

MINUTES OF THE PENSIONS COMMITTEE
13TH JULY 2015

Councillors Bevan (Vice-Chair), Ross, Basu, Peacock and Rice

Also Keith Brown (Non-voting) and Michael Jones (Non-voting)
Present

Apologies Roger Melling (Non-voting)

66. FILMING AT MEETINGS

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

67. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Roger Melling. Apologies for lateness were received from Cllr Peacock.

68. URGENT BUSINESS

There were no items of urgent business.

69. DECLARATIONS OF INTEREST

There were no declarations of interest.

70. MINUTES

In response to a question from the Committee regarding the minute number LC58 and the Guaranteed Minimum Pensions (GMP), Janet Richards, Pensions Manager, advised that this related to scheme members with service between 1978 and 1997. It was reported that from 2018 HMRC would cease to provide information to employers on GMPs, and employers would be responsible for ensuring that their own data on the GMPs for which they were liable was correct from this time. It was noted that this was a significant exercise.

Further to minute LC59 and the request for a briefing note on the possible use of the Pension Fund to contribute to the building of housing in the borough, George Bruce, Head of Finance – Pensions and Treasury, advised that he had been in contact with housing services regarding this possibility. It was reported that this was not a funding source that was being considered at present, but that if this were to change then officers would report back to the Committee.

RESOLVED

That the minutes of the Pensions Committee meeting held on 24 March 2015 be approved as a correct record and signed by the Chair.

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71. WM PERFORMANCE PRESENTATION 2014/15

Lynn Coventry, State Street, gave a presentation to the Committee on the Fund's investment returns compared with other Local Government funds, and returns from the asset classes used by Local Government Pension Funds in general.

In response to a question from the Committee regarding the top-performing funds, and whether they shared any particular characteristics, Ms Coventry advised that these tended to be those funds with a heavier weighting in equities, as these had performed strongly over the past year, but with a lower weighting in UK equities, which had yielded smaller returns compared with other regions.

The Committee noted the value added to the Fund from transactions and asked about transactions more generally, in particular the cost to the Fund. Steve Turner, Mercer, advised that the cost from transactions in relation to Haringey's Fund was low as it was largely passively managed. It was noted that passive fund managers could only rebalance their portfolios in line with their mandate, and therefore there was not an issue of large numbers of transactions taking place at a cost to the Fund.

The Committee noted that it was most important to compare the Pension Fund's returns against its own liabilities, rather than against other funds, as meeting its liabilities was the critical issue for the Fund.

NOTED that the Haringey fund has out-performed the Local Government universe over the last 1, 3 and 5 years.

72. REQUEST TO APPROVE VIA A WAIVER A HOSTED PENSION WEBSITE PRODUCED BY HYMANS ROBERTSON

The Committee considered a report on the request to approve via a waiver a hosted pension website produced by Hymans Robertson, as presented by Janet Richards.

The Committee asked about the 'significant savings' referred to in the procurement comments of the report, and Ms Richards advised that this was compared with the cost of pensions staff administering the current web pages in-house. It was confirmed that the quality of the service would be reviewed after the initial 3-year period, and a decision taken at that time as to whether to continue with this site or seek an alternative solution.

In response to a question from the Committee, Ms Richards advised that it was intended that the website would include a member self-service facility.

The Chair moved the recommendation of the report and on a unanimous vote in favour it was

RESOLVED

To waive the Contract Standing Orders in accordance with paragraph 10.01 of the Contract Standing Orders of the Constitution on the basis that it is in the Council's overall interest to do so and approve the purchase of The Hymans Robertson Off the

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Shelf Website for a period of three years for the set up cost of £4,000 plus £2,000 per annum. The total cost is £10,000.

73. PENSION FUND QUARTERLY UPDATE

The Committee considered the report on the Pension Fund Quarterly Update, as presented by George Bruce. The Committee noted the value of the Fund as £1,044,064,000 at 30 April 2015, and performance for the quarter up to 31 March 2015. In respect of the current asset allocations and those areas that were currently underweight compared with the strategy, it was noted that private equity and infrastructure allocations took time to draw down but would align with the strategic position over time.

The Committee noted that the European holdings that had suffered significant capital loss dated from 2007 and had been made by the previous property manager; it was noted that this was an issue that had affected many funds and was not specific to Haringey. In response to a question from the Committee, it was reported that no further European property investments had been made and that there were no current plans to do so. Any such investment would require the approval of the Committee.

The Committee also noted the resignation of the property portfolio manager from CBRE, and the interim management arrangements for this portfolio. Officers would meet with CBRE in due course to meet the new manager and provide the Committee with an update.

The Committee asked about the property portfolio, and why investment was in funds of funds rather than individual property holdings, as this involved an additional layer of fees. It was reported that this approach had been agreed by the Committee previously as it enabled greater diversity and a consequent reduction in volatility and risk. The Committee asked about the increase in investment management expenses as set out in the report, and it was advised that this was largely due to the increase in the value of the assets, as fees were charged as a percentage rather than a flat rate. Steve Turner advised that investment costs for the Haringey Fund were relatively low due to the high proportion of assets managed passively.

RESOLVED

That the information provided in respect of the activity in the three months to 31st March 2015 be noted.

74. ESTABLISHMENT OF PENSION BOARD

The Committee considered the report on the position of the Council's application to operate a joint Pensions Committee and Pension Board and the actions taken in establishing a standalone Pensions Board, as presented by George Bruce. The Committee was asked to consider whether they still wished to pursue the option of having a joint Board.

In considering the background as set out in the report, the Committee were advised of the concerns raised by the Assistant Director of Corporate Governance with regards to the difficulties of a combined Pensions Committee and Board effectively scrutinising

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itself and the possible conflict of interest and that the preferred option would be to keep the Committee and Board separate. It was noted that, were the application for a joint Committee and Board to proceed and be granted by the Secretary of State, then such difficulties would need to be addressed. In terms of practical arrangements, it was noted that a combined Committee and Board would entail non-Councillors gaining voting rights on the joint body, and would mean more meetings of the joint body than the current number of Committee meetings per year. John Raisin, Independent Advisor to the Board advised that Members of a joint Committee and Board would be subject to the Pensions Regulator's requirements in respect of compulsory ongoing training and would be subject to inspection by the Regulator.

Mr Raisin advised that the purpose of the Pension Boards was to assist Pensions Committees; all decision-making would remain with the Committee and the Board would have no authority to challenge any decision of the Committee. The intention behind the introduction of the Pension Boards was to give employers and employees a greater role in their Pension Funds.

It was reported that there were pros and cons for both maintaining separate Pensions Committees and Boards and for the combined approach. It was noted that most Funds were operating with a separate Pension Board.

In response to a question from the Committee as to whether the function of the Pension Board could be fulfilled by Scrutiny, it was reported that this was something that had been looked into, but the Council's Scrutiny arrangements did not meet the requirements of the legislation in respect of Pension Boards.

In response to a question from the Committee, it was reported that if a combined Pensions Committee and Board were formed, this would be a single body, with the same members fulfilling both roles at the same meeting – it would not meet separately as the 'Committee' or the 'Board'. All members of the combined Committee and Board, Councillors and non-councillors, would have a vote at these Board meetings.

Cllr Bevan indicated that he was in favour of a combined Committee and Board, and noted that when this issue had been discussed previously, it had been indicated that the requirement to have a Pensions Board was particularly aimed at unfunded schemes where there were currently no committee structures in place, although it was noted that requirement did extend to the Local Government Pension Scheme under the legislation. Cllr Bevan also expressed concern at the sustainability and cost of providing training for members of a body that was only likely to meet twice yearly. It was felt that if the legal concerns around a combined Committee and Board arrangement were insurmountable, the Government would have raised these and not permitted any such arrangement.

Referring back to when the Committee had previously considered this issue, it was reported that it had been felt that in order for a Pension Board to effectively assist the Pensions Committee, the members of the Board would require considerable expertise. An issue had been raised regarding how easy it would be to find sufficient members with the requisite level of expertise to form a separate Board. John Raisin advised that, as Chair of a Pension Board in Merseyside, there had been no issues in recruiting to a separate Pension Board, however it was noted that the Merseyside Pension Fund was significantly larger than the Haringey Fund in terms of numbers of

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members. George Bruce advised that a nomination for a member of the Haringey Pension Board had been made by the trade unions, but that only a single individual had come forward from the employers, and no response had been received to an invitation for scheme members to take part.

The Committee considered the issue of voting rights and felt that this was unlikely to be an issue, as all members of a combined Committee and Board would be working together in the best interest of the Fund.

It was noted that if a combined Committee and Board were established, this would require changes to the Council's Constitution. It was noted that the approval granted by the Government for a combined Committee and Board in Hampshire was for a period of 12 months.

The Chair moved the recommendation of the report and on a unanimous vote it was

RESOLVED

That the Committee agree to proceed with its application to the Secretary of State to operate a joint Board.

75. PENSIONS COMMITTEE WORK PLAN AND TRAINING

The Committee considered the report on the work plan for the Pensions Committee for the next twelve months, as presented by George Bruce.

The Committee considered the issue of training, particularly as this would become increasingly important in light of the application to the Secretary of State for the approval of a joint Pensions Committee and Pension Board. It was suggested that training sessions should continue to be held in advance of scheduled meetings, and that some standalone training sessions would also be required. It was noted that attending training sessions by external providers would count towards the compulsory training for Pension Board members. It was suggested that the training attended by members between meetings be recorded in the minutes of the next meeting.

It was agreed that details of training courses available on pensions matters be circulated to the Committee.

In terms of future agenda items for the Committee, it was agreed that a standing report be produced on the number of people transferring out of the Haringey Pension Scheme. The Committee also requested a future report on ethical investment.

RESOLVED

That the approaches identified above in terms of training and items for future Committee agendas be agreed.

76. INVESTMENT STRATEGY UPDATE

The Committee considered the quarterly report on the Fund's investment strategy, as presented by Steve Turner, Mercer.

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RESOLVED

- i) That officers and advisers review the diversification of assets and, if considered appropriate, bring back proposals to reduce the equity allocation to the next meeting of the Committee.
- ii) That the equity allocations be rebalanced as part of the consolidation of the two passive mandates, which will reduce the North American weighting, as set out in paragraph 5.4 of the report.

77. ANY OTHER BUSINESS OF AN URGENT NATURE

There were no new items of urgent business.

78. DATE OF NEXT MEETING

10 September 2015, 7.30pm.

79. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for the following items as they contain exempt information as detailed in Section 100a of the Local Government Act 1972, Paragraph 3; information relating to the business or financial affairs of any particular person (including the Authority holding that information).

80. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the meeting of the Pensions Committee held on 24 March 2015 be approved as a correct record and signed by the Chair.

81. INVESTMENT STRATEGY UPDATE

The Committee considered the exempt information pertaining to agenda item 11.

82. REVIEW OF PASSIVE INVESTMENT MANAGER STRUCTURE

The Committee agreed the recommendation of the report.

83. ANY ITEMS OF EXEMPT URGENT BUSINESS

There were no items of exempt urgent business.

The meeting closed at 21.05 hrs.

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Councillor Clare Bull

Chair

Signed.....

Date.....