

**MINUTES OF THE PENSIONS COMMITTEE
THURSDAY, 17 SEPTEMBER 2009**

Councillors C. Harris (Chair), Thompson (Vice-Chair), Winskill, Howard Jones, Melling, Cooke, Corran and Meehan

Apologies Councillors Beacham, Wilson and Earl Ramharacksingh

Also Present: Howard Jones, Roger Melling and David Corran.

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP104	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Cllr Mallett, for whom Cllr Meehan was substituting. Apologies for absence were also received from Cllr Beacham, Cllr Wilson and Earl Ramharacksingh.</p>	
PRPP105	<p>URGENT BUSINESS</p> <p>The Chair agreed to the admission of an appended letter of representation and covering report, as late items in relation to agenda item 5.</p>	
PRPP106	<p>DECLARATIONS OF INTEREST</p> <p>Cllr Thompson declared a personal interest as a contributing member of the Haringey Pension Scheme, as a member of the Licensing Committee and as having attended training events at which he had received hospitality from some of the Fund Managers.</p> <p>Cllr Winskill declared a personal interest as a contributing member of the Haringey Pension Scheme.</p> <p>David Corran declared a personal interest as drawing a pension from the Haringey Pension Scheme.</p> <p>Cllr Harris declared a personal interest as a contributing member of the Haringey Pension Scheme and as having attended a recent meeting at which a Fund Manager had been present.</p>	
PRPP107	<p>MINUTES</p> <p>RESOLVED</p> <p>That the unrestricted minutes of the meeting held on 18 June 2009 be approved and signed by the Chair.</p>	
PRPP108	<p>AUDIT OF FINANCIAL STATEMENTS 2008/09 AND REPORT TO</p>	

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THOSE CHARGED WITH GOVERNANCE IN 2008/09

The Chief Financial Officer introduced the report on the audit of financial statements and the letter of representation. It was reported that this was the first year there had been a formal separate audit of the Pension Funds accounts.

Grant Thornton reported that the audit had been straightforward, and that very few adjustments had been required. The main issue raised was the Audit Commission's recommendation that the Pension Fund be held in a separate bank account to the Council's general funds, which had also been raised in the previous year. Grant Thornton had looked carefully into the position at Haringey and had concluded that there were no issues with the Fund being appropriately remunerated but it was still recommended that separate accounts be adopted. Other issues raised had been the late receipt of some contributions from scheduled and admitted bodies and the timing of benefits payments but that this had improved from last year. It was noted that no new issues had been raised, and the position in respect of all the issues raised demonstrated an improvement on the previous year. Grant Thornton commended the work of the Chief Financial Officer and his team.

The Committee asked whether it was likely that a deadline would be set for the introduction of separate bank accounts, and why the recommendation from the previous year had not been implemented. It was reported that it was unlikely that a deadline would be imposed, but that the Audit Commission would continue to recommend this. The Chief Financial Officer reported that the administrative burden and cost of establishing and managing two separate accounts had been assessed against the risk posed by having a single account; as the arrangements at Haringey had been found to be managed effectively and the SAP system permitted the funds to be treated separately within the same account, it had been concluded that the drawbacks of introducing separate accounts had outweighed the potential risk at the time. The Chief Financial Officer reported that the issue of introducing separate accounts, and the potential cost to the Council, would be reviewed again in 6 months. In response to a question from the Committee regarding the reason for the recommendation, it was reported that this was to reduce the level of risk, but it was also reported that, the risk would be managed by having adequate controls in place. It was reported that the decision to implement separate bank accounts would be made by the Chief Financial Officer, and it was recommended that a report setting out the benefits and drawbacks be presented to Members before a final decision was made.

In response to a request from the Committee, the Chief Financial Officer would provide Committee members with details of scheduled and admitted bodies who had submitted contributions late. It was noted that the timeliness of all contributions had improved in the past year, and it was confirmed that in the quarter ending 30th June 2009, all contributions had been received within the statutory time limits.

In response to a question from the Chair, Grant Thornton reported that

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	<p>there was no indication that the basis for the audit fees would be reviewed by the Audit Commission.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the content of the report and updates provided by Grant Thornton be noted. ii) That the changes to be made to the Pension Fund Accounts 2008/09 be agreed. 	
<p>PRPP109</p>	<p>QUARTERLY ASSET ALLOCATION REVIEW</p> <p>The Chief Financial Officer presented the quarterly asset allocation review and the report of the Fund's investment advisors, Hewitt. It was reported that the change in asset allocation agreed by the Committee on 18 June had been implemented in early August. No change was recommended by Hewitt at the present time, and the Committee was invited to note this recommendation.</p> <p>In response to a question from the Committee regarding likely future market changes, the Chief Financial Officer reported that by reviewing asset allocation on a quarterly basis, the Fund would be in a position to react quickly to changes in market conditions. The Committee discussed Hewitt's opinion that opportunities to increase investment in property would arise later in the year; it was felt that further information should be sought regarding this issue and on how any proposed recommendation relating to changes relating to property could be implemented quickly. It was noted that ING were attending the next meeting of the Committee and should be asked to provide further information at that time.</p> <p>RESOLVED</p> <p>That the Fund's Asset Allocation position be noted.</p>	
<p>PRPP110</p>	<p>FUND PERFORMANCE REPORT</p> <p>The Chief Financial Officer presented the fund performance report for the quarter ending 30 June 2009. It was reported that the fund had underperformed the benchmark in the last quarter by 0.85% and had underperformed the benchmark by 2.43% in annualised terms for the 27 months to the end of June 2009. The report covered the performance of the fund managers, responsible investment issues and the budget position.</p> <p>The Committee discussed the decline in the Fund's value within the context of the wider economic climate, and it was noted that the investment in fixed income assets had been of benefit to the Fund as the decline in equities had been more significant. In response to a question from the Committee, it was reported that the decline in value of the Fund had largely been as a result of the general economic climate, but that questions should be asked where fund managers had underperformed</p>	

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	<p>the benchmark. It was noted that the fund managers had been asked to switch to a new benchmark, and that this may have been among the contributing factors.</p> <p>RESOLVED</p> <ul style="list-style-type: none">i) That the Fund performance position as at end of June 2009 be noted.ii) That responsible investments information provided be noted.iii) That the budget management position to the end of July 2009 (period 4) be noted.	
<p>PRPP111</p>	<p>ATTENDANCE BY FUND MANAGERS</p> <p>The Committee received presentations from two Fund Managers as follows:</p> <p>CAPITAL</p> <p>Fund performance for the equity mandate was 1.70% below the benchmark and 3.70% below the target in annualised terms in the 27-month period to the end of June 2009.</p> <p>Fund performance for the fixed income mandate was 1.37% below the benchmark and 2.37% below the target in annualised terms in the 27-month period to the end of June 2009.</p> <p>Capital explained the reasons for current performance and answered questions from Trustees. Capital presented some information on performance in the current quarter to date, and reported that the value of their mandates had risen to around £123m.</p> <p>The Committee questioned the report that the decision in respect of asset allocation for CIF High Income Opportunities was a negative contributor to the fixed income portfolio and it was agreed that Capital would check the accuracy of this point.</p> <p>The Chair thanked Capital for their presentation.</p> <p>FIDELITY</p> <p>Fund performance for the equities mandate was 0.6% above benchmark and 1.1% below the target in annualised terms in the 27-month period to the end of June 2009.</p> <p>Fund performance for the bonds mandate was 0.1% above benchmark and 0.5% below the target in annualised terms in the 27-month period to the end of June 2009.</p> <p>Fidelity explained the reasons for current performance and answered</p>	

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	<p>questions from Trustees. Fidelity presented some information on performance in the current quarter to date, and reported that the value of the equities mandate had risen to £124.3m and the bond mandate to £73.1m.</p> <p>The Chair thanked Fidelity for their presentation.</p> <p>RESOLVED</p> <p>That the presentations and answers to questions given by the Fund Managers be noted.</p>	
<p>PRPP112</p>	<p>CONSULTATION DRAFT - 'LGPS - DELIVERING AFFORDABILITY, VIABILITY AND FAIRNESS'</p> <p>The Chief Financial Officer presented a report on the consultation exercise initiated by the Communities and Local Government Department. The consultation focussed on the March 2010 valuation exercise, and possible actions to make the scheme more stable given the impact of current stock market conditions of pension funds. It was reported that this was an informal consultation for pension fund stakeholders, and the response of Hymans Robertson, the fund's actuary, was appended to the report. A draft response was set out in the report, and members were invited to comment on this draft. The draft response stated that some of the ideas set out in the consultation document were positive, but it was felt that the existing structure was capable of addressing the issues raised and that there was no significant need to alter the existing guidelines.</p> <p>In response to a question from the Committee, it was reported that there had been no financial cost to the Council in participating in the consultation. It was reported that if the situation were not stabilised and it was necessary to increase employer contributions to the fund, this would have a significant impact on Council Tax, and that this was an important consideration. It was reported that actuaries were looking at ways to ensure that employer contributions remained stable, and would take into account other variables as part of their assumptions in order to minimise the impact of current market conditions on fund values.</p> <p>The Committee commented on the possible contribution tariff set out in the consultation letter, and suggested that the reductions in contributions should be spread more evenly across the lower bands if any new system were to be introduced. It was noted that in light of the limited impact that a change in bands would achieve and that fact that bands had already been changed recently, any further change in bands would be undesirable at the present time, however, the Committee endorsed the general principle that those on higher salaries should have a higher contribution rate.</p> <p>In response to a question regarding the administration costs of implementing any change, it was reported that any change would require changes to be made to payroll as well as documentation related to the scheme and that this would have an impact on resources.</p>	

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	<p>The Committee offered feedback that the language used in the DCLG consultation letter was far from clear and that this should be improved in future.</p> <p>RESOLVED</p> <p>That, emphasising the Committee's endorsement of the principle that those on higher salaries should pay a higher rate of contribution, the proposed basis of response to the consultation be agreed.</p>	
<p>PRPP113</p>	<p>FUND ADMINISTRATION REPORT (INCLUDING REVIEW OF AVC PROVIDERS)</p> <p>Ian Benson, Pensions Manager, presented the fund administration update. The report set out the results of the review carried out by Hymans Robertson on AVC providers, which recommended that the current providers were retained and that further work be done to raise the profile of AVCs for scheme members. The report also covered the Local Government Employer's response to the DWP consultation on auto enrolment, which had expressed concern that a proposed auto enrolment scheme would be bureaucratic and would lead to increased employer costs. It was reported that the DWP would be issuing further guidance on this matter, which may address some of the issues raised. The report also included updates on early and flexible retirements and appeals.</p> <p>The Committee welcomed that there were no outstanding appeals and that all contributions from employing bodies had been received on time. In response to a question from the Committee on the findings of the AVC provider review, it was reported that a holistic approach was taken, in which performance was assessed alongside other issues such as customer service and promotion. It was reported that work was underway on how to further promote AVCs to scheme members, and that permission had now been obtain for providers to use the Haringey pension scheme database for targeted promotion of AVCs and that this was in addition to the existing work promoting pensions options for all new members of staff as part of their induction. In response to a question from the Committee, it was reported that all staff with a contract for at least three months were entitled to join the pension scheme.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the Administration Report update be noted. ii) That no change be made to the Fund's AVC Providers. iii) That Prudential and Clerical and Medical be invited to discuss ways in which awareness of the AVC scheme can be increased and that investment performance can be monitored. 	
<p>PRPP114</p>	<p>CESSATION OF ADMISSION AGREEMENT WITH WORKFORCE FACILITIES LTD</p>	

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	<p>Ian Benson, Pensions Manager, presented a report on the funding position attributable to Workforce Facilities Ltd on their cessation as an admitted body to the Haringey Pension Fund at 7th May 2009. It was reported that there was a small surplus on termination of the agreement and that this would remain in the fund.</p> <p>RESOLVED</p> <p>That the settlement of the £6,000 surplus attributed to Workforce Facilities Ltd on the cessation of the admission agreement be noted.</p>	
<p>PRPP115</p>	<p>ADMISSION AGREEMENT FOR EUROPA LTD</p> <p>Ian Benson, Pensions Manager, presented a report on the admission of Europa Workspace Solutions Ltd as transferee admitted body participating in the Haringey Council Pension Fund from 8th May 2009. It was reported that one active member of the scheme had been TUPE transferred to Europa Workspace Solutions Ltd.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the admission of Europa Workspace Solutions Ltd as a transferee admitted body to the Fund from 8th May 2009 be agreed. ii) That the agreement is a closed agreement such that no new members can be admitted. iii) That the contractor is required to provide a Bond to the value of £26,000 to be reviewed by the Fund actuary on an annual basis. iv) That final approval to the terms of the Admission Agreement be delegated to the Chief Financial Officer. 	
<p>PRPP116</p>	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	
<p>PRPP117</p>	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>RESOLVED</p> <p>That the press and public be excluded from the meeting for the following items.</p>	
<p>PRPP118</p>	<p>EXEMPT MINUTES</p> <p>RESOLVED</p> <p>That the exempt minutes of the meeting held on 18 June 2009 be approved and signed by the Chair.</p>	

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PRPP119	ANY EXEMPT ITEMS OF URGENT BUSINESS There were no new exempt items of urgent business. The meeting closed at 21:15hrs.	

COUNCILLOR CATHERINE HARRIS

Chair