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MINUTES OF THE PENSIONS COMMITTEE AND BOARD HELD ON WEDNESDAY 6 SEPTEMBER 2023, 7:00PM – 9:06PM

PRESENT: Cllr Mahbub (Chair), Cllr Bevan, Cllr Iyngkaran, Cllr Hymas, Keith Brown, Randy Plowright, Craig Pattinson, John Raisin (Independent Advisor).

1. FILMING AT MEETINGS

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

2. APOLOGIES

Apologies had been received from Councillor Matt White, Councillor Nick da Costa and Ishmael Owarish

3. URGENT BUSINESS

There were none.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were none.

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Councillor Bevan had reported his training to Democratic Services.

7. MINUTES

The minutes of the 13 July 2023 meeting would be submitted to the next scheduled meeting.

8. PENSION ADMINISTRATION UPDATE

Mr Jamie Abbott, Pensions Manager, introduced the item.

The Committee and Board were informed that the most significant impact of this impending change in regulations would be on operational activity due to increased workload requirements of the pensions administration team. It was further noted that a variety of employment activity data would be required from scheme employers to assess the impact on individual member pension benefits. The Committee and Board were informed that the government planned to issue its final guidance on 1 October 2023. It was expected that this guidance would provide direction on the treatment of cases where data from employers could not be sourced. The Head of Pensions noted that the government was aware of this issue and highlighted the difficulties associated with receiving this information from employers.

The meeting heard:

- In response to a query regarding what impact the McCloud Project would have on the Pensions Fund, the meeting heard that not many members were likely to be affected by the McCloud remedy. This was partly because where the care scheme being 1/49th was a better factor compared to 1/60th, the member would have had significant pay rises in the last 2-3 years to be eligible for the underpin protection. There were not many members that fell into that category.
- The data that was requested from the employers was the hours, pay and any breaks in service. This was because under the pre 14 regulations, the pension was calculated by the service of the member's multiplied by their final pay, multiplied by 1/60th as a factor. This changed from 1 April 2014 to a care scheme where the calculation was the member's earning for that year multiplied by 1/49th, multiplied by the revaluation factor (normally the CPI factor), so the service would no longer form part of the equation. From 1 April 2014, schemes stopped collecting that data due to this change. However, the data was now needed to make the

comparison between the two pension schemes. Regarding the 40% of employers who had not responded, the guidance recommended that the Council perform an educated assumption. For example, if it could be determined that a member had earned £10,000 for one financial year, but had a full time equivalent of £20,000, it would be safe to assume that the individual had worked half of the allocated hours. However, the final guidance had not been issued yet. The government planned on the final guidance being implemented from 1 October 2023. Between this meeting and 1 October 2023, it was expected that there would be a clear guidance which would then be implemented. The government had already recognised non-responses from employers being an issue and Haringey was quite advanced in terms of getting the information. Some employers would have left the scheme many years ago, so it was very difficult to get a 100% return on responses. There was still time, however, to increase the response rate of 60%.

- In relation to a query regarding how many members were using the self-service portal, the meeting heard that there had been considerable increase. Initially there had been an 8% uptake. This had increased to 17.4%. Efforts were being made to signpost members to the member self-service. If members made a request for an estimate, they were advised that they could do it themselves online to make them more self-sufficient.
- The PCB requested a presentation of the Member Self Service portal. It was noted that this could be presented as part of a future Investment & Governance Working Group session.

RESOLVED:

That the Pensions Committee and Board note the report and the information provided regarding the Pension Fund's administration activities for the quarter ending 30 June 2023.

9. QUARTERLY INVESTMENT PERFORMANCE

Mr Tim Mpofo, Head of Finance (Pensions & Treasury) and Mr John Raisin, Independent Advisor, presented the item.

- A query was raised regarding the Fund's funding position (143% as at 30 June 2023) and whether it was possible to reduce the amount of employee contributions given the cost-of-living crisis. In response, the Head of Pensions informed the Committee and Board that the employee contribution rates were set by the government and the recent estimate in funding level would have no impact on these rates. It was highlighted to members that the primary driver behind the improvement in the funding level was the discount rate assumed by the Fund Actuary which had increase since the 2022 valuation. This had reduced the present value of the Fund's liabilities, although asset values had remained relatively flat over the same period. The PCB was informed that actuarial valuations took place once every three years and that is when employer contributions could be reviewed. It was further noted that the funding position update report was intended to assist the PCB in monitoring how the Fund's investment portfolio was performing relative to its liabilities in-between valuation years.
- Concerns were raised regarding the lack of review of the investment strategy in recent years. It was noted that there had been some dramatic movements in the financial markets, particularly, related to the relative valuation of US markets and other global markets that had not been properly discussed by the Committee and Board. The concern was further expanded on to include a discussion regarding the investment approach of global indexes as well as the merits of passive versus active investment approaches. It was suggested that the Fund's current investment governance process needed to be reviewed at some point in the near future. In response to the question, the Head of Pensions acknowledged the concern and suggested that a review of the Fund's investment governance process could be included as a future agenda item. It was suggested that the Investment & Governance Working Group could discuss this process in detail to better inform the preparation and recommendations from officers and advisors. Fixed income was highlighted as an asset class that was attractively valued at the time and was suggested as a notable consideration for the PCB's strategic asset allocation decision. However, it was explained that this assessment would require a detailed review session.

The item was later considered as part of the exempt agenda item 19.

RESOLVED:

That the Pensions Committee and Board note the information provided in section 6 of the report regarding the Pension Fund investment performance and activity for the quarter ending 30 June 2023.

10. HARINGEY PENSION FUND ANNUAL REPORT

Mr Tim Mpofu, Head of Finance (Pensions & Treasury), introduced the item.

The Head of Pensions noted that the Haringey Pension Fund's annual report had been prepared by the pensions accounting team in accordance with the CIPFA guidance. It was further noted that the Pension Fund was required to publish its audited annual report by 1 December each year. The Council's external auditor, BDO, was responsible for completing the audit of the annual report on time and provide assurance on the preparation of the annual report. It was explained that this assurance would be in the form of an audit opinion which would be issued alongside the audit opinion of the Council's Statement of Account.

- A query was raised regarding the governance process which provided assurance to the Committee and Board that the annual report has been prepared in accordance with guidance and the appropriate accounting standards. In response, the Head of Pensions confirmed that as part of the process, the external auditor would present their audit plan in advance of each audit exercise to the Committee and Board and would regularly provide subsequent updates on the progress made.
- A query was raised relating to the internal process for ensuring that the annual report has been prepared in accordance with the appropriate accounting standards. The Head of Pensions informed the Committee and Board that report went through various checks consistent with the finance team structure. Typically, the report was drafted by a senior accountant and checked by senior fund officers which included the Head of Pensions and the Assistant Director of Finance. The chief accountant's

team would then conduct a further check before the Pension Fund Accounts were published.

- Further concerns were raised regarding the delay in the completion of the external audit exercise since the financial year 20/21. Members of the Committee and Board considered this current situation untenable and requested that an official complaint be raised with the appropriate authorities. It was further suggested that the officers should explore alternative plans for ensuring assurance over the Fund's financial operations. It was further noted that this was a national issue and not unique to Haringey. As such, the government was consulting on a framework to address the backlog in local government audits. The Committee and Board would be updated on this once it became clear what the next steps were.

The Committee and Board commented that:

- As the audit profession was regulated, local authorities or the GLA should be making an official complaint that the industry was not upholding its duties. A 'plan B' was required as auditing and the asset management industry were large operations. It should be possible to commission an exam, test or review of whatever particular element the Committee thought was most vulnerable to give in order to provide comfort that accurate financial statements were being reported whilst the industry was undergoing reform. In response, the meeting heard that the issue had been escalated by the Society of the London Treasurers. The Council's external auditors were BDO who were experiencing a backlog created during the coronavirus crisis. BDO were also having difficulty recruiting auditors and some of their resources had been focused on NHS audits over the summer. There was an early indication that the external auditors may be able to commence work in October for the 2021 audit. There was a backlog up until that year and the view was that the 2021/22 audit could not be commenced until 2024 at the earliest.
- The problem was mostly prominent in England with LGPS funds. There was less of a problem in Scotland and Wales because the

Scottish and Welsh Government have said if the auditors could sign off the pension accounts, they did not also have to sign off the Council accounts before they could be submitted. In England, both had to be signed off. The Scheme Advisory Board wrote to the Minister for the LGPS who had said that he was working with the officials to have a separate sign off.

- Due to the backlog in external audits, it was important that an alternative framework be established. In response, the meeting heard that a solution would be discussed with the Director of Finance.
- In response to a query regarding the impact of significant discrepancies being identified by the auditors as part of their auditing testing work, the Head of Pensions commented that the longer the issue persisted, the higher the risk of discrepancies being identified. However, it was noted that the Fund had received reasonable assurance on its internal controls and had processed in place to minimise the impact of this risk.
- Some members of the Committee and Board queried their attendance details that had been included as part of the annual report. The Head of Pensions requested for any identified inaccuracies to be raised with the pensions team after the meeting and amendments would be made where appropriate.
- A query was raised regarding the increase in administrative costs outlined on page 21 of the agenda papers. In response, the Head of Pensions confirmed that the increase was primarily attributable to administration software costs following a new contract being agreed with the software provider. It was noted that the previous contract had been in place for several years and the costs going forward were expected to be comparable year on year.
- In addition to this, it was noted that the team had made use of interim resources of the past year following the retirement of several members of staff. The Committee and Board were informed that the team restructuring exercise had now been completed with most of the pensions team vacancies filled.

- A query was raised regarding page 28 of the agenda papers where the percentage completed within the service level agreements were quite low. In response, the Committee and Board were informed that the team had experienced a backlog in some tasks due to the resource issues experienced during the financial year. However, the resource issues had largely been addressed and a plan had been put in place to address the backlog. It was further noted that senior fund officers were monitoring performance against the SLAs on a regular basis and the information would be provided to the PCB on a quarterly basis in the future.
- A query was raised regarding how the report was made available and how members were made aware of it. In response, the meeting heard that the report was designed to be published on the website. It would be possible to send notification to members for them to be informed on how the scheme was performing.
- A query was raised regarding page 27 of the agenda papers regarding disputes. In response, the meeting heard that there had not been any Internal Dispute Resolution Procedures (IDRPs) in the last year and the report would be changed so that this was clearly stated.

RESOLVED:

1. That the Pensions Committee and Board note the draft Haringey Pension Fund Annual Accounts and unaudited accounts for the 2022/23 appended as Appendix 1 to the report.
2. That the draft version of the Pension Fund's Annual Report to be uploaded on to the Haringey Pension Fund's website by 1 December 2023 be approved.

11. INVESTMENT CONSULTATION

Mr Tim Mporfu, Head of Finance (Pensions & Treasury), introduced the item.

The Head of Pensions informed the Committee and Board of the contents of the government's open consultation on the Next Steps on Investments in the LGPS. Members were invited to comment on the

draft response and a timeline for further comments was outlined. It was noted that the submission deadline would be 2 October 2023, and the Head of Pensions would submit the response on behalf of the Haringey Pension Fund before the deadline passed.

A query was raised on whether there would be a collective response from the London Borough. The Head of Pensions informed the Committee and Board that a several discussions had taken place with various stakeholders in the LGPS which had to some degree informed the preparation of the draft response. It was further noted that the London asset pool, the London CIV, would be submitting their own response separately.

RESOLVED:

1. That the summary of the policy proposals included in the Consultation included in section 6 of the report be noted and to provide any initial comments and feedback to assist officers in drafting a response to the Consultation.
2. That authority be delegated to the Head of Pensions and Treasury to draft and submit the Consultation response on behalf of the Haringey Pension Fund, in consultation with the Independent Advisor and the Chair of the Pensions Committee and Board. A copy of the final response would be circulated to members before it was submitted to the DLUHC.

12. RISK REGISTER UPDATE

Mr Tim Mpofo, Head of Finance (Pensions & Treasury), presented the item.

RESOLVED: That the Pensions Fund's risk register be noted.

13. LAPFF UPDATE

Mr Tim Mpofu, Head of Finance (Pensions & Treasury), introduced the item.

A query was raised regarding how it could be determined that Haringey Pension Fund was a responsible investor in relation to carbon and climate change. In response, the Head of Pensions highlighted the key aspects of the investment portfolio that were considered responsible investments. It was further noted that the pension fund had collaborated with asset managers to become seed investors in several funds including the RAFI Multi-Factor Climate Transition Fund and the LCIV Renewable Infrastructure Fund.

Further comments were made in relation to how the Fund, through LAPFF engaged with companies and requested that all its appointed investment managers vote in line with LAPFF's recommendations.

It was further noted that the responsible investment criteria would be a key consideration as part of the ongoing strategy review work.

Feedback from members was welcome as to when this should happen, but the plan was to do it around October 2023.

RESOLVED:

That the contents of the report be noted.

14. FORWARD PLAN

Mr Tim Mpofu presented the item.

RESOLVED:

1. That the progress made towards the agreed key priorities outlined in section 6 of the report be noted, specifically in relation to the investment strategy review work.
2. That any additional matters and training requirements for inclusion within the Pensions Committee and Board's forward plan be identified.

15. NEW ITEMS OF URGENT BUSINESS

There were none.

16. DATES OF FUTURE MEETINGS

The next meeting would be held on 4 December 2023.

17. EXCLUSION OF THE PRESS AND PUBLIC

Items 18-20 were subject to a motion to exclude the press and public from the meeting 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) and para 5 –

information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

18. EXEMPT MINUTES

The minutes of the 13 July 2023 meeting would be submitted to the next scheduled meeting.

19. EXEMPT – PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE

Mr Tim Mpofu, Head of Finance (Pensions & Treasury), presented the item.

RESOLVED:

That the Pensions Committee and Board note the information provided in section 6 of the report regarding the Pension Fund investment performance and activity for the quarter ending 30 June 2023

20. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were none.

