything could be done to assist with the delays in obtaining information for the audit. The Head of Pensions and Treasury explained that one of the key issues was the type of query and whether it relied on third party input as this would inevitably take longer. In addition, it was noted that all of the outstanding queries were subject to further requests for information from the external auditors until satisfactory assurance had been obtained. It was added that officers were doing as much as possible to forward and follow up on outstanding queries.

The Pensions Committee and Board noted the report.

10. UPDATED CIPFA GUIDANCE AND HARINGEY TRAINING POLICY

The Head of Pensions and Treasury introduced the report which provided an update regarding the revised CIPFA guidance on Pensions Knowledge and Skills issued in June 2021. Taking this guidance into account, the report recommended the approval of a Training Policy for the Pensions Committee and Board members and senior fund officers. It was noted that the report contained two appendices for consideration: Appendix 1 was a paper by the Independent Advisor which outlined the recommended approach for the Pensions Committee and Board to adopt regarding training in the context of the new CIPFA guidance and Appendix 2 was the proposed Training Policy.

The Independent Advisor noted that the Haringey Pension Fund had a good approach to training and that the Training Policy had been updated when the Pensions Committee and Board had been formed in 2016. It was explained that the updated CIPFA guidance reflected a number of significant changes that affected the Local Government Pension Scheme (LGPS). For example, following MiFID II (Markets in Financial Instruments Directive), there needed to be assurance that members could make investment decisions and understand the relevant risks to retain the Pension Fund's status as a professional investor.

It was highlighted that, in section 6.4 of the proposed Training Policy, Pensions Committee and Board members would be required to complete all modules of the Hymans Robertson LGPS online training within six months of appointment. The Independent Advisor noted that members did not need previous knowledge but were required to undertake the relevant training. In response to a query about the Hymans Robertson training, the Independent Advisor stated that this was a reasonably new training programme but that it was well regarded as introductory training. It was added that additional and specific training would also be provided for members.

The Pensions Committee and Board had no detailed comments in relation to the Training Policy but noted that sections 1.1 and 6.3 should say 'senior officers' rather than 'senior officer'.

Members also noted that the membership of the Pensions Committee and Board included elected councillors. It was considered that, because of the knowledge and training requirements, it was important to retain the same councillors for the four year council term as much as possible. It was acknowledged that this was not always possible but that it would be helpful to raise this with councillors. It was agreed that the Pensions Committee and Board would write to the Whips after the election to request that those appointed to the Pensions Committee and Board were willing to commit to the four year term.

The Pensions Committee and Board noted the report.

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) engagement and voting

activities on behalf of the Pension Fund. It was noted that the LAPFF did not issue any voting alerts in the quarter but had focused on engagement. LAPFF had over 400 engagements, primarily to press for an annual 'Say on Climate' vote whereby companies and boards set out their strategy for transitioning to a net zero emissions business.

Some members noted that there was a LAPFF quarterly email update that was useful. The Head of Pensions and Treasury noted that he would request that all Pensions Committee and Board members were added to this mailing list.

The Pensions Committee and Board noted 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 Investments. It was noted that the red/ high risk scoring range set out in section 6.4 of the report should include any risks rated 16-25 (rather than 15-25). It was clarified that risks were scored as follows: green/ low risk was less than 10, the amber/ medium risk was 10-15, and the red/ high risk was 16-25.

It was highlighted that the report set out some key risks in the short to medium term. It was noted that the invasion of Ukraine by Russia was a key issue and had been rated as a red/ high risk as several countries had announced sanctions against Russian companies and Russia had banned foreign entities from liquidating their assets. However, the Fund had a very small exposure of approximately 0.9% of total fund assets to Russian companies through its investment in an emerging markets index tracker fund. It was explained that this had resulted in the Fund experiencing a very small, negative impact on performance in the immediate term but that, if the situation changed, more guidance on the treatment of these investments would be issued. It was added that this might have further implications on the markets generally and this would be continually monitored.

It was also noted that high inflation had been identified as an amber/ medium risk as Consumer Price Index (CPI) inflation in January 2022 was 5.5% and the Bank of England expected this to peak at 7.25% in spring 2022. It was explained that the Fund's investment portfolio provided some degree of protection through its investments in various inflation linked strategies. It was added that officers, in consultation with the Fund's investment consultants and independent advisor, would continue to monitor the impact of sustained high inflation on the Fund's investment portfolio.

Steve Turner, Mercer, noted that a watching brief would be maintained in relation to the geopolitical event in Russia and Ukraine. It was added that the relevant assets had been written down to 0. It was also recommended that a scenario analysis was undertaken, as part of the upcoming Investment Strategy review, to test how the strategy would perform in different environments. It was noted that the risk of a stagflationary environment, where there would be slow or negative economic growth, had increased fairly significantly.

Some members queried the actuarial calculations and suggested that a rise in inflation rates may result in an increased surplus. It was also noted that the report referred to CPI but that many people considered that both CPI and Retail Price Index (RPI) figures did not reflect the impact on the average person. It was enquired whether there were any plans for the government to use a more realistic measure of inflation. The Head of Pensions and Treasury noted that CPI was linked to pensions liabilities and confirmed that he was not aware of any planned changes.

The Pensions Committee and Board noted the report.

13. FORWARD PLAN

The Head of Pensions and Treasury introduced the report which identified items for future meetings and sought members' input.

In response to a question about the proposed, new requirement for Hymans Robertson online training, the Head of Pensions and Treasury confirmed that this was due to be undertaken from July 2022.

It was added that the next actuarial valuation would be carried out in 2022-23; it was anticipated that the Pensions Committee and Board members would receive training from the Fund's actuaries in mid-late 2022 and that the results would be available in late 2022 or early 2023.

The Pensions Committee and Board noted the report.

14. PROPERTY PORTFOLIO REVIEW

The Head of Pensions and Treasury introduced the report which provided a review of the Pension Fund's property portfolio and outlined the options to address the investment portfolio's current underweight position to property.

Following consideration of the exempt information, the Pensions Committee and Board noted the report.

15. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

16. DATES OF FUTURE MEETINGS

It was noted that the (provisional) dates of future meetings were:

11 July 2022

12 September 2022

22 November 2022
23 January 2023
21 March 2023

17. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 18-21 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.

18. PENSION FUND QUARTERLY UPDATE AND INVESTMENTS UPDATE

The Pensions Committee and Board considered the exempt information.

19. PROPERTY PORTFOLIO REVIEW

The Pensions Committee and Board considered the exempt information.

20. EXEMPT MINUTES

There were no comments on the exempt minutes of the Pensions Committee and Board meeting held on 2 December 2021.

21. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Yvonne Say

Signed by Chair

Date

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