



NOTICE OF MEETING

PENSIONS FUND AGM 2007

MONDAY, 2ND JULY, 2007 at 18:00 HRS - THE LONDESBOROUGH ROOM, ALEXANDRA PALACE WAY, WOOD GREEN, LONDON N22.

MEMBER Councillors Rahman Khan (Chair), Mallett (Vice-Chair), Adje, Beacham,
TRUSTEES: Basu, Butcher, Mughal and Wilson

AGENDA

1. **APOLOGIES FOR ABSENCE : (IF ANY)**
2. **DECLARATIONS OF INTEREST :**

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 judgement of the public interest.

3. **INTRODUCTION BY COUNCILLOR GMMH RAHMAN KHAN:**
4. **MINUTES OF THE PREVIOUS AGM HELD ON 18TH JULY 2006 (PAGES 1 - 6)**

5. **THE PENSION FUND ANNUAL REPORT : 2007**

6. **REPORT ON THE PENSION FUND ACCOUNTS FOR YEAR END 31ST MARCH 2007 - PRESENTATION BY GERALD ALMEROOTH - ACTING DIRECTOR OF FINANCE**

7. **PENSIONS : IT'S A PRESENTATION OF TWO HALVES**
 - **A New Look Scheme:- It's in a Different League
Ian Benson : Pensions Manager**
 - **Pensions Matter:- It's a Whole New Ball Game
Stuart Young : Assistant Chief Executive ~
People and Organisational Development**

8. **QUESTIONS AND ANSWERS**

9. **CLOSE BY CHAIR OF PENSIONS COMMITTEE**

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22 June 2007

HARINGEY PENSION FUND – FIFTH ANNUAL GENERAL MEETING
18 July 2006

Councillors Gmmh Rahman Khan (Chair), Bevan (Deputy Chair), Basu, Beacham, Butcher and Wilson were present, in addition to approximately forty members of Haringey's Pension Fund. Apologies were received from Councillors Davies and Mallett.

- 1. Declarations of Interest:** Those Trustees who were members of the Haringey LGPS declared their interest. Cllr Wilson declared a personal interest in that he is employed by the Association of British Insurers.

- 2. Introduction:** The Chair, Cllr Gmmh Rahman Khan, welcomed those present to the fifth Pension Fund Annual General Meeting, which he said he believed would be informative and beneficial for Pension Fund members, for a better understanding regarding the administration and investment of the fund. He informed members that there would be sufficient time available during the meeting to take their questions and personal issues. In addition to the tabled "Annual Report", there would be two detailed presentations, primarily organised for the benefit of Pension Fund members.

The Chair summarised those major activities which had taken place during the previous year, which had included:

- The Council's new Municipal Year started with eight Trustees on Pensions Panel (including two ex Trustees from the previous municipal year). They were committed to further improving the pension's administration, where possible.

- Over the past year the Pensions Panel and officers had continued to closely monitor the performance of each of our Fund Managers. Fund Managers had met quarterly with officers and Pensions Panel to explain key matters and were questioned by Trustees, the Acting Director of Finance and the independent advisor to Trustees on issues.

- Trustees had approved a number of improvements over the past year – these had included:
 - We were midway through our full review of the Fund's investment strategy. The full results of the review were likely to be available in 2006. This would be around the time that our investment structure had been in place for three years. As part of this review a key decision had already been made. This was to reduce our holdings of UK equities from 43 to 30 per cent. It was felt that this would further improve our opportunities for growing the fund whilst taking due regard to risk.

 - Commission recapture had been introduced, to reduce average administration costs per scheme member. These costs would be further reduced as we were negotiating lower custody fees from

April 2006, which were on top of lower custody fees that were introduced in April 2005.

- A revised Statement of Investment Principles (SIP) had been approved by your Trustees.
- The stock market continued to be volatile, but strong investment returns had been made over the past year, with our Fund increasing by just over 24 per cent.
- The good news was that our latest interim actuarial valuation as at 31 March 2006 showed that our funding level had increased from 69 to 76 per cent and this reflected the strong gains experienced from our investments, since the last triennial actuarial review at March 2004. The strong investment returns were offset by a reduction in bond yields. The next full actuarial review would be in March 2007.
- There had been significant changes to the Local Government Pension Scheme, which came into effect on 1st April 2006. These were highlighted on the back page of the Annual Report. A more detailed explanation of the changes would be issued shortly by the Pensions Team, after some further changes to the 85 Year Rule had been made into regulations.
- The Annual Report had been shared with all scheme members, employing bodies of the Fund and elected members.

The chair said that there would be 2 presentations and each speaker would be pleased to answer questions; the first would be by Gerald Almeroth, Acting Director of Finance, on the Pension Fund accounts for the year ending on 31 March 2006. The second presentation would be by Brian Town, Department Head of the Pensions Unit at the Department for Communities and Local Government. Brian would be speaking about the future of the Local Government Pension Scheme.

The Chair thanked all of those present for attending the AGM.

3. The **Minutes** of the previous meeting, held on 21st July 2005, were signed by the Chair as a correct and accurate record.
4. **The Annual Report**, which contained informative and useful information was tabled and **approved** by the meeting.
5. **Presentation by Gerald Almeroth: Acting Director of Finance: 'Pension Fund Accounts 2005 / 06 and Interim Fund Valuation at 31st March 2006'**.

The current Fund structure had now been in place for three years. We have five Fund Managers, with the % fund managed split between them, to spread the risk over a number of managers and to take advantage of

specialised expertise. The fund value had increased from £454 million as at 31 March 2005 to £573 million as at 31 March 2006, due to increased investment returns. The fund had increased by 24.18 per cent over past year, which was just below the benchmark by 0.52% and below the target by 2.17%. It was mentioned that there were strong investment returns over last year, but the Fund investment must be viewed over the longer term. Performance targets had been set for each Fund Manager, with a % per annum above benchmark over a rolling 3 year period. The target was to outperform the benchmark set and, although there was some risk involved, the manager's performance was closely monitored by the Trustees. 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 two 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 3 years that our current Fund structure has been in place, two 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 2006, were all considered.

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%. 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:

- 2005/06 ~ 19.6%
- 2006/07 ~ 21.2%
- 2007/08 ~ 22.9%

Currently we were midway through our full review of the Fund's strategy and the full results of this review were likely to be available later in 2006. One key decision had been made, to reduce holdings in UK equities from 43% to 30%. It was felt that this would further improve the opportunities for growth in the fund, whilst taking due regard to risk.

A useful question and answer session then followed.

6. Presentation by Brian Town : The Department for Communities and Local Government (DCLG) : 'Facing the Future' .

Mr Town explained that The Department for Communities and Local Government (DCLG) strove to maintain good working relationships with the Pension Fund Managers. They were attempting to move forward from 'Facing the Future' by proposing a new benefit package, incorporating the changes required by Her Majesty's Revenue and Customs. The

administration of the scheme was prioritised, with emphasis on the employer maintaining good records. There was also scope within governance requirements for improving the member representation on committees. Consideration was also being directed at the role of admitted bodies.

The EC Directive relating to gender, age and religion had been in place since 2000. The LGPS complied with the relevant legislation and assisted with the removal of discrimination. This had also been used in an attempt to stabilise costs from 2005. Different approaches to funding of the scheme had been proposed, including consultation on removal of the 85 year rule, which was currently undergoing judicial review.

The proposals for the future were then elaborated, in terms of:

- Finalising Protections (67% members are female – with 56% of these part-time)
- Determining Accrual Rate
- Final Salary v CARE
- Clear Understanding of Cost Base
- Sharing of cost (relative risk factors for employer / employee)
- Higher Employee Contributions?
- One Eye on post Turner Developments (30% increase in life expectancy – post 65)

The new-look scheme had to be:

- Affordable, sustainable and fair to taxpayers
- Good quality, defined benefit scheme
- Meeting the challenge of the modern workforce
- Equality-proofed

In this way, it would progress the existing proposals contained in ODPM's Green Paper '*Facing the Future*' (2004), Hymans' '*Review of Demographic Patterns*' (2005), Removal of the 85 year rule, and the DWP White Paper '*Security in retirement*' (2006) [i.e.: the reform of state pensions].

The proposed timetable was then established, as follows:

Costed options consultation	30 June - 29 Sept 2006
Statutory consultation exercise	
On proposals	Nov 2006 – Feb 2007
Make and lay regulations	April 2007
New-look Scheme in force	April 2008

Partnership views were sought on the proposals, particularly from the admitted bodies. Consultation would be taking place until the end of September 2006. The complexities of the '85 year rule' were explained and a website was available, for members to read the detail for themselves.

Four options were put forward for the new-look scheme, of which none were recommended or preferred:

- **Option A:** an updated current scheme with the 1/80th: 3/80th structure.
- **Option B:** a new final salary scheme, with an improved accrual rate of 1/60th, but with no automatic lump sum.
- **Option C1 (C2):** a new career-average scheme, with an accrual rate of 1.85% (1.65%) and RPI (wage inflation) revaluation.
- **Option D:** a new hybrid scheme, based on C1 or C2, but with a one-off choice to make extra contributions in order to receive final salary linked benefits.

Additional benefit improvements included, improved death in service benefits (from two to three times pay), and partners' pensions for cohabitees, better targeted two-tier ill-health pension provisions, possible extensions to the flexible retirement provisions.

- Options B-D recycle about 50% of the savings from the removal of the 85 year rule and commutation
- Option A is a lower-cost option
- Cost sharing – both in designing the new-look scheme and in the future
- No recommended employee or employer contribution rate – but must be affordable, sustainable and fair to all parties.

7. Closing Remarks by the Chair

Councillor Rahman Khan thanked the Acting Director of Finance and Mr. Brian Town for their two presentations and to everyone for attending the AGM. In summing up the issues raised during the meeting, the following comments were made by the Chair.

The Chair emphasised that the Pensions Panel was discharging its responsibilities, on behalf of the Council, subject to the professional integrity of the Acting Director of Finance and other Council Officers, in safeguarding the fund. All professional guidance was followed after due consideration, as was summarised within the Annual Report. He reported that the Panel had good and effective engagements with the Fund Managers and received regular monitoring reports from the Acting Director of Finance, in addition to the Fund Managers, at each of their quarterly meetings. In order to filter the professional advice, the independent and external advisors to the trustees had been consulted. He advised members that the management of the fund was very complex, because the day to day administration was carried out by the Council officers and the actual investment by the fund managers; the best return of the fund was dependent upon political and economic conditions around the world. Moreover, besides volatility of international money markets, the appointment and termination of Fund Managers was also complex and costly. He drew the attention of the fund members, to play their part, in the interests of prudent fund management. For example, whenever they felt

they had any suggestions or concerns regarding the management of the fund, they were asked to report, without hesitation, either to the officers serving the fund, or to the panel members.

He reassured scheme members that all reasonable endeavours were being taken for prudent management of the fund. However, to ensure best practice and to comply with all requirements and guidelines, the existing members' level structure required further modification, which the Chair expected to occur during the year 2006. There was an obligation on the Council to maintain the solvency of the fund, which meant that any shortfalls in the Fund's funding level would, following the actuarial valuation of the fund, result in an increased subsidy by the Council. An interim valuation of the fund had been undertaken. He said that there was no magic solution to the whole field of pensions, but it appeared to him, that being backed by Government Assurance, the Local Government Pension Scheme was in a reasonable condition. Haringey was following all Government guidance and associated regulations.

He further added that should any questions remain unanswered at the AGM, or if there were any additional questions or concerns, these could be put in writing either to the officers or to the trustees. In order to take individual questions, queries or problems, he mentioned that some officers would remain at the conclusion of the AGM. In reply to queries from the floor, he assured the meeting that in the case of any proposals for major changes to the LGPS, he would endeavour personally, (within the framework of the Council regulations and guidelines), to ensure adequate consultation took place. Finally, Cllr. Khan thanked all of the officers, Councillors, members and guests for attending the AGM.

**Councillor Gmmh Rahman Khan
(Chair)**