

MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON Monday 30th January 2024, 7.00 – 8:30pm

PRESENT:

Councillors: Ahmed Mahbub (Chair), John Bevan (Vice-Chair), Nick da Costa, Tammy Hymas, Cathy Brennan and Matt White,

1. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

2. APOLOGIES

Apologies had been received from Ishmael Owarish and Craig Pattinson.

3. URGENT BUSINESS

None.

4. DECLARATIONS OF INTEREST

None.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

None.

6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

The Pensions Committee and Board had received training shortly before the start of the meeting regarding one of the exempt items on the agenda. Craig Pattinson and Cllr Iyngkaran attended a LAPPF programme day course.

7. MINUTES

RESOLVED:

That the minutes of the meeting held on 21 March 2023 be confirmed and signed as a correct record.

Matters arising

Cllr Bevan noted that in the July committee it was raised that a representative from the London CIV would attend a committee – Tim Mpofo would revisit this and look into further.

Cllr White and Cllr Iyngkaran had attended the LGA training that was offered to members regarding the London CIV.

Cllr Bevan raised the need for further discussion around the self-service portal. In response, officers acknowledged they were happy to arrange a workshop for members to talk through this, although it was suggested that this session be conducted outside of the formal Committee and Board meeting. It was further noted that, the team offered this training to staff as part of the onboarding process, this could be further extended to all Committee and Board members.

8. PENSION ADMINISTRATION UPDATE (PAGES 1 - 6)

Jamie Abbott, Pensions Manager, presented the item which detailed the below,

- Pension Fund membership update
- Online Member Self Service portal update
- Update on McCloud project
- Update on Service Level Agreement (SLA) statistics
- Update on staffing and recruitment

The following was noted in response to questions from the committee:

- Cllr Bevan sought clarification on the provided performance figures for the various service level agreements, and it was explained going forward these would be provided at every meeting. Currently the SLA figures quoted in the report were those agreed in the administration strategy. The CIPFA figures were slightly different, and these were not included within the extract yet. This would be worked on and included in the next report.
- The pensions administration team had undertaken a significant recruitment exercise over the past year and onboarding new members of the team had taken some time. It was confirmed that two new apprentices had now been recruited into the team, and both were local to the Haringey area. Work had been undertaken with the HR team to create an additional post as a result of the high quality of candidates who had applied for the role. Both apprentices would be on a structured training plan which was expected to take 18-24 months for them to become fully fledged pensions officers.
- Service Level Agreements (SLA's) were how the fund detailed how quickly casework would be processed. The administration strategy outlined how quickly, for example, a change of address or retirement would be processed; performance could be measured against that. There were benchmarking processes in place, but the team were looking to update these. A good SLA performance figure would be above 90%, and the team envisioned the figure internally would improve over the coming months as a result of having a more permanent team in place.

RESOLVED

The Pensions Committee and Board is recommended to note this report and the information provided regarding the Pension Fund's administration activities for the quarter ending 31 December 2023.

9. DLUHC CONSULTATION OUTCOME: LGPS - NEXT STEPS ON INVESTMENTS (PAGES 7 - 16)

Tim Mpofu, Head of Pensions, introduced the report for this item. This report provided the Pensions Committee and Board (PCB) with an update on the outcome of the

government's consultation on Local Government Pension Scheme (LGPS): Next steps on investments, (the Consultation) which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023. The Consultation closed for responses on the 2nd of October 2023.

The following was noted in response to questions from the committee:

- John Raisin explained that where pooling had suited this fund; pooling had occurred. There were a few funds that had set themselves against pooling on principle; however, most LGPS funds had taken the logical and sensible approach, which was where the pool provided an advantage it was used.
- Cllr White queried on how the fund supported levelling up. John Raisin explained that there were investments in assets which supported levelling up, this could be seen particularly through the infrastructure debt investments. The London Fund within the London CIV would also support this. The allocation to the UK's infrastructure debt investments was around 2.5% of the Fund's investment portfolio. The intention of going into these investments was primarily to meet investment strategy objectives rather than to achieve levelling up objectives.
- Regarding the Government's statutory guidance there would be no compulsion in terms of levelling up, private equity or pooling. The Government's response had signalled that the approach to the new statutory guidance would be a comply or explain regime. Within the consultation response, the Government noted that the Fund would be required to set out its approach to levelling up, private equity and pooling within the investment strategy. For example, in setting out its asset allocation as part of its investment strategy statement, the Fund could provide an explanation as to why it was unable to allocate to a particular asset class given the factors specific to the Fund.
- John Raisin noted that there were few civil servants working on LGPS issues. This may account for the Government not issuing outcomes in respect of earlier LGPS Consultations such as on Fair Deal and Climate Reporting. In response to a query regarding any penalties for non-compliance, it was further acknowledged that if the Government could penalise funds for not complying, then one could argue that the Government may be indirectly mandating funds to a particular course of action. As such, it would be expected that any statutory guidance issued would consider this carefully.
- Cllr Bevan queried investing in more than one pool, John Raisin explained that LGPS funds could not do this directly. The London Fund was essentially an investment strategy managed by one of the other pooling companies, the Local Pensions Partnership Investments (LPPI), and the London CIV had come to an arrangement with the LPPI to give access to the London boroughs. The Government expected there to be more inter pool collaboration, this would allow for easier pool amalgamations in the long term.
- Cllr Hymas commented that it was incredibly concerning that the government seemed to have little regard as to what members did on this committee and their elected responsibilities. She explained that it felt contradictory that on the one hand, the Government wanted more training for pension fund members and then on the other hand, also wanted members to make less decisions.

RESOLVED

To note the Independent Advisor's LGPS Investment Consultation and Outcome 2023 paper, appended as Appendix 1 of this report.

10. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) UPDATE (PAGES 17 - 20)

Tim Mpofo introduced the item, this paper provides an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities on behalf of the Fund. The Fund is a member of LAPFF, and the Pensions Committee and Board (PCB) has previously agreed that the Fund's investment managers should cast its votes at investor meetings in line with the LAPFF voting recommendations.

The following was noted in response to questions from the committee:

- Cllr Bevan flagged that he received various emails from LAPFF regarding investment holdings figures, Tim Mpofo would look into this after the meeting.

RESOLVED

To note the content of this report.

11. HARINGEY PENSION FUND RISK REGISTER (PAGES 21 - 34)

Jamie Abbott introduced the item; this paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Pensions Committee and Board to further review the risk score allocation. The risk assessment presented at this meeting focused primarily on the investment-related risks.

The following was noted in response to questions from the committee:

- Cllr Hymas sought clarification regarding the Fund's Environmental, Social and Governance (ESG) policy. Tim Mpofo explained that the Fund's ESG policy would be further discussed as part of the Investment Strategy Statement (ISS) agenda item which had been included as part of the exempt portion of the meeting's agenda. The ISS sets out what investments the Fund can and cannot invest in. Through engagement with members, it had been determined that more time should be taken to consider the Fund's approach to responsible investment. The development of such a policy may require the use of external specialists to advise the Committee and Board. It was further noted that Funds were required to outline their approach to managing ESG risks in their ISS, however a responsible investment policy would be supplementary to the ISS.
- Cllr White explained that he thought more emphasis was needed on other parts of the ESG, such as the social and other ethical sides of investments. He suggested it would be good to have a deeper conversation about this and updating the investment strategy upon reflection.
- Following a query regarding the outstanding audits, it was confirmed that officers had investigated whether separate auditors could be appointed, and this was deemed not possible under the current regulations. There was an ongoing conversation between the Haringey finance team and the external auditors to try and address the external audits backlog. It was confirmed that this issue had been raised at previous meetings as a concern hence why this had been included as part of the risk register. It was further noted that the Government had sent out a letter in the autumn of 2023 where they had set out how they were planning on tackling public sector audit backlog; 40% of audits were still outstanding across the country in the public sector. The Scheme

Advisory Board was working closely with the Government to explore whether pension fund audits could be separated from the audit of the Council's statement of accounts. It was confirmed that a new audit firm would be undertaking the audit of the current financial year ending 31 March 2024 and the team had already started to engage with on the planning work. The finance team had discussed the issues relating to the outstanding audits with them. The team were trying to progress this but unfortunately the way in which the rules were set up meant there was not much more that could be done to progress the issue.

- It was further noted that there was no provision in the Council's constitution that would enable the combined Pensions Committee and Board to appoint an external auditor. External auditor appointments for local government bodies were made by the Public Sector Audit Appointments Limited (PSAA).

RESOLVED

To note and provide any comments on the Fund's risk register. The area of focus for review at this meeting was Investment-related risks.

12. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 35 - 46)

Tim Mpofu introduced the item. This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 30 September 2023.

- a. Independent advisor's market commentary
- b. Investment performance
- c. Investment asset allocation
- d. London Collective Investment Vehicle (LCIV) update
- e. Funding position update

The following was noted in response to questions from the committee:

- Investments in the London CIV were approximately 76% of total fund assets The funding position as of 30th of November had been included in the confidential appendix. The funding position for the pension fund was 139%, as per the Fund Actuary's latest estimates.
- Cllr lynkaran questioned the performance of the portfolio. Tim Mpofu explained that there were assets within the portfolio that had not performed as expected due to the changes in economic conditions. The Fund's allocation to Index Linked Gilts was an example of one of the asset classes that had underperformed. Although inflation had increased, the impact from the increase in interest rates had resulted in significant mark-to-market capital losses. There were also some asset classes that were not revalued on a regular basis, and as a result there would be a lag in terms of their performance. It was further noted that although property had underperformed during the period, it was still considered appropriate for the Fund due to its payment of distributions and income generation characteristics.
- Keith Brown flagged that he would caution about putting too much emphasis on the total fund performance relative to the total fund benchmark. This was because for

quite a few of the asset classes, they were quite difficult to benchmark as well as being lagged.

- In response to a query regarding performance reporting, Tim Mpofu suggested that the team could work on different models and explore how the existing performance reporting could be further improved. Traditionally, the fund's approach had been to use the Fund's benchmark as a means of checking whether the asset manager was delivering on their performance objectives. It did not necessarily attribute the performance of the Committee and Board's own investment decision making process.
- The Chair sought clarification from Mercer in relation to private debt and whether this should be something still investigated. He also flagged if there could be a report of other asset classes for future investment strategies. Alex Goddard, Mercer, explained that private debt continued to be an asset class that investment managers spoke to LGPS funds about and it was at a floating rate. As interest rates have gone up there, returns had gone up as well. This is why some had seen it as appealing, and it would fit within that diversifying alternatives bucket. The question would be, if the committee were going to look to allocate this, where they would allocate this from. That would be a discussion that needed to be had across a range of asset classes.

Cllr Mark Blake attended the committee and read out a statement:

Cllr Blake expressed, in his view, that the local government pension scheme continued to hold 4.6 billion pounds in investments in companies which were operating in Israel & Palestine. He asked what actions the committee had taken to divest Haringey pension funds from these companies.

Cllr Mahbub acknowledged this statement and confirmed that a fuller response to the letter referenced in his statement would be provided after the PCB had had an opportunity to consider its contents.

RESOLVED

To note the information provided in section 6 of this report regarding the Pension Fund's investment performance and activity for the quarter ended 30 September 2023. An additional supplementary appendix has been included which shows the Pension Fund's asset values as of 30 November 2023.

13. INVESTMENT STRATEGY REVIEW: STRATEGIC ASSET ALLOCATION (PAGES 47 - 50)

Tim Mpofu introduced the item. This report provided the Pensions Committee and Board (PCB) with an assessment of the of the Pension Fund's current strategic asset allocation in comparison to various alternative options which would be considered during the exempt part of the agenda.

The following was noted in response to questions from the committee:

- Cllr White raised concerns and wanted the committee to look more widely at the ESG part of the investment strategy. He flagged not just the

environmental aspects, but other ethical parts of the investments needed to be looked at. The concerns were acknowledged, and it was confirmed that they would be considered as part of the Committee and Board's forward plan.

14. INVESTMENT STRATEGY STATEMENT

This item was to be discussed under the exempt section of the meeting.

15. FORWARD PLAN (PAGES 51 - 56)

Tim Mpofu introduced the item. This paper has been prepared to identify and agree upon the key priorities for the Pensions Committee and Board over the upcoming months, as well as seek members' input into future agendas.

The following was noted in response to questions from the committee:

- Cllr lynkaran flagged whether responsible investment could be looked into further in regard to aspects of the fund and navigating the strategy going forward. Tim Mpofu confirmed this would be taken forward in terms of the future work for the fund.

16. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

17. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

5 March 2024

18. EXCLUSION OF THE PRESS AND PUBLIC

Items 18-21 are likely to be subject to a motion to exclude the press and public from the meeting as they contain 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.