

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 2 JULY 2007**

PRESENT

Councillors Rahman Khan (Chair), Beacham and Basu

Apologies Councillor Mallett, Adje and Mughal

Councillors not present and no apologies given : Cllrs Butcher & Wilson

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP01.	<p>APOLOGIES FOR ABSENCE : (IF ANY)</p> <p>Apologies for absence were received from Councillors Adje and Mallet.</p>	
PRPP02.	<p>DECLARATIONS OF INTEREST :</p> <p>Councillors Basu & Khan, Chair, declared personal interests because of their membership of the Haringey Council Pension Fund.</p> <p>NOTED</p>	
PRPP03.	<p>INTRODUCTION BY COUNCILLOR GMMH RAHMAN KHAN:</p> <p>At 18:00hrs Councillor Khan advised that given he was the only Member Trustee present he would wait for a 15 minute period. Councillor Basu arrived at 18:04hrs.</p> <p>The Chair commenced the proceedings by stating to those present that it was with the greatest of pleasure that he had the opportunity of being elected as Chair of the Pensions Committee for which he had now served 6 terms. The Chair informed those present that in the 13 years that he had been a Councillor this was the first opportunity for those present to have a complete picture of the quality of administration, the quality of investment by external fund managers, within a given mandate, allowing for benchmarking and target setting.</p> <p>The Chair went on to advise of the scrutiny process where individual fund managers were invited to Pension Committee meetings to give Members the opportunity to ask the fund managers questions relating to their investment portfolios and progress. The Pensions Committee was now a Committee with its own terms of reference and no longer reported via a parent body as did the previously constituted Pensions Panel. The Pensions Committee also consisted of 8 elected members – all trained</p>	

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 2 JULY 2007**

	<p>and with considerable experience, and there were two Executive members sitting on the Pensions Committee. The Committee came to decisions by a consensus view as opposed to a majority vote. The Committee worked exceptionally hard to ensure that the fund benefited its Members, the fund itself, the tax payers of Haringey. As at 15 February 2007 the valuation showed a funding level increased to 80% although this figure may have varied as at 31 March 2007.</p> <p>The Chair referred to the fact that an Advisory Committee to scrutinize the Pensions Committee had not as yet been established from amongst the pension holders of the Local Authority, and he encouraged those present to form one. The Chair also reported that in terms of the investment review there was structured good news as the investment review, reported the previous year was concluded on 20 November 2006, and implemented on 16 March 2007. There were now 4 fund managers – Alliance, Capital, Fidelity, and Ing – with Wellington being sacked due to poor performance. A further 3 were appointed – Pantheon, and 2 currency managers – Investec & Record – to overcome currency risk. The 2 currency managers were appointed specifically to reduce the overall risk within the fund while adding another diversifying source of performance and this had been necessary as overseas equity investment and property investment was increased.</p> <p>The Chair concluded that it would be appreciated that the obtaining the best return for the fund was dependant upon political and economic conditions around the World being assessed by the Fund’s advisers and collectively scrutinised by the Committee for action.</p>	
<p>PRPP04.</p>	<p>MINUTES OF THE PREVIOUS AGM HELD ON 18TH JULY 2006</p> <p>There being no comments or observations of accuracy the Chair MOVED and it was:</p> <p>RESOLVED</p> <p>That the minutes of the Pensions AGM held on 18 July 2006 be agreed as an accurate record of the proceedings and the Chair be authorised to sign them.</p>	
<p>PRPP05.</p>	<p>THE PENSION FUND ANNUAL REPORT : 2007</p> <p>The Annual report, which contained informative and useful information was tabled and approved by the meeting.</p>	
<p>PRPP06.</p>	<p>REPORT ON THE PENSION FUND ACCOUNTS FOR YEAR END 31ST MARCH 2007 - PRESENTATION BY GERALD ALMEROOTH - ACTING DIRECTOR OF FINANCE</p>	

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 2 JULY 2007**

With the aid of power point the Acting Director of Finance - Mr Almeroth gave the AGM a presentation in respect of the Pension Fund Accounts for the year ending 31 March 2007.

In respect of the review of the investment strategy the Authority had just completed its full review of the Fund's Investment management strategy and the new structure was implemented on 16 March 2007. During the review process Trustees were advised by Mr Almeroth, acting as the Independent Advisor to the Trustees, and also by the external advisors – Hymans Robertson. The key changes of the review were

- the reduction of UK equities held from 43 to 30%;
- an increase in overseas equities held from 27 to 35%
- the introduction of a 5% global market cap mandate (incl. in above numbers)
- the introduction of a 5% allocation to private equity
- the introduction of an active currency overlay and passive currency hedging
- an increase in property allocation from 6 to 10%
- a reduction in bonds holdings from 22 to 20%

Mr Almeroth commented that the advice received stated that the changes would further improve the opportunities for growing the fund whilst taking due regard to risk. Also as advised by the Chair Wellington ceased to be a fund manager. Mr Almerith commented that it would take time to increase holdings in property and to build holdings in private equity and currency.

Mr Almeroth referred to the the fund structure which was in place for most of the 2006/07 year until the new structure was introduced. The approx % of fund managed was –

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| • Bernstein | 21% |
| • Capital International | 27% |
| • Fidelity | 26% |
| • ING | 6% |
| • Wellington | 20% |

The fund value had increased from £573 million as at 31 March 2006 to £620 million as at 31 March 2007, due to increased investment returns. The fund had increased by 6.11% over past year, which was just below the benchmark by 0.77% and below the target by 2.42%.

There had been some difficulty in measuring performance to 31 March 2007 due to the transition to the new structure on 16 March 2007 and it then took a further 10 days before some fund managers could make decisions to buy and sell equities and bonds, and further major changes to benchmarks were also made. As a result the performance was compared to the end of February 2007 for fund managers whose benchmarks changed, and for the other fund managers and the total fund the performance to the end of March 2007 was shown, but

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 2 JULY 2007**

	<p>compared against the previous benchmark that was in place for most of that year.</p> <p>There had been a mixed performance by the Fund Managers in meeting their benchmarks and targets, for investment returns over the past year. Performance targets had been set for each Fund Manager, with three Fund Managers having beaten their benchmark and one beat their target. Individual fund manager performance was rigorously monitored and Officers held quarterly review meetings with Fund Managers and Trustees held similar review meetings, although the Property portfolio justified less frequent review by Trustees, as this was a more long term investment. Over the past 4 years that our current Fund structure had been in place, three Fund Managers had beaten their benchmark. The top ten shares, the market value of the investments and where they were held, as at 31 March 2007, were all considered.</p> <p>The last triennial actuarial valuation of the Fund, as at 31 March 2004, had taken place and the level of funding had been reduced to 69%. At the interim actuarial valuation of the Fund, as at March 2005, the level of funding had been maintained at 69%. At the interim actuarial valuation of the Fund, as at March 2006, the level of funding had been set at 76%, and March 2007 – 80%. This was explained by the strong returns from fund investments, offset by the reduction in bond yields since the 2004 valuation. It was mentioned that the Council’s financial strategy allowed for stepped increases in the employer’s contribution rates, and these were quoted as:</p> <ul style="list-style-type: none">○ 2005/06 ~ 19.6%○ 2006/07 ~ 21.2%○ 2007/08 ~ 22.9% <p>The next triennial actuarial valuation was as at Mach 2007 with results due by early 2008. Results may differ significantly from March 2007 interim valuation results.</p> <p>A useful question and answer session then followed.</p>	
<p>PRPP07.</p>	<p>PENSIONS : IT’S A PRESENTATION OF TWO HALVES</p> <p>With the aid of power point the Assistant Chief Executive – People and Organisational Development – Mr Young, and Mr Benson – Head of Pensions gave the AGM a succinct presentation in respect of the Pensions entitled ‘It’s a presentation of two halves’.</p> <p>It was commented that for both employers and employees pension issues had changed and for the employee especially their employment lifecycle was changing. It was a fact that people did not automatically remain in the position they may have originally commenced their employment in and redeployment was now part of the employment cycle. Mr Young advised that in the past year 17 people had been</p>	

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 2 JULY 2007**

	<p>redeployed in Haringey in the last financial year which was a saving to the Council of £250K. In tandem with redeployment the Council's reskilling and retention process had improved and skills assessment, monthly life and career coaching, group support and investment for reskilling were now common in Haringey. This was coupled with better and more flexible retirement options for employees.</p> <p>Reference was made to the concept of flexible working. Whilst this was not a new venture the Council was looking to further the concept of home working, working compressed hours and varying the flexible working arrangements. Also there were proposals to introduce desk sharing, and mobile working, and with these additional concepts they attributed to greater organisational credibility through technological advances and HR systems to operate the processes. Already there was evidence of progress and improved work output. The better office layouts in both River Park House, and Alexandra House enhanced a better working environment.</p> <p>It was a fact that the current workforce was an ageing one with 15.5% 55 years or more, and a rise in the past 3 years of 30% in the 45-55 age group. It was the case that as the Council reviewed its package of employee benefits, pensions became a more central part of package offer, and with pension schemes receiving much more publicity in recent years people were far more aware of the value of a decent pension scheme. In terms of the pension scheme and who actually qualified – it was in the interest of all members that the fund was not drained and there was a continued need to underpin the pensions policy. In terms of flexible retirement and the rules surrounding this process it was a fact that there must not be a cost to the fund arising from this .</p> <p>Mr Benson and Mr Young went on to briefly outline:</p> <ul style="list-style-type: none"> • How the fund was protected when there was early release of benefits • How flexible retirement worked and the conditions that applied <p>Following the presentation a useful question and answer session then followed.</p>	
<p>PRPP08.</p>	<p>QUESTIONS AND ANSWERS</p> <p>Following a number of further questions and answers the Chair thanked those present for their attendance.</p>	
<p>PRPP09.</p>	<p>CLOSE BY CHAIR OF PENSIONS COMMITTEE</p> <p>The Chair thanked the attendance by officers of the Authority. There</p>	

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 2 JULY 2007**

	<p>being no further questions the Chair thanked all those attending and he reiterated his earlier comments that perhaps there needed to be an Advisory Committee from pension contributors to monitor the functions and performance of the Pensions Committee. The Chair also stated that any member of the pensions fund could put any question to him in writing and he would ensure that an answer was forthcoming.</p> <p>There being no further questions the AGM closed at 19.27hrs.</p> <p>The Chair received a round of applause from those attending.</p> <p>NOTED</p>	
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COUNCILLOR GMMH RAHMAN KHAN

Chair