



## PENSIONS COMMITTEE

**TUESDAY 4 DECEMBER 2007 at 19:00 HOURS**  
**CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.**

**IMPORTANT NOTE: THE ADVISOR WILL BRIEF ALL TRUSTEES OF THE PENSIONS FUND, PRIOR TO THE MEETING, AT 18:30 HOURS**

**MEMBERS:** Councillors Rahman Khan (Chair), Mallett (Vice-Chair), Adje, Beacham, Basu, Butcher, Wilson and Aitken

**IN ATTENDANCE:** Howard Jones and Roger Melling (Designated Union representative)

### AGENDA

**1. APOLOGIES FOR ABSENCE**

**2. URGENT BUSINESS:**

The Chair will consider the admission of any late reports, related to any items for consideration under those agenda items. Any new items of urgent business will be considered either under Agenda Item 9 (unrestricted only), or 13 (exempt only).

**3. DECLARATIONS OF INTERESTS:**

A member with a personal interest in a matter who attends a meeting of the authority at which the matter is considered must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

A member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgment of the public interest **and** if this interest affects their financial position or the financial position of a person or body as described in paragraph 8 of the Code of Conduct **and/or** if it relates to the determining of any approval, consent, license, permission or registration in relation to them or any person or body described in paragraph 8 of the Code of Conduct.

**4. MINUTES: (PAGES 1 - 8)**

To confirm and sign the unrestricted minutes of the meetings of the Pensions Committee held on 10 September 2007, and the minutes of the Special Pensions Committee held on 25 October 2007.

**5. LAPFF PRESENTATION - BENEFITS OF MEMBERSHIP:**

Keith Bary of LAPFF to present.

**6. ATTENDANCE OF FUND MANAGERS:**

Attendance and presentations by the three Fund Managers for a 15 minute presentation and 15 minutes of questions from Trustees, and the Advisor:

**7:35pm**, Capital - **8:05pm**, Fidelity - **8:35pm**, Bernstein

**7. LAPFF MEMBERSHIP: (PAGES 9 - 44)**

(Report of the Chief Financial Officer) To consider joining LAFPP.

**8. FUND PERFORMANCE UPDATE: (PAGES 45 - 56)**

(Report of the Chief Financial Officer). To advise the Committee of Fund Managers' performance for the period to 30 September 2007, and budget monitoring for the 2007/8 period 7 (to end of October 2007).

**9. FUND ADMINISTRATION UPDATE: (PAGES 57 - 64)**

(Report of the Assistant Chief Executive, People, Organisation and Development)

**10. ANY UNRESTRICTED ITEMS OF URGENT BUSINESS:**

To consider any new unrestricted items of urgent business admitted under Agenda Item 2 above.

**11. DATES OF FUTURE MEETINGS:**

To confirm the rescheduled date of the next meeting as follows:

- 29 January 2007, 7:00pm, Civic Centre

To confirm the remaining scheduled meeting of the 2007/8 calendar as follows:

- 13 March 2007, 7:00pm, Civic Centre

**12. EXCLUSION OF PUBLIC AND PRESS:**

The following item is likely to be the subject of a motion to exclude the press and public from the meeting as it contains "exempt" information as defined in Section 100A of the Local Government Act 1972, namely that they contain information relating to the business or financial affairs of any particular person (including the Authority holding that information).

**13. EXEMPT MINUTES: (PAGES 65 - 72)**

To confirm and sign the exempt minutes of the meeting of the Pension Committee held on 10 September 2007.

**14. ANY EXEMPT ITEMS OF URGENT BUSINESS:**

To consider any new exempt items of urgent business admitted under Agenda Item 2 above.

**YUNIEA SEMAMBO**  
**Head of Local Democracy & Member Services**  
River Park House  
225 High Road Wood Green  
LONDON N22 8HQ

**NICOALS MATTIS**  
**Principal Committee Co-Ordinator**  
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**26 November 2007**

**MINUTES OF THE PENSIONS COMMITTEE  
MONDAY, 10 SEPTEMBER 2007**

**Councillors** Rahman Khan (Chair) \*, Mallett (Vice-Chair) \*, Adje\*, Beacham\*, Basu\*, Butcher\*, Wilson, Aitken\*

\* denotes Member present at meeting.

Also Present: Howard Jones, Roger Melling, and Ian Benson

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP01.	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were received from Councillor Wilson.</p>	
PRPP02.	<p><b>URGENT BUSINESS</b></p> <p>The Chair agreed to the late tabling of the following two items:</p> <ul style="list-style-type: none"> <li>(i) In respect of Agenda Item 3, an amended version of the Declarations of Interests as reworded by the Council's Monitoring Officer.</li> <li>(ii) In respect of Agenda Item 12, a letter from the Unions in relation to the pension fund and the response from the Chair of the Pensions Committee.</li> </ul>	
PRPP03.	<p><b>DECLARATIONS OF INTERESTS</b></p> <p>The Chair informed the Committee of the revised Declaration of Interest rules and read out the following statement:</p> <p><i>A member with a personal interest in a matter who attends a meeting of the authority at which the matter is considered must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.</i></p> <p><i>A member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgment of the public interest <b>and</b> if this interest affects their financial position or the financial position of a person or body as described in paragraph 8 of the Code of Conduct <b>and/or</b> if it relates to the determining of any approval, consent, license, permission or registration in relation to them or any person or body described in paragraph 8 of the Code of Conduct.</i></p> <p>The following interests were declared:</p> <p>Councillor Rahman Khan – personal interest in respect of his attendance at the LGC Conference where Capital International and Fidelity &amp; Alliance were sponsors from time to time and they been the managers of</p>	

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	<p>the Council's Pension Fund. Cllr Rahman Khan also declared an interest in of his membership to the Haringey Council Pensions Fund.</p> <p>Councillors Butcher, Mallett and Aitken – personal interests in respect of their membership of the Haringey Council Pension Scheme.</p> <p>Councillor Adje – personal interest in respect of his membership of local government pension scheme, not Haringey Council's.</p> <p>The Chair noted a personal interest on behalf Councillor Basu (because Cllr Basu had informed that he would be present at the meeting after this agenda item had been taken) in respect of Councillor Basu's membership to the Haringey Council Pension Scheme. The Committee Clerk advised the Chair that a member had to be present at the meeting in order to formally declare their interests.</p>	
<p><b>PRPP04. MINUTES</b></p>	<p><b>RESOLVED</b></p> <p>(i) That the minutes of the meeting of the Pensions Committee held on 11 June 2007 be agreed and signed by the Chair subject to the following amendments:</p> <p>In attendance: to add Roger Melling</p> <p>Item 3. Declarations of Interest: to read:</p> <p><i>Councillor Khan declared a personal interest in respect of his membership to the Haringey Council Pension Scheme...</i></p> <p>(ii) That the minutes of the meeting of the Pensions Committee held on 25 June 2007 be agreed and signed by the Chair subject to the following amendments:</p> <p>PRPP09. Declarations of Interest: to read:</p> <p><i>Councillor Wilson declared a personal interest by nature of being an employee of the Association of British Insurers.</i></p>	
<p><b>PRPP05.</b></p>	<p><b>EXCLUSION OF THE PUBLIC AND PRESS</b></p> <p><b>RESOLVED</b></p> <p>That the public and press be excluded from the proceedings in accordance with the provisions set out under Schedule 12A, Section 3 of the Local Government Act 2000, namely that there would be information relating to the business and financial affairs of a particular person (including the Authority holding that information).</p>	

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PRPP06.	<b>REVIEW OF INVESTMENT STRATEGY</b>	
PRPP07.	<p><b>ANY EXEMPT ITEMS OF URGENT BUSINESS</b></p> <p>There were no exempt items of urgent business.</p>	
PRPP08.	<p><b>RE-INCLUSION OF THE PUBLIC AND PRESS</b></p> <p><b>RESOLVED</b></p> <p>That public and press be readmitted for the remainder of the meeting.</p>	
PRPP09.	<p><b>ACTUARIAL FUNDING UPDATE</b></p> <p>Fund Managers from Fidelity, Bernstein, and Capital addressed the Committee, being given ten minutes for presentations and taking questions from Members.</p> <p><b>FIDELITY</b></p> <p>Fund performance for the equities mandate was 1.04 below the benchmark and 1.47 below target in the quarter to 30 June 2007.</p> <p>Fund performance for the fixed income mandate was 0.02 above target in the quarter to 30 June 2007.</p> <p>Fidelity explained reasons for current performance and answered questions from trustees.</p> <p><b>BERNSTEIN</b></p> <p>Fund performance for the global equities mandate was 2.42 above the target in the quarter to 30 June 2007. For the UK equities mandate, performance was 0.13 above target in the quarter to 30 June 2007.</p> <p>Bernstein explained reasons for current performance and answered questions from trustees.</p> <p><b>CAPITAL</b></p> <p>Fund performance for the equities mandate was 0.13 below target in the quarter to 30 June 2007. For the Fixed Income mandate, performance was 0.02 below target in the quarter to 30 June 2007.</p> <p>Capital explained reasons for current performance and answered questions from trustees.</p> <p><b>RESOLVED</b></p> <p>(i) That it be noted that all the fund managers, in their deliberations gave assurances in exercising their best professional care and expertise in managing the Haringey</p>	

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	Council Pension Fund; and	
<b>PRPP10.</b>	<b>PERFORMANCE UPDATES FROM OUR FUND MANAGERS</b>	
<b>PRPP11.</b>	<p><b>FUND PERFORMANCE UPDATE</b></p> <p>The Committee received a verbal update from the Head of Finance-Budgeting, Projects &amp; Treasury who briefly outlined the latest investment performance data for the Pension Fund, as presented under the previous item, as well as the need to determine further training requirements for the trustees/Committee members. Fund performance for the combined fund was 0.28 below target in the quarter to 30 June 2007.</p> <p>The Committee discussed the options available for training trustees and the importance of this in terms of managing the Pension Fund within a climate of market volatility. The Committee noted that refresher training (half a day) would suffice given the training given during the past year. The possibility of this being facilitated by the Pension Fund's advisor was discussed.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>(i) That the Fund performance position as at end of June 2007 be noted;</li> <li>(ii) That the budget monitoring position to end of June 2007 (period 3) be noted; and</li> <li>(iii) That trustees training requirements be determined by the Acting Director of Finance in consultation with Trustees.</li> <li>(iv) That the make-up of overhead charges to the fund be reported to the Committee.</li> </ul>	
<b>PRPP12.</b>	<p><b>BUSINESS PLAN FOR 2007/8</b></p> <p>The Committee was given an update on the Business Plan for 2007/08. There were discussions about the Plan. The Committee also discussed the content of the revised Statement of Investment Principles, and the revised Governance Statement. Unit costs for 2006/07 for our fund were requested to be reported. The Chair mentioned the need to have one officer to co-ordinate pension's work, to consider widening our SRI policy to cover non-UK equities/ overall Fund investments, and the need to scrutinise the contracts, with all the Fund Managers to ensure that voting &amp; the Haringey Councils' Statement of Investment Principles was adequately covered at the respective contracts.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>(i) That the 2007/08 Business Plan be approved;</li> <li>(ii) That the revised Statement of Investment Principles be approved; and</li> <li>(iii) That the revised governance statement be approved.</li> </ul>	

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	<ul style="list-style-type: none"> <li>(iv) That those unit costs for 2006/07 for our fund are reported to the Committee.</li> <li>(v) That consideration is given to widening our SRI policy to include non-UK equities.</li> <li>(vi) That officers ensure that voting &amp; LBH Statement of Investment principles are adequately covered in contracts before approval. In case of existing contracts, action to be taken, (if any) wherever is necessary.</li> <li>(vii) That there be one integrated Senior Officer level co-ordination of administration of all the bodies (in relation to pensions) and investments to be streamlined.</li> </ul>	
<b>PRPP13.</b>	<p><b>FUND ADMINISTRATION UPDATE</b></p> <p>The Committee considered the regulatory changes affecting the administration of the Local Government Pension Scheme together with issues covered in recent letters covering the topic between the Unions and the Committee's Chairman. The Committee was also informed of the Communities and Local Government (CLG) consultation on extending the 85 Year Rule to which the Council was asked to respond to with its opinions. There were some concerns amongst some Committee members at the costs of extending the Rule and the affect of this upon Council funds and/or Government spending. The Chair agreed to submit to the consultation outlining the Council's opinions on the Rule, namely not to support any reduction in the current benefit package or any further increase in employee contributions.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>(i) That the administration update be noted; and</li> <li>(ii) That the draft response to the CLG Consultation on extending the 85 Year Rule Protection be approved.</li> </ul>	
<b>PRPP14.</b>	<p><b>ADMISSION OF FORTISMERE SCHOOL TO THE HARINGEY PENSION FUND</b></p> <p>The Committee considered a report in respect of Fortismere School, having been granted Foundation School status, being admitted as a resolution body participating in the Haringey Council Pension Fund. The Committee was informed that the initial employer contribution rate of 16.6% had been established on the basis of negligible risk to the Fund of the School's admission, and that the School's Governing Body had consented to the admission to the Fund.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>(i) That the Council agree to pass a statutory resolution admitting eligible non-teaching staff employed by Fortismere School to participate in the Local Government Pension Scheme; and</li> <li>(ii) That on the basis that the risk to the Fund is negligible and that the Authority is effectively a Guarantor for the Fund, the</li> </ul>	

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	initial employer contribution rate be set at 16.6%.	
<b>PRPP15.</b>	<p><b>CESSATION REPORT CAPITA BUSINESS SERVICES LTD</b></p> <p>The Committee considered a report on the funding position attributable to Capital Business Services Ltd on their cessation as an admitted body to the Haringey Council Pension Fund at 31 March 2006.</p> <p><b>RESOLVED</b></p> <p>(i) That the cessation of Capita Business Services Ltd as an admitted body in the Haringey Council Pension Fund be noted; and</p> <p>(ii) That cessation identified a surplus in the Fund of £34,000 be noted.</p>	
<b>PRPP16.</b>	<p><b>ANY UNRESTRICTED ITEMS OF URGENT BUSINESS</b></p> <p>None.</p> <p><b>The meeting ended at 22:00</b></p>	

**Councillor GMMH RAHMAN KHAN**  
Chair, Pensions Committee 2007/8

**Date:**



**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 25 OCTOBER 2007**

**Councillors** Rahman Khan (Chair)\*, Mallett (Vice-Chair) \*, Adje, Beacham\*, Basu, Butcher\*, Wilson, Aitken\*

\* denotes Member present at meeting

<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>PRPP16.</b>	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies were received from Councillors Adje, Basu and Wilson. In accordance with the provisions of the Constitutions on substitutions, Councillor Egan substituted Cllr Adje; Councillor Peacock substituted Cllr Basu; and Councillor Mughal substituted Cllr Wilson.</p>	
<b>PRPP17.</b>	<p><b>URGENT BUSINESS:</b></p> <p>None.</p>	
<b>PRPP18.</b>	<p><b>DECLARATIONS OF INTEREST:</b></p> <p>Councillor Mallett declared a personal interest in respect of her attendance at a Capital Investment trust training session that she had recently attended.</p> <p>Councillors Khan, Mallett, Butcher, Beacham, Aitken, Peacock, and Egan declared personal interests in respect of the their membership of the Haringey Council Pension Fund.</p>	
<b>PRPP19.</b>	<p><b>REVIEW OF RESPONSIBLE INVESTMENT POLICY, A REPORT BY HYMANS ROBERTSON:</b></p> <p>Councillor Butcher raised his concern at not being invited to the pre-meeting held between the Chair, Howard Jones and Senior Officers.</p> <p>Gerald Almeroth, Chief Financial Officer, gave a summary of his report outlining the process for reviewing the Council's Responsible Investment Policy. Geoff Singleton, Senior Investment Consultant of Hymans Robertson informed the Committee of the current position in respect of the Fund and developments in SRI. Mr Singleton also highlighted the voting and engagement options, and emphasised to the Committee the key issues around making the recommendations contained within the Report. Dave Burns, Senior Lawyer (Employment, Corporate and Education) advised the Committee of its levels of responsibilities by referring to the CIPFA guidance and noting that the Council's current policy was robust but at risk as changes to the conventions were made. Mr Burns further advised the Committee on the personal liability rules in respect of Members responsibilities as trustees of the Pensions Fund.</p> <p>The Chair invited Howard Jones, independent advisor, to address the Committee. Mr Jones outlined the four options on offer for the Committee, namely an exclusion approach, a fund approach, a</p>	

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THURSDAY, 25 OCTOBER 2007**

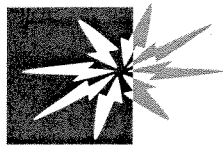
management approach; and an overlay approach. Mr Jones outlined his disfavour for the exclusion; highlighted some attraction to the fund approach but considered it unmanageable from a practical perspective. Mr Jones advised the Committee that the management approach was the favoured approach, the overlay approach to be used if this was unachievable. Mr Jones also advised the Committee about adopting the United Nations (UN) Principles for Responsible Investment; the Council would be amongst the first local authorities to do so if it agreed to it.

**RESOLVED**

- (i) To agree that the Council's responsible investment policy in practical terms apply to UK and non-UK equities and to pooled funds, not bonds.
- (ii) To agree that the responsible investment policy be revised after analysing the fund managers current policies and this be reported back to Pensions Committee for approval.
- (iii) To adopt the UN Principles for Responsible Investment and encourage our fund managers to also adopt these principles.
- (iv) To agree that the existing fund manager-led approach to voting and engagement be continued on an improved basis to include reporting regularly to Pensions Committee to explain and justify where they do not follow the Council's policy and voting guidelines. This approach to be reviewed again in twelve months.
- (v) To agree to consider joining LAPFF once LAPFF have made a presentation to Pensions Committee.
- (vi) To agree to encourage the Council's fund managers to sign up to the Enhanced Analytics Initiative, or to demonstrate that they have access to at least equivalent research.
- (vii) To agree that the possibility of the fund investing in funds that target environmental issues be reviewed.
- (viii) That we do not engage in stock screening or exclusionary approaches. (There were four votes in favour of this and four abstentions from Councillors Butcher, Mughal, Aitken, and Beacham.

**Councillor Gmmh RAHMAN KHAN**  
Chair, Pensions Committee 2007/8

**Date:**



**Haringey** Council

Agenda item:

**Pensions Committee**

**On 4 December 2007**

Report Title: **LAPFF membership**

Forward Plan reference number: Not applicable

Report of: Chief Financial Officer

Wards(s) affected: **All**

Report for: **Non-Key Decision**

**1. Purpose**

1.1 This report considers whether we should join LAPFF.

**2. Introduction by Cabinet Member**

2.1 Not applicable.

**3. Recommendation**

3.1 That we consider joining LAPFF.

**Report Authorised by: Gerald Almeroth – Chief Financial Officer**

**Contact Officer:**

John Hardy, Head of Finance-Budgeting, Projects & Treasury (tel no: 020 8489 3726)

**4. Chief Financial Officer comments**

4.1 The financial implications section of the report sets out the financial position.

**5. Head of Legal Services Comments**

5.1 The Head of Legal Services has been consulted on the content of this report and comments that membership of LAPFF, given its composition and purpose, is a reasonable decision for the Committee to make and one which is within its powers.

**6. Local Government (Access to Information) Act 1985**

6.1 Report to Pensions Committee on 25 October 2007 on Responsible Investment.

**7. Strategic Implications**

7.1 Regarding responsible investment we aim to reflect latest thinking on this matter and having due regard to our fiduciary duty.

**8. Financial Implications**

8.1 The Chief Financial Officer advises that membership of LAPFF fits in as part of the approach agreed at Pensions Committee on 25 October 2007.

8.2 The annual cost of becoming a member of LAPFF is £8,460 for one year or £8,250 per annum if agree to join for three years and will be charged to the Pension Fund if approved. The cost of membership is considered to be reasonable and would be prudent to incur for the management of the pension fund.

**9. Equalities Implications**

9.1 None.

**10. Consultation**

10.1 Not applicable.

**11. Background**

11.1 Pensions Committee considered a report on Responsible Investment at their meeting on 25 October 2007. It was agreed that we consider joining LAPFF once they have given a presentation to the Committee. The presentation by Keith Bray from LAPFF was considered earlier on this agenda.

- 11.2 I attach in the Appendix the part of the paper presented by our external advisors, Hymans Robertson, to the last meeting concerning LAPFF, which advised that the Committee needed to consider whether membership of LAPFF might go some way towards redressing the shortfall on engagement activity.
- 11.3 Main benefits of joining LAPFF are as follows and this fits in as part of the approach agreed at Pensions Committee on 25 October 2007.
- Has 44 Local Authorities as members including 12 London Boroughs and therefore can exert some influence to promote Corporate Social Responsibility and high standards of corporate governance;
  - Facilitates commissioning of research and policy analysis of issues more effectively than individual authorities;
  - Forum for consultation on shareholder initiatives;
  - Forum for exchanging information and discussion about investment issues;
  - Forum to consider issues of common interest. e.g. overseas property investment.
  - Improves compliance with Myners principle number 6 regarding activism.

## **12 Use of Appendices**

Extract of report from Hymans Robertson regarding LAPFF.

## 5 LOCAL AUTHORITY PENSION FUND FORUM

The Local Authority Pension Fund Forum [LAPFF] was established in 1990 to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and higher standards of corporate governance amongst the companies in which they invest.

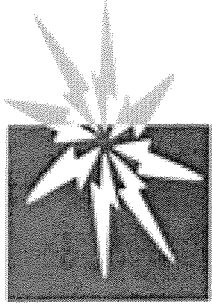
The Forum meets quarterly and provides an opportunity for discussion and debate on a broad range of investment issues concerned with shareholder responsibilities. However, membership of the Forum does not impede a fund's ability to act unilaterally where it is considered to be in its best interests.

Meeting Agendas are constructed by members of the Forum, which has an Executive Committee comprised of elected member representatives of Forum members, a (Honorary) Secretary and Treasurer and its own part-time Forum Officer – Keith Bray, a former County Treasurer. Meetings are serviced by PIRC Ltd, an independent research and advisory consultancy that provides services to institutional investors on corporate governance and corporate social responsibility.

The Forum has over 40 LGPS members (see table) whose pension fund assets total about £70 billion.

LGPS Fund Type	Number of Funds
County Councils	15
London Boroughs	12
Former Metropolitan County Funds	7
Passenger Transport Authority Funds	2
Scottish Funds	2
Welsh Funds	4
Northern Irish Funds	1

The Forum does undertake some limited engagement activity on governance and SRI issues; however, the level of activity is significantly lower than that provided by the overlay providers described above. We suggest that it probably will not serve as a substitute for them. However, the Fund should give consideration as to whether joining LAPFF would assist it in discharging its socially responsible investment responsibilities and the best way to do that would be to arrange for a presentation from LAPFF at a future meeting. We understand the fee to join LAPFF would be relatively modest.



**Haringey Council**

# Corporate Governance & Corporate Social Responsibility

## The Role of the LAPFF

A presentation to  
Haringey Pension Fund  
Keith Bray, Forum Officer, LAPFF  
4 December 2007

# Background

- The aim - improving shareholder value
  - Scandals
  - Changing public opinion



# Corporate Governance

## What is it?

“The system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies, while shareholders’ role in governance is to appoint the directors and auditors and to satisfy themselves that a proper governance structure is in place.” **Cadbury (1992)**

“Corporate governance can be defined *narrowly* as the relationship of a company with its shareholders or more broadly, as its relationship to society” (Financial Times)

\* **NB** This illustrates the link between corporate governance and corporate social responsibility (CSR)

# Some milestones

- 1992 Cadbury
- 1995 Greenbury
- 1998 Hampel – leading to ‘The combined Code’
- 2003 Higgs – the role of the non- executive director
- 2003 Smith – the role of the auditor

And of course

- 2002 Myners – Principles for institutional investment decision making

*and that means us (LGPS)*

**As part - own these companies we need to act like owners to maximise  
our returns and protect our investments**

# The Myners Principles

<ol style="list-style-type: none"><li>1. Effective decision-making</li><li>2. Clear objectives</li><li>3. Focus on asset allocation</li><li>4. Expert advice</li><li>5. Explicit mandates</li></ol>	<ol style="list-style-type: none"><li>6. <b>Activism</b></li><li>7. Appropriate benchmarks</li><li>8. Performance measurement</li><li>9. Transparency</li><li>10. Regular reporting</li></ol>
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# Shareholder Activism

- Myners - Principle 6  
Trustees should ensure they have an explicit strategy on Activism elucidating the circumstances in which they will intervene in a company; the approach they will use in doing so; and how they measure the effectiveness of this strategy.
- CIPFA Guidance states:  
**Authorities may wish to seek alliances with a group of local authority pension funds, to utilise the benefits of collective size** where there is common interest to influence companies on issues relating to corporate governance.

# LAPFF – What we are about

## The Forum:

- Optimises LA pension funds' influence as shareholders to promote Corporate Social Responsibility and high standards of Corporate Governance
- Facilitates commissioning of research and policy analysis of issues more effectively than individual members
- Provides a forum for consultation on shareholder initiatives
- Provides a forum for information exchange and discussion about investment issues
- Provides a forum to consider issues of common interest to all pension fund administrators and trustees (e.g. Freedom of Information Act)

# LAPFF – our structure

## **MEETINGS**

- 4 or 5 Business Meetings a year
- Annual General Meeting
- Decisions at meetings reached by consensus
- Each member Fund has one vote at meetings
- Annual Conference
- Forum Executive

## **CONTRACTS**

- PIRC contracted to supply research, advice and assistance to  
LAPFF
- Forum Officer - marketing, publicity, development.

# LAPFF - Membership

Currently 44 Local Authority pension funds

- 14 English Counties
- 13 London Authorities
- 8 English/ Metropolitan/Unitary Authorities
- The Northern Ireland Fund (NILGOSC)
- 2 Scottish Authorities
- 4 Welsh Authorities
- 2 Passenger Transport Authorities

- £80 billion in value
- **Membership open to all LGPS pension funds**
- Representation at Forum meetings determined by each individual fund

# LAPFF — Members as at 1 November 2007

Aberdeen City Council	LB Hillingdon	Rhondda Cynon Taf
Avon Pension Fund	LB Hounslow	Shropshire CC
Clwyd Pension Fund	LB Islington	Somerset CC
Dyfed Pension Fund	LB Lewisham	South Yorkshire Pension Fund
Devon CC	LB Newham	South Yorkshire PTE Pension Fund
Derbyshire CC	LB Southwark	Teeside Pension Fund
Dorset County Pension Fund	LB Tower Hamlets	Tyne and Wear Pension Fund
Greater Gwent Fund	Lincolnshire CC	Warwickshire Pension Fund
Greater Manchester Pension Fund	Lothian Pension Fund	West Midlands Pension Fund
Lancashire County Fund	LPFA	West Midlands PTA Pension Fund
LB Brent	Merseyside Pension Fund	West Yorkshire Pension Fund
LB Camden	NILGOSC	Wiltshire CC
LB Croydon	Norfolk Pension Fund	Worcestershire CC
LB Hackney	Northamptonshire CC	
LB Harrow	North Yorkshire CC	
	Nottinghamshire CC	



# The elected member's role

- Each member fund has one vote at meetings  
(but decisions are usually by consensus)
- Some funds send elected members, some send officers,  
some send both.
- LAPFF encourages elected member participation but it is  
for each fund to determine its own approach to  
membership

# Areas of concern

- Boardroom structures
- Directors' pay
- Environmental issues
- Supply chain labour standards
- Appointment of and role of auditors

# Boardroom structures

- Separation of Chair of Board from Chief Executive
- Independence of non- executive directors
- Senior independent director
- Recruitment and appointment of directors
- Induction and professional development
- Institute of Directors –  
**LAPFF support for IoD Chartered Director qualification**

# Directors' Pay

- Supportive of high rewards for success
- Opposed to 'Fat cat' pay deals rewarding poor performance (LAPFF alerts)
- Opposed to excessive rewards which are disproportionate to performance
- Transparency

# Environmental issues

- Greenhouse gas emissions (Kyoto protocol & DEFRA requirements)
- Mineral exploration
- Waste dumping
- Signatory to UN Principles of Responsible Investment (PRI)

# A ministerial quote

Elliot Morley

Minister for the environment

- "Good environmental standards should never be seen as a burden on companies; indeed, they are good for sustainability, profitability and efficiency.
- "I congratulate LAPFF for playing an important role in furthering these aims. Recently I met with representatives from the Forum and was pleased to hear the positive responses they received in assessing the FTSE 100's level of greenhouse gas emissions reporting.
- "I therefore look forward to seeing the LAPFF continuing to increase company awareness on the importance of reporting their greenhouse gas emissions." (September 2004)

# Supply chain labour standards

- Fundamental aspect of corporate social responsibility
- Reputational risks
- Implications for share holder value

# Appointment of and role of auditors

- Risk of conflict of interest from other relationships with company
- Ratio of fees for consultancy work and audit fees
- Independence of audit committees



# LAPFF Alerts .

## Our aims

- Monitor FTSE company proposals for board structures, directors' pay, shareholder rights, separation of audit and non-audit work and environmental issues, particularly greenhouse gas emissions, and facilitate a company engagement response to those planning to implement, or actually carrying out, unreasonable policies in these areas.
- Co-ordinate discussions with other investor bodies and facilitate engagement on key issues of concern.

# Approaches to shareholder activism

- Leave it to fund managers
- Use a consultant
- Do it yourself
- Collaboration

# Approaches to activism

- Engagement preferable to confrontation
- Effectiveness of 'screening' questionable
- Collaboration improves effectiveness immeasurably

## Collaboration

- Responsible Investors Network (RIN)
- International collaboration – CERES –
- US state pension funds
- Universities’ Superannuation Scheme –  
(USS)
- Association of British Insurers (ABI)
- Institutional Investors Group on Climate  
Change – (IIGCC)

## The Department for Communities and Local Government' view (DCLG) (formerly ODPM)

- Supportive of activism and of LAPFF as an organisation
- The Local Government Minister spoke at our 2006 conference
- Terry Crossley, Deputy Director, DCLG has been a keen supporter of LAPFF for many years and was a speaker at this year's conference

# Meeting of LAPFF with HM Treasury – 25 April 2005 Review of progress with Myners

- “I must say I found the description of your activities extremely impressive”
  - Email from Peter Green - 25 April 2005
  - Head of Capital markets and Governance
  - HM Treasury
- LAPFF Hon Treasurer, Brian Bailey, subsequently invited to join Treasury working group set up to review progress with application of Myners Principles
- The Director and Head of Enterprise and Growth Unit at Treasury addressed LAPFF meeting in July 2005

# Benefits of LAPFF membership

## Improved effectiveness

- 44 member funds
- Assets of £80 billion
- Strength in numbers
- Improved information flow/intelligence about Corporate governance/CSR issues
- More scope for collaboration
- Co-ordination of campaigns

# Benefits of LAPFF membership

## Value for money

- Research costs spread over 44 Forum member funds
- Saves officer time and cost in researching issues
- Forum for discussion of **any** related local government pension fund issues e.g. Freedom of Information Act; currency management; overseas property investment
- Excellent opportunities for both trustees and officers to engage in networking with colleagues from all parts of UK and all types of authority (networking initiative)
- Modest annual subscription - £8460 pa  
(or £8250 pa for 3 year membership)



# Where are we now?

- Beginning to make a difference
- Public support is growing
- Governmental support
- Constant media interest
- Much more to do – only beginning to scratch the surface

# The future?

- More collaboration
- International co-operation/co-ordination  
e.g. the PRI
- More Regulation?

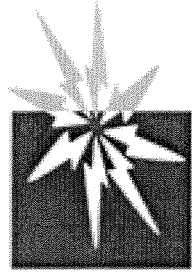
# Future Developments at LAPFF - Increasing membership and greater influence

- Membership has grown by 83% since 2003
- Growth in membership expected to continue
- Growing influence with other institutional investor groups and with Central Government
- Higher profile and greater influence with corporate sector (investee companies)

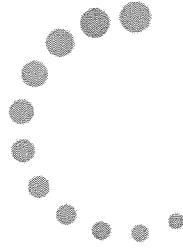
## Summing Up

LAPFF provides  
a customised, cost-effective vehicle for  
LA pension funds  
to improve compliance with  
Myners Principle 6 – Activism

# Acting together - achieving more



Haringey Council



Local Authority  
Pension Fund  
Forum

You know it makes sense!

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**Pensions Committee****On 4 December 2007**

Report title: Fund performance update

Report of: Chief Financial Officer

Ward(s) affected: All

Report for: Information

**1. Purpose**

- 1.1 To consider the latest investment performance data for the Pensions Fund and for each of the Fund's investment managers.
- 1.2 To report 2007/08 budget monitoring to the end of October 2007.
- 1.3 To report progress in organising a half days trustee training event in January 2008 and details of a three day course for later in 2008.

**2. Recommendations**

- 2.1 That the Fund performance position as at end of September 2007 be noted.
- 2.2 That the budget monitoring position to end of October 2007 (period 7) be noted.
- 2.3 That proposed trustee training be agreed.



Report authorised by: Gerald Almeroth – Chief Financial Officer

**Contact officer:** John Hardy, Head of Finance-Budgeting, Projects & Treasury  
(tel no: 020 8489 3726)

### **3. Executive Summary**

This report sets out the fund performance to end of September 2007, budget monitoring to end of October 2007 (period 7) and details of proposed trustee training.

### **4. Reasons for any change in policy or for new policy development (if applicable)**

No changes are proposed.

### **5. Local Government (Access to Information) Act 1985**

The following background papers were used in the preparation of this report:

Northern Trust performance monitoring reports

Fund performance update report to Pensions Committee on 10 September 2007

## **6. Background**

6.1 The investment performance of the Pensions Fund was last reported to Pensions Committee in September 2007. That report covered the period up to 30 June 2007, at which time the following points were noted:

- Since monitoring against the new benchmark commenced on 1 April 2007, the combined Haringey fund has increased in absolute terms by 3.08 per cent up to 30 June 2007, out performed the benchmark by 0.13% but under performed the gross target by 0.28%.
- Up to the end of June 2007 performance by Fund Manager was as follows:
  - Bernstein's Global Equity and UK Equity mandates have exceeded target by 2.42% and 0.13% respectively,
  - Fidelity's Bond mandate is ahead of target by 0.02% but their Equity mandate is below benchmark by 1.04%,
  - Capital's Equity and Bond mandates are below target by 0.13% and 0.02% but ahead of benchmark by 0.37% and 0.23%,
  - ING are below target by 0.08% but ahead of benchmark by 0.17%.



## 7. Combined Fund Performance

7.1 The last performance update to Pensions Committee on 10 September 2007 informed trustees that our new investment structure was largely implemented on 16 March 2007. This report shows performance monitoring against the new benchmarks from 1 April 2007.

7.2 Performance of the combined Haringey fund compared to benchmark and target for the three months and six months periods to end of September 2007 is shown below. The target is shown gross of Fund Managers fees and assumes that returns above benchmark are achieved evenly throughout the year.

	3 months to end of September 2007	6 months to end of September 2007
	%	%
Overall fund performance	+0.63	+3.73
Benchmark	+1.04	+4.03
<b>Performance versus benchmark</b>	<b>-0.41</b>	<b>-0.30</b>
Overall fund performance	+0.63	+3.73
Target	+1.45	+4.85
<b>Performance versus target</b>	<b>-0.82</b>	<b>-1.12</b>

7.3 This shows that in the six months period to September 2007:

The performance of the combined Haringey fund has increased in absolute terms by 3.73%, the fund under performed the new benchmark by 0.30% and under performed the target by 1.12%.

7.4 Appendix 1 shows the following for the combined fund as at end of September 2007 and 2006 for comparative purposes: (1) top ten shares held and (2) fund holdings.

## 8. Fund Manager Performance

8.1 Appendix 2 shows for each Fund Manager investment performance to end of September 2007, compared to benchmarks and targets as supplied by our Custodian Northern Trust. As stated in paragraph 7.1 this is the second quarter since the new benchmarks were incepted, consequently we have limited historic data.

8.2 The new performance targets for each Fund Manager's mandates are shown below. They denote the percentage annual return above benchmark over a rolling 3 year period. The table also includes Pantheon, Investec and Record for completeness – we have made a £1.9 million first call in the Pantheon USA fund to date although at this stage there are no performance numbers. We are in the process of finalising agreements with Investec and Record and therefore no investments have been made to date.

Bernstein – global equities	3.0% gross of fees
Bernstein – UK equities	2.0% gross of fees
Capital - equities	2.0% gross of fees
Capital - bonds	1.0% gross of fees
Fidelity - equities	1.7% gross of fees
Fidelity - bonds	0.6% gross of fees
ING	1.0% gross of fees
Pantheon – private equity	0.75% management fees
Investec – active currency	1.5% net of fees
Record – active currency	1.5% net of fees

8.3 Our latest quarterly meetings took place on 15 November 2007 between each Fund Manager (including Pantheon –where meetings will be half yearly), the Independent Advisor to trustees and the Head of Finance – Budgeting, Projects & Treasury. A summary of the key issues discussed at those meetings is set out below.

#### 8.3.1 **Bernstein**

- Performance to date.
- Volatility in the market/credit crunch.
- New investment structure.
- Review of our Responsible Investment policy.

#### 8.3.2 **Capital International**

- Performance to date.
- Volatility in the market/credit crunch.
- New investment structure.
- Review of our Responsible Investment policy.

#### 8.3.3 **Fidelity**

- Performance to date.
- Volatility in the market/credit crunch.
- New investment structure – including progress in approving agreed changes to the fixed income mandate.
- Review of our Responsible Investment policy.

8.3.4 **ING**

- Performance to date.
- Volatility in the property market and future estimated returns.
- Investment opportunities to become fully invested to increased property benchmark.
- How Responsible Investments links in with property investments.

8.3.5 **Pantheon**

- Performance to date.
- Cash flow projections for making calls to funds.
- Closing date to invest in the European Fund.
- How Responsible Investments links in with private equity investments.

**9. Conclusions**

9.1 Since monitoring against the new benchmark commenced on 1 April 2007, the combined Haringey fund has increased in absolute terms by 3.73 per cent up to 30 September 2007, under performed the gross benchmark by 0.30% and also under performed the gross target by 1.12%.

9.2 There has been much volatility in the market over the past period due to credit issues that have arisen and are linked to the sub prime mortgage market in USA. This has impacted upon the performance of our portfolio and is still ongoing. We are monitoring the position carefully.

9.3 ING advise me that UK property will be affected by the 'global credit crunch'. Liquidity has been impaired, markets have already factored in a modest downturn, Europe will continue to add value (average of 7.7 per cent per annum in the period 2008 to 2010 and 15 per cent in 2007) and UK returns are estimated to average 5 per cent in the period 2008 to 2010. In the current year the UK return has reduced to 0.1 per cent.

9.4 Up to the end of September 2007 performance by Fund Managers was as follows:

- Bernstein's Global Equity and UK Equity mandates have under performed the targets by 1.23% and 1.67% respectively. The Global Equity mandate is 0.27% above benchmark.
- Fidelity's Bond mandate is ahead of target by 0.06% but their Equity mandate is below target 0.88%,
- Capital's Equity and Bond mandates are below target by 0.15% and 1.27%. Their equity mandate is 0.85% above benchmark.
- ING are below target by 0.12% but ahead of benchmark by 0.38%.

**10. Budget monitoring for 2007/08 to end of October 2007**

10.1 The Budget monitoring analysis to period 7 (end of October 2007) is attached in Appendix 3.

10.2 Significant variances to date are:

- transfer values paid and received where the volume will vary by year and timing within the year,
- capital costs are dependent upon approvals made,
- the amount of lump sums paid vary by year and timing within the year,
- employer contributions that are dependent on the number and grades of staff transferring into and out of the scheme,
- investment management expenses that are influenced by the timing of receipt of invoices from Fund Managers and market values,
- investment income that is dependent upon investments made.

10.3 In overall terms the budget is on target. The current surplus is being monitored carefully so that any net gain is invested at the appropriate time in line with the agreed investment strategy. The majority of current years in-house surpluses are earmarked to fund our private equity investments.

**11. Invested cash**

11.1 As previously explained part of the strategic review of the fund, trustees approved an increase in property holdings from 6% to 10%. Pending the identification of suitable investment opportunities by our Property manager ING, an amount of cash equivalent to the increased holding has been ring fenced and invested for periods of up to 12 months on the money market. The Council's standard treasury risk protocols were followed when investing the money. The cash (approximately £18million) is shown on the Pensions Fund Balance sheet at the end March 2007. These funds are being released to ING as opportunities arise and it is envisaged that the Property mandate will be almost fully funded and the cash utilised by end of March 2008. Currently we have £10 million invested for this purpose.

## 12. Trustee Training

- 12.1 Further to it being agreed at the last meeting of the Committee that a half day trustee training session be arranged we plan for this to take place in the week commencing 21 January 2008 subject to availability of trustees. A suitable date will be agreed soon and communicated. It is planned following feedback from trustees that the training cover the following subjects and the session be run by Howard Jones and Hymans Robertson.

**Howard Jones** - using grids and fund manager booklets as a starting-point

1. Equities
2. Bonds
3. Indices
4. Difference between asset allocation/stock selection
5. Costs of trading
6. Active versus passive management
7. Questioning fund managers

**Hymans Robertson**

1. Asset/liability matching
2. Allocation between asset classes
3. How funding level is calculated
4. Managing and monitoring long-term performance

- 12.2 Local Government Employers (LGE) run each year a three day course that covers the fundamentals of local government pensions. The aim is to deliver a single, high-quality training course using expert speakers covering all aspects of the scheme, including both benefits and fund administration as well as a particular focus on investments. It is suggested that it would be beneficial for all members of the Committee to attend this three day course in 2008 which is likely to take place in October to December 2008 (one day per month). The chair has attended the course and found it to be very useful. Cost of the training is £480 for a three day course so in total will be approximately £4,300. This will be charged to the Pensions Fund if agreed.

### 13. Unit costs

- 13.1 As part of consideration of the Business Plan for 2007/08 the Committee asked to see Haringey's unit costs for 2006/07 although the data for other authorities is not available for comparative purposes as yet.
- 13.2 Unit costs are measured against the SF3, a Government standard that benchmarks the costs of running the scheme. The results of the latest SF3 benchmark that has been published are given below with Haringey's 2006/07 data also shown. The information is given as a cost per scheme member.
- 13.3 Haringey is an outer London Borough with inner London characteristics and therefore this has been used as a comparator. In 2005/06 Haringey's total costs for administration and fund management per scheme member was below the average for inner London Boroughs.
- 13.4 However, Fund Management costs per scheme member was marginally above the average for inner London Boroughs. Our last two full reviews of investment strategy have been thorough and concluded on active versus passive (deciding on active).
- 13.5 The Committee made their decisions following advice from the Chief Financial Officer and Hymans Robertson. Active management was deemed to be in the best interests of the fund in order to maximise our returns after taking account of fund management fees. This will be monitored rigorously by officers and at Pensions Committee. Investment strategy is reviewed when deemed appropriate.

#### 13.6 SF3 Data – 2005/06 – Per Capita Administration Costs

SF3 Data 2005/06	Admin Costs (£ psm)	Fund Management (£ psm)	Total (£ psm)
Inner London	£50.69	£123.75	£174.44
Outer London	£47.51	£84.37	£131.88
Haringey Council	£35.94	£126.37	£162.31
Haringey Council (2006/07)	£37.48	£131.72	£169.20

Cost per scheme member has been calculated as the total cost divided by the total number of scheme members.

## APPENDIX 1

## TOP TEN SHARES HELD

Shares	As at 30 September 2007			As at 30 September 2006		
	Rank	Percentage of	Market Value £'000	Rank	Percentage of	Market Value £'000
		Fund			Fund	
		%			%	
1. Shell	1	3.2	14,665	1	3.5	14,399
2. Vodafone	2	2.4	10,880	2	3.2	13,296
3. BP	3	2.0	9,213	6	2.1	8,803
4. RBS	4	2.0	8,915	4	3.0	12,212
5. HSBC	5	1.5	6,654	8	1.7	7,037
6. HBOS	6	1.4	6,450	5	2.6	10,673
7. Glaxosmithkline	7	1.4	6,351	10	1.2	4,953
8. Astrazeneca	8	1.4	6,323	3	3.1	12,886
9. Rio Tinto	9	1.3	6,093			
9. Aviva				9	1.4	5,649
10. Barclays	10	1.3	5,885	7	1.9	7,817

## FUND HOLDINGS

Fund Holdings	As at 30 September 2007		As at 30 September 2006	
	Percentage of	Market Value £'000	Percentage of	Market Value £'000
	Fund		Fund	
	%		%	
UK equities	25.4	161,933	35.9	205,811
Overseas equities	20.9	133,400	22.1	126,863
Pooled investment vehicles	34.4	219,063	19.4	111,117
Index-linked securities	4.0	25,502	3.6	20,484
Fixed interest securities	6.6	41,864	11.6	66,753
Cash	2.9	18,558	1.4	8,160
Property	5.8	36,812	6.0	34,576
<b>Totals</b>	<b>100.0</b>	<b>637,132</b>	<b>100.0</b>	<b>573,764</b>

APPENDIX 2  
 FUND PERFORMANCE TO 30 SEPTEMBER 2007  
 GROSS OF FEES

	Market valuations 01.04.07 £'000	Market valuations 30.09.07 £'000	Weighted % Fund change 1 July to 30 September 2007 %	% benchmark change 1 July to 30 September 2007 %	% target 1 July to 30 September 2007 %	Under (-)/over (+) performance versus target 1 July to 30 September 2007 %	Weighted % Fund change 1 April 2007 to 30 September 2007 %	% benchmark change 1 April 2007 to 30 September 2007 %	% target 1 April to 30 September 2007 %	Under (-)/over (+) performance versus target 1 April to 30 September 2007 %
Capital -Equities	130,850	141,189	1.76	1.31	1.81	(0.05)	7.12	6.27	7.27	(0.15)
Capital -Fixed Income	60,713	61,525	2.79	3.82	4.07	(1.28)	(0.09)	0.68	1.18	(1.27)
Fidelity -Equities	130,475	138,629	2.11	1.13	1.56	0.55	5.95	5.98	6.83	(0.88)
Fidelity - Fixed Income	62,329	62,973	3.99	3.79	3.94	0.05	0.84	0.48	0.78	0.06
Bernstein -UK Equity	132,947	135,648	(2.98)	(1.76)	(1.26)	(1.72)	2.03	2.70	3.70	(1.67)
Bernstein - Global Equity	31,328	32,962	(1.93)	0.80	1.55	(3.48)	5.22	4.95	6.45	(1.23)
ING	46,584	52,254	(1.09)	(1.30)	(1.05)	(0.04)	1.05	0.67	1.17	(0.12)
<b>Total</b>	<b>595,226</b>	<b>625,180</b>	<b>0.63</b>	<b>1.04</b>	<b>1.45</b>	<b>(0.82)</b>	<b>3.73</b>	<b>4.03</b>	<b>4.85</b>	<b>(1.12)</b>
Pantheon - private equity	-	1,938								
In house cash - earmarked for property	18,000	9,500								
Other	6,813	514								
<b>Total Fund</b>	<b>620,039</b>	<b>637,132</b>								



## APPENDIX 3

## PENSIONS FUND

## BUDGET MONITORING - PERIOD 7 (END OF OCTOBER) 2007

	2007/08 Budget £'000	Plan to period 7 £'000	Actual to period 7 £'000	Over/under (-) to Period 7 £'000	Explanations of variations
<b>Income</b>					
Contributions and benefits:					
Employee Contributions	(8,600)	(5,017)	(4,988)	29	
Employer Contributions	(29,800)	(17,383)	(18,261)	(878)	Dependent on number and grade of staff transferring into and out of scheme
Transfer Values Received	(5,000)	(2,917)	(2,503)	414	Volume and timing varies
Capital costs	(900)	(525)	(104)	421	Dependent upon approvals made
<b>Total income</b>	<b>(44,300)</b>	<b>(25,842)</b>	<b>(25,856)</b>	<b>(14)</b>	
<b>Expenditure:</b>					
Pensions and other benefits	22,500	13,125	13,174	49	
Lump sums	2,800	1,633	2,419	786	Volume and timing varies
Transfer values paid	5,000	2,917	2,127	(790)	Volume and timing varies
Refunds on contributions	50	29	20	(9)	
Administrative expenses	650	379	347	(32)	
<b>Total expenditure</b>	<b>31,000</b>	<b>18,083</b>	<b>18,087</b>	<b>4</b>	
<b>Net addition from dealings with members</b>	<b>(13,300)</b>	<b>(7,758)</b>	<b>(7,769)</b>	<b>(11)</b>	
<b>Returns on Investment:</b>					
Investment income	(19,000)	(11,083)	(9,905)	1,178	Difficult to estimate
Investment management expenses	1,700	992	344	(648)	Timing of receipt of Fund Managers invoices
Investment administration expenses	700	408	43	(365)	Timing of receipt of Fund Managers invoices
<b>Net return on investments</b>	<b>(16,600)</b>	<b>(9,683)</b>	<b>(9,518)</b>	<b>165</b>	

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Haringey Council

Agenda item:

[No.]

Pensions Committee

On 4<sup>th</sup> December 2007

**Report Title:** Fund Administration Update

**Forward Plan reference number (if applicable):** Not Applicable

**Report of:** Assistant Chief Executive People and Organisational Development

**Wards(s) affected:** All

**Report for:** Information

**1. Purpose (That is, the decision required)**

1.1 To consider regulatory changes affecting the administration of the Local Government Pension Scheme together with relevant issues covered in circulars issued by the Local Government Pensions Committee (LGPC) and Communities and Local Government (CLG).

**2. Recommendation**

2.1 That the administration update be noted.

**Report Authorised by:** Stuart Young – Assistant Chief Executive People and Organisational Development

**Contact Officer:** Ian Benson, Pensions Manager (tel no: 020 8489 3824)

**3. Chief Financial Officer comments**

3.1 The Chief Financial Officer has been consulted and concurs with the financial implications paragraph.

#### **4. Head of Legal Services Comments**

There are no specific legal implications arising from this report. The statutory basis for the issues considered is set out in full in the body of the report

#### **5. Local Government (Access to Information) Act 1985**

**The following background papers were used in the preparation of this report:**

##### **5.1 No papers that require to be listed were used in the preparation of this report**

#### **6. Strategic Implications**

6.1 There are no strategic implications arising from this report

#### **7. Financial Implications**

Costs relating to administration and the upgrade to the AXISe on-line pensions system will be contained within the relevant budget heads.

The increased cost of the new look pension scheme will be reflected in the employer contribution rate to be determined by the council's actuary as part of the fund valuation exercise currently in progress. . A separate report from the Chief Financial Officer will advise members on this issue.

#### **8. Legal Implications**

8.1 See paragraph 4.

#### **9. Equalities Implications**

9.1 There are no equalities issues arising from the current 85 Year Rule protections.

#### **10. Consultation**

10.1 The Employees Side have been consulted on the content of this report

#### **11. The New Look Scheme (update)**

11.1 The start date for the New Look Scheme is 1<sup>st</sup> April 2008. Although government have published the framework regulations for the new scheme authorities are waiting for the final version of the regulations and for the Government Actuary's Department to issue updated actuarial tables and advice

The continued delays in providing this information has implications in a number of areas:-

##### **Ill-Health retirements**

There is no concrete information at the time of writing this report on the final provisions for ill-health retirements. It is understood that the Trade Unions, the Employers and Government are negotiating the final format of the regulations and that a consultation paper is expected shortly.

As matters stand, authorities are not in a position to provide estimated ill-health figures for members likely to be retired after 31<sup>st</sup> March 2008.

**Government Actuary Department's (GAD) advice.**

The GAD has not updated its actuarial tables or advice over a range of benefits within the scheme. In consequence authorities will be unable to calculate Transfer Payments, Flexible/Early Retirement estimates and Added Membership Purchase costs for events after 1<sup>st</sup> April 2008. Although we expect to have this information before the new scheme starts it is already too late for our Pensions Administration System (Axise) to be fully updated in time for the New Scheme.

**Heywoods Axise Pensions Administration System.**

Heywoods are the software provider for the Council's on-line pension administration system. This system is used by over 90% of administering authorities in the UK. They have undertaken to provide an initial update based on confirmed changes as at 31<sup>st</sup> October 2007. The new release will not include updated GAD advice or changes agreed after that date.

The release will be made available between January 2008 and 31<sup>st</sup> March 2008. Again the time scales are very short.

There will be a follow-up release in July/August to include final changes

**Local Government Pensions Committee (LGPC)**

The LGPC has been working on updates to scheme guides and documentation as well as template publicity material for authorities to use. The delay in finalising the new scheme rules has in turn delayed the publication of these documents. The time scale for assimilating the scheme changes and putting processes and revised documentation in place is recognised by the LGPC and other stakeholders as challenging.

**.Haringey Pensions Team / HR Support**

From 1<sup>st</sup> April 2008 the SAP payroll system will need to be updated to allow for different rates of employee contribution based on Salary Bands.

The Council's HR Support Team are piloting these changes for SAP users nationally.

A Poster campaign is planned to prepare members for the change in contribution rates and the feasibility of having a pensions page located on the Haringey website is being investigated. This will enable on-line up-to-date information about the new scheme to reach the widest possible audience.

**Policy Decisions:**

The triennial review of the Council's Discretionary Pensions Policy Statement is due in March 2008. This will include decisions on new discretions affecting the scheme from 1<sup>st</sup> April 2008 as well as a review of existing discretions.

12 Early Retirements and Appeals for quarter to 30<sup>th</sup> September 2007

Haringey Council		Early Retirements 1 April 2007 to 30 <sup>th</sup> September 2007		
Approved by CFO	Cases	Basic Capital Cost	Cost of Added Years	Total Cost
	<i>Redundancy:</i>			
	1	£2,000	£0	£2,000
	<i>Efficiency</i>			
	3	£123,000	£0	£123,000
	<i>The 85 year rule</i>			
	0	£ 0	£0	£ 0
	<i>Flexible Retirement</i>			
	4	£48,000		£48,000
	<b>Sub-Total</b>			
	<b>8</b>	<b>£173,000</b>	<b>£0</b>	<b>£173,000</b>
Approved by Members	Cases	Basic Capital Cost	Cost of Added Years	Total Cost
	<i>Efficiency</i>			
	0	£0	£0	£0
	<i>Redundancy</i>			
	1	£21,000	£0	£21,000
	<i>85 Year Rule</i>			
	0			
	<b>Sub Total</b>			
	<b>1</b>	<b>£21,000</b>	<b>£0</b>	<b>£21,000</b>
Employing Bodies				
	<i>Cases</i>	<i>Basic Capital Cost</i>	<i>Cost of Added Years</i>	<i>Total Cost</i>
	<i>Redundancy</i>			
	7	£105,000	£0	£105,000
	<i>Efficiency</i>			
	0	£0	£0	£0
	<i>The 85 Year Rule</i>			
	0	£0	£0	£0
	<i>Flexible Retirement</i>			
	0	£0	£0	£0
	<b>Sub-Total</b>			
	<b>7</b>	<b>£105,000</b>	<b>£0</b>	<b>£105,000</b>
<b>Total For Haringey Council and Employing Bodies</b>				
	<b>16</b>	<b>£299,000</b>	<b>£0</b>	<b>£299,000</b>

**13 Appeals Process; Quarterly Report to 30<sup>th</sup> September 2007**

Appeals Process Quarterly Report	Number Open	Upheld	Not Upheld/ Closed	On Going
Stage 1 Appeal	1	0	0	1
Stage 2 Appeal	2	1	1	0
Pensions Ombudsman	0	0	0	0

**14. Statement on Compliance:**

<b>Pensions Scheme Regulations Local Government Pension Scheme Regulations 1997 (as amended)</b>	The scheme is administered in compliance with the provisions of the scheme regulations and relevant advice.
<b>Data Protection</b>	Data held on records maintained by the Pensions Team is registered in compliance with the relevant Data Protection Legislation
<b>Disclosure of Information The Occupational Pensions Schemes (Disclosure of Information) Regulations 1996</b>	The scheme is administered in compliance with the Disclosure of Information Regulations 1996 (as amended) and relevant advice.
<b>Member Communication</b>	Communication with members and employers is conducted in accordance with the Communications Policy approved by Pensions Panel on 25 <sup>th</sup> January 2005
<b>Best Practice</b>	The scheme is administered having regard to the Best Practice Principles published by the UKSC

**15 Conclusion**

Members are invited to approve the Administration Report

**16 Use of Appendices / Tables / Photographs**

**16.1** Appendix 1 is a summary of the New Look Pension Scheme changes



**Summary of New Scheme Changes**

1. Automatic membership for all employees contracted for three months or more
2. Benefit accrual to provide a Pension only based on 1/60<sup>th</sup> of Pay
3. Minimum early retirement age raised to 55 for new employees and for all employees by 30<sup>th</sup> March 2010. (This excludes ill-health retirements)
4. Death in Service Lump Sum increased from 2 time Pay to three times Pay
5. Death on pension guarantee increased for 5 years to ten
6. Death Grant for a deferred pensioner increased from 3 years pension to 5 years
7. Survivor pensions for Nominated Cohabiting Partners
8. Survivor Pensions for death in service based on notional service to age 65
9. Active members will be able to buy extra pension in multiples of £250 up to a maximum of £5000
10. Employers will be able to augment membership by up to 10 years or grant extra pension
11. A cost sharing mechanism to be established by 31<sup>st</sup> March 2009 to advise on the manner in which costs of the scheme will be met after 31<sup>st</sup> March 2010
12. Banded contributions to replace current flat rate
13. Ill-health retirement to be based on three tiers related to the members capability to undertake gainful employment before age 65.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is exempt

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