

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 23 JUNE 2008**

PRESENT

Councillors Rahman Khan (Chair), Adje, Beacham, Butcher, Newton, Wilson, Howard Jones and Melling

Apologies Councillor Basu and Thompson

Also Present: Howard Jones and Roger Melling

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP07.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received on behalf of Councillor Basu and Councillor Thompson, and for lateness from Roger Melling.</p> <p>NOTED</p>	
PRPP08.	<p>URGENT BUSINESS</p> <p>The Chair agreed to the admission of the late report Responsible Investment Policy.</p> <p>NOTED</p>	
PRPP09.	<p>DECLARATIONS OF INTEREST</p> <p>Councillor Wilson declared a personal interest in respect of his employment at the Association of British Insurers.</p> <p>Councillor Newton declared a personal interest in respect of his membership of the Haringey Pension Scheme.</p> <p>Councillor Butcher declared a personal interest in respect of his membership of the Haringey Pension Scheme.</p> <p>Councillor Rahman Khan declared a personal interest in respect of his membership of the Haringey Pension Scheme. He also declared a personal interest in respect of his attendance at training events and conferences, to which some of the Fund Managers may have contributed.</p>	
PRPP10.	<p>MINUTES</p> <p>The unrestricted minutes of the meeting held on 13 March were agreed</p>	

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	<p>and signed by the Chair.</p> <p>The minutes of the meeting held on 9 June were withdrawn.</p>	
PRPP11.	<p>ATTENDANCE BY 4 FUND MANAGERS</p> <p>The Committee received presentations from four Fund Managers as follows:</p> <p>BERNSTEIN</p> <p>Fund performance for the global equities mandate was 0.88% below benchmark and 1.63% below target in the quarter to 31 March 2008.</p> <p>For the UK equities mandate, performance was 0.32% below benchmark and 0.82% below target in the quarter to 31 March 2008.</p> <p>Bernstein explained reasons for current performance and answered questions from trustees.</p> <p>CAPITAL</p> <p>Fund performance for the equities mandate was 1.14% below benchmark and 1.64% below target in the quarter to 31 March 2008.</p> <p>Fund performance for the fixed income mandate was 1.82% below benchmark and 2.07% below target in the quarter to 31 March 2008.</p> <p>Capital explained reasons for current performance and answered questions from trustees.</p> <p>FIDELITY</p> <p>Fund performance for the equities mandate was 1.04% below benchmark and 1.46% below target in the quarter to 31 March 2008.</p> <p>Fund performance for the bond mandate was 0.42% below benchmark and 0.57% below target in the quarter to 31 March 2008.</p> <p>Fidelity explained reasons for current performance and answered questions from trustees.</p> <p>PANTHEON</p> <p>Performance figures are not available for private equity investments for up to three years. Pantheon outlined the current commitment programme, advised of progress to date and answered questions from trustees.</p>	

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PRPP12.	FUND PERFORMANCE UPDATE <p>The Head of Finance – Budgets, Projects and Treasury, John Hardy, informed the Committee that since monitoring against the new benchmark had commenced on 1 April 2007, the combined Haringey fund has decreased in absolute terms by 4.73% up to 31 March 2008, underperformed the gross benchmark by 2.22% and also underperformed the gross target by 3.86%.</p> <p>Details of the ‘fundamentals’ training course run by the Local Government Employers had been circulated to Committee members and those interested in attending this training were encouraged to contact John Hardy.</p> <p>The Chair asked if there were any questions from the Committee.</p> <p>Councillor Beacham asked for further details about the impact of the downturn in the property market on the timing of future investments. Mr Hardy reported that the property investment manager was currently focussing on preserving value rather than identifying new opportunities, and that it would take longer to become fully invested in property in line with the investment strategy invest as a result. In the interim, some cash had been invested.</p> <p>Councillor Butcher asked what the mechanism was for indicating trustees’ concern regarding the performance of any Fund Manager. The Chief Financial Officer confirmed that officers could notify Fund Managers of concerns outside of the Committee meetings, and that necessary advice could be sought from the investment advisor.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the Fund performance position as at end of March 2008 be noted.ii) That the budget monitoring position to end of May 2008 (period 2) be noted.iii) That details of the LGE trustee training course be noted.	
PRPP13.	FUND ADMINISTRATION UPDATE <p>The Head of Finance – Budgets, Projects and Treasury, John Hardy, introduced this report, which outlined the 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.</p>	

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	<p>The Chair asked if there were any questions from Members:</p> <p>Councillor Wilson asked whether it was known how the two stage appeals process for the Internal Disputes Resolution Procedure was perceived by appellants and Councillor Adge asked for the reasons why retention of the two stage process had been recommended. Mr Hardy reported that feedback indicated that the two stage process was felt to operate successfully, and added that the two stage system enabled any new issues that might arise during the course of the process to be taken into account, preventing further escalation of cases. It was also noted that the number of appeals lodged was small. Roger Melling added that it was good for employees to have a second chance to address issues internally before cases were escalated to the ombudsman. Roger Melling requested confirmation that response had been received from the employees side in relation to the Internal Disputes Resolution Procedure.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the administration update be noted.ii) That, subject to confirmation from officers that a response had been received from the employees side, the present two stage appeals process be retained for the Internal Disputes Resolution Procedure.iii) That those employing bodies yet to publish a Policy Statement be urged to do so as soon as possible, and that Committee members be updated on progress.	
<p>PRPP14.</p>	<p>PENSION FUND FINANCIAL STATEMENTS FOR YEAR ENDING 31 MARCH 2008 AND BUDGET FOR 2008/09</p> <p>The Chief Financial Officer, Gerald Almeroth, presented this report on the Pension Fund's financial statements for the year ending 31 March 2008. Mr Almeroth reported that there had been a net decrease in the value of the fund during the year of £14.8 million, with the decrease in the market value of investments being partially offset by non-investment income exceeding expenditure.</p> <p>The Chair asked if there were any questions from Members:</p> <p>Councillor Butcher asked at what point fund expenditure would exceed income. Mr Almeroth reported that liabilities were being monitored, and that the increase in contributions that had been agreed previously would improve the position of the fund on a long term basis. The Committee noted that administrative costs for the fund had fallen in 2007/08 compared with the previous year. Mr Almeroth reported that the fund's</p>	

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	<p>administrative expenses compared favourably with those of other pension funds but that, because the fund took an active approach to investment, the fees for investment were higher than if a passive approach were adopted. The Chair asked to be provided with a full breakdown of the administrative expenses for information.</p> <p>The Chair suggested that reference should be made to FRS17 in paragraph 7.1 of the report as one of the standards with which preparation of the financial statements for the Pension Fund had been compliant. The Chief Financial Officer agreed to look into this issue.</p> <p>In response to an enquiry from the Chair, Mr Almeroth explained how the net discount rate was calculated, and that the increase in rate had had a positive effect on net liability as at 31 March 2008.</p> <p>The Chair requested additional information on hedging and on unlisted investments; The Head of Finance – Budgets, Projects and Treasury, John Hardy, agreed that this information would be sought.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the Pension Fund’s financial statements for 2007/08 be approved.ii) That the Pension Fund’s budget for 2008/09 be approved.	
<p>PRPP15.</p>	<p>RESPONSIBLE INVESTMENT POLICY</p> <p>The Committee considered a report on the Responsible Investment Policy. Following the decision made on 25 October 2007 to review the responsible investment policy, a revised policy was proposed and it was suggested that implementation of this revised policy be formalised by means of a side letter to Fund Managers’ current agreements.</p> <p>Councillor Butcher stated that he was aware that the Committee’s primary responsibility in relation to the management of the Pension Fund was that of fiduciary duty, but expressed disappointment that the responsible investment policy had not been strengthened further and expressed concern that a side letter would not have sufficient impact on Fund Managers. Concerns were expressed regarding the mechanisms by which Fund Managers could be held to account in relation to the policy, what the sanction for non-compliance would be and how the specific information that would be required for this could be obtained. In response to the suggestion of contracting an external organisation to provide specific advice in this area, the Chief Financial Officer, Gerald</p>	

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	<p>Almeroth, reported that this was still an undeveloped market and that the effectiveness of such services was at present unproven, but that the Committee would revisit this possibility at a later date when the market was further developed and competition among providers had increased. The Chair reminded the Committee of its primary duty to ensure the welfare of the fund for all stakeholders, and that the use of resources must be prudent. As the objective of the Committee was to maximise returns, it was noted that it would be difficult to justify expense that could not be seen to directly contribute to this objective.</p> <p>Mr Almeroth advised the Committee that there was no scope for applying pressure on Fund Managers to increase their focus on responsible investment issues without an agreed policy. It was suggested that the revised policy be adopted and monitored for effectiveness, in order to determine any further necessary action and associated cost implications.</p> <p>The Committee requested that officers provide members with regular updates on responsible investment issues, based on a comparison of the information provided by Fund Managers with information provided by LAPFF.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the revised Responsible Investment Policy be agreed and included in the Statement of Investment Principles (SIP).ii) That implementation of the revised policy be formalised by means of a side letter to Fund Managers' current agreements.iii) That officers monitor the Fund Managers' approach to the revised Responsible Investment Policy, and provide the Committee with regular updates including relevant information from LAPFF.iv) That Fund Managers be required to comply fully with the revised Responsible Investment Policy. The Chief Financial Officer would look into any apparent deviation from the policy and would advise the Committee as necessary on suggested action.	
<p>PRPP16.</p>	<p>BUSINESS PLAN 2008/09</p> <p>The Committee considered the report on the Business Plan for 2008/09, including the revised Statement of Investment Principles (SIP) and the revised Communications Policy Statement. The SIP will be updated to incorporate the Responsible Investment policy approved earlier in the meeting.</p> <p>In response to a question from the Chair, it was confirmed that the Head</p>	

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	<p>of Finance – Budgets, Projects and Treasury, John Hardy, had overall responsibility for the co-ordination of issues relating to pension fund management.</p> <p>On a motion by the Chair it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the 2008/09 Business Plan be approved.ii) That the revised Statement of Investment Principles be approved.iii) That the revised Communications Policy Statement be approved.	
<p>PRPP17.</p>	<p>ANY UNRESTRICTED ITEMS OF URGENT BUSINESS</p> <p>Nil items.</p> <p>There being no further business to discuss the meeting ended at 21.45hrs.</p>	

COUNCILLOR GMMH RAHMAN KHAN

Chair