

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 20 OCTOBER 2008**

Councillors Rahman Khan (Chair), Adje, Beacham, Thompson and Wilson

Apologies Councillor Basu, Councillor Butcher and Roger Melling

Also Present: Howard Jones and David Fishman

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP41.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Cllr Basu, Cllr Butcher and Roger Melling.</p>	
PRPP42.	<p>URGENT BUSINESS</p> <p>RESOLVED</p> <p>That the late reports Governance Options Regarding Monitoring of Fund Managers and Business Continuity Arrangements (open report and exempt appendix) be admitted for consideration.</p>	
PRPP43.	<p>DECLARATIONS OF INTEREST</p> <p>Cllr Wilson declared a personal interest in respect of his employment by the Association of British Insurers.</p> <p>Cllr Adje declared a personal interest as a contributing member to the Haringey Pension Scheme.</p> <p>Cllr 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 directly contributed.</p> <p>Cllr Thompson 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 directly contributed.</p>	
PRPP44.	<p>MINUTES</p> <p>The minutes of the meeting held on 18 September were agreed and signed by the Chair.</p>	

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**PRPP45. ANNUAL GOVERNANCE REPORT - TO CONSIDER THE
STATUTORY REPORT OF GRANT THORNTON, THE COUNCIL'S
APPOINTED AUDITOR OF THE PENSION FUND**

The Chief Financial Officer introduced the Annual Governance Report of Grant Thornton, the Council's appointed auditor of the Pension Fund. From the next financial year a separate audit of Pension Fund accounts would be a statutory requirement and, in advance of this requirement coming into force, this was the first separate audit of Haringey's Pension Fund accounts, which had previously been included within the overall audit of the Council's accounts.

The Chair welcomed the report and the separate audit of the Pension Fund accounts, which provided Trustees with a further insight into the Pension Fund.

Grant Thornton presented the various sections of the report, which covered the approach to the work, audit findings, review of the accounts and audit adjustments. Grant Thornton also discussed the changes to the SORP which would be coming into effect from next financial year, and the impact these would have on the 2008/09 accounts.

In response to questions from members regarding the use of shared bank accounts, as outlined in the audit results, Grant Thornton reported that shared accounts were common in Local Authorities. In response to the question of whether the Council would implement the auditors' recommendation that the Council consider the use of separate bank accounts, the Chief Financial Officer reported that a full review of the options would be carried out, assessing the relative impact of the options on workload and cost, and that a decision on how to proceed would be made on this basis. The Chair requested that this review be carried out by the end of the financial year. The Chief Financial Officer emphasised to members that under no circumstances would the holdings of the Pension Fund ever be used to supplement Council funds. Grant Thornton confirmed that no Pension Fund money was invested in Icelandic accounts. For information, the Chief Financial Officer tabled details of Pension Fund deposits as at October 2008, and reported that accounts were chosen on the basis of advice from rating agencies and treasury management advisors.

Grant Thornton confirmed that the contributions received late, as outlined in the audit results, related only to the smaller scheduled and admitted bodies, and it was suggested that ways of addressing this issue with the individual bodies concerned be explored. The Chair requested that officers investigate any instances of late payment in order to ensure that procedures were compliant with all relevant regulations and best practice.

In response to questions regarding the issue of members with more than one record and the risk that these might be double-counted by the actuary in their valuation of the Fund, Grant Thornton confirmed that this was an issue that the actuary was aware of and would take into account, but that it had been raised in the report to highlight the issue. The Chief

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Financial Officer confirmed that duplicate records would be identified as part of a data validation exercise with the actuary to ensure that no double-counting occurred.

Members asked about the accounting standards and what impact changes to the accounting standards and SORP would have on the Fund's accounts in the next financial year. Grant Thornton reported that the accounting standards would only affect the presentational aspect of the Fund's accounts and would have no material impact on the bottom line.

Members welcomed the report, and were pleased that the results of the audit demonstrated that there were no material issues identified in relation to the Pension Fund accounts, and that the accounts were compliant with the Local Government SORP. The Chair thanked Grant Thornton for their report and presentation, and welcomed the auditors' assessment that the Pension Fund was operating with the level of efficiency that would be expected for a fund of its size. The Chair also welcomed the fact that the Pension Fund accounts would be subject to the full Pensions SORP as of the following financial year, and requested that Grant Thornton assist officers wherever necessary to ensure that the Fund was fully compliant. The Chair reported that he had looked into the draft and final accounts, to confirm that the adjustments referred to in the report had been incorporated in the final version, and highlighted the areas concerned.

Members requested that the full Pension Fund accounts be provided in hard copy to members of the Pension Scheme at the next AGM. Officers would provide an update on the review of the options associated with the auditors' recommendations at a future meeting of the Pensions Committee.

RESOLVED

- i) That the contents of the report and the verbal presentation from Grant Thornton be noted; the recommendations of the report to be complied with by 31 March 2009.
- ii) That the revised Pension Fund accounts for 2007/08 be approved.
- iii) That the full Pensions SORP be applied to the Pension Fund accounts for 2008/09.
- iv) That the full Pension Fund accounts be presented to the next AGM.
- v) That Grant Thornton assist officers to be fully compliant with the SORP for the 2008/09 Pension Fund Accounts.

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PRPP46.

GOVERNANCE OPTIONS REGARDING MONITORING OF FUND MANAGERS

The Chief Financial Officer, Gerald Almeroth, introduced this report on the governance options regarding monitoring of Fund Managers and the report of Hewitt Associates Limited on best practice options for governance arrangements. The Committee noted that it was important to balance the time spent speaking to Fund Managers with the time spent on reviewing the investment strategy and asset allocation, and noted that the new investment strategy would add a further two Fund Managers.

Further to the review by Hewitts, the report set out three best practice options of which 'refocus of the current structure' had been identified as the preferred course of action. Under this option, the Committee would continue to hold six meetings a year, but with three dedicated to Fund Manager monitoring and three dedicated to a business agenda focussed on the Fund's investment strategy and monitoring at a Fund level. The Chief Financial Officer reported that, while it was hoped that the Committee could move towards this option in the future, the current financial climate meant that it was not an opportune moment to change current arrangements and it was suggested that this issue be brought back for further consideration by the Committee at a future date.

Members agreed that the recommended refocus of the current structure of Committee meetings would be desirable in future, but also agreed that no action should be taken in the present economic situation. It was also noted that the next full review of investment strategy was due in eighteen months time. In the interim, the Chair suggested that time be allocated at each Pensions Committee meeting to monitor the investment strategy during this period of market volatility. Members emphasised that it was important for sufficient time to be allocated for any consideration of the investment strategy, given its importance.

RESOLVED

- i) That no changes to arrangements be implemented at the present time, although option 1 has been identified as the preferred way forward under the present arrangement of six meetings per year.
- ii) That, when advised by the Chief Financial Officer that it was an appropriate time to make changes to the governance arrangements, the implementation of option 1 be discussed further.
- iii) That, in view of current market turmoil, the investment strategy be reviewed in brief on a quarterly basis, pending a full review as planned at the appropriate time.

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PRPP47.	BUSINESS CONTINUITY ARRANGEMENTS <p>The Chief Financial Officer, Gerald Almeroth, introduced the report to consider the ownership risks of the current Fund Managers and the business continuity arrangements in the event of a Fund Manager ceasing to trade. The report presented an assessment of Fund Manager ownership, and proposals for contingency options in the event of a Fund Manager ceasing to trade. Members were reassured that there would be no loss of funds if a Fund Manager were to cease to trade, as assets were held either in the name of the Fund's custodian, Northern Trust, or of the Council and not the name of the Fund Manager.</p> <p>The Committee discussed the recommendation that an Index Tracker Fund Manager be appointed to a framework agreement, and discussed other possible options to mitigate the risk of assets not being managed on an interim basis. It was noted that payment would only be made to any appointed Index Tracker Fund manager in the event that they were needed because of an existing Fund Manager ceasing to trade.</p> <p>In response to questions from members, it was reported that any interim measure taken would not affect the fund's wider investment strategy in the long term. Hewitts clarified the position of Northern Trust as custodian for the Pension Fund, meaning that assets were held in their name but were not owned by them. As such, there was no risk to the fund's assets if Northern Trust were to cease to trade.</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the ownership risks of the fund's Fund Managers be noted.ii) That authority be delegated to the Chief Financial Officer to appoint an Index Tracker Fund Manager to a framework agreement for a four year contract period, involving at each stage the Council's Corporate Procurement Unit and Legal Services and ensuring full compliance with EU regulations and all other appropriate UK regulations.iii) That the performance of the Index Tracker be reviewed periodically by the Pensions Committee.	
PRPP48.	ANY NEW ITEMS OF URGENT BUSINESS <p>There were no new items of urgent business.</p>	
PRPP49.	EXCLUSION OF PUBLIC AND PRESS <p>RESOLVED</p> <p>That the press and public be excluded from the meeting.</p>	

