



## NOTICE OF MEETING

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# Pensions Committee

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MONDAY, 1ST DECEMBER, 2008 at 19:00 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, LONDON N22 8LE.

**PLEASE NOTE: THE ADVISOR WILL BRIEF ALL MEMBERS OF THE PENSIONS COMMITTEE, PRIOR TO THE MEETING, AT 18:30HRS**

MEMBERS: Councillors Rahman Khan (Chair), Adje, Beacham, Basu, Butcher, Thompson and Wilson

IN ATTENDANCE: Howard Jones, Roger Melling, David Fishman and Earl Ramharacksingh

### AGENDA

1. **APOLOGIES FOR ABSENCE**
2. **URGENT BUSINESS**

The Chair will consider the admission of any late items of urgent business. Late items will be considered under the agenda item where they appear. New items will be considered under agenda item 13.

### **3. 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 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 minutes of the Pensions Committee held on 20 October 2008.

### **5. EXCLUSION OF PUBLIC AND PRESS**

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

### **6. UPDATE ON AN ASSET ALLOCATION ISSUE (PAGES 9 - 18)**

Report of the Chief Financial Officer to provide an update on an asset allocation issue for consideration by Trustees.

### **7. RE-INCLUSION OF PUBLIC AND PRESS**

That the Committee is asked to resolve to re-admit the public and press into the proceedings to hear the unrestricted items on the agenda as stated.

### **8. UPDATE ON THE INTRODUCTION OF ACTIVE CURRENCY (PAGES 19 - 24)**

Report of the Chief Financial Officer to provide an update on the introduction of active currency.

## **9. FUND PERFORMANCE UPDATE (PAGES 25 - 44)**

Report of the Chief Financial Officer:

- i) To consider the latest investment performance data for the Pensions Fund and for each of the Fund's investment managers.
- ii) This report sets out the fund performance to end of September 2008, compares responsible investments information provided by our Fund Managers and LAPFF, reports progress with the signing of side letters by our Fund Managers for responsible investments, considers extending our membership of LAPFF, and reports budget management to end of October 2008 (period 7).
- iii) To report 2008/09 budget management to the end of October 2008.

## **10. FUND ADMINISTRATION UPDATE (PAGES 45 - 48)**

Report of the Assistant Chief Executive, People and Organisational Development 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 Department for Communities and Local Government (DCLG).

## **11. CESSATION REPORT FOR OCS GROUP LTD (PAGES 49 - 50)**

Report of the Assistant Chief Executive, People and Organisational Development and Chief Financial Officer to report on the funding position attributable to OCS Group Ltd on their cessation as an admitted body to the Haringey Pension Fund at 31<sup>st</sup> August 2007.

## **12. ATTENDANCE BY FUND MANAGERS**

Attendance and presentations by Fund Managers for a 10 minute presentation and 15 minutes of questions from Trustees, the Advisor to Trustees and the Chief Financial Officer.

**8:00pm** – Bernstein;

**8:25pm** – Capital;

**8:50pm** – Fidelity.

## **13. ANY UNRESTRICTED ITEMS OF URGENT BUSINESS**

To consider any new unrestricted items of urgent business admitted under agenda item 2 above.

Yuniea Semambo  
Head of Local Democracy and Member Services  
5<sup>th</sup> Floor  
River Park House  
225 High Road  
Wood Green  
London N22 8HQ

Helen Jones  
Principal Committee Coordinator  
Tel: 020 8489 2615  
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Email: [Helen.jones@haringey.gov.uk](mailto:Helen.jones@haringey.gov.uk)

21 November 2008

**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><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were received from Cllr Basu, Cllr Butcher and Roger Melling.</p>	
PRPP42.	<p><b>URGENT BUSINESS</b></p> <p><b>RESOLVED</b></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><b>DECLARATIONS OF INTEREST</b></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><b>MINUTES</b></p> <p>The minutes of the meeting held on 18 September were agreed and signed by the Chair.</p>	

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

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

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.

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

**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.



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

<p><b>PRPP47.</b></p>	<p><b>BUSINESS CONTINUITY ARRANGEMENTS</b></p> <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><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the ownership risks of the fund's Fund Managers be noted.</li> <li>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.</li> <li>iii) That the performance of the Index Tracker be reviewed periodically by the Pensions Committee.</li> </ul>	
<p><b>PRPP48.</b></p>	<p><b>ANY NEW ITEMS OF URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p>	
<p><b>PRPP49.</b></p>	<p><b>EXCLUSION OF PUBLIC AND PRESS</b></p> <p><b>RESOLVED</b></p> <p>That the press and public be excluded from the meeting.</p>	





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

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Haringey Council

Agenda item:

<b>Pensions Committee</b>	<b>On 1/12/08</b>
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Report Title. <b>Update on the introduction of active currency</b>		
Report of <b>The Chief Financial Officer</b>		
Signed : 		
Contact Officer : <b>John Hardy – Corporate Finance</b> <b>Telephone 020 8489 3726</b>		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Wards(s) affected: <b>All</b></td> <td style="width: 50%; padding: 5px;">Report for: Non key decision</td> </tr> </table>	Wards(s) affected: <b>All</b>	Report for: Non key decision
Wards(s) affected: <b>All</b>	Report for: Non key decision	
<b>1. Purpose of the report</b> 1.1. To provide an update on the introduction of active currency.		
<b>2. Introduction by Cabinet Member</b> 2.1 Not applicable.		
<b>3. State link(s) with Council Plan Priorities and actions and /or other Strategies:</b> 3.1. This report links in with investment strategy of the Pension Fund. A full review of investment strategy is undertaken every three years.		

**4. Recommendations**

- 4.1 That active currency be implemented at the appropriate time when market conditions have improved and are less volatile.
- 4.2 That the Chief Financial Officer be given delegated powers, in consultation with the Chair of Pensions Committee, to finalise any other matters to implement the currency investment, in order to best deliver that strategy.

**5. Reason for recommendations**

- 5.1. Market conditions need to improve and be less volatile before active currency is introduced.

**6. Other options considered**

- 6.1. Not applicable.

**7. Summary (Performance)**

- 7.1 Not applicable.

**8. Head of Legal Services Comments**

- 8.1. The Head of Legal Services has been consulted on the content of this report and has no specific comment.

**9. Head of Procurement Comments**

- 9.1. Not applicable

**10. Equalities & Community Cohesion Comments**

- 10.1. There are no equalities issues arising from this report.

**11. Consultation**

- 11.1. Not applicable.

**12. Service Financial Comments**

- 12.1. Not applicable.



**13. Use of appendices /Tables and photographs**

- 13.1. Appendix 1 - report by Hewitt.

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

- 15.1 Fund Performance report and presentation by Hewitt to Pensions Committee on 18 September 2008.

**Background**

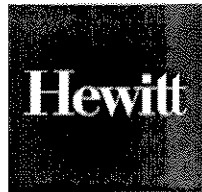
- 16.1 The purpose of this report is to provide an update on the introduction of active currency. A report is appended from our investment advisors Hewitt's in Appendix 1.

**Active currency**

- 16.2 Special Pensions Committee on 11 June 2007 agreed to appoint Record and Investec as our active currency managers. Since that meeting substantial work has been undertaken to agree details and legal agreements with each Fund Manager but still not finalised or signed.
- 16.3 A further reason for the active currency not yet being implemented is because of concerns around the market arising from the credit crunch and other issues. Markets have fallen significantly and therefore it would cost much more to invest in active currency and the advice is that these are not the best market conditions for active currency to reduce risk and to work well.
- 16.4 Our new investment advisors, Hewitt's, have advised that active currency should be introduced when market conditions are less volatile, the price of shares has risen again and the exchange rates are more stable. At that time the products to be invested in will be reviewed to ensure that the best approach is implemented.

**Conclusions**

- 16.5 It is concluded that active currency be implemented at the appropriate time when market conditions have improved and are less volatile.
- 16.6 It is proposed that the Chief Financial Officer be given delegated powers, in consultation with the Chair of Pensions Committee, to finalise any other matters to implement the currency investment, in order to best deliver that strategy.



**London Borough of Haringey Pension Fund**

Date: 18 November 2008  
 Prepared for: John Hardy  
 Prepared by: David Hager  
 David Crum

**Active Currency Management**

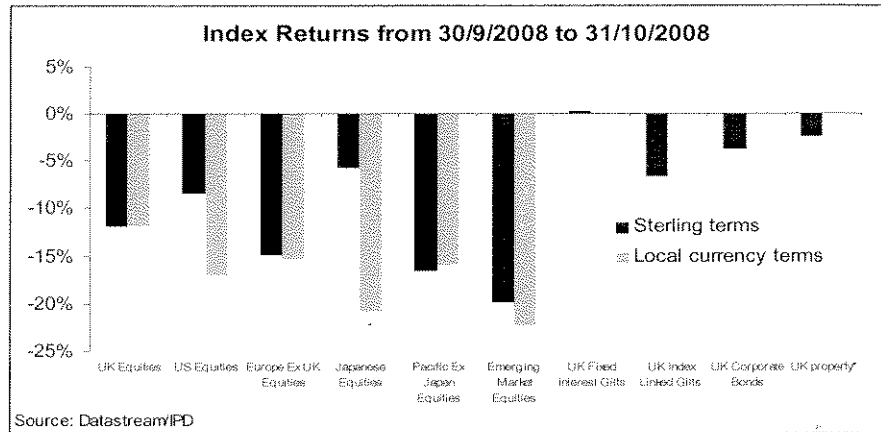
**Introduction**

At the September meeting of the Pensions Committee, we advised that we supported the Committee's previous decision to invest in active currency and in their choices of managers. We also proposed that the allocations be made to absolute return currency funds rather than adding in a derivatives overlay which made the assets fluctuate along with the movement of equities. We also recommended that the UK equity holding with Fidelity would be the source of funding these active currency mandates.

The documentation for the active currency portfolios was not complete and hence it would take a short period of time to put this in the necessary format for the mandate to go ahead.

**Market events**

Since September, there have been huge changes in stock markets as can be seen from the graph below.



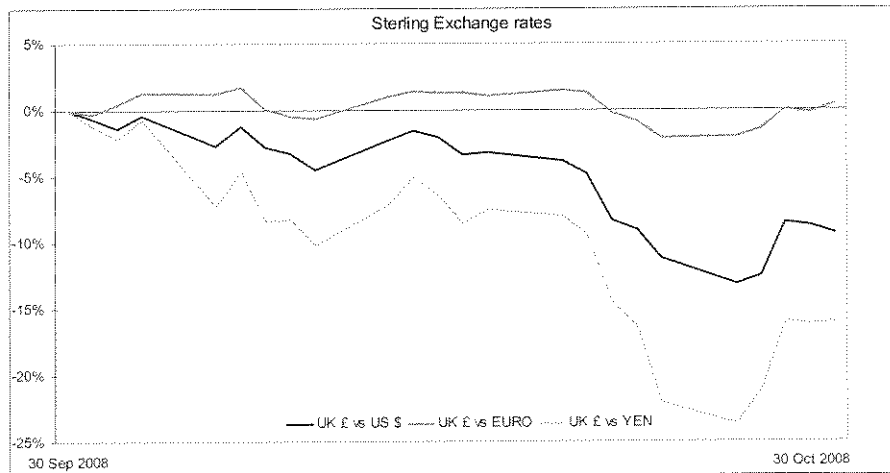
\* Property relates to September 2008

Furthermore, exchange rates have been showing major changes with a very strong Dollar against Sterling and an even stronger Yen against Sterling. Indeed, the Sterling Dollar exchange rate has changed from over \$2 = £1 to \$1.50 = £1 in just over 3 months.

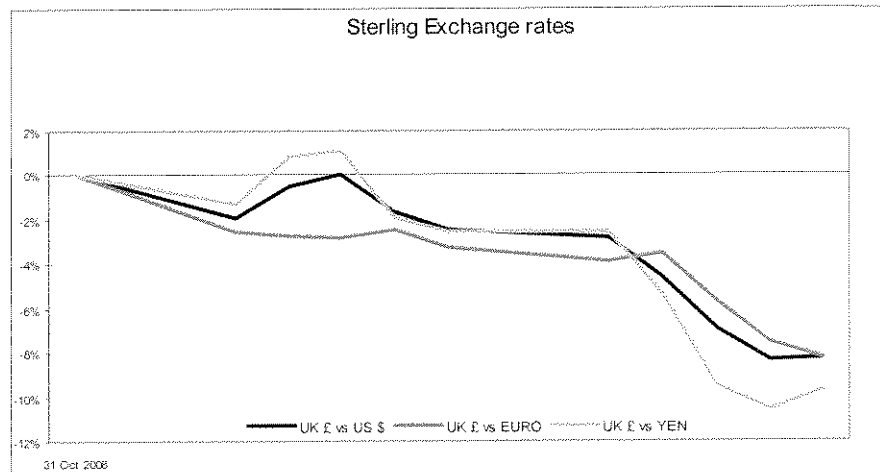
The graphs below show the moves against Sterling in October and November respectively.

London Borough of Haringey Pension Fund  
Page 2  
18 November 2008

### October 2008



### November 2008



In these conditions, we have seen many forced sellers, particularly from the hedge fund areas driving market prices and exchange rates. There has also been a considerable amount of Government activity to try to reduce the chances of recession. In these conditions, market prices can change for reasons other than rational behaviour and hence it is harder to make money in currency markets from using skill based methods at times like this.

### Our current advice

Our advice is that equities should not be sold at current levels to fund a currency programme and that a decision is deferred until early 2009 on whether the currency markets exhibit sufficient stability to commence the investment programme.

It will in any case take some weeks to complete the negotiation of the documentation with the two investment managers and therefore we suggest that the Committee review the matter again at a meeting in the Spring of 2009.

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Haringey Council

Agenda item:

<b>Pensions Committee</b>	<b>On 1/12/08</b>
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Report Title: <b>Fund Performance update</b>		
Report of <b>The Chief Financial Officer</b>		
Signed : 		
Contact Officer : <b>John Hardy – Corporate Finance</b> <b>Telephone 020 8489 3726</b>		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Wards(s) affected: <b>All</b></td> <td style="width: 50%; padding: 5px;">Report for: Non key decision</td> </tr> </table>	Wards(s) affected: <b>All</b>	Report for: Non key decision
Wards(s) affected: <b>All</b>	Report for: Non key decision	
<p><b>1. Purpose of the report</b></p> <p>1.1. To consider the latest investment performance data for the Pensions Fund and for each of the Fund's investment managers.</p> <p>1.2. This report sets out the fund performance to end of September 2008, compares responsible investments information provided by our Fund Managers and LAPFF, reports progress with the signing of side letters by our Fund Managers for responsible investments, considers extending our membership of LAPFF, and reports budget management to end of October 2008 (period 7).</p> <p>1.3. To report 2008/09 budget management to the end of October 2008.</p>		
<p><b>2. Introduction by Cabinet Member</b></p> <p>2.1 Not applicable.</p>		

**3. State link(s) with Council Plan Priorities and actions and /or other Strategies:**

3.1. This report gives progress with the signing of side letters by our Fund Managers for responsible investments and this links in with the Responsible Investments Policy of the Pension Fund.

**4. Recommendations**

4.1 That the Fund performance position as at end of September 2008 be noted.

4.2 That responsible investments information provided be noted.

4.3 That our membership of LAPFF be extended for a further year and be reviewed again in one year's time.

4.4 That the budget management position to the end of October 2008 (period 7) be noted.

**5. Reason for recommendations**

5.1. Not applicable.

**6. Other options considered**

6.1. Not applicable.

**7. Summary (Performance)**

7.1 Since monitoring against the new benchmark commenced on 1 April 2007, the annualised performance of the combined Haringey fund has declined in absolute terms by 10.65% per cent up to 30 September 2008, underperformed the gross benchmark by 3.53% and also underperformed the gross target by 5.17%.

7.2 Regarding our Fund Managers, Bernstein and Capital are under-performing the most.

7.3 There has been much volatility in the market over the past period due to a number of issues. These have impacted upon the performance of our portfolio, are still ongoing and we are monitoring the position carefully. Major issues are as follows:

- credit issues that have arisen and are linked to the sub prime mortgage market in USA;
- the price of oil;
- inflation rates;

- interest rates; and,
- property prices and rental values.

**8. Chief Financial Officer Comments**

The Chief Financial Officer comments as follows:

- 8.1 Performance of our Fund Managers is being carefully monitored in the current volatile market conditions. Regarding our Fund Managers, Bernstein and Capital are under-performing the most.
- 8.2 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.
- 8.3 One years further membership of LAPFF will cost £8,460 and this will be charged to the Pension Fund.

**9. Head of Legal Services Comments**

- 9.1. The Head of Legal Services has been consulted on the content of the report and has no specific comments generally other than to remind members of their duty to take and consider proper advice concerning investment in the fund. Membership of LAPFF for a further year is a reasonable course of action in the circumstances of the current policy of the administering authority on responsible investment.

**10. Head of Procurement Comments**

- 10.1. Not applicable

**11. Equalities & Community Cohesion Comments**

- 11.1. There are no equalities issues arising from this report.

**12. Consultation**

- 12.1. Not applicable.

**13. Service Financial Comments**

- 13.1 Not applicable.

**14. Use of appendices /Tables and photographs**

- 14.1. Appendix 1. Top ten shares held and fund holdings.
- 14.2. Appendix 2. Fund performance to 30 September 2008
- 14.3 Appendix 3. Responsible Investments (Top ten holdings)
- 14.4 Appendix 4. Responsible Investments (Other holdings)
- 14.5 Appendix 5. Budget management to end of October 2008.

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

Northern Trust performance monitoring reports

Fund performance update report to Pensions Committee on 18 September 2008

**16. Investment performance reported at the June meeting of Pensions Committee**

16.1 The investment performance of the Pensions fund was last reported to Pensions Committee in September 2008. That report covered the period up to 30 June 2008, at which time the following points were noted:

- Since monitoring against the new benchmark commenced on 1 April 2007, the annualised performance of the combined Haringey fund has declined in absolute terms by 6.85% per cent up to 30 June 2008, underperformed the gross benchmark by 3.63% and also underperformed the gross target by 5.27%.
- Regarding our Fund Managers, Bernstein and Capital are under-performing the most.
- There has been much volatility in the market over the past period due to a number of issues. These have impacted upon the performance of our portfolio, are still ongoing and we are monitoring the position carefully. Major issues are as follows:
  - credit issues that have arisen and are linked to the sub prime mortgage market in USA;
  - the price of oil;
  - inflation rates;
  - interest rates; and,
  - property prices and rental values.



16.2 Up to the end of June 2008 performance by our Fund Managers in annualised terms was as follows:

- Bernstein's Global Equity and UK Equity mandates have underperformed the gross targets by 8.47% and 9.47% respectively.
- Capital's Equity and Bond mandates are below target by 5.99% and 4.50%.
- Fidelity's Equity and Bond mandates underperformed the gross targets by 0.74% and 1.23% respectively.
- ING are below target by 0.20% but above benchmark by 0.80%.

## 17. Investment performance for the combined Fund updated for this quarter

17.1 The last performance update to Pensions Committee on 18 September 2008 reminded trustees that our new investment structure was largely implemented on 16 March 2007. Therefore, this report shows performance monitoring against the new benchmarks from 1 April 2007.

17.2 Performance of the combined Haringey fund compared to benchmark and target for the three months and annualised 18 months periods to end of September 2008 are 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 2008	18 months to end of September 2008 (annualised)
	%	%
Overall fund performance	(7.72)	(10.65)
Benchmark	(6.76)	(7.12)
<b>Performance versus benchmark</b>	<b>(0.96)</b>	<b>(3.53)</b>
Overall fund performance	(7.72)	(10.65)
Target	(6.35)	(5.48)
<b>Performance versus target</b>	<b>(1.37)</b>	<b>(5.17)</b>

17.3 This shows that in the 18 months period to September 2008:

The annualised performance of the combined Haringey fund has decreased in absolute terms by 10.65%, the fund under performed the new benchmark by 3.53% and under performed the target by 5.17%.

17.4 Appendix 1 shows the following for the combined fund as at end of September 2008 and 2007 for comparative purposes: (1) top ten shares held and (2) fund holdings.

## 18. Fund Manager Performance

18.1 Appendix 2 shows for each Fund Manager investment performance to end of September 2008, compared to benchmarks and targets as supplied by our custodian, Northern Trust. This is the sixth quarter since the new benchmarks were introduced; consequently we have limited historic data.

18.2 The performance targets for each Fund Manager's mandates are shown on the next page. They denote the percentage annualised annual return above the benchmark over a rolling 3 year period. The table excludes active currency as we have not invested in this yet.

18.3 We have had sixteen calls on the Pantheon Asia, European and USA funds totalling £8.7 million to date and for the first time have shown performance numbers received from our custodian. These performance numbers are not meaningful until a significant proportion of the portfolio has been invested.

18.4 Targets are set out in the table below and are gross of fees.

	% Target above benchmark	% actual annualised performance above/(below) benchmark in the 18 months to September 2008	% actual annualised performance above/(below) target in the 18 months to September 2008
Bernstein – global equities	3.0	(9.63)	(12.63)
Bernstein – UK equities	2.0	(6.62)	(8.62)
Capital - equities	2.0	(3.05)	(5.05)
Capital - bonds	1.0	(3.01)	(4.01)
Fidelity - equities	1.7	(0.52)	(2.22)
Fidelity - bonds	0.6	(0.42)	(1.02)
ING	1.0	0.40	(0.60)
Pantheon – private equity	0.75	N/A	N/A

18.5 The latest quarterly meetings took place on 12 November 2008 between each Fund Manager, the Head of Finance – Budget Management, Treasury & Pensions and the Independent Advisor to Trustees. A summary of the key issues discussed at those meetings is set out below.

18.5.1 **Bernstein**

- Performance to date.
- Volatility in markets (e.g. credit crunch, inflation, bank rate, oil).
- Future outlook for markets.
- Review of our Responsible Investment policy.

18.5.2 **Capital International**

- Performance to date.
- Volatility in markets (e.g. credit crunch, inflation, bank rate, oil).
- Future outlook for markets.
- Review of our Responsible Investment policy.

18.5.3 **Fidelity**

- Performance to date.
- Volatility in the market (e.g. credit crunch, inflation, bank rate, oil).
- Future outlook for markets.
- Review of our Responsible Investment policy.

18.5.4 **ING**

- Performance to date.
- Volatility in the property market and future estimated returns.
- Investment opportunities to become fully invested to increased property benchmark.

18.5.5 **Pantheon**

- Performance to date.
- Volatility in the market and future estimated returns.
- Estimated timing and amounts of future calls.

18.5.6 Up to the end of September 2008 performance by our Fund Managers in annualised terms was as follows:

- Bernstein's Global Equity and UK Equity mandates have underperformed the gross targets by 12.63% and 8.62% respectively.
- Capital's Equity and Bond mandates are below target by 5.05% and 4.01%.
- Fidelity's Equity and Bond mandates underperformed the gross targets by 2.22% and 1.02% respectively.
- ING are below target by 0.60% but above benchmark by 0.40%.

## **19. Conclusions**

- 19.1 Since monitoring against the new benchmark commenced on 1 April 2007, the annualised performance of the combined Haringey fund has declined in absolute terms by 10.65% per cent up to 30 September 2008, underperformed the gross benchmark by 3.53% and also underperformed the gross target by 5.17%.
- 19.2 It has been a difficult time for the whole market and two of our Fund Managers are under-performing in particular; namely Bernstein and Capital. There has been much volatility in the market over the past period due to a number of issues. These have impacted upon the performance of our portfolio, are still ongoing and we are monitoring the position carefully.

## **20. Responsible Investments**

- 20.1 At Pensions Committee on 23 June 2008 a review of our Responsible Investment Policy was considered and agreed by Trustees. One of the recommendations was that officer's monitor the Fund Managers approach to the revised Responsible Investment Policy. In addition at the last meeting of the Committee in September it was requested that in future Fund Managers detail engagement for the Fund's top ten holdings of shares.
- 20.2 Appendices 3 and 4 compare responsible investments information provided by our three core Fund Managers for the quarter ending 30 September 2008 with the information supplied by LAPFF over the same time period for the Fund's top ten holdings of shares (Appendix 3) and engagement with other companies (Appendix 4). Where LAPFF have raised issues in companies where Haringey do not own shares, then this information has been excluded. This comparison will be made each quarter going forward as part of this report.
- 20.3 Regarding the signing of side letters to incorporate our responsible investment requirements, Bernstein and Fidelity are in the process of signing and Legal are awaiting further comments from Capital International.
- 20.4 Our membership of LAPFF expires on 5 December 2008 and therefore we need to consider whether to extend this. We use the information provided by LAPFF to compare with responsible investment activity supplied by our core Fund Managers each quarter in this report as previously agreed. In addition the Chair attends the regular meetings of LAPFF. One years further membership of LAPFF will cost £8,460 and this will be charged to the Pension Fund. Alternatively three years membership would cost £8,250 per annum. It is recommended that our membership of LAPFF be extended by a further year and reviewed again in one year's time.

**21. Budget Monitoring**

21.1 The budget monitoring analysis to period 7 (end of October 2008) is attached in Appendix 5.

21.2 Significant variances to date are:

- transfer values paid and received where the volume will vary by year and timing within the year;
- pensions and other benefits that is dependent upon the number of pensions and benefits payable;
- employee and 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 companies invested in by our Fund Managers.

21.3 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 year's in-house surpluses are earmarked to fund our private equity investments.

## APPENDIX 1

## TOP TEN SHARES HELD

Shares	As at 30 September 2008			As at 30 September 2007		
	Rank	Percentage of Fund	Market Value	Rank	Percentage of Fund	Market Value
		%	£'000		%	£'000
1. Shell	1	3.2	10,874	1	3.2	14,665
2. BP	2	3.0	10,110	3	2.0	9,213
3. Vodafone Group	3	2.3	7,694	2	2.4	10,880
4. Glaxosmithkline	4	2.0	6,680	7	1.4	6,351
5. RBS	5	1.8	6,159	4	2.0	8,915
6. HSBC	6	1.6	5,446	5	1.5	6,654
7. Barclays	7	1.1	3,894	10	1.3	5,885
8. Astrazeneca	8	1.1	3,884	8	1.4	6,323
9. Aviva	9	1.1	3,650			
10. BAE Systems	10	0.9	3,114			
Rio Tinto				9	1.3	6,093
HBOS				6	1.4	6,450

## FUND HOLDINGS

Fund Holdings	As at 30 September 2008		As at 30 September 2007	
	Percentage of Fund	Market Value	Percentage of Fund	Market Value
	%	£'000	%	£'000
UK equities	22.2	118,836	26.3	167,252
Overseas equities	19.7	105,673	20.4	130,288
Pooled investment vehicles	40.5	217,072	33.2	211,658
Index-linked securities	1.5	7,995	4.1	25,831
Fixed interest securities	3.6	19,344	6.5	41,535
Cash	5.4	28,739	2.9	18,558
Property	6.0	32,238	6.3	40,072
Private Equity	1.2	6,243	0.3	1,937
<b>Totals</b>	<b>100.0</b>	<b>536,141</b>	<b>100.0</b>	<b>637,131</b>



## Appendix 3 – Pension Fund Top Equity Ten Holdings – Responsible Investment Activity Quarter 3

Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement	Capital International – Details of Responsible Investment Engagement	Alliance Bernstein - Details of Responsible Investment Engagement	LAPFF Engagement	Top Ten Holdings Shares & Value held by Fund Managers at 30-09-08
1. Royal Dutch Shell 'B' Ord Euro 07 (3.183%)	Discussions with internal and external counsel on pending litigation settlements stemming from alleged over-reporting of reserves.	Capital have regular contact with Royal Dutch Shell. The investment analyst met with Royal Dutch Shell in August, and the following two environmental issues were discussed: <ul style="list-style-type: none"> <li>• Shell investment spending in alternative energy, where Shell is pursuing several projects;</li> <li>• The strategy for the development of the Niger River delta in Nigeria, to ensure sustainable development.</li> </ul>	In September Alliance Bernstein's UK energy analyst visited the Kashagan oil field project in the Caspian Sea, 80 km off the shore of Kazakhstan. This is one of the largest oil projects currently in development worldwide. Royal Dutch Shell is a major operating partner. Topics addressed with management included environmental processes, particularly those concerned with controlling sulphur emissions, and health and safety arrangements, for example, the construction of specialised vehicles to evacuate staff from ice-bound areas in the event of a toxic gas leak.	LAPFF engaged with Royal Dutch Shell on climate change and company workforce practices during Quarter 3.	<b>Royal Dutch Shell</b> - 100,418 shares held by <b>Fidelity</b> - value £1,568,540. In addition <b>Capital</b> held 141,350 shares – value £2,230,500. Also <b>Alliance Bernstein</b> held 544,966 shares – value £8,599,560
2. BP Ord USDO.25 (2.959%)	No activity this quarter.	No activity this quarter.	No activity this quarter.	No activity this quarter.	<b>BP</b> -295,960 shares held by <b>Fidelity</b> - value £1,361,790. In addition <b>Capital</b> held 437,005 shares – value £2,027,700. Also <b>Alliance Bernstein</b> held 1,726,000 shares –value £8,008,640
3. Vodafone Group Ord	1. Discussion	Capital met the Chairman of Vodafone in July. The	No activity this quarter.	No activity this quarter.	<b>Vodafone</b> - 1,088,074 shares held



Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement	Capital International – Details of Responsible Investment Engagement	Alliance Bernstein - Details of Responsible Investment Engagement	LAPFF Engagement	Top Ten Holdings Shares & Value held by Fund Managers at 30-09-08
USDO.11428571 (2.252%)	<p>with company chairman of strategy/board structure</p> <p>2. Review of proposed executive remuneration plan and general compensation strategy. After review, FIL voted in favour of the proposed remuneration policy.</p>	<p>company had recently announced the appointment of a new CEO and Capital reviewed the process that led to the appointment. Capital also discussed the company's holding in Verizon Wireless, possible industry developments in the coming five years, and board processes for evaluating strategic acquisitions. Capital then met with the new CEO on his second day in office. The purpose of the meeting was to discuss expectations of the CEO's role, including the potential level of M&amp;A activity. Capital also discussed the relationship between the company and its' shareholders.</p>			<p>by <b>Fidelity</b> -value £1,313,030. In addition <b>Capital</b> held 891,000 shares – value £1,093,260. Also <b>Alliance Bernstein</b> held 5,379,900 shares –value £6,601,140.</p>
4. Glaxosmithkline Ord GBPO.25 (1.955%)	<p>No activity this quarter.</p>	<p>No activity this quarter.</p>	<p>No activity this quarter.</p>	<p>No activity this quarter.</p>	<p><b>Glaxosmithkline</b> - 41,610 shares held by <b>Fidelity</b> -value £497,330. In addition <b>Capital</b> held 117,100 shares – value £1,418,080. Also <b>Alliance Bernstein</b></p>

Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement	Capital International – Details of Responsible Investment Engagement	Alliance Bernstein - Details of Responsible Investment Engagement	LAPFF Engagement	Top Ten Holdings Shares & Value held by Fund Managers at 30-09-08
5. Royal Bank of Scotland Group Ord GBPO.25 (1.803%)	On-going discussions with the bank and its advisors regarding adequacy of bank's capital reserves.	<p>Capital have a well established relationship with Sir Tom McKillop, the Chairman of RBS. Capital had previously met with him earlier in the year to discuss board oversight of the acquisition of ABN Amro, and whether the timing was appropriate. Capital suggested at the time that a rights issue would be necessary. Capital also discussed what was perceived to be a deterioration of management's relationship with shareholders.</p> <p>Later in the year, the company did have a rights issue, but by then it was not possible to raise the necessary amount and the company was forced to seek assistance from the government.</p> <p>Capital also attended a meeting with the head of CSR and head of Investor Relations in September. They described how CSR</p>	<p>Alliance Bernstein's level of engagement with the UK banks has increased as a result of recent turbulent markets. For example, Alliance Bernstein have had many meetings this year either face-to-face or on the telephone with one or more of the Chief Executive, Finance Director and Chairman of Royal Bank of Scotland and Barclays. The purpose of these discussions has been both to test our understanding of how events were altering the banks' long term earnings prospects and, more importantly in recent circumstances, the strength of the banks' capital positions, their liquidity needs and success in sourcing funding to meet those needs. Topics discussed have included analysis of the their mortgage portfolios by loan type, loan-to-value ratios, default rates and the debt recovery process in order to understand the evolution of losses on their loan books and the likely impact on the banks' capital positions.</p>	No activity this quarter.	<p>held 434,500shares – value £5,261,790.</p> <p><b>RBS</b> -140,647 shares held by <b>Fidelity</b> - value £234,110.In addition <b>Capital</b> held 766,668shares – value £1,372,340.Also <b>Alliance Bernstein</b> held 2,674,150 shares –value £4,786,730.</p>

Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement	Capital International – Details of Responsible Investment Engagement	Alliance Bernstein - Details of Responsible Investment Engagement	LAPFF Engagement	Top Ten Holdings Shares & Value held by Fund Managers at 30-09-08
		<p>was becoming more and more integrated into all aspects of the business, although it had to be commercially grounded. They described the ABN Amro integration as an opportunity to “lift the bonnet” on a company and allow for the transfer of a lot of ideas.</p>			
6. HSBC Holdings Ord USDO 50 (UK REG) (1.594%)	<ol style="list-style-type: none"> <li>1. Discussion of strategy/board structure with various external parties</li> <li>2. Ongoing review of banking sector's remuneration arrangements</li> </ol>	No activity this quarter.	No activity this quarter.	No activity this quarter.	<p><b>HSBC</b> -232,725 shares held by <b>Fidelity</b> -value £2,028,790. In addition <b>Capital</b> held 92,646 shares – value £834,740. Also <b>Alliance Bernstein</b> held 511,800 shares – value £4,611,320.</p>
7. Barclays Ord GBPO.25 (1.140%)	On-going discussions with the bank and its advisors regarding adequacy of bank's capital reserves.	At 30-09-08 no holdings in the company.	Alliance Bernstein's level of engagement with the UK banks has increased as a result of recent turbulent markets. For example, Alliance Bernstein have had many meetings this year either face-to-face or on the telephone with one or more of the Chief Executive, Finance Director and Chairman of	No activity this quarter.	<p><b>Barclays</b> - 201,012 shares held by <b>Fidelity</b> -value £659,070. <b>Alliance Bernstein</b> held 1,192,500 shares – value £3,893,510.</p>

Top Ten Holdings & Percentage of Total Fund	Fidelity -- Details of Responsible Investment Engagement	Capital International -- Details of Responsible Investment Engagement	Alliance Bernstein - Details of Responsible Investment Engagement	LAPFF Engagement	Top Ten Holdings Shares & Value held by Fund Managers at 30-09-08
			<p>Royal Bank of Scotland and Barclays. The purpose of these discussions has been both to test our understanding of how events were altering the banks' long term earnings prospects and, more importantly in recent circumstances, the strength of the banks' capital positions, their liquidity needs and success in sourcing funding to meet those needs.</p> <p>Topics discussed have included analysis of the their mortgage portfolios by loan type, loan-to-value ratios, default rates and the debt recovery process in order to understand the evolution of losses on their loan books and the likely impact on the banks' capital positions.</p>		
8. Astrazeneca Ord USD0.25 (1.137%)	No activity this quarter.	No activity this quarter.	No activity this quarter.	No activity this quarter.	<p><b>Astrazeneca</b> -32,180 shares held by <b>Fidelity</b> -value £787,300. In addition <b>Capital</b> held 56,600 shares – value £1,392,360. Also <b>Alliance Bernstein</b> held 101,300 shares – value £2,491,980.</p>
9. Aviva Ord GBPO.25	No activity this quarter.	No activity this quarter.	No activity this quarter.	No activity this quarter.	<p><b>Aviva</b> -19,940 shares held by <b>Fidelity</b> -</p>

Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement	Capital International – Details of Responsible Investment Engagement	Alliance Bernstein - Details of Responsible Investment Engagement	LAPFF Engagement	Top Ten Holdings Shares & Value held by Fund Managers at 30-09-08
(1.068%)					value £96,340.In addition <b>Capital</b> held 201,132shares – value £965,430.Also <b>Alliance Bernstein</b> held 559,377 shares – value £2,685,009.
10. BAE (information to be tabled at the meeting)					<b>BAE Systems – Capital</b> held 231,100 shares – value £952,132.Also <b>Alliance Bernstein</b> held 524,800 shares – value £2,162,176.

## Appendix 4

Comparison of Responsible Investment Activity Quarter 3 –  
Core Fund Managers and Local Authorities Pension Fund Forum (LAPFF)

Fidelity	Capital International	Alliance Bernstein	LAPFF	Number of Shares held by Fund Managers & Value at 30-09-08
<p>The Fidelity Quarter 3 Investment Review does not contain details of specific company Responsible Investment activity. Fidelity have been contacted regarding Responsible Investment activity in respect of the fund's top ten holdings - details of which are contained in Appendix 4 of this report.</p>	<p>As detailed in the Capital International summary performance report for Quarter 3 there has been engagement with several companies in respect of Social Responsible Investing. Details of company engagement are as follows:  <b>Holcim</b> – a meeting was held with cement company Holcim to review its sustainable development strategy.  <b>Hankook Tire</b> – concerns have been raised over numerous conversations relating to the long working hours at the newly established plant in Hungary.</p>	<p>The Alliance Bernstein Quarter 3 Current Strategy Review does not contain details of specific company Responsible Investment activity. Fidelity have been contacted regarding Responsible Investment activity in respect of the fund's top ten holdings - details of which are contained in Appendix 4 of this report.</p>	<p>In Quarter 3 LAPFF engaged with <b>Dana Petroleum</b> at the AGM of the company. LAPFF's concerns centered on the company's commitment and approach to climate change. The Chairman of the company responded positively and satisfactorily to the LAPFF representative's concerns on the subject. LAPFF also engaged with <b>Royal Dutch Shell</b> and <b>Whitbread</b> on climate change and company workforce practices.</p>	<p><b>Holcim and Hankook</b> – no holdings held @30<sup>th</sup> September 2008.  <b>Dana Petroleum</b> -9,431 shares held by <b>Fidelity</b> – value £112,140.  <b>Royal Dutch Shell</b> - 100,418 shares held by <b>Fidelity</b> -value £1,568,540. In addition <b>Capital</b> held 141,350 shares – value £2,230,500. Also <b>Alliance Bernstein</b> held 544,966 shares – value£8,599,560.</p>

Fidelity	Capital International	Alliance Bernstein	LAPFF	Number of Shares held by Fund managers & Value at 30-09-08
	Capital International have been contacted regarding Responsible Investment activity in respect of the fund's top ten holdings - details of which are contained in Appendix 3 of this report.			<b>Whitbread</b> – 20,500 shares held by <b>Capital International</b> – value £216,890.

## PENSIONS FUND

## BUDGET MANAGEMENT - PERIOD 7 (END OF OCTOBER) 2008

	2008/09 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	(8,900)	(5,192)	(5,814)	(622)	Dependent on number and grade of staff transferring into and out of scheme
Employer Contributions	(32,500)	(18,958)	(18,604)	354	Dependent on number and grade of staff transferring into and out of scheme
Transfer Values Received	(4,000)	(2,333)	(2,043)	290	Volume and timing varies
Capital costs	(900)	(525)	(400)	125	
<b>Total income</b>	<b>(46,300)</b>	<b>(27,008)</b>	<b>(26,861)</b>	<b>147</b>	
<b>Expenditure:</b>					
Pensions and other benefits	25,000	14,583	14,354	(229)	Dependent upon the number of pensioners and benefits payable.
Lump sums	3,500	2,458	2,498	40	
Transfer values paid	3,950	2,304	2,124	(180)	Volume and timing varies
Refunds on contributions	50	29	4	(25)	
Administrative expenses	700	408	361	(47)	
<b>Total expenditure</b>	<b>33,200</b>	<b>19,783</b>	<b>19,341</b>	<b>(442)</b>	
<b>Net addition from dealings with members</b>	<b>(13,100)</b>	<b>(7,225)</b>	<b>(7,520)</b>	<b>(295)</b>	
<b>Returns on Investment:</b>					
Investment income	(17,300)	(10,092)	(10,752)	(660)	Dependent upon companies invested in by our Fund Managers.
Investment management expenses	2,300	1,342	826	(516)	Timing of receipt of Fund Managers invoices
<b>Net return on investments</b>	<b>(15,000)</b>	<b>(8,750)</b>	<b>(9,926)</b>	<b>(1,176)</b>	





Agenda item:

[No.]

Pensions Committee

On 1<sup>st</sup> December 2008

**Report Title:** Fund Administration Update

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

Signed

**Contact Officer :** I M Benson Pensions Manager ( 0208 489 3824 )

[imbenson@haringey.gov.uk](mailto:imbenson@haringey.gov.uk)

**Wards(s) affected:** All

**Report for:** Non Key Decision

**1. Purpose of the Report (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 Department for Communities and Local Government (DCLG).

**2. Introduction by Cabinet Member (if necessary)**

**3. State links with Council Plan Priorities and actions and / or other Strategies**

General links into the People Strategy theme a Great place to work with regard to retaining and reward staff.

**4. Recommendations**

4.1 .That the Administration Report update be noted

**5. Reason for Recommendations**

5.1 Not applicable

**6. Other options considered**

6.1 Not applicable

<p><b>7. Summary</b></p> <p>7.1 This report updates the Committee on general administration issues arising from the Local Government Pension Scheme.</p>
<p><b>8. Chief Financial Officer Comments</b></p> <p>8.1 The Chief Financial Officer concurs with the service financial implications paragraph.</p>
<p><b>9. Head of Legal Services Comments</b></p> <p>9.1 The Head of Legal Services has been consulted on the content of this report and has no specific comment.</p>
<p><b>10. Head of Procurement</b></p> <p>10.1 (Not Applicable)</p>
<p><b>11. Equalities &amp; Community cohesion Comments</b></p> <p>11.1 There are no equalities issues arising from this report</p>
<p><b>12. Consultation</b></p> <p>12.1 The Employees Side and Employing Bodies have been consulted on the content of this report</p>
<p><b>13. Service Financial Comments</b></p> <p>13.1 There are no financial implications arising from this report.</p>
<p><b>14. Use of appendices / Tables and photographs</b></p> <p>14.1 Appendix 1 is a compliance statement</p>
<p><b>15. Local Government (Access to Information) Act 1985</b>          ( List background documents)          (also list reasons for exemption or confidentiality (if applicable))</p> <p>15.1 None</p>

**16. Report content**

**16.1 Admitted Body Status Provisions in the LGPS**

16.1.1 DCLG issued a report on the outcome of the informal consultation which took place earlier this year.

16.1.2 All stakeholders expressed the view that the current detailed arrangements need updating. It was generally felt that clearer guidance would be helpful with only slight regulatory change required..

16.1.3 DCLG intend to develop guidance that reflects responses to the consultation exercise. Subject to Ministers' agreement final proposals will be issued for consultation. No time scale was given.

## 16.2 Ill Health Monitoring Group

16.2.1 The Ill Health Monitoring Group is progressing activity on collecting good data to test the effectiveness and fairness of the new ill-health regime. DCLG hope to publish the Statutory Ill Health Guidance by the end of November at the latest.

## 16.3 Early Retirements and Appeals to quarter ending 30<sup>th</sup> Sept 2008

Haringey Council Pension Fund		Early Retirements 1 April 2008 to 30 <sup>th</sup> September 2008		
Approved by CFO	Number of Cases	Basic Capital Cost	Cost of Added Years	Total Cost
<b>Redundancy:</b>	6	£257,000	£0	<b>£257,000</b>
<b>Efficiency</b>	1	£5000	£0	<b>£5000</b>
<b>Early Retirement</b>	0	£ 0	£0	£ 0
<b>Flexible Retirement</b>	4	£0		<b>£0</b>
<b>Sub -Total</b>	<b>11</b>	<b>£262,000</b>	<b>£0</b>	<b>£262,000</b>
Approved by Members	Number of Cases	Basic Capital Cost	Cost of Added Years	Total Cost
<b>Redundancy</b>	0	£0	£0	£0
<b>Efficiency</b>	0	£0	£0	£0
<b>Early Retirement</b>	0	£0	£0	£0
<b>Sub Total</b>	<b>0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
Employing Bodies	Number of Cases	Basic Capital Cost	Cost of Added Years	Total Cost
<b>Redundancy</b>	2	£58,000	£0	<b>£58,000</b>
<b>Efficiency</b>	0	£0	£0	£0
<b>Early Retirement</b>	0	£0	£0	£0
<b>Flexible Retirement</b>	1	£0	£0	£0
<b>Sub-Total</b>	<b>3</b>	<b>£58,000</b>	<b>£0</b>	<b>£58,000</b>
Total For Haringey Council and Employing Bodies				
	<b>14</b>	<b>£320,000</b>	<b>£0</b>	<b>£320,000</b>

### Appeals Report to 30th September 2008

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

## 16.4 Statement on Compliance

A statement on compliance is attached as **Appendix 1**

<b>Pensions Scheme Regulations Local Government Pension Scheme Regulations (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 23 <sup>rd</sup> June 2008
<b>Best Practice</b>	The scheme is administered having regard to the Best Practice Principles published by the UKSC

#### **Receipt of contributions from employing bodies;**

Employing bodies are informed that they have a statutory duty to remit pension contributions to the Fund no later than the 19<sup>th</sup> of the month following the month in which the deductions are made. Reminders have been sent to all the employers reminding them of this obligation.

#### **Settlement of employee benefits:**

Employee benefits are settled within 10 working days of all paperwork being received in line with performance standards approved and monitored by the Head of Personnel

#### **Customer Satisfaction Surveys:**

Customer satisfaction surveys are planned for this year, and on a regular basis thereafter.



Haringey

Agenda item:

[No.]

Pensions Committee

On 1<sup>st</sup> December 2008

Report Title: Cessation of Admission Agreement with OCS Group Ltd

Report of Chief Financial Officer and Assistant Chief Executive People and Organisational Development

Signed

Assistant Chief Executive People and Organisational Development

Signed

Chief Financial Officer

Contact Officer : I M Benson Pensions Manager 0208 489 3824

[imbenson@haringey.gov.uk](mailto:imbenson@haringey.gov.uk)

Wards(s) affected: All

Report for: Non Key Decision

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

1.1 To report on the funding position attributable to OCS Group Ltd on their cessation as an admitted body to the Haringey Pension Fund at 31<sup>st</sup> August 2007

**2. Introduction by Cabinet Member (if necessary)**

**3. State links with Council Plan Priorities and actions and / or other Strategies**

3.1 OCS Group Ltd were contracted to provide school meals catering services to Northumberland Park Community School from 6<sup>th</sup> September 2006. The company was admitted to participate in the Haringey Council Pension Fund from that date.

3.2 Having decided that as a company they did not want to continue in the business of providing school meals ,OCS gave notice that the contract was to end on 31<sup>st</sup> August 2007.

3.3 On the cessation of an Admission Agreement, the Council as the Administering Authority is required to obtain a cessation report from the Fund actuary.

3.4 The report from Hymans Robertson shows that OCS Group Ltd had accrued a deficit on termination of the agreement amounting to £3000 and this sum has been paid into the Fund.

3.5 Of seven scheme members who were TUPE transferred to OCS Group Ltd five transferred back Northumberland Park Community School and two left with entitlement to deferred benefits.

**4. Recommendations**

4.1 .That the settlement of the £3000 deficit attributed to OCS Group Ltd on the cessation of the admission agreement be noted .

**5. Reason for Recommendations**

5.1 The Council as the Administering Authority is required to obtain a Cessation Report from the Fund actuary to identify the liability if any attributable to the former admitted body.

**6. Other options considered**

6.1 None

**7. Summary**

7.1 To report on the cessation of the Admission Agreement with OCS Group Ltd and the settlement of the accrued deficit in the Fund

**8. Chief Financial Officer Comments**

8.1 The Chief Financial Officer concurs with the service financial implications paragraph

**9. Head of Legal Services Comments**

9.1 The Head of Legal Services has been consulted on the content of this report. An admission agreement must terminate if any admission body ceases to be such a body. In such circumstances a cessation report is required in the terms set out in this report and any deficit identified paid into the fund.

**10. Head of Procurement**

10.1 Not Applicable

**11. Equalities & Community Cohesion Comments**

11.1 There are no equalities issues arising from this report

**12. Consultation**

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

**13. Service Financial Comments**

13.1. The deficit of £3000 has been paid into the Fund. There are no other financial implications

**14. Use of appendices / Tables and photographs**

14.1 There are no appendices attached to this report.

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

( List background documents)

(also list reasons for exemption or confidentiality (if applicable)

**London Borough of Haringey Cessation Valuation OCS Group Ltd May 2008**