Haringey Council

NOTICE OF MEETING

Pensions Committee

THURSDAY, 18TH JUNE, 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 C. Harris (Chair), Thompson (Vice-Chair), Beacham, B. Harris, Mallett, Wilson and Winskill

IN ATTENDANCE: David Fishman, Howard Jones, Roger Melling 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 12 (for unrestricted items) and agenda item 16 (for exempt items).

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 - 10)

To confirm and sign the minutes of the Pensions Committee held on 19 March 2009 and the special Pensions Committee held on 30 April 2009.

5. PENSION FUND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2009, AUDIT PLAN AND BUDGET 2009/10 (PAGES 11 - 50)

Report of the Chief Financial Officer to consider the Pension Fund's financial statements for the year ending 31st March 2009, which have been prepared with the aim of giving clear and concise information about the financial affairs of the Pension Fund to trustees, the public and other stakeholders. The Audit Plan of our external auditors, Grant Thornton and the 2009/10 Pension Fund budget are also reported.

6. ACTUARIAL FUNDING UPDATE AS AT 31 MARCH 2009 (PAGES 51 - 66)

Report of the Chief Financial Officer to report the results of the interim actuarial funding update as at 31 March 2009.

7. QUARTERLY ASSET ALLOCATION REVIEW (PAGES 67 - 80)

Report of the Chief Financial Officer to review the Fund's asset allocation position.

8. FUND PERFORMANCE UPDATE (PAGES 81 - 96)

Report of the Chief Financial Officer to consider the latest investment performance data for the Pensions Fund and for each of the Fund's investment managers. The report sets out fund performance to end of March 2009, compares responsible investments information provided by our Fund Managers and LAPFF and reports budget management to end of April 2009 (period 1).

9. ATTENDANCE BY FUND MANAGERS

10. FUND ADMINISTRATION UPDATE (PAGES 97 - 104)

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. ADMISSION OF ONTIME PARKING SOLUTIONS LTD. TO THE HARINGEY PENSION FUND (PAGES 105 - 108)

Report of the Chief Financial Officer and Assistant Chief Executive, People and Organisational Development, to approve the admission of Ontime Parking Solutions Ltd as a transferee admitted body participating in the Haringey Council Pension Fund from 1st June 2009.

12. NEW ITEMS OF URGENT BUSINESS

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

13. EXCLUSION OF THE PRESS AND PUBLIC

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

14. EXEMPT MINUTES (PAGES 109 - 112)

To confirm and sign the exempt minutes of the special Pensions Committee, 30 April 2009.

15. REVIEWING THE POSITION OF A FUND MANAGER (PAGES 113 - 122)

Report of the Chief Financial Officer to review the position of a Fund Manager.

16. EXEMPT ITEMS OF URGENT BUSINESS

To consider any exempt items of urgent business admitted at item 2 above.

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10 June 2009

MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 19 MARCH 2009

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

Also Present: David Fishman, Howard Jones, Roger Melling and Earl Ramharacksignh

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP73.	**APOLOGIES FOR ABSENCE** Apologies for lateness were received from Cllr Basu.	
PRPP74.	**URGENT BUSINESS** There were no items of urgent business.	
PRPP75.	**DECLARATIONS OF INTEREST** Cllr Adje declared a personal interest as a contributing member of the Haringey Pension Scheme. Cllr Butcher declared a personal interest as a contributing member of the Haringey Pension Scheme. Cllr Rahman Khan declared a personal interest as a contributing member of the Haringey Pension Fund and also for attending various training events, conferences, seminars, etc, from time to time, at which some of the Fund Managers, the Custodian, investment adviser or actuary may have contributed directly or indirectly. 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. Cllr Wilson declared a personal interest in respect of his employment by the National Association of Pension Funds.	
PRPP76.	**MINUTES** **RESOLVED** That the minutes of the meeting held on 29 January 2009 be agreed and signed by the Chair, subject to the following corrections: i) That “Howard Jones and Melling” be removed from the list of Councillors attending.	

	ii) That "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." be added to the declarations of interest.	
PRPP77.	**FUND PERFORMANCE REPORT** The Chief Financial Officer presented this report, which set out fund performance to the end of December 2008, compared responsible investments information provided by our Fund Managers and LAPFF and reported budget management to the end of January 2009 (period 10). It was reported that overall performance for the quarter to the end of December 2008 was above benchmark and above target. The Committee was advised that Hewitts had recently downgraded one of our Fund Managers. A further report would be provided to the Committee on this issue, following further discussion with Hewitts. It was reported that some Pension Funds were involved in legal action against RBS in relation to the share issue statement made in June 2008; Haringey was considering its position in respect of this matter, and a further report would be provided to Committee Members on this issue. The Committee requested that performance data for Fund Managers over a longer time period be provided in future reports for ease of comparison, and that performance data for a previous Fund Manager for the Haringey Pension Fund, Wellington Management, also be provided. **RESOLVED** i) That the Fund performance position as at end December 2008 be noted. ii) That responsible investments information provided be noted. iii) That the budget management position to the end of January 2009 (period 10) be noted.	
PRPP78.	**ATTENDANCE BY FUND MANAGERS** The Committee received presentations from four Fund Managers as follows: **CAPITAL** Fund performance for the equities mandate was 4.18% below the target in annualised terms in the 21-month period to the end of December 2008.	

Fund performance for the bonds mandate was 3.96% below the target in annualised terms for the 21-month period to the end of December 2008.

Capital explained the reasons for current performance and answered questions from Trustees.

The Committee asked whether Capital was considering taking any legal action against RBS. Capital confirmed that this was not something that they were considering. Capital reported that they had learnt from the experience and that they were confident in their remaining holdings. The Committee requested that Capital supply details of the price at which they had purchased HBoS shares when they had exercised their rights.

The Committee asked for Capital's opinion on bonuses. Capital responded that the previous bonus system in the financial sector had encouraged risk-taking, and that they would support a more sensible, longer-term bonus structure.

The Committee asked about Capital's arrangements for looking at corporate governance arrangements. Capital reported that this formed an integral part of their research into companies, and that it was their duty as long term shareholders to challenge any areas of concern.

The Committee urged Capital to take further action to improve their performance for the next time they attended the Committee.

ING

Fund performance was 0.5% above the target in annualised terms in the 21-month period to the end of December 2008.

ING explained the reasons for current performance and answered questions from Trustees.

Cllr Basu arrived at 19:45hrs.

The Committee noted the presentation and replies to questions thereto.

FIDELITY

Fund performance for the equities mandate was 0.9% below the target in annualised terms in the 21-month period to the end of December 2008.

Fund performance for the bond mandate was 1.6% below the target in annualised terms in the 21-month period to the end of December 2008.

Fidelity explained the reasons for current performance and answered questions from Trustees.

In response to questions from the Committee about why the dialogue between Fidelity and RBS had not produced results, Fidelity reported that they had begun to engage with RBS at an early stage, before there

	was wider support from other organisations in the sector. The Committee noted the presentation and replies to questions, and expressed the hope that performance would improve in the next quarter. **BERNSTEIN** Fund performance for the global equities mandate was 14.6% below the target in annualised terms for the 21-month period to the end of December 2008. Fund performance for the UK equities mandate was 8.94% below the target in annualised terms for the 21-month period to the end of December 2008. Bernstein explained the reasons for current performance and answered questions from Trustees. The Committee asked whether Bernstein was considering taking any legal action against RBS. Bernstein confirmed that this was not something that they were able to comment on. In response to questions from the Committee, Bernstein confirmed that they took corporate governance issues very seriously in their research, and would challenge and raise concerns where this was necessary. The Committee hoped that Bernstein would take all possible actions to improve their performance for the next time they attended the Committee.	
PRPP79.	**FUND ADMINISTRATION UPDATE** Ian Benson, Pensions Manager, presented the Fund administration update, which set out 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). In response to a question from the Committee on the merger talks between CONEL and Enfield College, it was confirmed that the bulk transfer payment tp be agreed by the fund actuary would protect the fund against the liabilities being transferred from Enfield Council fund. In response to a question from the Committee as to whether the number of early retirements had increased, it was agreed that Ian Benson would provide the Committee with early retirement figures for the last three years outside the meeting. It was agreed that the quarterly report on early retirements would include the equivalent reported data for the previous quarter.	

	The Chair emphasised the importance of the actuary's testing of the quality of data being provided by the employing bodies for actuarial purposes. The Chair also requested information on how the Government's Compensation arrangements in relation to the regulatory bodies' maladministration in supervising Equitable Life impacts on fund members who contributed to the in-house Equitable Life AVC Scheme. The Chair also asked for the number of Councillors eligible to join the LGPS to be included in the next report. In response to a question from the Chair, John Hardy, Head of Finance – Budget Management, Treasury and Pensions, confirmed that he had personally looked into the receipt of contributions from the Employing Bodies and School Payroll Providers, and confirmed that these were being received by the deadline. The Chair also asked Ian Benson to confirm as to whether the records of the consultation with the staff side were held, and to confirm that he was satisfied that appeals were conducted in compliance with all relevant guidelines; Ian Benson confirmed that this was the case in both instances. In relation to the Compliance Statement appended to the report, the Chair requested that surveys be commenced at the earliest opportunity in order to ensure compliance. Ian Benson reported that work to implement surveys was currently underway. **RESOLVED** That the Administration Report update be noted.	
PRPP80.	**ADMISSION AGREEMENT FOR WORKFORCE FACILITIES LTD** Ian Benson, Pensions Manager, presented this report, which recommended the admission of Workforce Facilities Ltd as a transferee admitted body to the Haringey Pension Fund from 1st April 2009, following the TUPE transfer of security staff employed by Mittie Security Services. In response to questioning by the Chair, the Chief Financial Officer confirmed that he was satisfied with the content of the report, safeguarding the interest of all stakeholders, particularly the Pension Fund. **RESOLVED** i) That Workforce Facilities Ltd be admitted as a transferee admitted body to the Fund from 1st April 2009. ii) That the agreement be a closed agreement such that no new members can be admitted. iii) That the contractor be required to provide a Bond to the value	

	of £26,000 to be reviewed by the Fund actuary on an annual basis. iv) That the final approval to the terms of the Admission Agreement be delegated to the Chief Financial Officer.	
PRPP81.	**ANY NEW ITEMS OF URGENT BUSINESS** There were no new items of urgent business.	

COUNCILLOR GMMH RAHMAN KHAN

Chair

UNRESTRICTED MINUTES OF THE SPECIAL PENSIONS COMMITTEE
THURSDAY, 30 APRIL 2009

Councillors	Rahman Khan (Chair), Beacham and Thompson
Apologies	Councillors Adje, Basu, Butcher, Melling, David Fishman and Earl Ramharacksingh
In attendance	Howard Jones

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP82.	**APOLOGIES FOR ABSENCE** Apologies for absence were received from Cllr Adje, Cllr Basu and Cllr Butcher and from David Fishman, Roger Melling and Earl Ramharacksingh. **NOTED**	
PRPP83.	**URGENT BUSINESS** There were no items of urgent business.	
PRPP84.	**DECLARATIONS OF INTEREST** Cllr Rahman Khan declared a personal interest as a contributing member of the Haringey Pension Fund and also for attending various training events, conferences, seminars, etc, from time to time, at which some of the Fund Managers, the Custodian, investment adviser or actuary may have contributed directly or indirectly. 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. **NOTED** As this was the last meeting of the Committee for the municipal year, the Chair thanked all the Members, Howard, Hewitts and officers for their assistance and significant contribution to the Committee during the past year.	
PRPP85.	**ASSET ALLOCATION REVIEW** The Chief Financial Officer introduced a report on the review of decision making on asset allocation, which had been produced in response to a request for further information by the Committee following a presentation by Hewitts on proposals for an asset rebalancing strategy at the meeting of the Committee on 29 January 2009.	

David Crum, Hewitts, reported that, while setting the investment strategy was the most significant investment decision for the Committee, it was important to monitor movements in the portfolio across asset classes in the meantime, and for the Committee to have the opportunity to make any adjustments felt appropriate. It was felt that this approach would benefit the Trust in the long term and would add value. David Lynch, Hewitts, outlined how the modelling in the report was carried out.

The Committee asked how the proposed system would operate in practice. Mr Crum reported that, for each asset class, bands such as 10% above or below benchmark would be agreed in advance with the Committee, to provide limits for any proposed changes. Hewitts would present and discuss their advice with the Committee at its quarterly meetings, and the Committee would then decide whether or not it wished to act on the advice provided. If the Committee agreed to act on the recommendations, Hewitts would work with the Chief Financial Officer to make the agreed changes. In response to a query from the Committee, it was clarified that if the Committee did not agree to act on the advice of Hewitts, no follow up action would be carried out. If an urgent change was necessary that could not wait until the next Committee meeting, authority would be delegated to the Chief Financial Officer to act in consultation with the Chair, but it was emphasised that this provision was for emergency situations only.

In response to a question on the advice taken into consideration as part of the modelling exercise, Mr Lynch responded that advice relating to specific types of hedge fund and commodities had not been included in the exercise, as it was unlikely that this would be relevant to the Pension Fund. Howard Jones, the Fund's Independent Advisor, stated that it would be beneficial for the Fund to have increased flexibility in relation to the selection of asset classes and to have the capability to react to market movement. The Committee would have the opportunity to review whether they wished to make any changes on a quarterly basis, but would be under no obligation to make changes if they decided not to. At this point, the Chair mentioned that investment in Hedge Funds was out of the question at the present moment and was outside the remit of this report.

The Chair emphasised that while Hewitts provided the Committee with advice, the Pension Fund was the responsibility of the Trustees. The Chair noted that he had raised concerns regarding the fee to be paid for the proposed service, as he felt that the contract with Hewitts should have been comprehensive, but accepted the advice of the Chief Financial Officer that the proposed work fell outside the scope of the contract. The Chair also added that he did not wish any delay in making a decision on the asset allocation proposal to have an adverse impact on the Fund. Taking into account the comments and direction of the Head of Legal Services that the Committee should give full consideration of the financial advice received, the Chair highlighted the professional opinion of the Chief Financial Officer as set out in the report. Considering the comments of the Head of Legal Services and the Chief Financial

	Officer, the Chair gave the view that he agreed with the recommendations of the report. **RESOLVED** i) That an active asset allocation rebalancing strategy be introduced on a quarterly basis as set out in the report. ii) That the asset allocation review service be provided by Hewitt and that the budget be amended to reflect this. iii) That decisions be delegated to the Chief Financial Officer in consultation with the Chair of the Pensions Committee, if any asset allocation changes need revising urgently in between quarterly meetings of the Pensions Committee. iv) That the outcome of the procurement process for a passive Fund manager be noted.	
PRPP86.	**EXCLUSION OF PRESS AND PUBLIC** **RESOLVED** That the press and public be excluded from the meeting for consideration of item 7 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).	
PRPP87.	**REVIEWING THE POSITION OF A FUND MANAGER** The Committee considered the report of the Chief Financial Officer. The meeting closed at 20:35hrs.	

COUNCILLOR GMMH RAHMAN KHAN

Chair

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Haringey Council

Agenda item:

Pensions Committee	On 18/06/09

Report Title. **Pension Fund Financial Statements for the year ending 31 March 2009, Audit Plan and Budget 2009/10**
Report of **The Chief Financial Officer**   Signed :
Contact Officer : **John Hardy – Corporate Finance**   **Telephone 020 8489 3726**

Wards(s) affected: **All**	Report for: Decision

1. Purpose of the report

1.1. To consider the Pension Fund's financial statements for the year ending 31 March 2009. These statements have been prepared with the aim of giving clear and concise information about the financial affairs of the Pension Fund to trustees, the public and other stakeholders.

1.2. The Audit Plan of the external auditors, Grant Thornton, together with the additional audit fee is reported for approval.

1.3. To agree the 2009/10 Pension Fund budget.

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 Pension Fund's financial statements for 2008/09 be approved.

4.2 That the Audit Plan of Grant Thornton be agreed.

4.3 That the proposed fee of £38,500 be approved.

4.4 That the Pension Fund's budget for 2009/10 be approved.

5. Reason for recommendations

5.1. To approve the Pension Fund's accounts for 2008/09 and Budget for 2009/10.

6. Other options considered

6.1. Not applicable.

7. Summary

7.1 This report sets out the Pension Fund's financial statements for 2008/09 and budget for 2009/10, provides some interpretations for Trustees, and highlights key matters for Trustees consideration.

7.2 The final statement of accounts, including the Pension Fund, will be prepared in accordance with the Accounts and Audit Regulations 2003 and will be reported to the General Purposes Committee on 25 June 2009 for approval prior to audit. This meets the statutory deadline for the financial statements to be approved by the end of June 2009.

7.3 The external audit for the Council's 2008/09 accounts will commence on 1 July. The auditors will submit a report on the findings of their audit to General Purposes Committee on 24 September and then will subsequently complete their audit by issuing their formal opinion before the end of September.

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 comments to make.

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 Fund Managers is being carefully monitored in the current volatile market conditions.

11.2 The need for any changes to the employer's contribution rate will be fully assessed as part of the triennial valuation as at 31 March 2010. Results will be available by early 2011. Budgetary implications will be considered as part of the Financial Planning process.

11.3 The fee estimated for the external audit of the Pension Fund accounts is £38.5k and this will be charged to the Pension Fund budget for 2009/10.

12. Use of appendices /Tables and photographs

12.1 Appendix 1 Financial Statements for the Pension Fund for the year ending 31 March 2009.

12.2 Appendix 2 Audit Plan of Grant Thornton

12.3 Appendix 3 Pension Fund budget 2009/10.

13. Local Government (Access to Information) Act 1985

Final accounts working papers.

Quarterly Fund Performance update reports to Pensions Committee.

14. Background

14.1 This report sets out the Pension Fund's financial statements for 2008/09, provides some interpretations for Trustees, and highlights key matters for Trustees consideration.

14.2 The appended financial statements are recommended for approval.

14.3 The Use of Resources element of the Comprehensive Performance Assessment (CPA) includes requirements that the Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers, and that the Council publishes its accounts in accordance with statutory requirements.

14.4 The budget for 2009/10 is also set out for approval.

15. Pension Fund financial statements

15.1 The financial statements for the Pension Fund for the year ending 31 March 2009 are appended to this report for consideration by Members. These statements have been prepared in accordance with the Accounting Code of Practice in Great Britain (ACOP), the Best Value Accounting Code of Practice (BVACOP) and the new Pensions Statement of Recommended Practice (SORP).

15.2 The statements have been prepared with the aim of giving clear and concise information about the affairs of the Pensions Fund to the trustees, the Public and other stakeholders.

15.3 The statements are also being reported to General Purposes Committee on 25 June for approval to meet the statutory deadline as part of the Council's overall final accounts for the financial statements of the Council to be approved by the end of June 2009.

15.4 Summary accounts have been included in the Annual Report that will be reported to the Pensions Fund Annual General Meeting (AGM) on 23 July and is also being sent to each scheme member.

15.5 The Pension Fund Account (Appendix 1) shows the contributions to the Fund during the year and benefits paid from it. This shows a net decrease in the value of the fund during the year of £117.6 million (19.4%) from £605.1 million to £487.5 million due to the following:

- £142.9 million is due to a decrease in the market value of investments and this is partially offset by £10.7 million of non-investment income (mainly employee and employer contributions) exceeding expenditure (mainly the cost of pension benefits);

- £14.6 million income from investments (net of investment management expenses and taxation).

15.6 The Net Asset Statement (Appendix 1) sets out the position on assets and liabilities for the Fund.

15.7 The formal level of funding as a whole for the Fund is 77.7 per cent as at end of March 2007 at the last triennial actuarial valuation. The level of funding is determined as part of independent actuarial valuations of the Fund. The interim actuarial valuation as at 31 March 2009 shows that the level of funding has reduced to 53 per cent. This deterioration is largely due to investment performance being lower than expectations due to stock market volatility.

15.8 The actuary does not propose to revise the minimum level of employer contribution rates as a result of this funding update even though the financial position has worsened significantly. The actuary advises that there is no power in the LGPS regulations to increase employer's contributions between triennial valuations due to market conditions (other than for admission bodies whose admission agreement is to end soon).

15.9 The approved contribution rate for the Haringey part of the Fund as at 31 March 2007 was 22.9 per cent. The need for any changes to the contribution rate will be fully assessed as part of the triennial valuation as at 31 March 2010. Results will be available by late 2010 or early 2011.

15.10 Performance from fund managers resulted in negative absolute returns of (21.65) per cent and this was, 2.31 per cent, below the benchmark that was in place for the year. There has been much volatility in the market due to credit issues that have arisen and are linked to the sub prime mortgage market in the USA leading to an impact on the financial sector and stock markets globally. This has impacted upon the performance of our portfolio. The Council are monitoring the position carefully.

15.11 Performance of the combined fund and of individual fund managers compared to benchmarks and targets has been regularly reported to previous meetings of the Committee in the quarterly Fund Performance update reports and will also be reported to the Pension Fund AGM that will be held on 23 July 2009.

15.12 Performance of the overall fund compared to benchmark and target is shown below. The benchmark and target are shown gross of fund manager's fees.

	12 months to end of March 2009
	%
Overall fund performance	(21.65)
Benchmark	(19.34)
Performance versus benchmark	**(2.31)**
Overall fund performance	(21.65)
Target	(17.70)
Performance versus target	**(3.95)**

15.13 This shows that in the 12 month period to March 2009:

- The performance of the combined Haringey fund has decreased in absolute terms by 21.65% and under-performed against the benchmark that was in place for the year by 2.31% and target by 3.95%.

15.14 This performance is disappointing, however It is important to view fund investment over the long term.

15.15 Pensions Committee completed the last full review of the fund's investment management strategy in 2006/07 and the new structure was largely implemented on 16 March 2007. It will take some further time to increase our holdings in property up to the new benchmark (10 per cent) and to fully build holdings in private equity given current volatile market conditions. Pensions Committee previously agreed to delay the introduction of active currency until market conditions improve.

15.16 The investment performance of the fund is a critical factor as it impacts directly on the level of employer's contributions that the employers are required to pay.

15.17 Trustees will remember that the Council's contribution rate is determined by the fund's actuary based on triennial actuarial valuations, the last review being at 31 March 2007. Following this valuation, the actuary has agreed that the Council's contribution rate can prudently remain at 22.9 per cent based on a 20 year recovery plan.

16. Disclosure of information about the movement in the net pension assets/liability

16.1 As at 31 March 2009, the Council had the following overall assets and liabilities for pensions.

	2008/09 £'000	2007/08 £'000
Present value of scheme liabilities	668,103	681,516
Present value of unfunded liabilities	47,938	51,338
Estimated assets in scheme	(409,413)	(505,436)
Net liability	**306,628**	**227,418**

16.2 The primary cause of the increase from an estimated net liability of £227m as at 31 March 2008 to an estimated net liability of £307m as at 31 March 2009 is the investment performance being lower than expectations due to stock market volatility.

16.3 The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The net liability of £307 million has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding this deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

16.4 Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years based on estimates of mortality rates, salary levels, etc. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

	2008/09	2007/08
Rate of inflation	3.1%	3.6%
Rate of increase of salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Expected return on assets	6.2%	7.1%

16.5 Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

16.6 Assets in the fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund.

	Long term return %	**31 March 2009 %**	**31 March 2008 %**
Equity investments	7.0	60	70
Bonds	5.4	25	21
Property	4.9	7	5
Cash	4.0	8	4
		100	100

17. Audit Plan

17.1 The Audit Plan of the Council's external auditors, Grant Thornton, to perform the audit of the Pension Fund for the year ended 31 March 2009 is included in Appendix 2. Grant Thornton are attending the meeting to present their report and answer any questions from Trustees. Grant Thornton will report back to the September meeting of Pensions Committee with their findings in the audit of the Pension Fund's accounts.

17.2 A new change, based on the standard Audit Committee fee Schedule is being levied for this work. This is £38,500 for the Haringey Fund. Members are asked to approve this.

18. Budget 2009/10

18.1 The 2009/10 budget for the Pension Fund is shown in Appendix 3. The Appendix also shows the 2008/09 outturn as previously requested for ease of comparison. Key information relating to the budget is detailed below.

18.2 Fund Administration and Membership - Haringey Council administers the Pension Fund under the provisions of the Local Government Superannuation Act, to provide benefits to its employees. The numbers of employees contributing to the fund, pensioners and dependents receiving benefits, and deferred pensions is shown in the following table.

	As at 31 March 2009	**As at 31 March 2008**
Employees contributing to the fund	6,820	6,954
Pensioners and dependents receiving benefits	5,771	5,657
Deferred pensioners	6,122	5,487

18.3 Staff of the following organisations contribute to the fund and benefit accordingly.

- Haringey Age Concern (admitted);
- Alexandra Palace Trading Co (admitted);
- Enterprise Ltd (admitted);
- Urban Futures (London) Ltd (admitted);
- Haringey CAB (admitted);
- Mitte Ltd (admitted);
- CONEL (scheduled);
- Greig City Academy (scheduled);
- Homes for Haringey (scheduled);
- John Loughborough (Community School);
- TLC Ltd (admitted);
- One Complete Solution Ltd (admitted);
- Fortismere School (Community School; and

- RM Education Ltd (admitted).

18.4 Actuarial Position – this is set out earlier in this report in paragraphs 15.7 to 15.9 and 15.17.

18.5 Management - The pension fund includes the costs, charges and expenses properly incurred in administering the fund. The internal administration costs include the apportionment of the costs of the relevant central services of the Council including the Pensions Team.

18.6 The fund management structure has resulted in the management of the fund's investments being placed with five independent fund managers. It will take time to become fully invested in property and private equity. In addition a master custodian is used.

18.7 Fees payable to fund managers have been based upon fees paid in 2008/09. Fees are related to the market value of the fund at the end of each month/quarter and therefore will increase should the market value of the fund increase.

18.8 Investment income shown is an estimate and will depend upon market conditions.

18.9 Pensions and other benefits have been inflated to include the pensions increase of 5.0% from 6 April 2009 set by the Government.

18.10 Additional Voluntary Contributions (AVC's) paid by scheme members are not included within the accounts as these are managed independently of the fund by three specialist AVC fund providers, Prudential, Clerical Medical and Equitable Life Legacy Fund.

SECTION 5

PENSION FUND

2008/09

Scheme Advisors

Scheme Registration Number:	00329316RX
Administering Authority:	London Borough of Haringey
Secretary to the Committee:	Head of Local Democracy and Member Services
Scheme Administrator:	Chief Financial Officer
Actuary:	Hymans Robertson
Investment Managers:	Alliance Bernstein Capital International Fidelity ING Pantheon Legal & General (no funds allocated)
Custodian:	Northern Trust
Investment Consultants:	Hymans Robertson (until 31 July 2008) Hewitt (From 1 August 2008)
	Howard Jones - Independent Advisor to Trustees
Bankers:	Royal Bank of Scotland
Legal advisors:	Head of Legal Services
AVC providers:	Equitable Life Assurance Society Prudential Assurance Clerical and Medical
Independent Auditors:	Grant Thornton UK LLP

Pension Fund Financial Statements

Introduction

The financial statements have been prepared and audited in accordance with regulations made under the Audit Commission Act 1998.

Nature of the scheme

The Scheme is a defined benefit Scheme and was established on 1 April 1965 to provide retirement pensions and lump sum allowances, survivor dependant's and death gratuities to all eligible employees of Haringey Council. Certain other organisations also participate in the Scheme and details of these are set out below.

The Fund's income is derived from employees, contributions from employing authorities and income from investments.

Management of the Scheme

The overall responsibility for administering the Scheme is vested in the Pensions Committee, the members of which are set out below. The day-to day-running of the Scheme has been delegated to the Chief Financial Officer.

Pensions Committee consists of seven elected Councillors, Quasi-Trustees, with full voting rights and three representatives. Trustees are selected by their respective political Groups, and their appointment is confirmed at the next meeting of the Full Council. They are not appointed for a fixed term but the membership is reviewed regularly by the political Groups.

The three representatives are appointed by their peer groups and generally serve for a period of one year. The constituency of Pensions Committee for 2008/09 financial year is as follows:

Cllr Gmmh Rahman Khan -Trustee – (Chair of Pensions Committee)
Cllr Sheikh G I Thompson -Trustee (appointed 19 May 2008)
Cllr Charles Adje –Trustee
Cllr Dhiren Basu-Trustee
Cllr Toni Mallett Trustee (until 19 May 2008)
Cllr Ron Aitken -Trustee (until 19 May 2008)
Cllr David Beacham - Trustee
Cllr Ed Butcher - Trustee
Cllr Richard Wilson - Trustee

David Fishman - Pensioner representative (appointed 24 July 2008)
Roger Melling – Employee representative
Earl Ramharacksing – Admitted and Scheduled Bodies representative (appointed 18 September 2008)

Committee Meetings

Committee meetings are generally held 6 times a year. In the year under review the Committee met on 8 occasions.

The day to day management of the Fund's investments is the responsibility of the Fund's five professional fund managers: Alliance Bernstein, Capital International, Fidelity, ING and Pantheon.

Overall investment strategy is the responsibility of the Pensions Committee, who receive advice from the Chief Financial Officer and the Independent Advisor to Trustees and external investment advisors.

The current investment management structure was largely implemented on 16 March 2007 following a full review of strategy by the then Pensions Panel that was advised by the Chief Financial Officer, the Independent Advisor to Trustees and the Pension Fund's (then) external Investment advisors, Hymans Robertson.

As part of this review, the Pensions Panel agreed to introduce a 5 per cent allocation (approximately £30 million) to Private Equity investments. Pantheon was appointed as our Private Equity manager in April 2007.

In addition it was agreed as part of the review to increase the Fund's property allocation from 6 per cent of fund investments to 10 per cent and to introduce an active currency overlay.

However, both the target allocations for Private Equity investments and property allocation have yet to be achieved due to the continuing economic uncertainty in these markets.

Three other firms of managers have been appointed but at present no cash allocations have been made. Legal & General have been appointed as a passive Fund Manager, and Record Currency Management and Investec as currency overlay managers. However, in view of the volatility in stock markets, Pensions Committee have agreed to defer the introduction of active currency mandates until stock markets are less volatile.

Fund administration and membership

At 31 March 2009, there were 6,820 (2008: 6,954) employees contributing to the Fund and 5,771 (2008: 5,657) pensioners and dependents receiving benefits. There were also 6,122 (2008: 5,487) deferred pensioners.

Staff in the following organisations contribute to the fund and benefit accordingly.

Organisation	Participation type
Haringey Age Concern	Admitted
Alexandra Palace Trading Co	Admitted
Enterprise Ltd	Admitted
Urban Futures London Ltd	Admitted
Haringey CAB	Admitted
Mitte Ltd	Admitted
CONEL	Scheduled
Greig City Academy	Scheduled
Homes for Haringey	Scheduled
John Loughborough Ltd	Scheduled
TLC Ltd	Admitted
One Complete Solution Ltd	Admitted
Fortismere School	Scheduled
RM Education Ltd	Admitted

Actuarial position

The Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's investments and contributions to meet its long term obligations.

The last triennial valuation of the Fund was as at 31 March 2007. The actuaries report was approved by trustees at the Pensions Committee meeting in January 2008.

The 2007 valuation was carried out in accordance with the Funding Strategy Statement and Guidelines GN9: Retirement Benefits Schemes – Actuarial reports published by the Institute of Actuaries. The valuation method used was the projected unit method. The resulting contribution rates reflected the cost of providing year-by-year accrual of benefits for the funded members and the level of funding for each employer's past-service liabilities.

The main economic and statistical assumptions used were:

Asset class	Rate of Return Nominal % p.a
Equities	6.5
Bonds	4.9

Rate of pensionable salary increases (excluding increments)

Compound	4.7% p.a
Rate of price inflation/ Pension increases (Compound)	3.2% p.a

The Market value of the Fund at the time of the last triennial valuation as at 31 March 2007 was £620m. Against this sum liabilities were identified of £798m equivalent to a funding deficit of £178m. The movement in the actuarial deficit is analysed below:

Reason for change	Amount £m	Funding Level %
Interest on surplus	(37)	
Investment returns higher than expected	99	
Changes in demographic assumptions	(24)	
Experience items	37	
Change in financial assumptions	(71)	
	4	
Deficit brought forward	(182)	69
Deficit carried forward	(178)	77.7

The level of funding on a full buy-out basis has increased from 69 per cent to 77.7 per cent between the triennial actuarial valuations as at end of March 2004 and as at end of March 2007. The main reasons for the increase in the funding level are an improvement in investment earnings and value, and planned stepped increases in employer's contributions since 2004.

The funding policy of the Scheme is to be fully funded. As this policy had not been achieved at the valuation date it has been agreed with the actuary that the past service deficit will be recovered over a period not exceeding 20 years. This maximum recovery period is considered prudent for a statutory body with tax raising powers. Concerning the identified past service deficits of the admitted and scheduled bodies (with the exception of Best Value Admission Bodies) these are to be recovered over the expected future lifetime of the remaining scheme members. Past service deficits in respect of Best Value Admission Bodies should be recovered over the period of the employer's contract.

Following the valuation as at 31 March 2007, the actuary agreed that the Council's contribution rate can remain at the 2007/08 rate of 22.9 per cent of pensionable salaries. The 2008/09 contribution rate is split 8.8 per cent between the past service adjustment to fund the deficit over 20 years and the future service rate of 14.1 per cent.

The actuary has recently undertaken an interim actuarial valuation. The funding level has reduced to 53 per cent as at 31 March 2009 and improved to 58 per cent as at 8 May 2009.

The above deterioration is largely due to the fall in the funding level mainly because investment performance was lower than expectations due to stock market volatility.

The actuary does not propose to revise the minimum level of employer contribution rates as a result of this funding update even though the financial position has worsened significantly.

The Actuary advises that there is no power in the LGPS regulations to increase employers contributions between triennial valuations due to market conditions (other than for admission bodies whose admission agreement is to end soon).

The need for any changes to the contribution rate will be fully assessed as part of the triennial valuation as at 31 March 2010. Results will be available by early 2011.

Statement of Investment Principles (SIP)

A statement of investment principles was approved by trustees at Pensions Committee in June 2008. The SIP is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with Myners principles. The SIP is published on the Council's internet web site.

Related party transactions

In 2008/09 the Pension Fund paid £0.630m to the Council for administration (£0.542m in 2007/08). As at 31 March 2009 £10.125m was due from the Council to the fund (£4.996m in 2007/08). During 2008/09 four trustees were also members of the Pension Fund. There were no other material related party transactions.

Currency Hedging

The Council permits its Pension Fund managers to use forward contracts as a currency hedging tool between sterling and the base currency. Cross hedging is not permitted. When the managers use these instruments it is generally because a strong view is held on the likely movement of a specific currency. The principle objective of using the instrument is to lower the risk profile of the portfolio.

Advisors

From time to time the Committee reviews its advisors. During the year a review was undertaken into the provision of actuarial services and the provision of investment advice. Following tendering Hymans Robertson were retained as the Scheme actuary but were replaced as the investment adviser. Hewitt were appointed as investment advisers with effect from 1 August 2008.

A complete list of all scheme advisors may be found at the front of this report.

Accounting Policies and Principles

Basis of preparation

The financial statements have been prepared in accordance with the LGPS Regulations 2007 (As Amended) and with guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2008, having regard to the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007) – (('The SORP) (May 2007)).

The SORP (May 2007) is being adopted for the first time this year, which has required certain changes to be made to the disclosures in the accounts summarised below. The previous years accounts only need to be restated if changes are material.

- investments that were valued using the mid-market prices are now required to be valued at bid prices;
- derivatives are required to be valued at fair value. These were previously accounted for by using an effective economic exposure basis;
- new classifications of Employer contributions have been established;

- direct transaction costs are required to be separately disclosed.

The purpose of these changes is to provide a fairer reflection of the balances and transactions in the accounts. Unless the change in presentation is material:

- changes to comparative figures have not been made but there have been some reclassifications made particularly in respect of the analysis of investments (see not 9);

- opening balances to the net asset statement have not been re-stated;

- no comparative figures are provided for information being disclosed for the first time;

- where the impact on Fund Account items, has resulted in re-analysis of the comparative figures , no explanation is given.

This approach is in accordance with the SORP (May 2007).

Fund account
The following items are included on the accruals basis:

Employer normal contributions - amounts relating to wages and salaries for the Scheme year.

Employer additional contributions - amounts receivable in accordance with actuarial advice.

Member normal contributions - amounts deducted from wages and salaries during the Scheme year.

Benefits - amounts due in respect of the year.

Dividends - accrued by reference to the ex-dividend date.

Withholding tax - accrued on the same basis as the income to which it relates.

Interest on fixed interest investments, index linked securities, cash and short-term deposits is accounted for on an accruals basis.

Income from derivatives contracts is recognised as follows:

- Futures contracts - All realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis;

- Forward foreign exchange contracts - All realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis.

Transfers in and out - accounted for when the transfer value is paid or received.

Administrative expenses – amounts payable in respect of the year.

Investments
Investments are stated at fair value on the final working day of the accounting year as follows:

- Listed securities are stated at bid value. Previously listed securities were shown at mid value. As the change in valuation methodology is not material the 2007/08 values have not been restated (notes 9, 9a, 10 and 11 refer);

- Unquoted securities are stated at the estimate of fair value provided by the investment manager;

- Units in managed funds and pooled investment vehicles are stated at bid prices or at the single closing price where single prices are quoted.

Derivatives are valued at fair value as follows:

- Futures contracts are valued at the relevant exchange prices at the accounting date;

Foreign currency translation – the valuation of foreign equities is calculated by using the overseas bid price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.

Investment management and administrative expenses - the fees of investment managers are paid in accordance with their investment management agreements and are linked to the current value of the portfolio on an ongoing basis. A proportion of relevant Council officers time, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters.

Valuation of Private Equity Holdings – the Private Equity valuation in the accounts is assessed by the Private Equity Fund Manager on a fair value basis as determined at 31 December 2008.

Pension Fund Account

The Pension Fund shows the contributions to the Fund and the benefits paid from it during the 2008/09 year end.

Pension Fund Account	Notes	2008/09 £'000	2007/08 £'000
Dealings with members, employers and others directly involved in the scheme			
Contributions receivable	1	(44,239)	(41,332)
Transfers In	2	(2,562)	(5,418)
Other Income		0	(5)
Benefits payable	3	28,846	26,696
Payments to and on account of leavers	4	6,612	4,484
Administrative Expenses	5	673	595
Net additions from dealings with members		**(10,670)**	**(14,980)**
Returns on Investments:			
Investment Income	6	(18,339)	(18,026)
Change in market value of investments	9	142,861	45,083
Taxation	7	197	254
Investment management expenses	8	3,541	2,605
Net returns on investments		**128,260**	**29,916**
Net decrease/(increase) in the fund during the year		**117,590**	**14,936**
Add: Opening net assets of the scheme		**(605,103)**	**(620,039)**
Closing net assets of the scheme		**(487,513)**	**(605,103)**

Net Assets Statement

The Net Assets Statement sets out the assets and liabilities for the Fund as at 31 March 2009. The Fund is separately managed by the Council acting as trustee and its accounts are separate from the Council's.

Net Assets statement	Notes	2008/09 £'000	2007/08 £'000
Investment assets	9	482,291	600,141
Net current assets and liabilities	12	5,222	4,962
Total Assets		**487,513**	**605,103**

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

Notes to Pension Fund Account

1. Contributions Receivable

	2008/09 £'000	2007/08 £'000
Employers' normal contributions	33,015	31,896
Employers'deficit funding contributions	66	125
Employers' other contributions	900	523
	33,981	**32,544**
From members		
- normal	10,258	8,788
	10,258	**8,788**
Total	**44,239**	**41,332**

Deficit Funding contributions relate to payments by Haringey CAB, Mittie Limited and Alexandra Palace Trading .These are to cover the deficit positions of employers who do not admit new members and whose payroll is thought likely to decrease in the inter-valuation period. Employers' other contributions relate to capital cost payments and cover the cost to the Fund of members awarded early retirement before age 60 or otherwise after age 60 but before their normal protected retirement date.

1a. Analysis of Contributions Receivable

	2008/09 £'000	2007/08 £'000
Contributions receivable		
Administering authority	37,717	34,400
Scheduled bodies	5,375	5,478
Admitted bodies	1,147	1,454
Total	**44,239**	**41,332**

2. Transfers In

	2008/09 £'000	2007/08 £'000
Individual transfers in from other schemes	2,562	5,418
Total	**2,562**	**5,418**

3. Benefits Payable

	2008/09 £'000	2007/08 £'000
Pensions	23,603	22,143
Commutation of pensions & lump sum retirement benefits	4,195	3,974
Lump sum death benefits	1,048	579
Total	**28,846**	**26,696**

Benefits payable are further analysed in the following note.

3a. Analysis of Benefits Payable

	2008/09 £'000	2007/08 £'000
Benefits payable		
Administering authority	26,410	24,451
Scheduled bodies	1,470	1,438
Admitted bodies	966	807
Total	**28,846**	**26,696**

4. Payments to and on account of leavers

	2008/09 £'000	2007/08 £'000
Refunds of contributions	9	13
Individual transfers out to other schemes	4,164	4,471
Group transfers out to other schemes	2,439	0
Total	**6,612**	**4,484**

Group transfers in 2008/09 relate to the transfer of Magistrates Court staff to the London Pensions Fund Authority (LPFA) scheme.

5. Administrative Expenses

	2008/09 £'000	2007/08 £'000
Council Administration charges	630	542
Legal and other fees	43	53
Total	**673**	**595**

6. Investment Income

	2008/09 £'000	2007/08 £'000
Interest from fixed interest securities	535	2,004
Dividends from equities	9,141	9,743
Income from index-linked securities	143	535
Income from pooled investment vehicles	6,743	4,015
Interest on cash deposits	1,777	1,729
Total Investment Income	**18,339**	**18,026**

Overseas irrecoverable withholding tax is required to be shown separately under the SORP and therefore 2007/08 accounts have been restated.

7. Taxation

	2008/09 £'000	2007/08 £'000
Irrecoverable withholding tax on investment income	197	254
Total	**197**	**254**

Overseas irrecoverable withholding tax is required to be shown separately under the SORP and therefore 2008/09 accounts have been restated with the corresponding entry being to increase investment income (see note 6).

8. Investment management expenses

	2008/09 £'000	2007/08 £'000
Fund managers fees	3,265	2,247
Custodian fees	139	151
Trustees advisor fees	15	17
Investment consultant fees	85	122
Other	37	68
Total	**3,541**	**2,605**

9. Investment Assets

	Value as at 1 April 2008 £'000	Purchases at Cost & Derivative payments £'000	Sales Proceeds and derivative receipts £'000	Changes in market value £'000	Value as at 31 March 2009 £'000
Fixed Interest securities	42,336	44,350	(46,539)	(21,481)	18,665
Equities	259,510	114,546	(111,842)	(91,048)	171,166
Index-linked securities	27,421	9,476	(2,146)	(20,478)	14,273
Pooled Investment vehicles	240,542	123,484	(113,232)	(7,281)	243,513
Derivative Contracts	0	34	(30)	(4)	0
	569,809	291,890	(273,789)	(140,292)	447,617
Cash Deposits	25,886			(2,168)	31,852
Other Investment Balances	4,446			(401)	2,822
Net Investment Assets	**600,141**			**(142,861)**	**482,291**

The market value of the fund decreased by £142.9m during the year, this mainly comprises realised net losses of £55.7m and unrealised net losses of £87.6m. There has been much volatility in the market due to credit issues that have arisen and are linked to the sub prime mortgage market in the USA. This has impacted upon the performance of our portfolio, is still ongoing and the Council are monitoring the position carefully.

Transaction costs are included in the cost of purchases and sales. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £469k (2007/08: £479k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

The Fund's investment assets are further analysed between quoted and unquoted, UK and overseas.

9a. Analysis of Investments held

FIXED INTEREST SECURITIES	2008/09 £'000	2007/08 £'000
UK Public Sector quoted	18,612	41,876
UK Corporate quoted	53	460
	18,665	42,336

EQUITIES	2008/09 £'000	2007/08 £'000
UK quoted	87,800	141,412
UK unquoted	0	59
Overseas quoted	83,180	117,567
Overseas unquoted	186	472
	171,166	259,510

INDEX LINKED SECURITIES	2008/09 £'000	2007/08 £'000
UK Public sector-quoted	13,018	25,924
UK Other -quoted	1,123	1,336
Overseas Other- quoted	132	161
	14,273	27,421

POOLED INVESTMENT VEHICLES	2008/09 £' 000	2007/08 £' 000
Unit Trusts:		
-property -UK	24,674	39,415
-other -UK	26,422	31,867
-other -Overseas	11,083	9,116
Other managed funds		
-Property-overseas	7,779	9,375
Other-UK	99,386	55,786
Other-Overseas	74,168	94,983
	243,513	240,542

9b. Derivative contracts

DERIVATIVE CONTRACTS	2008/09 £' 000	2007/08 £' 000
Forward Foreign exchange	(4)	0
Futures	4	0
	0	0

FUTURES	Economic Exposure Value £'000	Market Value £'000
Foreign equities index traded	155	4

The £4k market value represents the value of open positions at year end.

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

The Pension Fund managers are permitted to use certain derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. As at 31 March 2009 the economic value of Futures contracts held was £155k, outstanding margin settlement was £4k and forward foreign exchange outstanding margin was a loss of £4k. The Pension Fund did not hold any options as at 31 March 2009.

Council 'Cash/Deposits' in 2007/08 includes £9.35 million, representing the un-utilised balance of cash earmarked on transition to the new structure in March 2007 to invest in property. It also includes £9.5 million of cash generated from surplus contributions in 2007/08 and earmarked in accordance with the strategic review to fund the Private Equity mandate. The cash held within the Council at end of March 2009 also includes £3.65m that is earmarked for future private equity calls.

10. Fund Management

Fund Manager	Funds Managed as at 31/03/09 £ million	% Fund Managed	Funds Managed as at 31/03/08 £ million	%Fund Managed
Alliance Bernstein	90.4	18.7	146.1	24.3
Capital International	158.6	32.9	187.7	31.2
Fidelity	162.6	33.7	192.0	32.0
ING	35.7	7.4	51.5	8.6
Pantheon	11.5	2.4	2.7	0.5
Haringey	23.5	4.9	19.6	3.3
Transition Manager		0.0	0.5	0.1
Total	482.3	100.0	600.1	100.0

11. Top Ten shares held

As at 31st March 2009					As at 31st March 2008				
Company	Rank	Market Value of shares £'000	% Equities	% Net Assets	Company	Rank	Market Value of shares £'000	% Equities	% Net Assets
Shell	1	8,733	3.1	1.8	Shell	1	12,739	3.1	2.1
BP	2	8,654	3.1	1.8	BP	2	9,546	2.3	1.6
Vodafone	3	7,206	2.7	1.5	Vodafone	3	8,244	2.0	1.4
Glaxosmithkline	4	5,680	2.0	1.2	RBS	4	6,442	1.6	1.1
HSBC	5	4,676	1.7	1.0	HBOS	5	6,389	1.6	1.1
Astrazeneca	6	3,959	1.4	0.8	Glaxosmithkline	6	5,958	1.5	1.0
BHP Billiton	7	2,625	0.9	0.5	HSBC	7	5,457	1.3	0.9
Roche Holdings	8	2,482	0.9	0.5	Barclays	8	5,402	1.3	0.9
Tesco	9	2,371	0.9	0.5	Aviva	9	4,562	1.1	0.8
Aviva	10	2,307	0.8	0.5	BAE Systems	10	4,038	0.9	0.7

In accordance with the new SORP both years now show the percentage of net assets for each company rather than the market value of equities.

The SORP also requires that investments in one or more holdings (excluding UK Government Securities) that exceed 5 per cent of the total value of the net assets of the scheme to also be stated; namely

	£'000	%
Fidelity Institutional Exempt America OEIC	28,004	5.7
Capital International UK Corporate Bond Fund	26,422	5.4

12. Net current assets and liabilities

	2008/09 £'000	2007/08 £'000
CURRENT ASSETS		
Contributions due from :		
Administering Authority in respect of the Council	91	87
Admitted Bodies in respect of employers	55	61
Scheduled Bodies in respect of employers	71	81
Contributions due from :		
Administering Authority in respect of members	25	23
Admitted Bodies in respect of members	25	18
Scheduled Bodies in respect of members	15	22
Cash balances	5,489	4,996
Reimbursement of Advisor Fees	8	0
Other -Reimbursement of Fund management expenses (Fidelity)	137	168
	5,916	5,456
CURRENT LIABILITIES	**2008/09 £'000**	**2007/08 £'000**
Unpaid benefits in respect of:		
Administering Authority	289	0
Admitted bodies		
Scheduled Bodies		
Fund manager and advisor fees	405	494
	694	494
Net current assets	**5,222**	**4,962**

13. Contingent Liabilities and Post Balance Sheet Events

There are no material contingent liabilities or Post Balance Sheet events.

14. Additional voluntary contributions (AVC's)

AVC's paid by scheme members are not included within the Pension Fund accounts in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). AVC's are managed independently by three specialist providers, Equitable Life Assurance Society, Prudential Assurance and Clerical and Medical Investment Group Ltd.

Key information regarding the AVC's administered for Haringey are as follows:

Equitable Life Assurance Society	**£**
Value of Fund as at 6 April 2008	**474,753**
Contributions in Year	9,046
Retirement Benefits & Charges	(40,550)
Change in market value	(19,119)
Value of Fund as at 5 April 2009	**424,130**
Number of Active Members	43
Number of members with preserved benefits	18

Prudential Assurance	**£**
Value of Fund as at 1 April 2008	**743,097**
Contributions in Year	177,475
Retirement Benefits & Charges	(133,330)
Change in market value	(45,671)
Value of Fund as at 31 March 2009	**741,571**
Number of Active Members	97
Number of members with preserved benefits	16

Clerical and Medical	**£**
Value of Fund as at 1 April 2008	**29,866**
Contributions in Year	5,948
Retirement Benefits & Charges	0
Change in market value	(6,154)
Value of Fund as at 31 March 2009	**29,660**
Number of Active Members	2
Number of members with preserved benefits	2

AVC Investments

Equitable Life Assurance Society	Market Value as at 3 April 2009 £	%
Fund		
Equitable with -profits	230,420	54.3
Equitable unit-linked funds	103,382	24.4
Equitable Building Society Pension Fund	90,328	21.3
Total	**424,130**	**100.0**

Prudential	Market Value as at 31 March 2009 £	%
Prudential with - profits cash accumulation	490,936	66.2
Prudential Deposit Fund	14,749	2.0
Prudential Unit Linked	235,886	31.8
Total	**741,571**	**100.0**

Clerical Medical	Market Value as at 31 March 2009 £	%
Clerical Medical with-profits	3,459	11.7
Clerical Medical unit-linked	26,201	88.3
Total	**29,660**	**100.0**

APPENDIX 2

Grant Thornton

Audit Approach Memorandum

London Borough of Haringey Pension Fund

For the year ended 31 March 2009

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Grant Thornton

To the Pension Committee of London Borough of Haringey Pension Fund

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We are pleased to be engaged to perform the audit of London Borough of Haringey Pension Fund for the year ended 31 March 2009. This memorandum highlights the key elements of our proposed audit strategy for the benefit of those charged with governance, in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

We have considered our independence and objectivity in respect of the audit and do not believe there are any matters which should be brought to your attention [except as disclosed in 'The small print']. This memorandum has been prepared on the basis of the limitations set out in 'The small print'.

We look forward to working with you during the course of the audit.

Grant Thornton UK LLP

This memorandum has been prepared for the benefit of discussion between Grant Thornton and the Pension Committee of London Borough of Haringey Pension Fund.

Contents

1 Our audit approach

1.1 Engagement objectives
Our engagement objectives are as follows:

- to audit the financial statements of London Borough of Haringey Pension Fund
- to produce a concise and constructive report of key issues to the Pension Fund (ISA 260 letter)
- to draw to your attention any material weaknesses in internal control that come to our attention during our audit work.

Our audit approach is based on an assessment of the audit risk relevant to the individual elements of the financial statements. We focus much of our audit effort on the areas that we deem to be of highest risk of material misstatement. Our work in other areas will typically be proportionately lower than for high risk areas.

1.2 Audit strategy
We will be working closely with the finance team to ensure that we meet audit deadlines and conduct the audit efficiently, with the minimum of disruption to the Pension Fund's staff.

In summary our audit strategy comprises:

- updating our understanding of the operation of the Fund through discussions with management
- reviewing the design and implementation of the internal financial control systems to the extent that they have a bearing on the highest risk areas of the financial statements
- assessing the audit risk and, based on that assessment and the assessment of the design of the internal control system, developing and implementing appropriate audit procedures
- reviewing the adequacy of material disclosures in the financial statements
- verifying all material balance sheet accounts and performing analytical review of income and expenditure streams.

1.3 Identified high risk areas
In summary, our audit approach in respect of high risk areas will concentrate on the following:

- the existence and valuation of investments
- the completeness and accuracy of contributions
- the completeness, accuracy and validity of benefits

These are further detailed in table 2.1

1.4 Materiality
An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements. Any identified errors or differences greater than 2% of materiality will be recorded on a schedule of potential misstatements. These are assessed individually and in aggregate, discussed with you and, if you do not adjust, signed off by you in your letter of representation to us, confirming your view that they are immaterial to the financial statements.

An item of low value may be judged material by its nature, for example non-compliance with the SORP. An item of higher value may be judged not material if it does not distort the truth and fairness of the financial statements.

1.5 Internal controls

Auditing standards require that we evaluate the design effectiveness of internal controls over the financial reporting process to identify areas of weakness that could lead to material misstatement. Therefore, we will focus our control review on the high risk areas of the financial statements.

We are also required to assess whether the controls have been implemented as intended. We will do this through a combination of inquiry and observation procedures, and, where appropriate, systems walkthroughs. However, our work cannot be relied upon necessarily to identify defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive controls review exercise might identify.

1.6 Reliance on internal audit

We will work with the internal audit function to ensure our audit approach takes account of the risks identified and the work they have conducted, subject to our review of the internal audit function.

1.7 Audit of IT and outsourced systems

Our audit approach assumes that our clients use a computer system for accounting applications that process a large number of transactions. Accordingly, our approach requires a review of the Pension Fund's internal controls in the information technology (IT) environment.

2 Key audit issues and financial reporting matters

We will report to you the findings from our work, and the conclusions in respect of each of the risks that we have identified in our ISA 260 letter.

2.1 Key audit issues

Issue	Audit approach
Investments - valuation	• obtain direct confirmations from the individual fund managers • agreement of the custodians' confirmations to the portfolio valuations produced by the fund managers • obtain independent confirmation of market prices for a sample of investment holdings using providers such as Bloomberg
Investments - existence	• obtain direct confirmation from the global custodian as to holdings which the fund managers hold on behalf of the Fund
Contributions - completeness and accuracy	• obtain confirmation from the admitted and scheduled bodies of the amounts and timing of contribution payments • checks that pension contribution deductions are calculated and paid over correctly for a sample of individuals • estimating total contributions with reference to pensionable salaries, average numbers of members, and average contributions rates and comparing to contributions receivable disclosed in the accounts • reviewing contributions received on a monthly basis to ensure any unusual trends are satisfactorily explained.
Benefits - completeness	• rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year • compare pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained • comparison of membership movements to transactions in the accounting records
Benefits - accuracy and validity	• for each benefit type, select a sample of transactions and agree to supporting documentation maintain on individual member files

2.2 Financial reporting matters

Issue	Audit approach
Ensure compliance with the Pensions SORP, as applicable to LGPS	• the accounts are checked with reference to the SORP disclosure checklist

2.3 Update on previous period's unresolved key audit issues

Issue	Audit approach
Use of shared bank accounts with the Council	We will review how each area has been actioned during the year, and report back to the Committee accordingly.
Late contributions receipts from admitted and scheduled bodies	
Timely settlement of benefit liabilities	
Reducing the number of members with more than record in the admin. system	

2.4 Update on previous period's financial reporting matters

Issue	Audit approach
Expansion of accounting policies for investments to include a separate policies for each asset class held	We will review how these comments have been adopted in the light of the requirement to comply with the revised Pension SORP (May 2007), as applicable to LGPS this year.
Additional explanatory notes for why special contributions are received	
Present investment movements by asset class as opposed to by fund manager	
Consider use of parenthesis to denote income streams / asset values	

3 Logistics

3.1 Information required

The information required from management during the course of the audit will be supplied in due course. The type of information being requested has not changed from last year.

3.2 Timetables and milestones

The following proposed timetable highlights the key dates of the audit process:

Event	Date
Planning meeting with management	23.04.09
Commence fieldwork	20.07.09
Manager visit to review work	28.07.09
Partner to review work	10.08.09
Issue draft ISA 260 letter for management review	14.08.09
Second partner review	04.09.09
Audit clearance	14.09.09
Issue ISA 260 letter for Committee	14.09.09
Committee meeting to discuss audit findings	17.09.09
Sign accounts	TBC

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. During the course of the audit process, we will meet with management as necessary, to co-incide with the weekly meetings held with the main Council audit team.

3.3 Engagement team

Our engagement team for the audit will include:

Name	Role	Contact details
Martin Grundy	Engagement partner	T: 0207 865 2302 E: martin.grundy@gtuk.com
Matthew Cass	Audit manager	T: 0207 865 2242 E: matthew.h.cass@gtuk.com
Samuel Attuah-Asante	In Charge Accountant	T: 01536 315934 E: samuel.attuah-asante@gtuk.com

3.4 Fees

Our fee estimate for the audit of the Fund, which is exclusive of VAT, is £38,500. This is based on the guidance issued by the Audit Commission for London borough Local Government Pension Schemes.

We have proposed this fee on the basis that:

- draft accounts are presented to us by 20 July 2009 for audit, subject only to routine audit adjustments
- a trial balance, and supporting schedules for all figures in the accounts are supplied by the agreed dates
- all books and records are made available to us
- your staff are available to help us locate information and to provide explanations

Our ability to deliver to the agreed timetable and fee will depend upon this. If there are any variances to the above plan, we will discuss them with you and agree any additional fees before costs are incurred, wherever possible.

Any work outside the scope of this proposal will be billed separately after discussion with you.

3.5 Billing and payment schedule

Our proposed schedule is as follows:

Billing date	**£**
By 31 May 2009	5,000
By31 July 2009	10,000
By 31 August 2009	18,500
By 30 September 2009	5,000

Fee notes are payable within 30 days of receipt

4 The small print

Engagement terms

Our engagement will be carried out in accordance with the Audit Commission's Code of Practice on auditing and the statement of responsibilities which sets out the roles of audited bodies and of auditors.

Ethical standards

We have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of adverse or unexpected findings

We will communicate any adverse or unexpected findings affecting the audit on a timely basis with the appropriate person within the Council. Such communication will be made either informally or via our ISA 260 letter.

The actual or potential resolution of significant audit and accounting issues will be discussed and agreed with management and documented for the Pension Committee's consideration.

Audit quality assurance

Grant Thornton's audit practice is currently monitored by the Audit Inspection Unit, an arm of the Financial Reporting Council which has responsibility for monitoring the firm's public interest audit engagements. The audit practice is also monitored by the Quality Assurance Directorate of the ICAEW. Grant Thornton UK LLP also conducts internal quality reviews of engagements.

We would be happy to discuss further the firm's approach to quality assurance.

Independence and robustness

To maintain our independence as auditors we ensure that:

- Grant Thornton, its partners and the audit team have no family, financial, employment, investment or business relationship with the Pension Fund
- our fees paid by the Pension Fund do not represent an inappropriate proportion of total fee income for either the firm, office or individual partner.

At all times during the audit, we will maintain a robustly independent position in respect of key judgement areas.

Audit and non-audit services

Other than the audit of the Pension Fund, no other services have been provided to the Fund during the course of the year.

Communication with those charged with Governance

Communication with those charged with governance is an essential element of the audit. We will discuss with the Pension Committee the scope of our work in advance. We propose that we meet with them following the conclusion of our procedures in order to communicate the matters arising

We would also be interested to hear if there are other matters that the Pension Committee would like us to address and to understand more fully the Committee's expectations and requirements from the audit process.

Roles and responsibilities

The Pension Committee is responsible for the preparation of the financial statements which show a true and fair view of the Pension Fund's affairs and for making available to us all the information and explanations we consider necessary.

Legislation requires that such books and records are maintained as will be sufficient to show the nature of all transactions and disclose, at any time, the financial position of the Pension Fund.

The Pension Fund's management is responsible for:

- the identification, assessment, management and monitoring of risk
- developing, operating and monitoring the system of internal control
- providing assurance to the Board that this has been done.

The Pension Committee is required to review the Pension Fund's internal financial controls. In addition, the Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk. The Pension Committee should receive reports from management as to the effectiveness of the systems they have established, as well as the conclusions of any testing conducted by internal audit.

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit wok
- the form of reports expected

Appendix 3

Pension Fund Budget 2009/10

	2008/09 Outturn £'000	2009/10 Budget £'000
Contributions and benefits:		
Employee Contributions	(10,258)	(10,500)
Employer Contributions	(33,981)	(34,700)
Transfer Values Received	(2,562)	(4,000)
Other income	0	0
Total income	**(46,801)**	**(49,200)**
Expenditure:		
Pensions and other benefits	28,846	30,300
Transfer values paid	6,612	4,000
Other expenses	673	800
Total expenditure	**36,131**	**35,100**
Net addition from dealings with members	**(10,670)**	**(14,100)**
Returns on Investment:		
Investment income	(18,339)	(18,300)
Taxation	197	200
Investment management expenses	3,541	3,600
Net return on investments	**(14,601)**	**(14,500)**

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Haringey Council

Agenda item:

Pensions Committee	**On 18/06/09**

Report Title. **Actuarial funding update as at 31 March 2009**

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 report the results of the interim actuarial funding update as at 31 March 2009.

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. Recommendation

4.1 That the report be noted.

5. Reason for recommendation

5.1. This report is for noting.

6. Other options considered

6.1. Not applicable.

7. Summary

7.1. The appended report of the actuary sets out the interim actuarial funding update as at 31 March 2009.

7.2. The level of funding as a whole as at 31 March 2009 is estimated to be 53 per cent.

7.3. The actuary does not propose to revise the minimum level of employer contribution rates as a result of this actuarial funding update.

7.4. The Council's next triennial actuarial valuation is as at 31 March 2010 with the results due by late 2010 or early 2011.

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 duty of an administering authority to obtain proper advice at reasonable intervals concerning its investments and the adequacy of the fund to meet its commitments. Further, the Head of Legal Services confirms that the position stated at paragraph 15.6 of the report reflects the statutory regime imposed by Part 4 of the Local Government Pension Scheme (Administration) Regulations 2008.

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. The need for any changes to the employer's contribution rate will be fully assessed as part of the triennial valuation as at 31 March 2010. Results will be available by late 2010 or early 2011. Budgetary implications will be considered as part of the Financial Planning process.

12. Use of appendices /Tables and photographs

12.1. Appendix 1 - Report of Actuary.

13. Local Government (Access to Information) Act 1985

Report of Actuary.

14. Background

14.1 The Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's investments and contributions to meet its liabilities. The last triennial valuation was completed as at 31 March 2007. The next triennial valuation will be as at 31 March 2010 with the results due by late 2010 or early 2011. In addition interim valuations are undertaken annually.

14.2 The appended report by the Council's Actuary sets out the interim actuarial funding update as at 31 March 2009.

15. Actuarial valuation

15.1 The appended report of the actuary includes a results schedule and a commentary on the results.

15.2 The funding level as at 31 March 2007 was 77.7 per cent and this has reduced to 53 per cent as at 31 March 2009. The funding level has improved to 58 per cent as at 8 May 2009.

15.3 As a result of this valuation the common employers contribution rate has increased from 21.5 per cent to 33 per cent from 31 March 2007 to 31 March 2009. This contribution rate has reduced to 31 per cent as at 8 May 2009. This represents an average contribution rate for all employers in the Fund.

15.4 The above deterioration is mainly related to the general and large scale fall in the value of stocks and shares.

15.5 The Actuary advises that there is no power in the LGPS regulations to increase employer's contributions between triennial valuations due to market conditions (other than for admission bodies whose admission agreement is to end soon).

15.6 The approved contribution rate for the Haringey part of the Fund as at 31 March 2007 was 22.9 per cent compared with 33 per cent as at 31 March 2009. The need for any changes to the contribution rate will be fully assessed as part of the triennial valuation as at 31 March 2010. Results will be available by early 2011.

APPENDIX

HYMANS ROBERTSON

NAVIGATOR

Version 2.34

Funding projection as at 8 May 2009
London Borough of Haringey Pension Fund

Prepared by:

Bryan T Chalmers FFA
for and on behalf of Hymans Robertson LLP

13 May 2009

Important note!
Accuracy of funding projections
In the current extreme market conditions, the results presented in this report may have diverged from the underlying position by more than would normally be the case.

The only way to accurately assess the position is to undertake a full actuarial valuation. You should therefore be aware that there may be a significant difference between the results presented here and those that would be obtained from a full actuarial valuation.

Furthermore, the projected funding position may be particularly volatile at present, reflecting current circumstances.

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PUBLIC | SECTOR

Contents:

EXECUTIVE SUMMARY

Following the triennial actuarial valuation for the London Borough of Haringey Pension Fund ("the Fund") as at 31 March 2007 we have been instructed to provide annual funding updates. This report represents the second of these updates. Our starting point is the most recent formal valuation of the Fund as at 31 March 2007. The funding level (i.e. the ratio of assets to liabilities) at 31 March 2007, on the ongoing valuation basis was 78%. The employers' common contribution rate was 21.5% of pay.

Since the valuation, the returns achieved by the Fund's assets have fallen short of the valuation assumptions, due primarily to poor equity market performance. The funding level at 31 March 2009, on the ongoing basis, is estimated to be 53%. The common contribution rate is 33% of pay as at 31 March 2009. This is significantly higher than the rate certified at the 2007 valuation mainly due to the fall in the funding level. Since 31 March 2009, asset values and hence the funding level have recovered slightly to 58% at 8 May 2009 resulting in a common contribution rate of just under 31% of payroll. Whilst the financial position is significantly worse than it was at the last valuation no immediate changes to employer contributions are planned. It should be noted that there is no power in the LGPS regulations to increase employer contributions between valuations due to market conditions (other than for admission bodies whose admission agreement is to end soon). Even if there were, we would caution against amending long-term funding plans on the basis of short-term market performance. Whilst we believe that it is important to adopt a transparent, market-based approach to the measurement of the financial health of the Fund, a more pragmatic approach to setting employer contributions is required which reflects the nature and security of the Fund, as well as recognising differences between employers. I look forward to discussing this report and some of our ideas for the 2010 valuation at the Pensions Committee meeting on 18 June 2009, but I am happy to discuss this before then if you wish.

The report also includes a summary of the reasons for the change in funding level, the funding level on a gilts basis (i.e. no allowance for asset outperformance above gilt yields) and an illustration of the sensitivity of the funding level to changes in general market conditions.

This report does not allow for the individual circumstances of individual employers. The results for individual employers can vary and be quite different to the Fund as a whole depending on their membership, experience and the profile of their liabilities. Differences in the relationship between the ratio of accrued liabilities and the payroll can also have a significant influence on changes in employer contributions.

Finally, none of the figures in this report allow for membership movements since 31 March 2007.

Bryan T Chalmers FFA

ESTIMATED PROJECTION OF FUNDING POSITION AS AT 8 MAY 2009

Summary of funding position:

The projection of the funding level since the latest formal actuarial valuation as at 31 March 2007 is shown below.

Date Liabilities - Ongoing Basis	31 Mar 2007 £m	31 Mar 2009 £m	8 May 2009 £m
Assets	620	499	546
Liabilities	798	948	943
Surplus/(Deficit)	(178)	(449)	(397)
Funding Level	78%	53%	58%

Key assumptions and financial indicators:

Date Discount rate	31 Mar 2007 p.a.	31 Mar 2009 p.a.	8 May 2009 p.a.
- Pre-ret.			
Nominal	6.1%	5.8%	6.1%
Real	2.9%	2.7%	2.7%
- Post-ret.			
Nominal	6.1%	5.8%	6.1%
Real	2.9%	2.7%	2.7%
Sal. escalation	4.7%	4.6%	4.8%
(A): FIGs	4.5%	4.2%	4.5%
(B): ILGs	1.2%	1.0%	1.1%
(C): Inflation	3.2%	3.1%	3.3%
(D): AA Corp.	5.4%	6.7%	6.7%
(E): AA Spread	0.9%	2.5%	2.2%
(F): AOA	1.6%	1.6%	1.6%
FTSE All Share	3,283.2	1,984.2	2,281.5
FTSE 100	6,308.0	3,926.1	4,462.1

(A) : Annualised UK govt. fixed interest gilt yield (over 15 years)

(B) : Annualised UK govt. index-linked gilt yield (over 15 years, 3% inflation)

(C) : Implied inflation derived from (1+(A))/(1+(B))-1

(D) : Annualised iBoxx AA rated corporate bonds (over 15 years)

(E) : Credit risk spreads derived from (D) - (A)

(F) : Asset outperformance assumption pre-retirement assumed to be constant throughout the projection period and expressed relative to fixed interest gilt yields

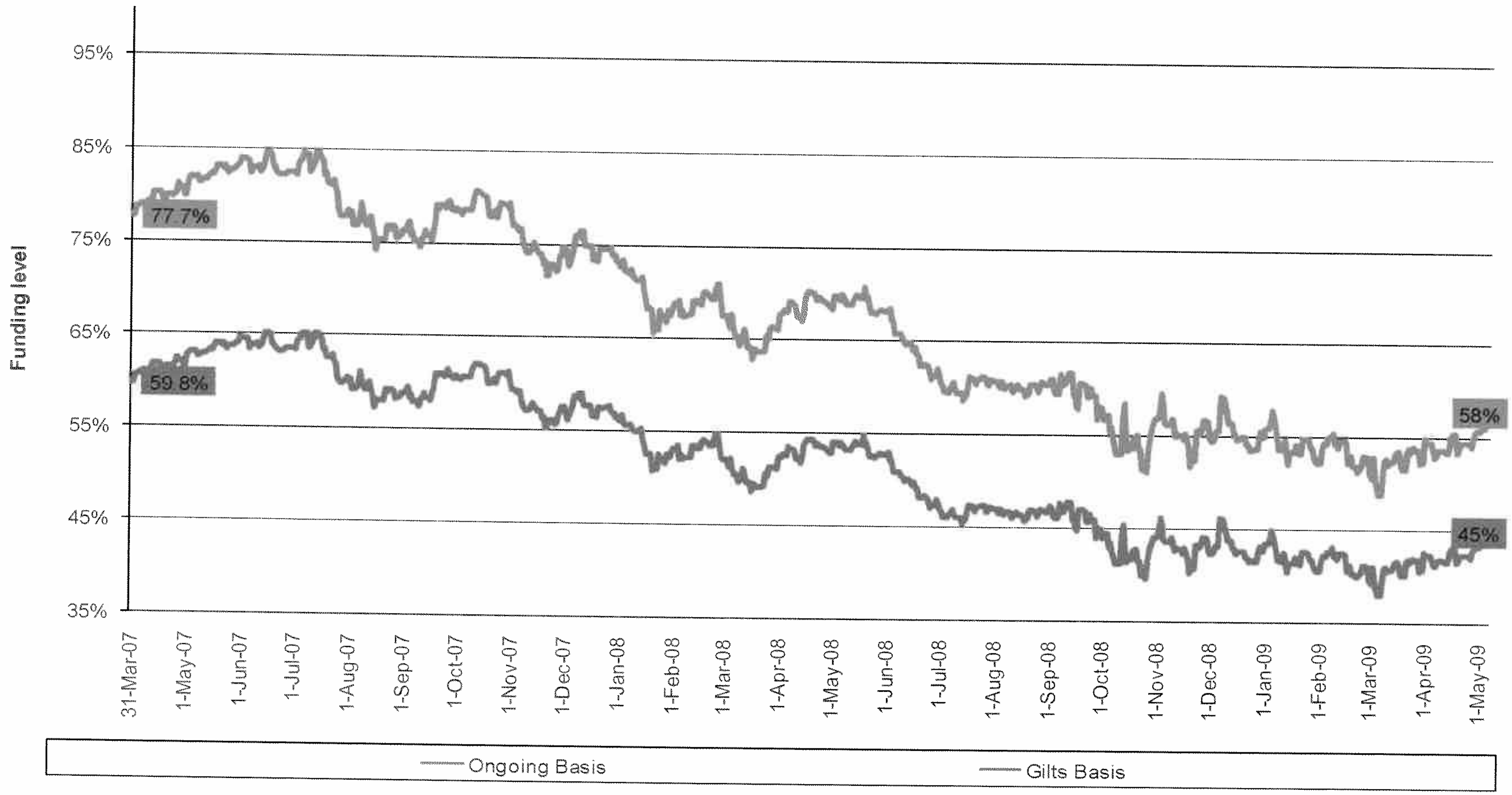
ESTIMATED FINANCIAL POSITION ON ALTERNATIVE BASES

Date Liabilities - Gilts Basis	31 Mar 2007 £m	31 Mar 2009 £m	8 May 2009 £m
Assets	620	499	546
Liabilities	1,038	1,222	1,214
Surplus/(Deficit)	(418)	(723)	(668)
Funding Level	60%	41%	45%

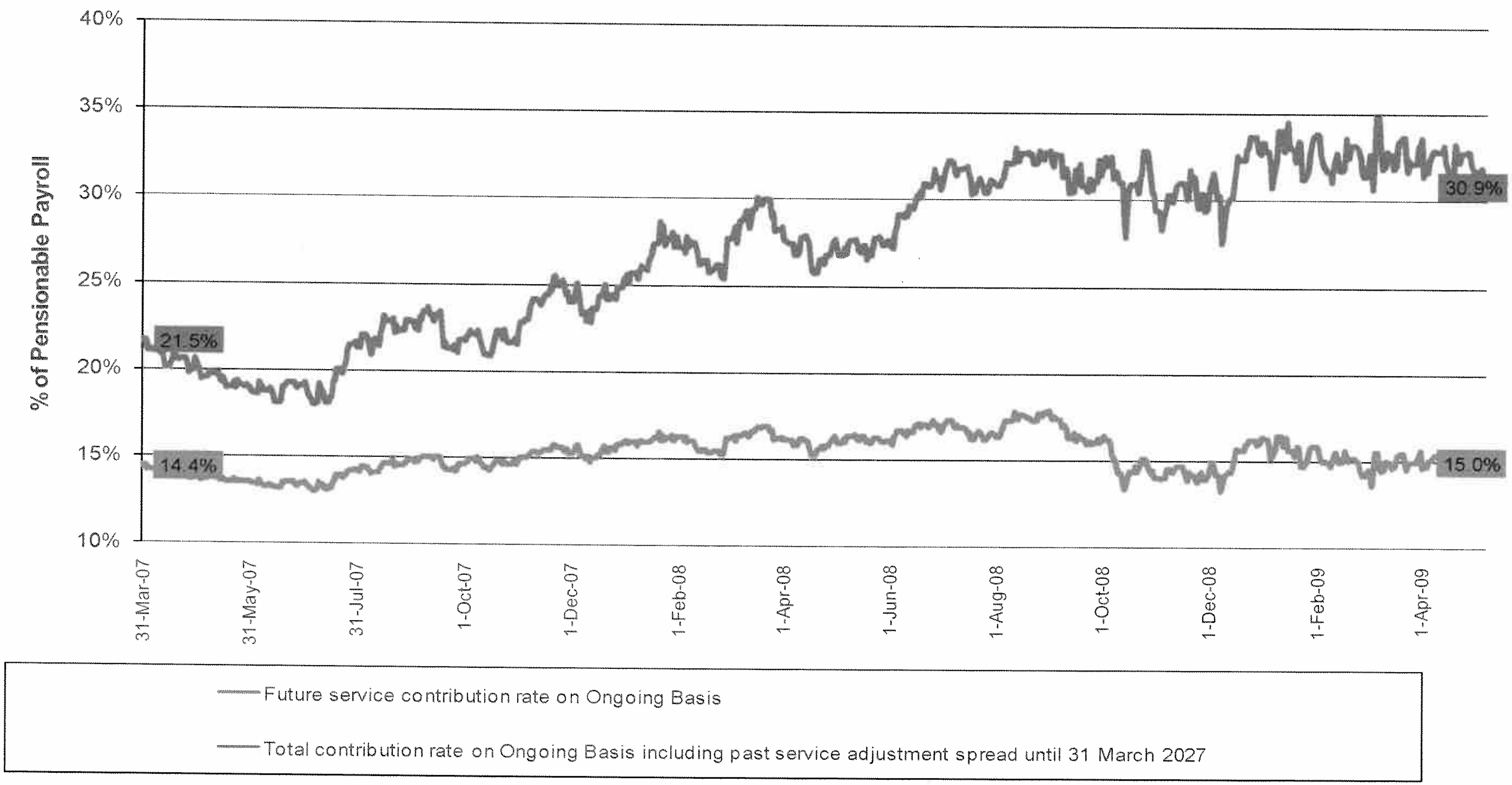
Key assumptions:

Discount rate	p.a.	p.a.	p.a.
- Pre-ret.			
Nominal	4.5%	4.2%	4.5%
Real	1.3%	1.1%	1.1%
- Post-ret.			
Nominal	4.5%	4.2%	4.5%
Real	1.3%	1.1%	1.1%
Sal. escalation	4.7%	4.6%	4.8%

ESTIMATED PROJECTION OF FUNDING LEVEL FROM 31 MARCH 2007 TO 8 MAY 2009



ESTIMATED PROGRESSION OF EMPLOYER'S CONTRIBUTION RATE FROM 31 MARCH 2007 TO 8 MAY 2009



ATTRIBUTION ANALYSIS

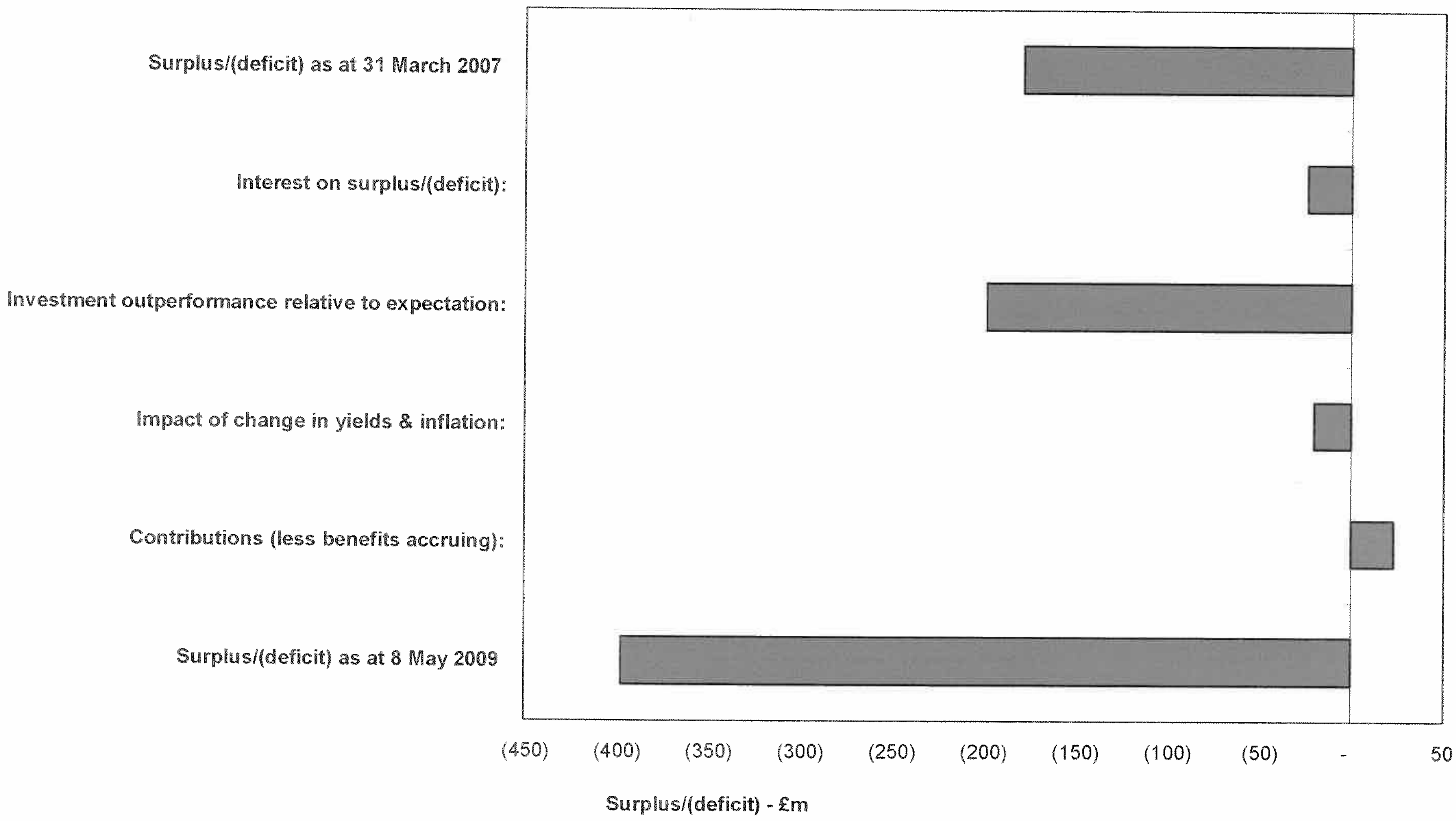
	£m	
Asset value as at 31 March 2007		**620**
Contributions paid in:	87	
Benefit payments:	(47)	
Investment return on benchmark index:	(72)	
Investment outperformance relative to benchmark:	(43)	
Asset value as at 8 May 2009		**546**

	£m	
Liability value as at 31 March 2007		**798**
Cost of benefits accruing:	64	
Interest on liabilities:	107	
Impact of change in yields & inflation:	20	
Benefit payments:	(47)	
Liability value as at 8 May 2009		**943**

	£m	
Surplus/(deficit) as at 31 March 2007		(178)
Interest on surplus/(deficit):	(24)	
Investment outperformance relative to expectation:	(198)	
Impact of change in yields & inflation:	(20)	
Contributions (less benefits accruing):	23	
Surplus/(deficit) as at 8 May 2009		(397)

Please note that figures in this schedule and the chart on the next page are estimates only.

ATTRIBUTION ANALYSIS



SENSITIVITY MATRIX

Fixed Interest Gilt, semi-annual yield (% p.a.)							
4.90	55% (386.1)	58% (365.2)	60% (344.3)	62% (323.6)	65% (302.6)	67% (281.7)	70% (260.8)
4.75	54% (408.1)	56% (387.2)	59% (366.4)	61% (348.6)	64% (324.8)	66% (303.7)	68% (282.8)
4.60	53% (430.6)	55% (409.7)	57% (388.8)	59% (371.1)	62% (347.1)	64% (326.2)	67% (305.3)
4.43	52% (456.7)	54% (435.8)	56% (414.9)	58% (397.2)	60% (373.2)	63% (352.3)	65% (331.4)
4.30	51% (477.1)	53% (456.2)	55% (435.3)	57% (417.6)	59% (393.5)	61% (372.7)	64% (351.8)
4.15	49% (501.0)	52% (480.2)	54% (459.3)	55% (441.6)	58% (417.5)	60% (396.6)	62% (375.8)
4.00	48% (525.6)	50% (504.7)	52% (483.8)	54% (466.1)	57% (442.0)	59% (421.1)	61% (400.3)
	3,750	4,000	4,250	4,462	4,750	5,000	5,250
	Equity - FTSE 100 Price Index (proxy)						

8 May 2009 Projection

58% (397.2)

All amounts are in £m

The starting point for this sensitivity matrix is the projected results as at 8 May 2009 on the Ongoing Basis.

The funding position is sensitive to changes in equities and bond yields and the funding graph reflects this based on historic market conditions.

The above table shows the impact of future changes in the bond yields (which affect the liabilities) and equities (using the FTSE100 Index as a proxy for equity markets generally both in the UK and overseas). The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by further benefit accrual, contributions and differences between expected and actual investment returns. Crucially, the calculations assume that all other factors and assumptions remain unchanged. In particular, the impact of the change in bond yields assumes that the implied inflation assumption remains unchanged. However, the liabilities are more sensitive to changes in real bond yields (i.e. net of assumed future inflation) rather than the nominal bond yield.

APPENDIX 1: RELIANCES AND LIMITATIONS

Reliances and limitations
In projecting forward the valuation results, a number of assumptions are made with regard to actual experience. As such, the accuracy of the projection declines over time. We would expect our projection to be within +/-2% of the underlying position for each year of projection. However, greater differences are possible, particularly if there have been volatile financial market movements or significant membership changes (especially if the scheme is small and individual member movements affect the funding position of the scheme). It is not possible to fully assess the accuracy of these projections without carrying out a full actuarial valuation.

The projection allows for:
(1) movements in the value of the assets as measured by manager performance and index returns;
(2) movements in liabilities as a result of changes in bond yields and hence inflation and discount rate assumptions;
(3) estimated cash-flows (contributions and benefit payments); and
(4) expected accrual of benefits for employee members from their service accrued since the latest valuation date (estimated based on the salary roll as at the latest valuation).

The projection does not allow for:
(1) changes in the mix of assets held since the last valuation;
(2) variations in liabilities arising from salary rises, deferred pension revaluation or pension increases differing from those assumed in the valuation;
(3) changes in the salary roll of employee members;
(4) variations between actual and expected demographic experience (e.g. on withdrawals or mortality); and
(5) changes in the asset outperformance assumption.

This actuarial funding update report is provided solely for the purposes of illustrating the projected funding position(s). It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety. Hymans Robertson LLP accept no liability to any third party unless we have expressly accepted such liability in writing.

Investment indices and yields used
The analysis set out in this report is prepared from and based upon external market data sources that we believe to be reliable but the accuracy of which cannot be guaranteed. The assets of the scheme are projected using benchmark indices which to the best of our understanding, are the indices that best replicate the performance of the scheme's assets. The performance of the scheme's assets will, at times, be different from our projections and the difference may be material to our projections. Where the investment data is available, we have allowed for investment manager under/out-performance.

Compliance with professional standards
The method and assumptions used to project the updated funding position are consistent with those used in the latest formal actuarial valuation, although the financial assumptions have been updated to reflect changes in financial conditions since the valuation. As such, the advice in this report is consistent with that contained in the latest formal valuation report. This update therefore complies with guidance note GN9 issued by the Institute and Faculty of Actuaries and maintained by the Board for Actuarial Standards, only to the extent required by paragraph 1.4 of GN9.

APPENDIX 2: BENCHMARK INDICES AND BASIS YIELDS

Benchmark Indices
- FTSE 100
- FTSE 250
- FTSE Small Cap
- FTSE All Share
- FTSE All World Series North America (£)
- FTSE All World Series Japan (£)
- FTSE All World Series Developed Europe (£)
- FTSE All World Series Developed Asia Pacific (£)
- FTSE All World Series All World Developed Ex UK (£)
- FTSE All World Series All World Ex UK (£)
- FTSE All World Series All Emerging (£)
- UK Government Fixed Interest Gilts (Over 15 Years)
- UK Government Index-Linked Gilts (Over 5 Years)
- UK Government Index-Linked Gilts (Over 15 Years)
- iBoxx A rated UK Corporate Bonds (Over 15 Years)
- iBoxx AA rated UK Corporate Bonds (Over 15 Years)
- iBoxx AAA rated UK Corporate Bonds (Over 15 Years)
- iBoxx All Investment Grades rated UK Corporate Bonds (Over 15 Years)
- JP Morgan Government Bond Unhedged US (£)
- JP Morgan Government Bond Unhedged Euro (£)
- JP Morgan Government Bond Unhedged Japanese (£)
- JP Morgan Government Bond Unhedged Australian (£)
- JP Morgan Global Government Bond Ex UK (£)
- IPD Property
- Cash Indices LIBOR 1 Month

All indices used to project asset values are total return indices. However, any figures quoted in this report are from price indices as these are more widely recognised.

Some of the following yields are used in the projection of the liabilities.

Basis Yields
- iBoxx AA rated UK Corporate Bond Over 15 Year Yield
- FTSE Actuaries Index-Linked Gilts (3% Inflation) Yield Series (Over 15 Years)
- FTSE Actuaries UK Government Fixed Interest Gilts Yield Series (Over 15 Years)

MFR only:
- FTSE All Share Net Dividend Yield
- FTSE Actuaries Index-Linked Gilts (5% Inflation) Yield Series (Over 5 Years)
- FTSE Actuaries UK Government Fixed Interest Gilts 15 Year Yield

Some of the above indices have been used to track movements in the value of the assets. The indices are a standard list and not necessarily the same indices that the managers have been asked to track or beat. Some asset classes are not easily tracked by these benchmarks and therefore other approximations have had to be used in this projection leading to greater errors than the +/-2% per year from the true underlying position stated in Appendix 1.

Haringey Council

Agenda item:

Pensions Committee **On 18/06/09**

Report Title. **Quarterly Asset Allocation review**	
Report of **The Chief Financial Officer** Signed :	
Contact Officer : **John Hardy – Corporate Finance** **Telephone 020 8489 3726**	
Wards(s) affected: **All**	Report for: Non key decision

1. Purpose of the report

1.1. To review the Fund's asset allocation position.

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. This report links in with the need to regularly monitor the performance of the Pension Fund.

4. Recommendation

4.1 That changes to the Fund's Asset Allocation position be considered.

5. Reason for recommendation

5.1. Our external investment advisors, Hewitt, advise that value can be gained by making some changes to current asset allocation.

6. Other options considered

6.1. None.

7. Summary

7.1. This report considers the latest Asset Allocation advice received from the Fund's external investment advisors. This will be updated further at the meeting taking account of up to date market data and views.

8. Head of Legal Services Comments

8.1. The Head of Legal Services has been consulted on the content of this report and comments that that the Committee should give full consideration to the financial advice received concerning the changes to current asset allocation. Members are reminded of the duty on an administering authority to conduct a coherent overview of investment activity and performance of the Pension Fund in order to ensure the suitability of investments and types of investments.

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. The Pension Fund receive Hewitt's quarterly active asset re-balancing proposals as produced by their Asset Allocation team. The cost includes presenting these proposals at meetings of Pensions Committee.

11.2. The cost of the quarterly investment outlook updates should be more than offset by additional performance returns made by the Fund by following an active asset re-balancing strategy.

12. Use of appendices /Tables and photographs

12.1. Appendix 1 - report by Hewitt.

13. Local Government (Access to Information) Act 1985

13.1 Update on Asset Allocation issues report and presentation by Hewitt to Pensions Committee on 29 January 2009.

Background

14.1 Pensions Committee on 30 April 2009 considered a report on Asset Allocation and agreed that:

- an active asset allocation rebalancing strategy be introduced on a quarterly basis;
- that the asset allocation review service be provided by Hewitt and that the budget be amended to reflect this;
- that decisions be delegated to the Chief Financial officer in consultation with the Chair of Pensions Committee, if any asset allocation changes need revising urgently in between quarterly meetings of Pensions Committee;

14.2 The first Quarterly Asset Allocation report is appended from the Pension Fund's external investment advisors. This report gives an executive summary, quarterly investment outlook and the April market update.

Quarterly Asset Allocation review

14.3 Hewitt's report shows the Fund's asset allocation and benchmark weightings as at 30 April 2009 as provided by the Custodian, Northern Trust. Summary numbers are as follows. The last column shows Hewitt's suggested range.

	Actual allocation as at 30/04/09 %	Benchmark %	Suggested range %
UK equities	26.2	30.5	25 – 30
Overseas equities	37.2	34.5	30 – 40
UK gilts	8.1	7.0	0 – 10
Index linked gilts	7.0	6.0	0 – 20
Corporate bonds	11.0	7.0	0 – 15
Private equity	3.5	5.0	2 – 5
Property	5.1	10.0	5 – 15
Cash	1.8	0	
Totals	**100.0**	**100.0**	

14.4 Hewitt assume that inflation will be moderate in the longer term but there is a risk of extreme inflation scenarios due to the policy making environment. Rising gilt market volatility and large fluctuations mean that the timing of hedging liability risks is critical. Hewitt continue to prefer corporate bonds relative to gilts and believe that they will perform better ahead of the sustainable equity market gains. Opportunities to purchase property are anticipated for later this year.

14.5 The April market update shows that equity markets continued to rally across the world in April. The strongest local currency performance came from european equities and the highest in sterling terms were in emerging markets. Interest rates remain at historic lows in the world. The first purchases of government bonds by various quantitative easing schemes took place in April. Yields on fixed gilts fell a little for short term but increased for medium to long term. Yields on index linked gilts fell for the short term and rose for medium to long term. Property prices continued to fall in March.

14.6 Hewitt advise that:

- no changes are made in equities weightings given continuing market turmoil and due to no clear evidence that the worst is behind us;

- Corporate bonds are preferred to gilts and recommend a further increase in the Fund's exposure to corporate bonds;

- no changes are recommended for property although it is recommended that ING are contacted regarding their views on the market and the outlook for property opportunities later this year;
- the Fund's Private equity allocation should not be changed;
- the introduction of active currency should be considered with a view to funding with Investec in the not too distant future.

Conclusions

14.10 Hewitt have provided their latest Quarterly Asset Allocation review report as appended. The report makes recommendations for considering changing the Fund's current asset allocation with suggested ranges for asset allocation also given.

14.11 Hewitt will attend Pensions Committee and give specific recommendations taking account of up to date market data.

 APPENDIX

Asset Allocation Report - May 2009
London Borough of Haringey

Hewitt

29 May 2009

Prepared for
Pensions Committee

Prepared by
Hewitt Associates Limited

Hewitt Associates Limited
Registered in England No. 4396810
Registered office: 6 More London Place London SE1 2DA

Contents

Executive Summary

Investment Outlook

We assume inflation will be moderate in the longer term but recent policy action has raised the possibility of extreme inflation scenarios.

Rising gilt market volatility and large fluctuations in break-even inflation rates mean that the timing of hedging liability risks is critical.

We continue to like corporate bonds relative to gilts and believe they will perform better ahead of sustainable equity market gains.

The operating environment for hedge funds is stabilising and we favour Convertible Arbitrage and Distressed Debt strategies.

We anticipate that there will be opportunities to purchase property later this year.

Asset Allocation, Fund Benchmark & Manager Exposure

The Fund's actual asset allocation and benchmark weightings as at 30 April 2009 (the most up to date information available from Northern Trust) are shown in the table below:

	Value £m	Total %	Bmark %	Suggested Range
UK Equities	126.4	26.2	30.5	25 - 35
Overseas Equities	179.9	37.2	34.5	30 - 40
UK Gilts	39.3	8.1	7.0	0 - 10
Index Linked Gilts	34.0	7.0	6.0	0 - 20
Corporate Bonds	53.4	11.0	7.0	0 - 15
Private Equity	17.1	3.5	5.0	2 - 5
Property	24.5	5.1	10.0	5 - 15
Cash	8.7	1.8		
Total	483.3	100.0		-

What this means for the Fund

Equities – given the continuing market turmoil, and the fact that there is no clear evidence that the worst is truly behind us, we recommend that no change is made to the equity weighting at this time.

Bonds – we continue to prefer Corporate Bonds over Gilts, and so would recommend a further increase in the Fund's exposure to Corporate Bonds.

Property – we believe that opportunities will come later in the year, and suggest that the Fund ask ING for an update on their views of the market, and their outlook for property later in the year

Private Equity – we do not believe that the Fund's private equity allocation should be increased at this time

Currency – we suggest that the Fund considers again whether Investec – who were selected as currency manager almost two years ago - should have their mandate funded at some point in the not too distant future.

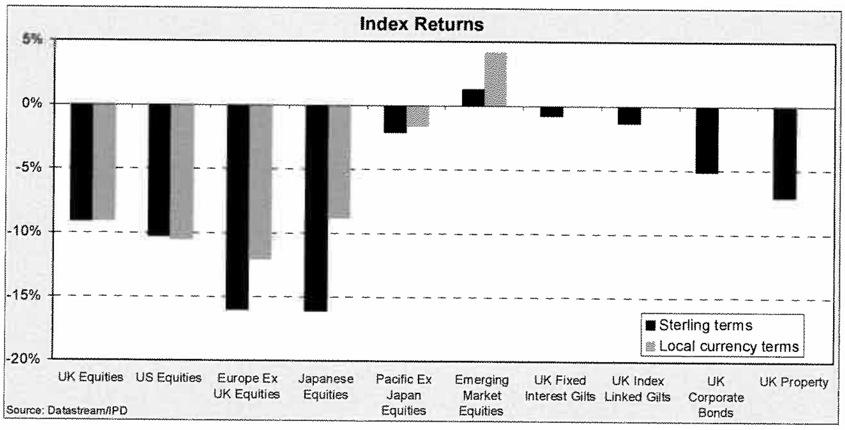
We look forward to discussing the detail of the suggested actions above at the Committee meeting on the 18th June 2009.

Quarterly Investment Outlook

Summary

- We assume inflation will be moderate in the longer term but recent policy action has raised the possibility of extreme inflation scenarios.
- Rising gilt market volatility and large fluctuations in break-even inflation rates mean that the timing of hedging liability risks is critical.
- We continue to like corporate bonds relative to gilts and believe they will perform better ahead of sustainable equity market gains.
- The operating environment for hedge funds is stabilising and we favour Convertible Arbitrage and Distressed Debt strategies, with the latter being something suggested by the Fund's independent advisor some time ago.
- Since the Haringey Pension Fund already has a property manager in place, our general advice that we are giving to clients to begin selecting property managers now is not relevant. What underpins this advice is our belief that there will be buying opportunities in property later on in the year.

Q1 2009 Index Returns



A quarter of two very different periods

January and February saw equity markets collapse as investors became alarmed over bank nationalisations and the depth of the recession. In February, risk aversion was all too evident in falling bond yields and strength in the dollar and yen, both seen as safe haven currencies. March saw sentiment change dramatically on the back of action from policymakers and tentative green shoots of economic recovery, or rather a slower rate of deterioration in global economic growth. The more positive tone has continued into April but we do not believe it is sustainable.

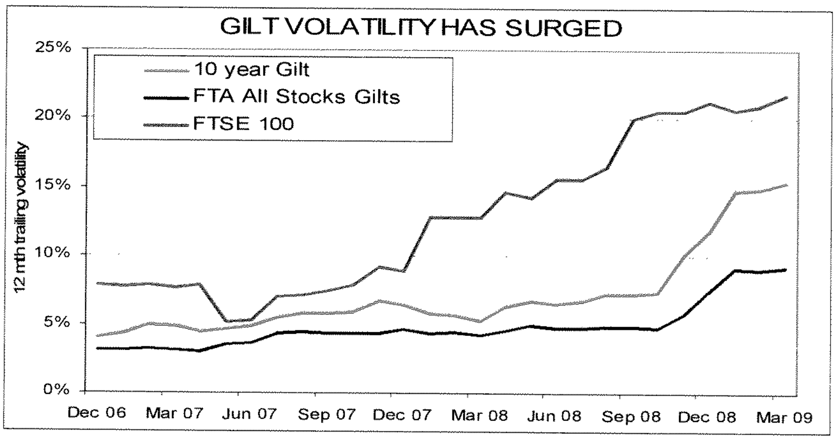
Is the policy environment creating inflation risks?

The rapid contraction in global economic activity seen since the middle of last year is now being countered by reflationary policy in its strongest form – a direct and deliberate attempt to push up the quantity of money in the economy. Quantitative easing (QE) has already begun in the US, UK and Japan. Though the European central bank has held back so far, there is a widespread view that it is preparing to implement QE. Coming after the earlier move to zero interest rates and a large expansion of budget deficits, QE is giving rise to fears of an eventual upsurge in inflation once the deflationary impetus of the economic downturn has played out. However, inflation risks may not all be to the upside. By fully exhausting the policy armoury to aggressively combat the downturn, any failure to revive economic activity carries the risk that confidence is dented further, entrenching deflation as both prices and wages fall.

Our view is that the policy-making environment has raised the risk of extreme inflation scenarios – sustained outright falls in prices or inflation levels above 5%. Normally described as 'tail events', these should now be thought of as scenarios with significant probabilities. That said, we are still most likely to avoid these extremes, although the higher risk of extreme inflation scenarios needs to be recognised.

Gilts become volatile

The advent of quantitative easing in the UK led many to predict a large fall in gilt yields, but this has not happened. Rather, worries over inflation and issuance have combined to substantially raise gilt market volatility. This is a relatively new development compared with equity markets where high volatility has endured for nearly two years (see chart).



Large fluctuations in break-even inflation rates, the difference in yields between conventional and index-linked gilts of equivalent duration, have also become more evident. Break-even rates are used in the market as an indicator of expected inflation, although they are heavily influenced by gilt supply and demand trends, which have recently seen major changes. Whatever the driving factor, however, volatility in break-even inflation rates should provide opportunities to hedge risks at reasonable valuations, though timeliness is essential.

Corporate bond doldrums

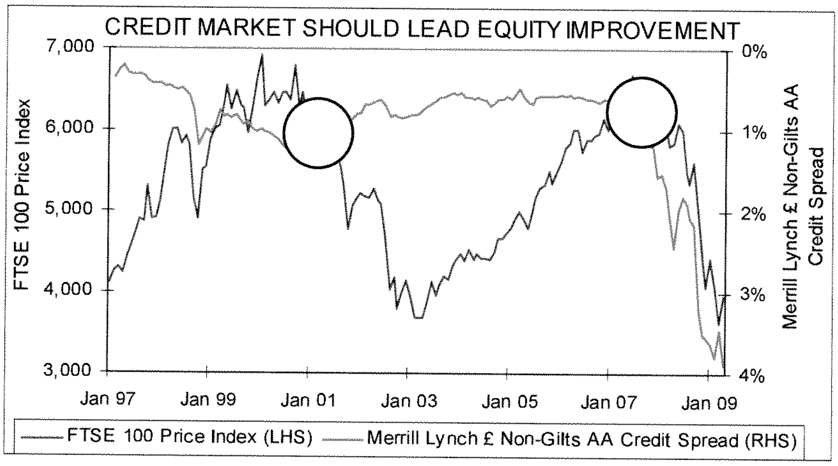
We have yet to see an improvement in the market's perception of credit risks in corporate bond markets. Investment grade corporate bond spreads (the difference in yields between corporate bonds and gilts of equivalent duration) have remained at very high levels. The first quarter's marginal increase in spreads over gilts was entirely due to the financial sector, where concern over subordinated debt remained, even after partial banking sector nationalisation and the extension of debt guarantees over a portion of the banking sector's liabilities.

Notwithstanding the further upward creep in spreads seen this year, we continue to see corporate bonds as attractive, particularly relative to conventional gilts. Our view is that the high spreads of recent months more than compensate for the inevitable surge in defaults and downgrades over the next few years. Attractive valuations, alongside our unchanged expectation that economic conditions will improve gradually in 2010, suggest that spreads should decline significantly in the medium-term.

Equities vs corporate bonds

Equities have staged a sharp recovery from their early March lows. Emerging markets have, year to date, even shown positive returns, against our expectations of continued relative underperformance.

Optimism that policy makers will succeed may have been partly responsible, as well as support from rising commodity prices.



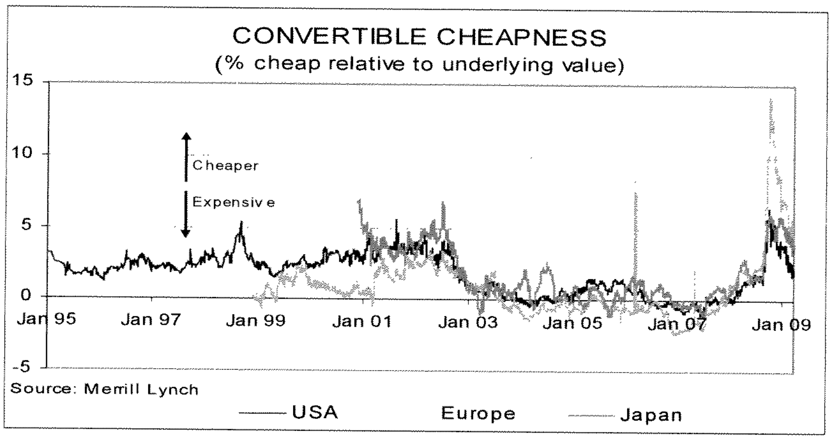
However, this equity market recovery has occurred without a significant improvement in credit market conditions, a factor that casts doubt on the sustainability of the current rally. We have generally seen that credit market improvement has led, to a greater or lesser extent, equity market turning points for at least a decade (see chart). This expectation of credit leading equity markets should be stronger when the world is emerging from a credit crisis. Other timing factors are also not supportive of a new bull market. For example, demand for equities is weak relative to supply.

Equities: still no rush to buy

Equity valuations are reasonable rather than highly attractive, once our corporate profitability assumptions are applied. Taken alongside the lack of support from the equity timing factors raised above, our stance on equities remains cautious. We stay on the sidelines, sceptical of the recent market recovery, viewing it as another one of those rallies that typically punctuate bear markets. That said, the duration and depth of the bear market has reached levels at which the risk of taking a very bearish view has increased. Our earlier advice of using market setbacks to rebalance towards a less negative stance is unaltered.

Convertibles and Hedge Funds

During the second half of 2008 Convertible Arbitrage funds, more than most hedge funds, faced a liquidity squeeze and needed to sell assets to meet redemption payments. This forced selling drove down convertible prices below the sum of their component parts (a straight bond with the same maturity and credit risk as the convertible and an equity option). Convertible Arbitrage hedge funds appear to offer a good way to access this opportunity, even though value anomalies are less extreme than a few months ago (see chart).



We continue to like other hedge fund strategies, in particular the Distressed Debt and Global Macro strategies. We believe the opportunity set for hedge funds is large and competition from the trading desks of banks has diminished as banks have greatly tightened the reins on their traders. With redemptions now probably past the worst, a more normal operating environment for hedge funds is being restored.

Commodities

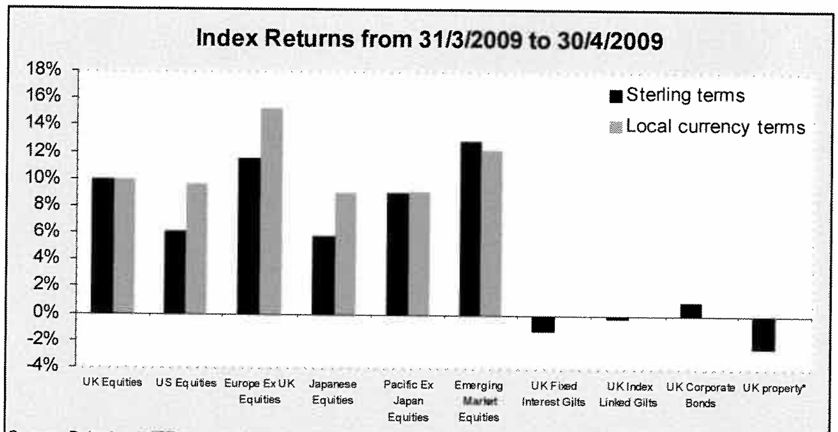
Commodities have been much in the press recently, with a lively debate on whether a brighter outlook beckons after last year's large negative returns. Those worrying about the longer-term inflation risks resulting from central bank policies also argue for commodities as inflation hedges.

As always, it is worth disentangling commodity return prospects into the outlook for prices and roll yields - the positive (or negative) return accruing as expiring futures are rolled into lower (or higher) priced new ones. The outlook for roll yields remains poor, given upward sloping futures curves (called contango in commodities markets.) Commodity prices, however, are now at or close to their marginal cost of production, though weak demand is still likely to constrain prices. Overall, even after taking any inflation hedging benefits into account, this is still a weak valuation story.

Get ready for property

It was another bad quarter for property and there is worse to come for the IPD index which lags actual market transactions and so is overstating true property values by perhaps 10%. The good news is that rental yields have now reached 8% and the largest property companies have successfully refinanced in the equity market. While further falls in property prices are anticipated, we believe we are now at the stage when clients who do not currently have an existing property manager should be selecting managers ahead of investment opportunities later this year. As already mentioned, this last point does not apply directly to the Fund, since ING are already in place.

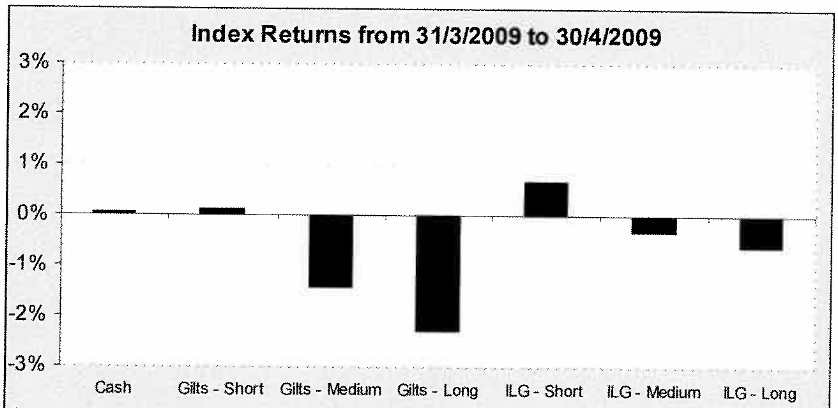
April Market Update



Source: Datastream/IPD

* Property relates to February 2009 to March 2009

- Equity markets continued to rally across the world in April. The strongest local currency performance came from European equities and the highest in sterling terms from Emerging Markets.
- Interest rates remain at historic lows across the world. The first active purchases of government bonds by various QE schemes were seen in April.
- The UK budget statement showed record amounts of new gilt issuance planned for this financial year.



Source: Datastream

- Yields on fixed gilts fell marginally for short term but rose for medium to long-term maturities as fears about new issuance dominated the space. Yields on index-linked gilts also fell at the short end and rose across the medium to long end.
- Investment grade spreads have remained at multi decade highs, but began to fall through April.
- Property prices continued to fall in March.

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Agenda Item 8

Haringey Council

Agenda item:

Pensions Committee On 18/06/09

Report Title. **Fund Performance update**	
Report of **The Chief Financial Officer** Signed : G. Allcott	
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 March 2009, compares responsible investments information provided by the Council's Fund Managers and LAPFF and reports budget management to end of April 2009 (period 1).

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 March 2009 be noted.

4.2 That responsible investments information provided be noted.

4.3 That the budget management position to the end of April 2009 (period 1) 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 13.60% per cent up to 31 March 2009, underperformed the gross benchmark by 2.27% and also underperformed the gross target by 3.91%.

7.2 Overall performance this quarter is above benchmark but below 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 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 March 2009

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 April 2009.

13 Local Government (Access to Information) Act 1985

Northern Trust performance monitoring reports

Fund performance update report to Pensions Committee on 19 March 2009

14 Investment performance reported at the March meeting of Pensions Committee

14.1 The investment performance of the Pensions fund was last reported to Pensions Committee in March 2009. That report covered the period up to 31 December 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 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%.

- It has been a difficult time for the whole market and two of the Council's 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 the portfolio, are still ongoing and we are monitoring the position carefully.

- 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.

- Up to the end of December 2008 performance by the Council's 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%.

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 the Fund's 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 24 months periods to end of March 2009 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 March 2009	2 years to end of March 2009 (annualised)
	%	%
Overall fund performance	(8.41)	(13.60)
Benchmark	(8.50)	(11.33)

Performance versus benchmark	**0.09**	**(2.27)**
Overall fund performance Target	(8.41) (8.09)	(13.60) (9.69)
Performance versus target	**(0.32)**	**(3.91)**

15.3 This shows that in the 24 months period to March 2009:

- The annualised performance of the combined Haringey fund has decreased in absolute terms by 13.60%, the fund under performed the new benchmark by 2.27% and under performed the target by 3.91%;

- The annualised position has marginally improved since that report to the last meeting with the under performance versus target reducing from (4.37) to (3.91).

15.4 Appendix 1 shows the following for the combined fund as at end of March 2009 and 2008 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 March 2009, compared to benchmarks and targets as supplied by the Fund's custodian, Northern Trust. It is two years 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 Regarding investments made in Pantheon's private equity funds, performance numbers received from the 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 two years to March 2009	% actual annualised performance above/(below) target in the two years to March 2009
Bernstein – global equities	3.0	(9.56)	(12.56)
Bernstein – UK equities	2.0	(7.35)	(9.35)
Capital - equities	2.0	(1.54)	(3.54)
Capital - bonds	1.0	(1.54)	(2.54)
Fidelity - equities	1.7	0.68	(1.02)
Fidelity - bonds	0.6	(1.10)	(1.70)
ING	1.0	0.09	(0.91)
Pantheon – private equity	0.75	N/A	N/A

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

16.6 The latest quarterly meetings took place on 6 May 2009 between each Fund Manager and John Hardy from Corporate Finance. 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 March 2009 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 12.56% and 9.35% respectively.
- Capital's Equity and Bond mandates are below target by 3.54% and 2.54%.
- Fidelity's Equity and Bond mandates underperformed the gross targets by 1.02% and 1.70% respectively.
- ING are below target by 0.91%.

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 13.60% per cent up to 31 March 2009, underperformed the gross benchmark by 2.27% and also underperformed the gross target by 3.91%.

17.2 It has been a difficult time for the whole market and two of the Council's 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 the Fund's portfolio, are still ongoing and we are monitoring the position carefully.

17.3 A separate report is on the agenda at this meeting 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 the Fund's 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 the Council's core Fund Managers for the quarter ending 31 March 2009 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 1 (end of April 2009) is attached in Appendix 5. In overall terms this shows an under-spend to period 1 of £128k against the budget profile (plan).

19.2 Significant variances to date are as follows:

- transfer values paid, (£212k), and received, £108k, where the volume will vary by year and timing within the year ;
- lump sums, (£120k), that is dependent on the number of staff retiring and sums payable;
- employer contributions, £197k, that are dependent on the number and grades of staff transferring into and out of the scheme;
- investment management expenses, (£293k), that are influenced by the timing of receipt of invoices from Fund Managers and market values;
- investment income, £419k, 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 private equity investments calls.

APPENDIX 1

TOP TEN SHARES HELD

	As at 31 March 2009			As at 31 March 2008		
Shares	Rank	Percentage of Fund	Market Value	Rank	Percentage of Fund	Market Value
		%	£'000		%	£'000
1. Shell	1	3.1	8,733	1	3.1	12,739
2. BP	2	3.1	8,654	2	2.3	9,546
3. Vodafone	3	2.7	7,528	3	2.0	8,244
4. Glaxosmithkline	4	2.0	5,688	6	1.5	5,958
5. HSBC	5	1.7	4,683	7	1.3	5,457
6. Astrazeneca	6	1.4	3,961			
7. BHP Billiton	7	0.9	2,625			
8.Roche	8	0.9	2,484			
9. Tesco	9	0.8	2,372			
10.Aviva	10	0.8	2,307	9	1.1	4,562
Royal Bank of Scotland				4	1.6	6,442
HBOS				5	1.6	6,389
Barclays				8	1.3	5,402
BAE Systems				10	1.0	4,038

FUND HOLDINGS

	As at 31 March 2009		As at 31 March 2008	
Fund Holdings	Percentage of Fund	Market Value	Percentage of Fund	Market Value
	%	£'000	%	£'000
UK equities	18.2	87,800	23.7	142,113
Overseas equities	17.3	83,366	19.6	117,397
Pooled investment vehicles	50.5	243,513	40.1	240,542
Index-linked securities	3.0	14,273	4.6	27,421
Fixed interest securities	3.9	18,665	7.1	42,336
Cash	6.6	31,852	4.3	25,886
Other investments	0.6	2,822	0.7	4,446
Totals	100.0	482,291	100.0	600,141

APPENDIX 2

FUND PERFORMANCE TO 31 MARCH 2009

GROSS OF FEES

	Market valuations 31.03.07	Market valuations 31.03.08	Market valuations 31.03.09	Weighted % Fund change 1 January to 31 March 2009	% benchmark change 1 January to 31 March 2009	% target 1 Janaury to 31 March 2009	**Under (-)/over (+) performance versus target 1 January to 31 March 2009**	Weighted % Fund change 1 April 2007 to 31 March 2009	% benchmark change 1 April 2007 to 31 March 2009	% target 1 April 2007 to 31 March 2009	**Under (-)/over (+) annualised performance versus target 1 April 2007 to 31 March 2009**
	£'000	£'000	£'000	%	%	%	%	%	%	%	%
Capital -Equities	130,850	125,246	95,609	(10.11)	(10.69)	(10.19)	0.08	(14.83)	(13.29)	(11.29)	(3.54)
Capital -Fixed Income	60,713	62,451	63,111	(2.17)	(3.99)	(3.74)	1.57	1.24	2.78	3.78	(2.54)
Fidelity -Equities	130,475	126,566	98,171	(9.95)	(10.93)	(10.51)	0.56	(12.82)	(13.50)	(11.80)	(1.02)
Fidelity - Fixed Income	62,329	65,390	64,390	(3.45)	(3.19)	(3.04)	(0.41)	1.61	2.71	3.31	(1.70)
Bernstein -UK Equity	132,947	117,805	71,622	(12.57)	(9.08)	(8.58)	(3.99)	(26.60)	(19.25)	(17.25)	(9.35)
Bernstein - Global Equity	31,328	28,299	18,875	(11.47)	(11.65)	(10.90)	(0.57)	(22.38)	(12.82)	(9.82)	(12.56)
ING	46,584	51,505	36,000	(9.97)	(7.80)	(7.55)	(2.42)	(19.46)	(19.55)	(18.55)	(0.91)
Pantheon - private equity		2,719	11,509	(1.19)	(10.42)	(9.67)	8.48	N/A	N/A	N/A	N/A
Total	**595,226**	**579,981**	**459,287**	**(8.41)**	**(8.50)**	**(8.09)**	**(0.32)**	**(13.60)**	**(11.33)**	**(9.69)**	**(3.91)**
In house cash - earmarked for property	18,000	9,350	9,350								
In house cash - earmarked for private equity		9,500	9,500								
Other	6,813	544	4,154								
Total Fund	**620,039**	**599,375**	**482,291**								

Appendix 3 – Pension Fund Top Equity Ten Holdings – Responsible Investment Activity - Quarter ending 31 March 2009

Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement	Capital International – Details of Responsible Investment Engagement	LAPFF Engagement
1. Royal Dutch Shell 'B' Ord Euro 07 (3.1%)	No specific details received but see note below.	Capital have reported that they have not undertaken any engagement on an environmental, social or governance basis in quarter 4.	No activity this quarter.
2. BP Ord USDO.25 (3.1%)	Fidelity have raised certain issues with the Board about its succession planning.	"	"
3. Vodafone Group Ord USDO.11428571 (2.7%)	No specific details received but see note below.	"	"
4. Glaxosmithkline Ord GBPO.25 (2.0%)	"	"	"
5. HSBC Holdings Ord USDO USDO. 50 (UK REG) (1.7%)	"	"	"
6. Astrazeneca Ord USDO.25 (1.4%) No specific details received but see note below.	"	"	"
7. . BHP Billiton PLC USDO. 50 (0.9%)	Fidelity held discussions with the company and its advisers about its future strategy and in particular its policy towards Rio Tinto Zinc.	"	"
8. Roche Hldgs AG Genusscheine NPV (0.9%)	No specific details received but see note below.	"	"
9. Tesco Ord GBPO.05 (0.8%)	Fidelity raised certain issues with the Board	"	"

Top Ten Holdings & Percentage of Total Fund	Fidelity – Details of Responsible Investment Engagement	Capital International – Details of Responsible Investment Engagement	LAPFF Engagement
	about its succession planning.		
10. Aviva Ord GBPO.25 (0.8%)	No specific details received but see note below.	"	"

Note:
Fidelity explain that their engagement with companies is channelled primarily through their team of equity analysts. This contact includes quarterly face-to-face meetings with the CEO or FD, monthly contact with the Investor Relations team, periodic site visits to see the company's operations and attendance at analyst days hosted by the company. Dialogue encompasses all aspects of a company's business including strategy, operations, trading, governance, shareholder rights, environmental and social policies. Where there is a divergence of views or a matter of particular importance arises, FIL's corporate finance team may become involved. Matters involving corporate finance might include board and management composition, corporate strategy, specific corporate transactions and legal matters. FIL's proxy voting function also forms part of the corporate finance team and has a particular focus on remuneration-related issues.

In the period 1st January – 31st March 2009, FIL's corporate finance team had the involvement with three of the companies listed above as shown.

Appendix 4

Comparison of Responsible Investment Activity Quarter ending 31 March 2009 – Core Fund Managers and Local Authorities Pension Fund Forum (LAPFF)

Fidelity	Capital International	LAPFF
The Carbon Market During this quarter, Fidelity held discussions with **RWE** and **CEZ** on the developing carbon market and its implications for those companies. Fidelity analysts highlighted that reduced economic activity as a result of the global downturn, has resulted in lower carbon emissions across Europe. This has depressed the price of carbon credits thereby aiding companies with the largest carbon emissions. Fidelity's discussions also focused on the RWE's and CEZ's long term renewable investment programmes which largely centre around the construction of wind parks.	**Siemens** In February, a group of investment analysts and portfolio managers met with Siemens executives. The company has paid fines of more than US$1 billion in December to settle bribery claims to secure overseas telecoms and power contracts. This resulted in total settlement costs of more than US$2.5 billion, including legal fees. During the meeting, Capital International asked the Siemens representatives several questions about bribery and culture change. They explained the substantial management changes that had been made, with seven of 11 members of the management board departing since 2007. The new leadership, they added, stressed a zero-tolerance approach to bribery. Capital sought assurances that the changes made would still be enforced despite the tougher economic environment, especially when competitors in other markets may not have the same	**M & S** Following further engagement with M & S which has not resolved the issue of Sir Stuart Rose's combination of roles of chair and chief executive roles, the Forum has decided to proceed with the filing of a shareholder resolution. The resolution calls for the company to do everything possible to appoint an independent chair by July 2010. The resolution will be voted on at the company's AGM in July. In the meantime LAPFF will be contacting other shareholders to build support for the initiative. **Global engagement** The Forum is increasing its shareholder activism on the global stage. At the start of the year Forum members agreed a global focus list of companies from the USA, continental

Fidelity	Capital International	LAPFF
Energy efficiency Fidelity analysts have monitored companies such as **Holcim, Lafarge, Buzzi Unichem,** and **Italcementi**, which have made substantial progress over the past few years in reducing energy consumption. **Sustainable transport** Fidelity have explored during the quarter strategies developed by **Umicore** and **Johnson Matthey**; both of these companies produce catalysts for cars which reduce emissions. Tyre manufacturers can also contribute to reducing CO2 emissions through product innovation. In this regard, Fidelity held discussions with **Nokian Tyres** and **Tomkins**. Commentators have identified that investments in rail transportation are set to increase as a consequence of the EU automobile emission reduction targets. During the quarter Fidelity	standards. The vigour of their response to our questions was reassuring and they admitted it hadn't made good business sense — in fact, they had actually lost money on the projects where bribes had been paid. Capital will continue to meet with the company to develop our assessment. **Freeport McMoran** Capital began dialogue with copper and gold miner Freeport McMoran during the quarter in relation to the progress it had made on external environmental monitoring of its Grasberg mine in Papua, Indonesia. Certain SRI advisers claim that Freeport has adequately assessed human rights violations in connection with security arrangements at the mine and has improved environmental risk management but that regular external monitoring needs verification. The company confirmed that the triennial external audit had been conducted successfully in 2008. Each year, Freeport collects 7,000 environmental samples and conducts 50,000 separate analyses on each. In addition, there is an annual external audit by the International Certification	Europe and the UK, where poor performance in remuneration practice and other core corporate governance areas are cause for concern over these companies' abilities to generate sustainable returns in the long term. In February LAPFF wrote to every company on the focus list, setting out the concerns that the Forum has over their corporate governance practices, and making specific proposals for improved practices. During the year, this will be followed by further action where this is considered necessary and useful.

Fidelity	Capital International	LAPFF
analysts have identified **Ansaldo** and **Vossloh** which produce rail equipment as companies that may benefit from such investments. **Retail supply chain issues** During the quarter Fidelity analysts engaged with **Danone** on sustainability issues related to its bottled water business.	Services Division of Societe Generale de Surveillance (SGS), a Geneva-based International Standardization Organisation 14001 registration body. (It also has offices in Indonesia that conducts another annual environmental management system audit of the mine as a requirement for maintaining the ISO 14001 certification.) This certification has been maintained after the most recent audit. **Capital's associates have also participated in the following corporate governance and SRI efforts during the quarter:** Company meetings: In addition to the meetings recorded above, Capital engaged with a number of companies to review a range of governance issues. Companies that consulted Capital on proposed changes to their executive remuneration policies include Yell, Vodafone and HSBC. Capital discussed governance and potential voting issues with BHP Billiton and Koninklijke KPN.	

APPENDIX 5

PENSIONS FUND

BUDGET MANAGEMENT - PERIOD 1 (END OF APRIL 2009)

	2009/10 Budget £'000	Plan to period 1 £'000	Actual to period 1 £'000	Over/under (-) to Period 1 £'000	Explanations of variations
Income					
Contributions and benefits:					
Employee Contributions	(10,500)	(875)	(866)	9	
Employer Contributions	(34,700)	(2,892)	(2,695)	197	Dependent on number and grade of staff transferring into and out of scheme
Transfer Values Received	(4,000)	(333)	(441)	(108)	Volume and timing varies
Total income	**(49,200)**	**(4,100)**	**(4,002)**	**98**	
Expenditure:					
Pensions and other benefits	26,800	2,233	2,250	17	
Lump sums	3,500	292	172	(120)	Dependent upon the number of staff retiring and sums due.
Transfer values paid	4,000	333	121	(212)	Volume and timing varies
Refunds on contributions	50	4		(4)	
Administrative expenses	750	63	47	(16)	
Total expenditure	**35,100**	**2,925**	**2,590**	**(335)**	
Net addition from dealings with members	**(14,100)**	**(1,175)**	**(1,412)**	**(237)**	
Returns on Investment:					
Investment income	(18,300)	(1,525)	(1,106)	419	Dependent upon companies invested in by our Fund Managers.
Taxation	200	17		(17)	
Investment management expenses	3,600	300	7	(293)	Timing of receipt of Fund Managers invoices
Net return on investments	**(14,500)**	**(1,208)**	**(1,099)**	**109**	
Totals	**(28,600)**	**(2,383)**	**(2,511)**	**(128)**	

Haringey Council

Agenda item: [No.]

Pensions Committee On 18th June 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 Monitoring Ill-Health Retirements

3.1.1 Following the 2007 Fund Valuation, the actuary allocated a budget for each employing body to cover ill-health retirements. As the number of ill-health retirements had dropped significantly, the assumption on ill-health adopted for the 2007 valuation was reduced which in turn had the effect of slightly reducing employer contribution rates.

3.1.2 The Council as the Administering Authority monitors the cost of Ill-Health retirements and where an employing body's budget is exceeded, an increased employer contribution rate would need to be considered.

3.1.3 For the first period from April 2008 to March 2009 there were 9 ill-health retirement cases from Haringey Council at a cost to the Fund of £318k. This is well within the budget set by the actuary as set out in **Appendix 1**

3.2 Equitable Life Compensation Payments.

3.2.1 The Parliamentary Ombudsman has released a special report on the Government's response to her recommendations for members who were adversely affected by the collapse of Equitable Life.

3.2.2 The Ombudsman's main recommendation was 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.

3.2.4 It is the Parliamentary Ombudsman's view that the Government's response will mean that not everyone who has suffered injustice will have that injustice put right.

3.2.5 The position regarding Haringey staff who contributed to the AVC scheme provided by Equitable Life will continue to be monitored.

3.3 South Tyneside Appeal Case

3.3.1 Staff from five magistrates court committees who were members of the Tyne and Wear Pension Fund transferred to the Northumbria Magistrates Courts Committee (NMCC). This followed the scrapping of the local Courts Committees and the transfer of staff to the new body on 1st April 2000. Only current staff were transferred leaving deferred and pensioner members in the Tyne and Wear Pension Fund. The NMCC was itself abolished and the liabilities passed to the Lord Chancellor.

3.3.2 South Tyneside C.C. argued that the NMCC had a continuing liability from 1st April 2000 to contribute to the Tyne and Wear Pension Fund to cover the cost of the former deferred and pensioner members who remained in that fund and that that liability had subsequently transferred to the Lord Chancellor. The Lord Chancellor disputed this claim.

3.3.3 The dispute was ultimately heard in the Court of Appeal which ruled in favour of the Lord Chancellor. The judgement effectively says that only an employing authority with active members in a particular fund can be liable to pay employer contributions to that fund.

3.3.4 In the Court's opinion, the LGPS regulations do not provide a mechanism to charge public sector employers for past liabilities in the same way as private contractors who are required to make a cessation payment for outstanding liabilities when a contract comes to an end.

3.3.5 This ruling impacts on the current negotiations for a bulk transfer payment from Enfield Council to Haringey Council following the merger of Enfield College and CONEL. This is because as Enfield Council will not be able to charge CONEL on an ongoing basis for the deferred and pensioner members remaining in their Fund, they will seek to negotiate a reduced bulk transfer payment. These negotiations are at an early stage. Where agreement cannot be reached the matter is adjudicated by an independent actuary.

3.4 Pension Surveys

3.4.1 An on-line survey of new starters for the period April 08 to March 09 has been carried out. Of the 115 members sent the survey seeking views on the quality of the service they received. Only 11 responses were received. The results are shown at **Appendix 4**

3.4.2 One respondent said the service was poor and the issues around that complaint have been addressed. Further work will be carried out to identify other areas where the service was rated less then good.

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 and comment as follows:-**

While, in budgetary terms, it might sound like good news that spending on ill health retirements fell well below estimate, it tends to confirm a concern that the trades unions have raised previously. Even before the changes to the statutory regime we felt that it was becoming increasingly difficult for staff members to be recommended for ill health retirement even when suffering significant long term illness. We fear that this under spend may have been achieved at the price of more dismissals on the grounds of capability and resignations in desperation.

13. Service Financial Comments

13.1 The liability falling on the Fund for ill-health retirement costs are well within the budgets set by the fund actuary. The criteria for ill-health retirement is set out in the scheme regulations and referrals are certified by an independent medical consultant qualified in occupational health

13.2 The bulk transfer payment for staff transferring from Enfield College to CONEL will be negotiated by the Fund actuary as required by the LGPS regulations. Any shortfall in funding will be reflected in the employer contributions paid by CONEL .

14.Use of appendices / Tables and photographs

14.1 Appendix 1 is the Ill-Health Retirement Budget Monitoring Data 2008/09
Appendix 2 is the schedule of Early Retirements agreed under the Councils Policy Statement.
Appendix 3 is the receipt of contributions from Employing Bodies and Schools
Appendix 4 is the results of the Pensions Survey
Appendix 5 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 Briefing from Hymans Robertson on South Tyneside Appeal Case April2009

Appendix 1

Ill-Health Retirement Budget Monitoring 2008 / 09					
Employing Bodies	Expected number over three years	Actual number in Year 1	Cost as a % of Payroll	Expected Cost £'s p.a.	.Actual Cost Year 1
Haringey Council	80	9	0.9%	£1,071,255	£318,000
Enterprise Ltd	6	1	2.3%	£59,800.00*	£13,000
No Ill-Health retirements certified for the remaining employing bodies. *(Based on an estimated pensionable payroll of £2.6m)					

Appendix 2

Haringey Council Pension Fund	**Early Retirements 1 April 2008 to 31st March 2009**			
Approved by Section 151 Officer	Number of Cases	Basic Capital Cost	Cost of Added Years	**Total Cost**
Early Retirement	22	£496,000	£0	**£ 496,000**
Flexible Retirement	6	£45,000		**£45,000**
Sub –Total **(Sub –Total 07/08)**	**28** **(24)**	**£541,000** **(£309,000)**	**£0** **(£0)**	**£541,000** **(£309,000)**
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
Sub Total **(Sub –Total 07/08)**	**1** **(2)**	**£218,000** **(£85,000)**	**£0** **(£0)**	**£218,000** **(£85,000)**
Employing Bodies	Number of Cases	Basic Capital Cost	Cost of Added Years	Total Cost
Early Retirement	2	£56,000	£9000	£57,000
Flexible Retirement		£0	£0	£0
Sub-Total **(Sub –Total 07/08)**	**2** **(7)**	**£56,000** **£105,000)**	**£9000** **(£0)**	**£57,000** **(£105,000)**
Total For Haringey Council and Employing Bodies				
Total **(Total 07/08)**	**31** **(33)**	**£755,000** **(£499,000)**	**£0** **(£0)**	**£755,000** **(£499,000)**
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 31st March 2009				
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

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 then the 19th of the month following the month in which the deductions are made.

For the quarter ending **31st March 2009**, the receipt of contributions from the Employing Bodies and Schools with their own Payroll Providers has been checked by Corporate Finance and apart from the Employing Body /School mentioned below have been received within the statutory time-limit.

TLC at Cooperscroft Ltd. Contributions received 22nd April 2009

Mulberry School Contributions received 7th May 2009

The above –named have been informed in writing that failure to pay contributions by the due date is a civil offence under the Pensions Act 1995.

Appendix 4

Pension Survey of New Starters 2008/09					
Number Surveyed	**115**	**Number Responded**	**11**	**Response %**	**10%**
Q1 How frequently have you contacted the Pensions Team in the last year ?					
Not at all 18%	**1-5 times 73%**	**6-10 times 9%**	**More 0%**		
Q2 How highly do you rate the service? (1 being Poor 6 being Excellent)					
Poor 11% Mid Range 66% Excellent 22%					
Q3 How highly do you rate the Pensions Information you received in your Starter Pack? (1 being Poor and 6 being Excellent)					
Poor 0% Mid Range 81% Excellent 18%					
Q4 Which three areas would you like to see improved					
Time scale to complete action 43% Clarity of response 29% Standard of advice /assistance 14%					
Q5 Which three areas particularly impressed you ?					
Clarity of response 44% The Officer I dealt with 33% Timescale to complete action 22%					

Appendix 5

Pensions Scheme Regulations **Local Government Pension Scheme Regulations (as amended)**	The scheme is administered in compliance with the provisions of the scheme regulations and relevant advice.
Data Protection	Data held on records maintained by the Pensions Team is registered in compliance with the relevant Data Protection Legislation
Disclosure of Information **The Occupational Pensions Schemes (Disclosure of Information) Regulations 1996**	The scheme is administered in compliance with the Disclosure of Information Regulations 1996 (as amended) and relevant advice.
Member Communication	Communication with members and employers is conducted in accordance with the Communications Policy approved by Pensions Panel on 23rd June 2008
Best Practice	The scheme is administered having regard to the Best Practice Principles published by the UKSC

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

Agenda Item 11

Haringey Council

Agenda item:

Pensions Committee On 18th June 2009

Report Title: **Admission of Ontime Parking Solutions Ltd. 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 Ontime Parking Solutions Ltd as a transferee admitted body participating in the Haringey Council Pension Fund from 1st June 2009.

1.2 This results from the TUPE transfer of staff from the Abandoned Vehicles Team to the above-mentioned contractor.

2. Recommendations

2.1 That Members agree to the admission of Ontime Parking Solutions Ltd as a transferee admitted body to the Fund from 1st June 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 valued by the Fund actuary to cover potential pensions liabilities should the contractor fail commercially

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

G. Almeroth

and by

Stuart Young
Assistant Chief Executive P.O.D

Stuart Young

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 and comments that in principle the admission of Ontime Parking Solutions Ltd meets the requirements of Regulation 6(2)(a) of the Local Government Pension Scheme (Administration) Regulations 2008.

4. Local Government (Access to Information) Act 1985

4.1 Local Government Pension Scheme (Administration) Regulations 2008

4.2 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 will determine a contribution rate for the contractor. The Bond is in place to protect the Fund against the commercial failure of the company and will be reviewed annually.

6.2 The contractor is required to meet future service costs to be reflected in the employer contribution rate. Any deficit payments that arise on cessation of the Agreement are recoverable from Ontime Parking Solutions Ltd..

7. Legal Implications

7.1 Ontime Automotive 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 support the recommendations in this report

10. Background

10.1 On 1st June 2009 three whole time employees and one part time employee working in the Parking Service were TUPE transferred to Ontime Parking Solutions Ltd

10.2 The Parking Service has procured a Vehicle Nuisance Contract combining enforcement, removal of vehicles and smart car enforcement. The contract will deliver efficiencies and savings for the Service.

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 transferred staff who are employed on the contract, will be eligible for admission to the Local Government Pension Scheme.

10.5 The regulations require that the contractor provides an 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 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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