



#Haringey Council

## NOTICE OF MEETING

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# Pensions Committee

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THURSDAY, 19TH MARCH, 2009 at 19:00 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, 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 9.

### **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 - 4)**

To confirm and sign the minutes of the Pensions Committee held on 29 January 2009.

### **5. FUND PERFORMANCE REPORT (PAGES 5 - 22)**

Report of the Chief Financial Officer to consider the latest performance data for the Pensions Fund and for each of the Fund's investment managers.

### **6. 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.

**7:20pm** – Capital;

**7:45pm** – ING;

**8:10pm** – Fidelity;

**8:35pm** – Bernstein.

### **7. FUND ADMINISTRATION UPDATE (PAGES 23 - 30)**

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),

**8. ADMISSION AGREEMENT FOR WORKFORCE FACILITIES LTD (PAGES 31 - 34)**

Report of the Chief Financial Officer and Assistant Chief Executive, People and Organisational Development, to approve the admission of Workforce Facilities Ltd as transferee admitted body participating in the Haringey Council Pension Fund from 1<sup>st</sup> April 2009.

**9. ANY NEW ITEMS OF URGENT BUSINESS**

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  
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11 March 2009

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**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 29 JANUARY 2009**

Councillors Rahman Khan (Chair), Beacham, Basu, Butcher, Thompson, Wilson, Howard Jones and Melling

Apologies Councillor Adje, David Fishman and Earl Ramharacksingh

Also Present Howard Jones (Independent Financial Adviser) and Roger Melling.

MINUTE NO.	SUBJECT/DECISION	ACTION BY
<b>PRPP64.</b>	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were received from Councillor Adje, David Fishman and Earl Ramharacksingh.</p>	
<b>PRPP65.</b>	<p><b>URGENT BUSINESS</b></p> <p>There were no items of urgent business.</p>	
<b>PRPP66.</b>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Cllr Basu declared a personal interest as a member of the Haringey Pension Scheme.</p> <p>Cllr Rahman Khan declared a personal interest, being a member of the Haringey Pension Scheme, as well as from time to time attending training events, conferences / seminars etc, at which some of the Fund Managers, the Custodian, investment adviser or actuary may have contributed directly or indirectly.</p> <p>Cllr Wilson declared a personal interest in respect of his employment by the National Association of Pension Funds.</p>	
<b>PRPP67.</b>	<p><b>UNRESTRICTED MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the unrestricted minutes of the meeting held on 1 December 2009 be agreed and signed by the Chair.</p>	
<b>PRPP68.</b>	<p><b>UPDATE ON ASSET ALLOCATION ISSUES</b></p> <p>By way of introduction, the Chair emphasised the importance for all Trustees of maintaining a long-term view of the Pension Fund but also of</p>	

**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 29 JANUARY 2009**

the need of being aware of fluctuations in the value of the assets in the shorter-term for taking immediate action, if any. It was noted that this was a complex task which required care and expertise.

The Committee received a report from the Chief Financial Officer, followed by a presentation by David Crum and David Hager of Hewitt on asset allocation, and the risks and benefits of the options available. Hewitt recommended that the Committee look further into the possibility of adopting an active asset allocation rebalancing strategy. This would help the Committee to discharge its duties, particularly in the current unprecedented market conditions.

In response to questions from the Committee about the mechanisms involved, it was reported that the current asset allocation position would be reported to the Committee on a quarterly basis and that all asset allocation decisions would be made by the Committee for implementation via the passive manager, with advice being provided by the investment advisers, independent adviser and officers.

The Committee asked about how the proposals for managing asset allocation would relate to the work of the Fund Managers. Hewitt reported that the Fund Managers focused on specific portfolios and did not look at asset allocation issues; the proposed approach would be to look at asset allocation issues across the Fund.

In response to concerns raised regarding the effect of such an approach on the transparency of the process, it was suggested that reporting on the current asset holdings against the strategic level on a quarterly basis and assessing whether any adjustments needed to be made would increase transparency. This would introduce a mechanism for reviewing asset allocation regularly and addressing any imbalances against the original strategy in light of market conditions, at present there was no opportunity to address these issues.

The independent financial adviser emphasised that an asset allocation rebalancing strategy would increase the range of options and the number of opportunities for the Committee to take action, and that the Committee could then take decisions on a regular basis about whether they wished to make any changes to the asset allocation. This would offer Trustees greater flexibility in responding to market conditions.

Concerns were expressed regarding any move towards more active management of the Fund, and it was suggested that caution be exercised. Committee members requested further information on the risks and additional costs associated with any strategy for managing asset allocation in the medium term, before a final decision could be made. In terms of costs, Hewitt and the Chief Financial Officer reported that a competitive process could be used to identify the service provider with best value. Costs incurred by adopting such a strategy should be offset by improvements in the returns.

The Chief Financial Officer reported that, if the Committee was minded

**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 29 JANUARY 2009**

	<p>to explore the proposed course of action further, a more detailed paper would be presented at the next Committee meeting.</p> <p>The Chair reported that he felt that the proposed approach offered a structure for addressing variances against the strategy and 'course correction' for the Pension Fund. The Chair emphasised that it was important for the Trustees to scrutinise any potential costs associated with medium term asset allocation, and requested that the contract for investment advice be examined to ascertain whether the service could be provided under the terms of the existing contract without any additional cost in respect of advice from the new Investment Advisor.</p> <p>Taking into account the comments made in the discussion and, on the basis of the approach proposed by the Chair and Chief Financial officer and agreed by the Chair it was:</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That a report be brought to the Pensions Committee giving detailed proposals for an asset allocation rebalancing strategy including costs.</li> <li>ii) That, regarding the additional costs, the entire process for the appointment of the new Investment Advisor, including the cost, be rigorously examined from all angles.</li> </ul>	
<p><b>PRPP69.</b></p>	<p><b>ANY UNRESTRICTED ITEMS OF URGENT BUSINESS</b></p> <p>There were no items of unrestricted urgent business.</p>	
<p><b>PRPP70.</b></p>	<p><b>EXCLUSION OF PUBLIC AND PRESS</b></p> <p><b>RESOLVED</b></p> <p>That the public and press be excluded from the meeting for consideration of item 8 as it contains exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); namely information relating to the business or financial affairs of any particular person (including the authority holding that information).</p>	
<p><b>PRPP71.</b></p>	<p><b>EXEMPT MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the exempt minutes of the meeting held on 1 December 2008 be agreed and signed by the Chair.</p>	

**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 29 JANUARY 2009**

<b>PRPP72.</b>	<b>ANY EXEMPT ITEMS OF URGENT BUSINESS</b>  There were no exempt items of urgent business.  The meeting closed at 20:05 hrs.	
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COUNCILLOR GMMH RAHMAN KHAN  
Chair





Agenda item:

**Pensions Committee**

**On 19/03/09**

Report Title. **Fund Performance update**

Report of **The Chief Financial Officer**

Signed :

Contact Officer : **John Hardy – Corporate Finance**  
**Telephone 020 8489 3726**

Wards(s) affected: **All**

Report for: Noting

**1. Purpose of the report**

1.1. To consider the latest investment performance data for the Pensions Fund and for each of the Fund's investment managers.

1.2. This report sets out fund performance to end of December 2008, compares responsible investments information provided by our Fund Managers and LAPFF and reports budget management to end of January 2009 (period 10).

**2. Introduction by Cabinet Member**

2.1 Not applicable.

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

3.1. Not applicable.

**4. Recommendations**

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

4.2 That responsible investments information provided be noted.

4.3 That the budget management position to the end of January 2009 (period 10) be noted.

**5. Reason for recommendations**

5.1. This report is for noting.

**6. Other options considered**

6.1. Not applicable.

**7. Summary**

7.1 The annualised performance of the combined Haringey fund has declined in absolute terms by 11.03% per cent up to 31 December 2008, underperformed the gross benchmark by 2.73% and also underperformed the gross target by 4.37%.

7.2 Overall performance this quarter is above benchmark and above target.

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 the position is being monitored carefully.

7.4 In overall terms the budget is on target.

**8. Head of Legal Services Comments**

8.1 The Head of Legal Services has been consulted on the content of this report. The consideration of this report falls within the duties on the Committee, acting for the Administering Authority, in reviewing investment performance generally and the performance of specific investment fund managers. Such a review must always take into account the interests of stakeholders and beneficiaries.

**9. Equalities & Community Cohesion Comments**

9.1. There are no equalities issues arising from this report.

**10. Consultation**

10.1. Not applicable.

**11. Service Financial Comments**

11.1 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.

11.2 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 the current years in-house surpluses are earmarked to fund our private equity investments.

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

12.1. Appendix 1 Top ten shares held and fund holdings.

12.2. Appendix 2 Fund performance to 31 December 2008

12.3. Appendix 3 Responsible Investments (Top ten holdings)

12.4 Appendix 4 Responsible Investments (Other holdings)

12.5 Appendix 5 Budget management to end of January 2009.

**13 Local Government (Access to Information) Act 1985**

Northern Trust performance monitoring reports

Fund performance update report to Pensions Committee on 1 December 2008

**14 Investment performance reported at the December meeting of Pensions Committee**

14.1 The investment performance of the Pensions fund was last reported to Pensions Committee in December 2008. That report covered the period up to 30 September 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 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%;

- 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;
- 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%.

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

- 15.1 This report shows performance monitoring against the new benchmarks from 1 April 2007 as our current investment structure was largely implemented on 16 March 2007.
- 15.2 Performance of the combined Haringey fund compared to benchmark and target for the three months and annualised 21 months periods to end of December 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 December 2008	21 months to end of January 2009 (annualised)
	%	%
Overall fund performance	(3.50)	(11.03)
Benchmark	(3.99)	(8.30)
<b>Performance versus benchmark</b>	<b>0.49</b>	<b>(2.73)</b>
Overall fund performance	(3.50)	(11.03)
Target	(3.58)	(6.66)
<b>Performance versus target</b>	<b>0.08</b>	<b>(4.37)</b>

15.3 This shows that in the 21 months period to December 2008:

- The annualised performance of the combined Haringey fund has decreased in absolute terms by 11.03%, the fund under performed the new benchmark by 2.73% and under performed the target by 4.37%;
- The annualised position has marginally improved since that report to the last meeting with the under performance versus target reducing from (5.17) to (4.37).

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

## **16. Fund Manager Performance**

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

16.2 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.

16.3 We have invested £9.2 million in Pantheon's private funds to end of December 2008 and is split between the Asia Fund (£0.7 million), European Fund (£3.2 million) and the USA Fund (£5.3 million). Performance numbers received from our custodian are included in Appendix 2 but these performance numbers are not meaningful until a significant proportion has been invested.

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

	% Target above benchmark	% actual annualised performance above/(below) benchmark in the 21 months to December 2008	% actual annualised performance above/(below) target in the 21 months to December 2008
Bernstein – global equities	3.0	(11.51)	(14.51)
Bernstein – UK equities	2.0	(6.86)	(8.86)
Capital - equities	2.0	(2.16)	(4.16)
Capital - bonds	1.0	(2.93)	(3.93)
Fidelity - equities	1.7	(0.25)	(1.45)
Fidelity - bonds	0.6	(1.12)	(1.72)
ING	1.0	1.21	0.21
Pantheon – private equity	0.75	N/A	N/A

16.5 Appendix 2 shows that the equity mandates for Capital and Fidelity have performed above target in the latest quarter. However the fixed income mandates for Capital and Fidelity and Bernstein's mandates were below benchmark in the latest quarter.

16.6 The latest quarterly meetings took place on 28 January 2009 between each Fund Manager, John Hardy from Corporate Finance and the Independent Advisor to Trustees. A summary of the key issues discussed at those meetings is set out below.

#### 16.6.1 **Bernstein**

- Performance to date.
- Volatility in markets (e.g. credit crunch, inflation, bank rate, oil).
- Future outlook for markets.
- Responsible Investments.

#### 16.6.2 **Capital International**

- Performance to date.
- Volatility in markets (e.g. credit crunch, inflation, bank rate, oil).
- Future outlook for markets.
- Responsible Investments.

#### 16.6.3 **Fidelity**

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

16.6.4 **ING**

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

16.6.5 Up to the end of December 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 14.51% and 8.86% respectively.
- Capital's Equity and Bond mandates are below target by 4.16% and 3.93%.
- Fidelity's Equity and Bond mandates underperformed the gross targets by 1.45% and 1.72% respectively.
- ING are above target by 0.21%.

**17. Conclusions**

17.1 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 11.03% per cent up to 31 December 2008, underperformed the gross benchmark by 2.73% and also underperformed the gross target by 4.37%.

17.2 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.

17.3 It is planned to report back to the next meeting of the Committee in June regarding how Capital International have done compared with the interim targets and milestones set in December 2008.

**18. Responsible Investments**

18.1 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 September meeting of the Committee it was requested that in future Fund Managers detail engagement for the Fund's top ten holdings of shares.

18.2 Appendices 3 and 4 compare responsible investments information provided by our three core Fund Managers for the quarter ending 31 December 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.

## 19. Budget Management

19.1 The budget management analysis to period 10 (end of January 2009) is attached in Appendix 5. In overall terms this shows an under-spend to period 10 of £638k against the budget profile (plan).

19.2 Significant variances to date are as follows compared to the budget profile (plan) to period 10:

- transfer values paid, (£695k), and received, £946k, where the volume will vary by year and timing within the year ;
- pensions and other benefits, (£305k), that is dependent upon the number of pensioners and benefits payable;
- lump sums, £640k, that is dependent on the number of staff retiring and sums payable;
- employee, (£1,145k), and employer contributions, (£307k), that are dependent on the number and grades of staff transferring into and out of the scheme;
- investment management expenses, £1,159k, that are influenced by the timing of receipt of invoices from Fund Managers and market values;
- investment income, £1,622k, that is dependent upon companies invested in by our Fund Managers.

19.3 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 calls.



## APPENDIX 1

## TOP TEN SHARES HELD

Shares	As at 31 December 2008			As at 31 December 2007		
	Rank	Percentage of Fund	Market Value	Rank	Percentage of Fund	Market Value
		%	£'000		%	£'000
1. BP	1	3.3	10,359	3	2.1	9,664
2. Shell	2	3.3	10,336	1	3.2	14,463
3. Vodafone	3	2.8	8,860	2	2.4	10,706
4. HSBC	4	1.9	6,028	9	1.1	5,056
5. Glaxosmithkline	5	1.8	5,731	5	1.5	6,619
6. Astrazeneca	6	1.2	3,672			
7. Barclays	7	1.1	3,330	8	1.2	5,320
8. Aviva	8	1.0	3,189	10	1.1	4,972
9. BHP Billiton	9	0.9	2,928			
10. Roche	10	0.8	2,672			
Royal Bank of Scotland				4	1.7	7,654
HBOS				6	1.4	6,276
Rio Tinto				7	1.2	5,521

## FUND HOLDINGS

Fund Holdings	As at 31 December 2008		As at 31 December 2007	
	Percentage of Fund	Market Value	Percentage of Fund	Market Value
	%	£'000	%	£'000
UK equities	19.8	103,375	25.4	161,383
Overseas equities	18.6	96,859	22.3	141,786
Pooled investment vehicles	40.8	212,845	34.3	218,129
Index-linked securities	2.8	14,827	4.3	27,112
Fixed interest securities	3.6	18,806	6.4	40,972
Cash	5.4	27,978	2.4	15,046
Property	6.8	35,635	4.9	31,062
Private Equity	2.1	10,838	0.0	-
<b>Totals</b>	<b>100.0</b>	<b>521,164</b>	<b>100.0</b>	<b>635,490</b>



Appendix 3 – Pension Fund Top Equity Ten Holdings – Responsible Investment Activity Quarter 4

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 31-12-08
1. BP Ord USDO.25 (3.290%)	No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.	Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.	No specific details received , however Alliance Bernstein have reported that discussions have taken place with BP mainly concerning business issues arising from the sharp deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.	In Quarter 4 LAPFF engaged with BP regarding the investment risk associated with Tar Sands, as set out in a Greenpeace report. BP & Shell have been asked for their response on the issues arising from the report.	<b>BP- Fidelity</b> held 333,235 shares value £1,753,235. In addition <b>Alliance Bernstein</b> held 1,479,600 shares value £7,782,696. <b>Capital</b> held 489,874 shares value £2,576,737.
2. Royal Dutch Shell 'B' Ord Euro 07 (3.282%)	No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.	Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.	Alliance Bernstein has reported that discussions have taken place with Shell regarding business issues arising from the sharp deterioration in economic conditions. Alliance Bernstein's analyst met with the Chief Executive Officer of Royal Dutch Shell and discussed, among other issues, the political and other risks involved in their activities in Nigeria.	In Quarter 4 LAPFF engaged with Shell regarding the investment risk associated with Tar Sands, as set out in a Greenpeace report. BP & Shell have been asked for their response on the issues arising from the report.	<b>Royal Dutch Shell - Fidelity</b> - held 89,092 shares value £1,544,416. In addition <b>Capital</b> held 141,350 shares – value £2,439,701. Also <b>Alliance Bernstein</b> held 457,466 shares --value £7,895,863.
3. Vodafone Group Ord USDO.11428571 (2.813%)	No specific details received ; however Fidelity have reported that there equity analysts and	Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.	No specific details received , however Alliance Bernstein have reported that discussions have taken place with Vodafone mainly concerning business issues arising from the sharp	No activity this quarter.	<b>Vodafone</b> - 1,326,893 shares held by <b>Fidelity</b> -value £1,852,343. In addition <b>Capital</b> held 1,552,500 shares – value £2,157,975. Also

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 31-12-08
	<p>portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.</p>		<p>deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.</p>		<p><b>Alliance Bernstein</b> held 4,821,500 shares –value £6,701,885.</p>
<p>4. HSBC Holdings Ord USDO.50 (UK REG) (1.914%)</p>	<p>No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.</p>	<p>Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.</p>	<p>No specific details received , however Alliance Bernstein have reported that discussions have taken place with HSBC mainly concerning business issues arising from the sharp deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.</p>	<p>No activity this quarter.</p>	<p><b>HSBC</b> -228,189 shares held by <b>Fidelity</b> -value £1,505,763.In addition <b>Capital</b> held 164,066 shares – value £1,086,117.Also <b>Alliance Bernstein</b> held 746,500 shares –value £4,941,830.</p>
<p>5. Glaxosmithkline Ord GBPO.25 (1.820%)</p>	<p>No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least</p>	<p>Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.</p>	<p>No specific details received , however Alliance Bernstein have reported that discussions have taken place with Glaxosmithkline mainly concerning business issues arising from the sharp deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.</p>	<p>No activity this quarter.</p>	<p><b>GlaxoSmithKline</b> – 75,788 shares held by <b>Fidelity</b> -value £976,535.In addition <b>Capital</b> held 95,400 shares – value £1,225,413.Also <b>Alliance Bernstein</b> held 350,800 shares –value £4,506,026.</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 31-12-08
6. Astrazeneca Ord USD0.25 (1.166%)	No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.	Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.	No specific details received , however Alliance Bernstein have reported that discussions have taken place with Astrazeneca mainly concerning business issues arising from the sharp deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.	No activity this quarter.	<b>Astrazeneca</b> -26,613 shares held by <b>Fidelity</b> -value £752,632.In addition <b>Capital</b> held 44,500 shares – value £1,249,115.Also <b>Alliance Bernstein</b> held 86,300 shares –value £2,422,441.
7. Barclays Ord GBPO.25 (1.058%)	No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.	Not held in portfolio.	No specific details received , however Alliance Bernstein have reported that discussions have taken place with Barclays mainly concerning business issues arising from the sharp deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.	No activity this quarter.	<b>Barclays</b> - 31,853 shares held by <b>Fidelity</b> -value £48,783. <b>Capital</b> held no shares. <b>Alliance Bernstein</b> held 2,171,100 shares –value £3,330,467.
8. Aviva Ord GBPO.25 (1.013%)	No specific details received ; however Fidelity have reported that their	Capital have reported that they have not undertaken any engagement on an environmental, social or	No specific details received , however Alliance Bernstein have reported that discussions have taken place with Aviva mainly	No activity this quarter.	<b>Aviva</b> -23,742 shares held by <b>Fidelity</b> -value £92,654.In addition <b>Capital</b> held 258,432

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 31-12-08
9. BHP Billiton PLC USDO. 50 (0.929%)	<p>equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.</p> <p>No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.</p>	<p>governance basis in Quarter 4.</p> <p>Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.</p>	<p>concerning business issues arising from the sharp deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.</p> <p>No specific details received , however Alliance Bernstein have reported that discussions have taken place with BHP Billiton mainly concerning business issues arising from the sharp deterioration in economic conditions, and Responsible Investment issues were raised where appropriate.</p>	<p>No activity this quarter.</p>	<p>shares – value £1,007,885. Also <b>Alliance Bernstein</b> held 559,377 shares –value £2,181,570.</p> <p><b>BHP Billiton</b> – 90,338 shares held by <b>Fidelity</b> –value £1,168,973. In addition <b>Capital</b> held 31,600 shares – value £408,904. Also <b>Alliance Bernstein</b> held 194,600 shares –value £2,518,124.</p>
10. Roche Hldgs AG Genusscheine NPV (0.848%)	<p>No specific details received ; however Fidelity have reported that their equity analysts and portfolio managers continue to have on going dialogue and contact with investee companies at least every 90 days and more generally bi weekly or monthly.</p>	<p>Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.</p>	<p>Not held in portfolio.</p>	<p>No activity this quarter.</p>	<p><b>Roche Holdings</b> 23,448 shares held by <b>Fidelity</b> –value £ 2,489,943. In addition <b>Capital</b> held 25,158 shares – value £2,671,540. <b>Alliance Bernstein</b> held no shares</p>

Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement weekly or monthly.	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 31-12-08

## Appendix 4

Comparison of Responsible Investment Activity Quarter 4 –  
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 31/12/08
<p>As set out in Fidelity's quarter 4 Investment Review, the company engaged with the <b>Drax Group</b> and <b>Ryanair</b> in respect of the Emissions Trading Scheme (ETS). The ETS is an important component of the EU's carbon emissions strategy. The ETS is intended to create a "cap and trade" market by limiting the emissions that can be generated by certain industries and allowing individual companies to buy or sell emissions credits to remain in compliance with the overall limitations. Under Phase 3 of the ETS, power companies</p>	<p>The Capital International summary performance report for quarter 4 does not contain details of specific company Responsible Investment activity.</p>	<p>The Alliance Bernstein quarter 4 current strategy review does not contain details of specific company Responsible Investment activity. Alliance Bernstein 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 the report.</p>	<p>In quarter 4 LAPFF engaged with <b>BP &amp; Shell</b> regarding the investment risk associated with Tar Sands, as set out in a Greenpeace report. BP &amp; Shell have been asked for their response on the issues arising from the report. LAPFF also engaged with the French Oil Giant <b>Total</b>. Total is being scrutinised because of its continuing involvement in Burma whose ruling junta is widely considered to operate one of the most repressive regimes in the world. Total continues to operate in Burma despite the decision of a growing</p>	<p><b>Drax Group - Fidelity</b> held 10,164 shares value £57,709 In addition <b>Alliance Bernstein</b> held 155,000 shares value £869,550. <b>Capital</b> held 43,653 shares value £244,893. <b>Ryanair – Fidelity</b> held 416,443 shares value £1,274,317. In addition <b>Capital</b> held 30,600 shares value £93,330. <b>BP- Fidelity</b> held 333,235 shares value £1,753,235. In addition <b>Alliance Bernstein</b> held 1,479,600 shares value £7,782,696. <b>Capital</b> held 489,874 shares value £2,576,737.</p>



Fidelity	Capital International	Alliance Bernstein	LAPFF	Number of shares held by Fund Managers & Value at 31/12/08
<p>will be required to purchase emissions allowances starting in 2013. Accordingly Fidelity engaged with the Drax utility company whose activities will be constrained by the scheme. In addition, the Scheme will limit aviation emissions beginning 2012. Consequently Fidelity engaged with Ryanair as the airline group maintain relatively newer fleets of aircraft and thus may benefit from lower operating and emission costs. Fidelity 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 the report.</p>			<p>number of companies to cut ties with the country. Total responded that their motivations for remaining in the country were firstly the commitment to the 50,000 people in the pipeline area and secondly if Total pulled out of Burma, other governments may question the company's commitment to projects in their countries. The Forum's meeting with Total has established a channel of communication with the company which both sides have agreed to keep open.</p>	<p><b>Royal Dutch Shell</b> - Fidelity - held 89,092 shares value £1,544,416. In addition Capital held 141,350 shares – value £2,439,701. Also <b>Alliance Bernstein</b> held 457,466 shares – value £7,895,863. <b>Total - Fidelity</b> - held 35,732 shares value £1,415,648.</p>

## APPENDIX 5

## PENSIONS FUND

## BUDGET MANAGEMENT - PERIOD 10 (END OF JANUARY 2009)

	2008/09 Budget £'000	Plan to period 10 £'000	Actual to period 10 £'000	Over/under (-) to Period 10 £'000	Explanations of variations
<b>Income</b>					
Contributions and benefits:					
Employee Contributions	(8,900)	(7,417)	(8,562)	(1,145)	Dependent on number and grade of staff transferring into and out of scheme
Employer Contributions	(32,500)	(27,083)	(27,390)	(307)	Dependent on number and grade of staff transferring into and out of scheme
Transfer Values Received	(4,000)	(3,333)	(2,387)	946	Volume and timing varies
Capital costs	(900)	(750)	(874)	(124)	
<b>Total income</b>	<b>(46,300)</b>	<b>(38,583)</b>	<b>(39,213)</b>	<b>(630)</b>	
<b>Expenditure:</b>					
Pensions and other benefits	25,000	20,833	20,528	(305)	Dependent upon the number of pensioners and benefits payable.
Lump sums	3,500	3,083	3,723	640	Dependent upon the number of staff retiring and sums due.
Transfer values paid	3,950	3,292	2,597	(695)	Volume and timing varies
Refunds on contributions	50	42	11	(31)	
Administrative expenses	700	583	503	(80)	
<b>Total expenditure</b>	<b>33,200</b>	<b>27,833</b>	<b>27,362</b>	<b>(471)</b>	
<b>Net addition from dealings with members</b>	<b>(13,100)</b>	<b>(10,750)</b>	<b>(11,851)</b>	<b>(1,101)</b>	
<b>Returns on Investment:</b>					
Investment income	(17,300)	(14,417)	(12,795)	1,622	Dependent upon companies invested in by our Fund Managers.
Investment management expenses	2,300	1,917	758	(1,159)	Timing of receipt of Fund Managers invoices
<b>Net return on investments</b>	<b>(15,000)</b>	<b>(12,500)</b>	<b>(12,037)</b>	<b>463</b>	



Haringey Council

Agenda item:

[No.]

Pensions Committee

On 19<sup>th</sup> March 2009

Report Title: Fund Administration Update

Report of Assistant Chief Executive People and Organisational Development

Signed

Stuart Young  
Assistant Chief Executive P.O.D

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

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

#### 3.1 DCLG Consultation on Cost Sharing Mechanism

3.1.1 Following consultation in May 2008, DCLG notified their intention to have a dry run of the model fund to provide an opportunity for all parties to see how effective it will be in benchmarking future costs of the LGPS.

3.1.2 Data for the model Fund was provided by Administering Authorities via their actuaries.

3.1.3 The results of the dry run were published in December and showed a Model Fund Cost of 12.7% which is below the proposed capped cost for future service of 14%. DCLG have commented that this preliminary result may possibly be optimistic.

3.1.4 DCLG also issued draft regulations to set the framework within which the model fund will operate. The Council's response is attached as **Appendix 1**. Since making this response, the LGA and the LGE have also voiced concern at the proposed timescales being imposed on administering authorities and have suggested that any adjustment to fund valuation results should be reviewed twelve months after each valuation date. This will allow time for valuation data to be properly cleansed before being submitted for use in

the Model Fund.

3.1.5 On 11<sup>th</sup> February 2009 DCLG wrote to all administering authorities emphasising the need to improve data flow between the employing bodies and the administering authority. DCLG asked that the period between now and the next valuation date be utilised to smooth out known problems and in particular to enter into Administration Agreements (SLAs) which can be used to impose fines on employer's who fail to supply timely and accurate data.

3.1.6 Work is in hand to ensure the timely receipt of end of year returns and member data from employing bodies and school payroll providers. The template Administration Agreement will be provided to Pensions Committee for approval.

### 3.2 Equitable Life Compensation Payments.

3.2.1 In July 2008 the Parliamentary Ombudsman published a report into the regulatory supervision of Equitable Life. The report highlighted instances of maladministration and injustice on the part of the regulatory bodies

3.2.2 The Ombudsman's main recommendation is that the Government should establish and fund a scheme to compensate those who are assessed to have been adversely affected by the maladministration.

3.2.3 In December 2008, the government announced plans to appoint a High Court judge to decide which policy holders should be compensated for their disproportionate losses.

### 3.3 Pensions Drop-in Session

3.3.1 On 27<sup>th</sup> January staff working in the main administrative buildings in Wood Green were invited to attend a drop-in session to meet Pensions Officers and representatives of our AVC providers. Over 90 scheme members attended.

3.3.2 This was a test run for future sessions which will be targeted at staff who do not currently belong to the scheme.

### 3.4 Survey of Councillor Members

3.4.1 A survey of pension provision for Councillors in England was conducted by the Employers Organisation in 2004. This showed that of 4311 councillors eligible to join the LGPS, 912 (21.15%) took up the option. The survey conducted in 2008 showed that of 4062 councillors eligible to join, 1090 (26.83%) took up the option.

3.4.2 For Haringey Council, of the councillors under age 75 eligible to join, 22 have taken up the option (29.33%).

### 3.5 Merger of CONEL and Enfield College

3.5.1 Merger talks between CONEL and Enfield College are at an advanced stage. Subject to Ministerial agreement, it is anticipated that the merger will take place on 1<sup>st</sup> August 2009.

It is expected that seventy five staff from Enfield College will be TUPE transferred to CONEL on that date, and the respective actuaries for Haringey and Enfield Council's will agree a bulk transfer payment to the Haringey Fund as required by the scheme regulations. Hymans Robertson have advised that the bulk transfer payment would be calculated to fully fund the transferring liabilities. CONEL have confirmed that they will wait for the outcome of the merger/transfer terms before seeking further advice on their longer term funding position and employer contribution rate

### 3.6 Receipt of Employee and Employer Contributions

3.7 Receipt of employee and employer contributions from the Employing Bodies and School Payroll Providers is monitored to ensure compliance with statutory requirements. Receipt of contributions is required by the 19<sup>th</sup> of the month following the month in which the deductions are made. The compliance statement at **Appendix 3** has been updated to

confirm the position at 31<sup>st</sup> December 2008.

**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

**7. Summary**

7.1 This report updates the Committee on general administration issues arising from the Local Government Pension Scheme.

**8. Chief Financial Officer Comments**

8.1. The Chief Financial Officer concurs with the Service financial comments that are detailed in paragraph 13.

**9. Head of Legal Services Comments**

9.1 The Head of Legal Services has been consulted on the content of this report and has no specific comment to make.

**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 and have commented that they support the response to CLG in Appendix 1 of this report.

**13. Service Financial Comments**

13.1 There are no anticipated liabilities likely to fall on the Fund arising from the CONEL/ Enfield College merger. CONEL will cover any funding liabilities through their employer contributions.

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

14.1 Appendix 1 is the Council's response to the DCLG letter of 27<sup>th</sup> Nov. 2008

Appendix 2 is the number of Early Retirements agreed under the Councils Policy Statement.

Appendix 3 is the Compliance Statement

15. Local Government (Access to Information) Act 1985

( List background documents)

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

**15.1 None**

Divya Patel  
Workforce, Pay and Pensions 2,  
5<sup>th</sup> Floor,  
Eland House,  
Bressenden Place,  
London, SW1E 5DU

Our Ref: PEN/IMB

Your Ref:

Email Pensions.mailbox@haringey.gov.uk

Direct Line 0208 489 3824

This matter is being dealt with by:-

I M Benson

8<sup>th</sup> December 2008

Dear Ms Patel

**Local Government Pensions Scheme  
Consultation on Sustaining the LGPS in England and Wales**

The Council has already agreed the principle of have a Shared Cost Mechanism as part of the LGPS funding arrangements. We await the outcome of the 'Dry Run' on the model fund to which this authority has contributed its data.

Regarding the draft LGPS (amendment) Regulations 2009 we are concerned that the time scales for submitting data to GAD and the deadline for GAD to report on its findings are very tight.

The Department will be aware of the problems experienced by Administering Authorities in receiving data from their employing bodies and from schools which use their own payroll providers. It is pulling this externally controlled data together and then cleansing that data to the standard required by the actuary which impedes the valuation process and which in turn will impact adversely on the proposed timescales.

We are also concerned that the budget making process in a valuation year may be hindered by the need to have reference to the Secretary of States guidance as required by draft regulation 36 A (1). Budget making starts in November of each year and reports are presented to Council in January which is the earliest date that any guidance can be issued.

There is an alternative model put forward by the Hymans Robertson who act as the Fund actuary which would obviate the need for the model fund and the inbuilt delays which it appears to manifest.

We await the results of the 'dry run' on the model fund following which the Council may wish to make further submissions to the Secretary of State.

Yours sincerely

Cllr Gmmh Rahman Khan  
Chair of Pensions Committee.

## Appendix 2

Haringey Council Pension Fund	Early Retirements 1 April 2008 to 31 <sup>st</sup> December 2008			
Approved by Section 151 Officer	Number of Cases	Basic Capital Cost	Cost of Added Years	Total Cost
Early Retirement	21	£479,000	£0	£ 479,000
Flexible Retirement	5	£0		£0
<b>Sub -Total</b>	<b>26</b>	<b>£479,000</b>	<b>£0</b>	<b>£479,000</b>
Approved by Members	Number of Cases	Basic Capital Cost	Cost of Added Years	Total Cost
Early Retirement	1	£218,000	£0	£218,000
Flexible Retirement	0	£0	£0	£0
<b>Sub Total</b>	<b>1</b>	<b>£218,000</b>	<b>£0</b>	<b>£218,000</b>
Employing Bodies	Number of Cases	Basic Capital Cost	Cost of Added Years	Total Cost
<i>Early Retirement</i>	2	£58,000	£0	£58,000
Flexible Retirement		£0	£0	£0
<b>Sub-Total</b>	<b>2</b>	<b>£58,000</b>	<b>£0</b>	<b>£58,000</b>
Total For Haringey Council and Employing Bodies				
	<b>29</b>	<b>£755,000</b>	<b>£0</b>	<b>£755,000</b>
The discretion to release benefits early has been exercised in accordance with the relevant employing bodies Policy Statement and the Capital costs have been paid into the Fund within the timescale agreed by the Fund actuary.				

Appeals Report to 31 <sup>st</sup> December 2008				
Appeals Process Quarterly Report	Number Open	Upheld	Not Upheld/ Closed	On Going
Stage 1 Appeal	2	0	2	0
Stage 2 Appeal	3	0	3	0
Pensions Ombudsman	0	0	0	0



**Appendix 3**

<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.

For the quarter ending 31<sup>st</sup> December 2008, the receipt of contributions from the Employing Bodies and Schools with their own Payroll Providers has been checked by the Head of Finance (Budget Management, Treasury and Pensions) and have been received within the statutory time-limit.

**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.

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**Haringey** Council

Agenda item:

**Pensions Committee**

**On 19<sup>th</sup> March 2009**

Report Title: **Admission of Workforce Facilities to the Haringey Pension Fund**

Forward Plan reference number (if applicable): **Not Applicable**

Report of: **Chief Financial Officer and Assistant Chief Executive People & Organisational Development**

Wards(s) affected: **All**

Report for: **Non key decision**

**1. Purpose**

- 1.1 To approve the admission of Workforce Facilities Ltd as transferee admitted body participating in the Haringey Council Pension Fund from 1<sup>st</sup> April 2009.
- 1.2 This results from the TUPE transfer of security staff employed by Mittie Security Services to the above-mentioned contractor.

**2. Recommendations**

- 2.1 That Members agree to the admission of Workforce Facilities Ltd as a transferee admitted body to the Fund from 1<sup>st</sup> April 2009
- 2.2 That the agreement is a closed agreement such that no new members can be admitted.
- 2.3 That the contractor is required to provide a Bond to the value of £26,000 to be reviewed by the Fund actuary on an annual basis.
- 2.4 That final approval to the terms of this Admission Agreement be delegated to the Chief Financial Officer.

Report Authorised by:

**Gerald Almeroth**  
Chief Financial Officer

and by

**Stuart Young**  
Assistant Chief Executive P.O.D

Contact Officer: I M Benson Pensions Manager 0208 489 3824.

**3. Head of Legal Services Comments**

- 3.1 The Head of Legal Services has been consulted on the content of this report. The recommendations set out in the report follow the general power available to the Council to make an admission agreement with any transferee admission body and the conditions that will apply to such an agreement set out in the Local Government Pension Scheme Administration Regulations 2008
- 3.2 The Admission Agreement and Bond have been drafted by the Council's legal services. The Bond document has been drafted to protect the Fund against the commercial failure of Workforce Facilities Ltd based on an actuarial assessment of the pension liabilities provided by the Fund Actuary.

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

- 4.1 Local Government Pension Scheme (Administration) Regulations 2008
- 4.2 Draft Admission Agreement
- 4.3 Report from Hymans Robertson on Bond and Contribution Rate Assessment.
- 4.4 Reasons why this report is exempt **Not Applicable**

**5. Strategic Implications**

- 5.1 There are no strategic implications arising from this report

**6. Financial Implications**

- 6.1 The Council's actuary has assessed a contribution rate for the contractor as 28% and a Bond value of £26,000 which will be reviewed annually. The Bond is in place to protect the fund against the commercial failure of the company.
- 6.2 The contractor is required to meet future service costs as reflected in the above-mentioned contribution rate. The past service deficit remains with the Charitable Trust which will reimburse the Fund for any related costs

**7. Legal Implications**

- 7.1 Workforce Facilities Ltd is being admitted as a transferee admission body as defined in regulation 6(2) of the Local Government Pension Scheme (Administration) Regulations 2008.

**8. Equalities Implications**

- 8.1 There are no equalities implications arising from this report

## 9. Consultation

- 9.1 The Employees Side have been consulted and state that they have no objection to this Admission Agreement.

## 10. Background

- 10.1 On 1<sup>st</sup> August 2002 Alexandra Palace Charitable Trust entered into a contract for security services with Trident Security Ltd which is currently Mittie Security Services. This contract has now been awarded to Workforce Facilities Ltd with effect from 1<sup>st</sup> April 2009. The contract is for three years with the option to extend for a further two years.
- 10.2 Of the three scheme members originally TUPE transferred to Trident Security Ltd, one remains as an active member of the Fund.
- 10.3 This admission agreement is with a private contractor where service is being transferred by means of a contract. The contractor is thereby a 'transferee admission body' as defined in regulation 6 of the Local Government Pension Scheme Administration Regulations 2008.
- 10.4 The agreement will be a 'closed agreement' under which only the remaining member of the LGPS who is employed on the contract, will be eligible for admission to the Local Government Pension Scheme. On this basis, the actuary has set the employer contribution rate for future service at 28%. Changes increasing the required contribution rate are only paid for by the contractor if they are changes they have made. All other consequential contribution increases above 28% will be met by Alexandra Palace Charitable Trust.
- 10.5 The regulations require that the contractor provides an indemnity bond to protect the fund should the agreement terminate early. The value of the Bond is determined by actuarial assessment and is agreed between the parties. The review and provision of the Bond is an employer cost. The Council's actuary has put a value on the Bond of £26,000. The Bond protects the Fund against potential early retirement on redundancy costs should the company fail commercially.
- 10.6 Any actions taken that require payment of a capital cost will be recovered through the normal charging process. The actuary will take account of the contractor's discretionary policy including early and ill health retirements when setting it's employer contribution rate at future fund valuations.
- 10.7 As the final details of the application for admission are still under review, Members are asked to approve the delegation of final approval to the Chief Financial

## 11. Conclusion

- 11.1 Members are asked to approve the recommendations and that there are sufficient controls and measures in place to protect the Fund.

## 12. Use of Appendices / Tables / Photographs

- 12.1 There are no appendices to this report

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