

MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE AND BOARD HELD ON TUESDAY, 20TH SEPTEMBER, 2016, 7.00 - 9.10pm

PRESENT:

**Cllr Clare Bull, Cllr John Bevan, Cllr Mark Blake, Cllr Viv Ross,
Keith Brown and Randy Plowright**

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 FOR ABSENCE

Apologies for absence were received from Cllr Adamou and Cllr G Bull.

3. URGENT BUSINESS

There were no new items of urgent business. Agenda items 8, 9 and 18 had been circulated to Members in advance of the meeting but after the initial pack, due to work on finalising these reports not being completed in time for the statutory deadline for publication of the agenda.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING

Cllr Bevan identified that he had undertaken the following training since the last meeting:

- P&LSA pensions EU exit issues briefing 14/07
- SPS Optimizing Value from Bond Investments for Pension Funds 01/09
- Retirement Quality Mark launch event 13/09

All Members of the Committee and Board were reminded to complete and return the Training Needs Analysis form which had been circulated to them, and also that it was compulsory for all Members to complete the online training from the Pensions Regulator by 31st October 2016, details of which had been circulated prior to the meeting.

6. MINUTES

The Committee noted that all actions arising from the minutes of the Pensions Committee held on 11 July 2016 had been completed. In respect of the report on benchmarks and comparable performance of fund managers, it was noted that this had missed the deadline for this meeting, but would be on the agenda for the next meeting of the Committee and Board.

In response to a question on the guidance provided by the Government on pooling in relation to the passive mandate and life funds (Minute 133), John Raisin, Independent Advisor, and Oladapo Shonola, Head of Treasury and Pensions, advised that it had originally been proposed to transfer these into the CIV, but, in light of the costs that such transfers would incur, the new guidance established that these funds would remain where they were. They would, however, still be counted towards the CIV's assets.

RESOLVED

That the unrestricted minutes of the Pensions Committee held on 11 July 2016 be approved as a correct record and signed by the Chair.

7. PENSIONS ADMINISTRATION REPORT

The Committee considered the Pensions Administration report, presented by Janet Richards, Pensions Manager.

In response to a question from the Committee regarding the late payment of contributions, it was reported that for this quarter the main reason for late payment of contributions was the bank holiday. It was noted that the Council was in contact with Cooperscroft Homes to bring their payment date forward to ensure that these were received in time.

The Committee noted that 54 scheme members had signed up to access their records via the Pension Self Service site, and asked whether consideration should be given to promoting this service further, so that more staff were aware of this facility. It was suggested that promoting this facility via staff payslips could be explored.

RESOLVED

- i) That the Committee note that the pensions website www.haringeypensionfund.co.uk has had 1037 users accessing 4819 pages on the website during the four month period between 1 April 2016 to 31 July 2016.
- ii) That the Committee note that current members and deferred members of the Haringey Council pension scheme accessing the website www.haringeypensionfund.co.uk can sign up to the member Pension Self Service site. Members of the fund can access the site and view their own personal information held on the pension administration system. Members

can also calculate benefits and access a copy of their annual benefit statement. 54 members have signed up to access their records.

- iii) That the Committee note that in April 2016, 137 Members were re-enrolled into the pension scheme on the re-enrolment date. 76 of those members opted out of the pension scheme ie 55.4%.
- iv) That the Committee note that there are currently 50 members ie 0.8% of active employees paying additional pension contributions into one of the pension fund's Additional Voluntary Contribution (AVC) schemes administered by either Prudential, Clerical Medical or Equitable Life. The pension scheme allows members to pay additional contributions in the pension scheme to purchase added years or added pension in the pension fund. 32 members of the scheme are currently buying added years or added pension.
- v) That the Committee note the content of the communication relating to the update published by the Local Government Pension Scheme Advisory Board to their 1 August meeting.

8. ANNUAL PENSION FUND REPORT AND ACCOUNTS

The Committee considered the report on the audited Pension Fund Annual Report and Accounts for 2015/16 and the Annual Governance Report of the external auditors, BDO, which covered their annual audit of the Pension Fund accounts. The report was introduced by Leigh Lloyd-Thomas, BDO, who set out the findings of the audit; he confirmed that none of the findings exceeded the level such as to have a material effect on the accounts and that the auditors were therefore able to issue an opinion that the accounts were a true and fair reflection of the financial position of the Pension Fund.

The Committee asked about the reason for the discrepancies found between the contributions received in the pension fund bank account and the total contributions per Haringey Council payroll and it was reported that this was being investigated. In respect of the fair value of investments (infrastructure and private equity), and the finding that the final valuations from fund managers amounted to £212k lower than that included in the accounts, the Committee felt that this appeared to be a significant discrepancy and asked why this was not felt to have a material impact on the accounts. The Head of Treasury and Pensions advised that due to timing issues, only interim valuations were available when the statement of accounts was prepared; it was therefore not unexpected that there would be a discrepancy in the figures when the final valuations were issued. Mr Lloyd-Thomas advised that, in the event that funds totalling this amount were considered to be missing then it would be treated differently, however in this case the cause of the discrepancy was recognised as an issue arising from changes in estimated values. Officers noted that in any event the Council had accepted the recommendation arising from the audit.

In respect of the audit recommendation relating to investment management expenses, the Committee noted that this would probably be less of an issue for the Haringey Pension Fund, due to the high level of passively-managed funds. Officers confirmed,

however, that they would make reasonable endeavours to obtain this information from the fund managers where it was relevant.

With regard to the audit recommendation relating to pension liability assumptions, Mr Lloyd-Thomas advised that their only query had been around the estimated life-expectancy for females not yet retired, however on the whole the actuarial assumptions had been felt to be reasonable. Douglas Green, Hymans Robertson, advised that a full analysis of the actuarial assumptions would be provided by the actuary when the triennial valuation was presented to the Committee. The Committee questioned the salary increase rate set out in the report, as this seemed high – Mr Green advised that this had been set in 2013 as a very long-term estimate, but was likely to be revised downwards for the valuation being undertaken this year.

The Committee asked whether the new EU arrangements for internal dispute resolution would have an impact on the procedure as set out on page 21 of the Pension Fund Annual Report. The Head of Pensions and Treasury and the Independent Advisor advised that they did not believe that this would have an impact, but that this was something that they would look into.

Action: Head of Treasury and Pensions

In response to a question from the Committee, it was confirmed that both figures relating to bond exposure in pooled investment vehicles on page 49 of the Annual Report should read 210,364 and that this would be corrected in the final version of the report.

Action: Head of Treasury and Pensions

RESOLVED

- i) That the Committee note the contents of the report and verbal updates provided at the meeting by BDO.
- ii) That the Committee approve the Pension Fund Annual Report and Accounts for 2015/16.
- iii) That the Chair and Chief Operating Officer be authorised to sign the letter of representation to the Auditor.

9. ILL HEALTH LIABILITY INSURANCE REPORT

The Committee considered the report on ill-health liability insurance, presented by the Head of Treasury and Pensions, which set out information on the potential impact of Ill-Health Early Retirement (IHER) on Haringey Pension Fund and how this liability could be mitigated by taking out Ill Health Liability Insurance (IHLI). Douglas Green, Hymans Robertson, added that in addition to mitigating risk, the premium rate quoted as 0.9% was less than the amount allowed for in the contribution rate and would therefore not have an impact on the overall level of contribution paid by employers within the scheme.

In response to a question from the Committee regarding why this had not been considered previously, Mr Green advised that until relatively recently the only

employers in the Local Government Pension Scheme were large employers such as councils who were able to absorb the costs of ill-health retirement, whereas in recent years many smaller employers had joined the Scheme. It was also noted that contribution rates had been much lower in previous years. In response to a question from the Committee as to whether the employers in the Haringey Pension Fund had been consulted regarding this, the Head of Treasury and Pensions advised that one employer had been in contact with the Council on this issue and had made their own arrangements for such insurance, but that the other employers had not been consulted as taking out such insurance would ultimately be of benefit to them. It was agreed, however, that all employers should be notified of any decision to take out ill-health liability insurance as a courtesy.

The Committee expressed concern regarding the cost to the fund of taking out such insurance, in response to which Mr Green advised that he estimated that the actual cost to the fund of having no ill-health liability would be more than the estimated £1.1m insurance premium cost. While it was acknowledged that Hymans Robertson had a financial interest in promoting this insurance product and that the Committee needed to be aware of that, the Head of Treasury and Pensions advised that the recommendation in the report was an officer decision, based on the recent situation with Age UK Haringey. It was noted that when an employer within the fund was unable to continue to operate on account of its pensions liabilities, that cost had to be met by the other employers in the Fund and the purpose of this insurance was prevent this. The Independent Advisor also noted that the Council would benefit as much from insurance being in place as the smaller employers in the Fund.

RESOLVED

That a decision on this matter be deferred to the next meeting of the Committee and Board, and for information to be provided on the actual cost to the Fund of ill-health retirement in previous years, in order to make an informed decision.

10. PENSION FUND QUARTERLY UPDATE

The Committee considered the Pension Fund quarterly update report, presented by the Head of Treasury and Pensions. The comments of the Independent Advisor relating to the report were also circulated for the Committee's consideration, along with the project plan for the renewable energy manager search. In relation to the fund managers' performance, Alex Goddard, Mercer, advised the Committee that Allianz's performance for August (subsequent to the period covered by the report) was significantly improved. The Independent Advisor added that Allianz had been waiting to identify appropriate opportunities for investment, and that a six-month extension to the original deadline for drawing down the funds for investment had been agreed. The Committee asked whether there was any merit in looking at interim investments until Allianz were in a position to draw down the funds; it was agreed that Mercer would look into the associated costs and any potential liquidity issues that may arise as a consequence, although it was noted that Allianz had indicated that they were confident that they would be in a position to draw down soon.

ACTION: Head of Treasury and Pensions / Mercer

The Committee asked about the reported increase in administrative expenses compared with the previous year; it was reported that this may be due to the timing of internal recharges, however the Head of Treasury and Pensions would look into this and report back.

ACTION: Head of Treasury and Pensions

The Committee noted that it was proposed that a report including a recommendation for the appointment of a renewable energy fund manager be brought to the meeting of the Committee and Board in November 2016 for decision.

The Independent Advisor gave an overview of his comments on the quarterly update report, which covered market activity following the EU referendum in June 2016 and noted that overall it would be the approach of the major Central Banks which would have a greater impact on markets than the referendum outcome. The Committee asked whether, in the current economic climate, it would be worth the Committee and Board considering investment in non-directional funds. Mercer advised that many Pension Funds were looking at ways of increasing their flexibility at present, and agreed that the options relating to non-directional funds would be included in their report to the next meeting on potential investment options, which would also include information around currency hedging and whether this was something the Fund might wish to consider.

RESOLVED

That the information provided in respect of the activity in the three months to 30th June 2016 be noted.

11. FORWARD PLAN

The Committee considered the report on the forward plan for issues to be covered by the Committee and Board over the next twelve months, and suggestions for future training. Subsequent to the earlier decision to defer a decision on ill-health liability insurance, it was noted that this would be added to the forward plan for the November meeting, along with the report on investment options.

In response to interest from the Committee in the Understanding and Managing Currency Risk webinar that had been held on 14 September, it was agreed that the Head of Treasury and Pensions would provide Members with information on similar courses.

ACTION: Head of Treasury and Pensions

RESOLVED

That the content of the report be noted.

12. RISK REGISTER REVIEW/UPDATE

The Committee considered the report on the Fund's risk register, as presented by the Head of Treasury and Pensions. It was noted that sections of the register would thereafter be reviewed on a quarterly basis by the Committee and Board.

With regards to risk number 26 (ACC6), the Committee questioned the statement that overpayments could not be refunded; it was clarified that overpayments made in error by individual scheme members could be refunded and that this referred only to overpayments by employers within the scheme. The Committee questioned the statement “The Council has in place a relatively secure system...” in relation to risk number 36 (ADM8); assurance was provided that the system in place was robust and that the use of the word relative in this context was not correct.

The Committee asked about risk number 38 (ADM10) in respect of a lack of succession planning, which currently had a high risk ranking alongside it. The Head of Treasury and Pensions advised that a recruitment exercise was currently taking place to address this risk, and would reduce the associated risk ranking once complete.

The Committee and Board felt overall that the risk register was comprehensive.

RESOLVED

- i) That the Committee and Board approve the updated risk register for the Haringey Pension Fund.
- ii) That the Committee and Board agree that the Haringey Pension Fund risk register be reviewed at quarterly Pensions Committee and Board meetings as set out in the forward plan.

13. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) VOTING PROCESS AND QUARTERLY ENGAGEMENT REPORT

The Committee considered the report on the Local Authority Pension Fund Forum (LAPFF) voting process and quarterly engagement update, presented by the Head of Treasury and Pensions. In response to a question from the Committee and Board, it was confirmed that the quarterly reports to the Committee and Board would include details of the voting alerts issued by the LAPFF.

Cllr Bevan advised that he had made enquiries regarding the LAPFF voting alerts, and had received a response indicating that the voting alerts issued by the LAPFF covered only a small percentage of the Fund’s total proxy voting recommendations. Cllr Bevan circulated the correspondence relating to this matter to the Committee and Board for reference. The Committee and Board had covered voting arrangements in greater detail during the training session on the functions of the Custodian in advance of the meeting, and indicated that they were comfortable with the process as detailed in the report..

RESOLVED

That the Committee and Board note the content of the report.

14. SCHEME ADVISORY BOARD (SAB) COMPLIANCE

The Committee and Board considered the report on progress toward compliance with Scheme Advisory Board (SAB) key performance indicators, highlighting areas where improvement was still needed in order to achieve full compliance. It was noted that this would be a standing item on the agenda for the Committee and Board meetings in order to continue to monitor this area of activity. The Committee and Board noted that the previous score for SAB compliance was 25 out of a possible maximum of 59, and that this had now increased to 37.

RESOLVED

That the Committee and Board note progress since the last report to Committee on performance against Scheme Advisory Board's key indicators.

15. NEW ITEMS OF UNRESTRICTED URGENT BUSINESS

There were no new items of urgent business.

16. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for the following items as they contained 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).

17. EXEMPT MINUTES

RESOLVED

That the exempt minutes of the meeting of the Pensions Committee held on 11 July 2016 be approved and signed by the Chair as a correct record.

18. REVIEW OF FUND GOVERNANCE

The Committee considered the report outlining the Independent Advisor's review of fund governance and agreed the recommendations therein.

19. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

The meeting closed at 9.10pm.

CHAIR:

Signed by Chair

Date