

MINUTES OF THE PENSIONS COMMITTEE AND BOARD MEETING HELD ON TUESDAY, 12TH JULY, 2022, 7.00 - 8.45 PM

PRESENT: Councillor Yvonne Say (Chair), Councillor John Bevan (Vice-Chair), Councillor Tammy Hymas, Councillor Matt White, Ishmael Owarish, Craig Pattinson, and Randy Plowright.

The following members joined the meeting virtually: Councillor Thayahlan lyngkaran and Keith Brown.

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

Councillor Thayahlan lyngkaran and Keith Brown joined the meeting virtually but did not take part in any decision-making items.

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 Nick da Costa, Councillor Thayahlan lyngkaran, and Keith Brown. Councillor Thayahlan lyngkaran and Keith Brown joined the meeting virtually but did not take part in any decision-making items.

3. URGENT BUSINESS

There were no items of urgent business.

It was noted that there was a late report in relation to items 13 and 18 (Pension Fund Administration System Contract Award).

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 a new Council term had started after the elections in May 2022. Councillor Yvonne Say (Chair), Councillor John Bevan, Councillor Thayahlan lyngkaran had attended an induction training session on 28 June 2022 and Councillor Tammy Hymas, Councillor Matt White, Ishmael Owarish, Craig Pattinson, and Randy Plowright had attended an induction session on 12 July 2022.

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 staffing, the Head of Pensions and Treasury noted that the first phase of recruitment to the Pensions Team had been undertaken. The post of Pensions Manager had been filled and two Pensions Officers had been recruited. The recruitment for the remaining two or three posts would be undertaken shortly.

In relation to the London Collective Investment Vehicle (LCIV), it was noted that two boroughs had yet to agree to amendments which were intended to resolve a technical issue regarding the accounting classification of the LCIV's regulatory capital. The LCIV was engaging with these two boroughs who were not named.

RESOLVED

1. To note the minutes of the informal Pensions Committee and Board meeting held on 15 March 2022.
2. To confirm and sign the minutes of the Pensions Committee and Board meeting held on 27 April 2022 as a correct record.

8. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE

The Head of Pensions and Treasury introduced the report which provided an update on the Pension Fund's investment performance for the quarter ended 31 March 2022.

It was noted that the Pension Fund's investment assets had a market value of £1.795 billion which was a decrease of 1.16% from the previous quarter in December 2022. The portfolio allocation for the Pension Fund was set out in table 1 of the report and this also provided a comparison against the strategic allocation. It was noted that the Pensions Committee and Board had decided to adjust the weightings to property investment managers and to invest an additional £30 million in the Aviva Lime Property Fund in April 2022.

In relation to a query about investing in property with social impact, Alex Goddard, Mercer, explained that this had been considered by the Pensions Committee and Board. It was noted that social housing had a reasonably long lead time for investment

and would not have rebalanced the investment portfolio to bring it back in line with the strategic asset allocation. It was noted that social housing options could be considered as part of the upcoming investment strategy review. The Head of Pensions and Treasury noted that the Pension Fund was invested in the London Collective Investment Vehicle (LCIV) London Fund which provided some degree of social impact in the Pension Fund's investment portfolio.

It was enquired whether the Pension Fund had any involvement with sustainable or 'green' buildings or with warehouses and distribution centres, which were currently considered to be beneficial, within the property sector. Alex Goddard, Mercer, noted that Aviva was rated highly on the incorporation of Environmental, Social, and Governance (ESG) issues. They did not have a specific objective on sustainability but did undertake some active work and the portfolio was well diversified. It was added that Aviva did have investments in some warehouses.

In relation to member training, it was stated that the training programme provided by Hymans Robertson was well-regarded and used by a number of Local Government Pension Schemes. It was noted that there would be a cost to access the training programme but that this was not anticipated to be a barrier.

Some members noted that the Pensions Committee and Board would normally consider the annual report and accounts at its July meeting and enquired about progress. The Head of Pensions and Treasury explained that it had been difficult to achieve the timelines, primarily as a result of the impact of the Covid-19 pandemic. It was noted that the external audit from the previous year was not yet completed but that work was underway with the auditors and it was anticipated that there would be a draft for the September meeting. It was confirmed that the deadline to have draft accounts published was 31 July but that the Regulations allowed for delays for a reasonable reason. It was highlighted that this issue was not specific to Haringey and that only 9% of authorities met the deadline in 2021.

It was enquired whether the Pension Fund had any other asset classes which may be able to mitigate the impact of inflation. Alex Goddard, Mercer, noted that the market view of inflation had been consistently wrong over the last 12 months and it was now anticipated that it would top out at approximately 11%, rather than 4-5%. It was noted that the Bank of England target was 2% and that, if inflation did not reduce, it was likely that interest rates would be raised. It was considered that the Pension Fund was fairly well protected against inflation, with real assets and index linked gilts that were linked to inflation, but that this would likely be considered as part of the Investment Strategy Statement review.

RESOLVED

To note the information provided in section 6 of the report in respect of the activity for the quarter ended 31 March 2022.

9. LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE - JUNE 2022

The Head of Pensions and Treasury introduced the report which updated the Pensions Committee and Board (PCB) on several developments relating to the Local Government Pension Scheme (LGPS).

The Independent Advisor noted that there were five key issues covered in the report: Asset (Investment) Pooling, Climate Reporting, Levelling Up White Paper, Good Governance, and McCloud. In relation to pooling, climate reporting, and the Levelling Up White Paper, it was explained that consultations for these areas had been expected in the short term. However, it was noted that the Minister had recently resigned which meant that there could be delays.

In relation to Good Governance in the Local Government Pension Scheme (LGPS), the Independent Advisor commended the paper on good governance to any new and returning Pensions Committee and Board members. It was explained that the age discrimination issues identified in the McCloud case needed to be rectified through primary legislation. The primary legislation had been enacted but detail in relation to further consultations and the Regulations were still awaited.

Some members noted that there had been a previous concern raised by the Palestine Solidarity Campaign about some companies that might be in contravention of international law. The Head of Pensions and Treasury explained that a list of 112 companies had been identified and that approximately 12 had been identified in relation to 0.21% of the investments of the Pension Fund at the time. It was highlighted that this was not direct investment and that the exposure was in index tracker funds. It was explained that it was difficult to fully exclude companies in this situation as index tracker funds had a mandate to track their underlying index. It was noted that the Pension Fund had taken an engagement approach through the Local Authority Pension Fund Forum (LAPFF). It was added that LAPFF, the Scheme Advisory Board, and UN representatives had discussed these issues and that conversations were ongoing.

In relation to a query about strategic asset allocations and the rising interest rate, the Head of Pensions and Treasury explained that the actuarial valuation would provide an understanding of the Pension Fund's funding level and that, after this, the Investment Strategy Statement would be reassessed; it was anticipated that this would take place in early 2023 but that, if there were any particular concerns, this could be undertaken earlier. It was not considered that any immediate action was required at the time as the portfolio was balanced and provided some protection against rising interest rates. However, officers would keep this under regular review.

RESOLVED

To note the Independent Advisors Local Government Pension Scheme (LGPS) Update paper, appended as Appendix 1 to the report.

10. FORWARD PLAN

The Head of Pensions and Treasury introduced the report which identified topics that would come to the attention of the Pensions Committee and Board over the upcoming months and sought members input into future agendas. Suggestions on future training topics were also requested.

It was highlighted that the Member Training Needs Assessment was included at page 37 of the agenda pack. Members were asked to complete this form and return it to the Acting Committees Manager to allow officers to identify training needs.

It was noted that the forward plan was provided for information. Members were encouraged to let officers know if there were any additional requests for items or for training.

RESOLVED

To note the forward plan.

11. RISK REGISTER

The Head of Pensions and Treasury introduced the item which provided an update on the Fund's risk register and an opportunity for the Pensions Committee and Board to further review the risk score allocation. It was noted that the area of focus for review at the meeting was Investments.

It was clarified that the scoring set out in the risk register had been conducted by officers but that the Pensions Committee and Board could amend the scores if required. It was explained that two key risks had been added in relation to high levels of inflation and increased risk of a downturn. It was noted that the Pensions Committee and Board had recently reviewed the Pension Fund's property allocation and committed additional funding to property which would provide some protection against high inflation levels. Officers were also monitoring the situation and engaging with investment managers and that, if required, a report would be presented to the Pensions Committee and Board.

It was enquired whether the risk register could be presented in full at each meeting, as well as the specific area of focus. The Head of Pensions and Treasury explained that the full risk register was quite long and could distract from the specific area of focus at the meeting. It was suggested that a summarised version of the key risks could be provided alongside the specific area of focus which was set out in more detail; this was agreed by the Pensions Committee and Board.

Some members noted that there had been a previous risk on the frequent turnover of elected members on the Pensions Committee and Board. The Chair noted that this was sometimes the nature of elected representatives. The Acting Committees Manager explained that this issue had been discussed at recent meetings and that the Chair had written to the Chief Whips to ask that the membership of the Pensions

Committee and Board was as consistent as possible over the four year term of the Council.

In relation to risk INV03, it was noted that legislation and guidance on reporting and managing climate-related risks was anticipated and that this could lead to increased scrutiny on Environmental, Social, and Governance (ESG) issues and possible reputational damage. It was queried how much exposure the Pension Fund had to fossil fuels. The Head of Pensions and Treasury explained that there was no direct investment in fossil fuels but that there could be some exposure through the Pension Fund's investments in index tracker funds; it was asked that this detail was requested from managers. Alex Goddard, Mercer, noted that previous analysis of the Pension Fund's carbon footprint had shown good results but that this could be a useful area to consider as part of the Investment Strategy Statement review.

It was enquired whether the Pension Fund was exposed to investments with companies that did not pay tax. It was noted that a company's tax policies were considered as part of Environmental, Social, and Governance (ESG) issues which were addressed through the engagements undertaken by Legal and General Investment Management (LGIM) as the Pension Fund's investment manager and monitored by the Pensions Committee and Board through the Local Authority Pension Fund Forum (LAPFF). The Head of Pensions and Treasury noted that there were no specific enquiries at present.

RESOLVED

To note the Pension Fund's risk register.

12. 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 explained that the shareholder group engaged with company leaders on behalf of the Pension Fund and issued recommendations to the Pension Fund's investment managers on how they should cast their votes at investor meetings.

In this quarter, LAPFF had focused on engagement around climate change. It was noted that LAPFF had issued one voting alert in relation to the Climate Action Plan of Rio Tinto. The Pension Fund's listed equities manager, Legal and General Investment Management, had voted in line with the recommendation to oppose the Plan but it had been voted through.

Some members expressed concerns that the outcomes of votes were often contrary to the recommendations issued by LAPFF. It was noted that local government Pension Funds were often minority shareholders and so it was sometimes challenging to win a vote but it was considered important to raise the issues. The Independent Advisor added that LAPFF also met with Chief Executives and had an influence that might not be reflected in the outcomes of votes.

RESOLVED

To note the report.

13. PENSION FUND ADMINISTRATION SYSTEM CONTRACT AWARD

Under s100B(4)(b) of the Local Government Act 1972, the Chair was of the opinion that the report should be considered at the meeting as a matter of urgency by reason of special circumstances. These circumstances were that the current contract for the pensions administration system was due to expire on 31 July 2022. Due to the tight schedule that was required in order to properly undertake the procurement exercise, the report was not available at the time of agenda publication. It was requested that the report be considered by the Pensions Committee and Board at its meeting on 12 July 2022 to ensure that contractual arrangements were in place when the existing contract expired.

The Head of Pensions and Treasury introduced the report which requested approval to award a contract for the pensions administration system for 7 years (with the option to extend for up to 3 years) from 1 August 2022. The contract award was proposed to be done following a further competition exercise conducted under a framework agreement set up by the National LGPS Frameworks, which operated out of Norfolk County Council.

Following consideration of the exempt information, it was

RESOLVED

1. Pursuant to the Council's Contract Standing Orders (CSO) 3.01. & 3.03, to award the contract for the provision of pensions administration system to Bidder A (as set out in the exempt report) for a period of 7 years with an option to extend by a further 3 years for a maximum contract sum of £2,294,310 excluding VAT.
2. Pursuant to CSO 9.07.3, to agree to issuing an Intention to Contract letter to Bidder A (as set out in the exempt report) for up to the amount of £100,000 pending completion of the contract award.

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:

12 September 2022
22 November 2022
23 January 2023

21 March 2023

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. PENSION FUND ADMINISTRATION SYSTEM CONTRACT AWARD

Under s100B(4)(b) of the Local Government Act 1972, the Chair was of the opinion that the report should be considered at the meeting as a matter of urgency by reason of special circumstances. These circumstances were that the current contract for the pensions administration system was due to expire on 31 July 2022. Due to the tight schedule that was required in order to properly undertake the procurement exercise, the report was not available at the time of agenda publication. It was requested that the report be considered by the Pensions Committee and Board at its meeting on 12 July 2022 to ensure that contractual arrangements were in place when the existing contract expired.

The Pensions Committee and Board considered the exempt information.

19. EXEMPT MINUTES

RESOLVED

1. To note the exempt minutes of the informal Pensions Committee and Board meeting held on 15 March 2022.
2. To confirm and sign the exempt minutes of the Pensions Committee and Board meeting held on 27 April 2022 as a correct record.

20. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

OTHER BUSINESS

The Chair noted that Thomas Skeen, Assistant Director of Finance, was leaving the Council. She expressed her thanks, on behalf of the Pensions Committee and Board, for his excellent work and wished him luck in his future endeavours.

CHAIR: Councillor Yvonne Say

Signed by Chair

Date

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