

**MINUTES OF THE PENSIONS COMMITTEE  
TUESDAY, 1 DECEMBER 2009**

Councillors Thompson (Vice-Chair), Beacham, Mallett, Wilson, Winskill and Egan

Apologies Cllr C. Harris and Earl Ramharacksingh

Also Present: Howard Jones, Roger Melling and David Corran

| <b>MINUTE NO.</b> | <b>SUBJECT/DECISION</b>   | <b>ACTION BY</b> |
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| <b>PRPP128</b>    | <p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were received from the Chair, Cllr C. Harris, for whom Cllr Egan was acting as substitute, and from Earl Ramharacksingh.</p> <p>Cllr Thompson, Vice-Chair of the Committee, chaired the meeting.</p>   |                  |
| <b>PRPP129</b>    | <p><b>URGENT BUSINESS</b></p> <p>There were no items of urgent business.</p>  |                  |
| <b>PRPP130</b>    | <p><b>DECLARATIONS OF INTEREST</b></p> <p>Cllr Mallett declared a personal interest as a contributing member of the Haringey Pension Scheme.</p> <p>Cllr Wilson declared a personal interest as an employee of the National Association of Pensions Funds, and a prejudicial interest in respect of agenda item 12, the Custody Fee Review.</p> <p>Cllr Winskill declared a personal interest as a contributing member of the Haringey Pension Scheme.</p> <p>Cllr Thompson declared a personal interest as a contributing member of the Haringey Pension Scheme and as having attended training events at which he had received hospitality from some of the Fund Managers.</p> <p>David Corran declared an interest as a pensioner member of the Haringey Pension Scheme.</p> |                  |
| <b>PRPP131</b>    | <p><b>MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the minutes of the meetings of the Pensions Committee held on 17 September and 12 October 2009 be approved and signed by the Chair.</p>  |                  |
| <b>PRPP132</b>    | <p><b>FUND ADMINISTRATION UPDATE</b></p>  |                  |

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Ian Benson, Pensions Manager, presented the fund administration update. The report included information on the Heyday Judgement, in which the High Court had upheld the law allowing employers to force an employee to retire at 65 without redundancy, following a challenge by Age Concern. It was noted that a government review of the default retirement age had been brought forward to 2010. The report also covered the TUPE transfer of Learning Skills Council staff to Local Education Authorities, as part of which three staff would be transferred to Haringey, for which costs would be covered by a bulk transfer payment. Civil Service Scheme retirement dates for the staff affected would be protected in accordance with the Fair Deal provisions. An update was also provided on the Councillors Scheme to advise that the intended CLG consultation paper on councillors' pensions would be produced by the end of the financial year. The report also included updates on early and flexible retirements and appeals.

Further to an enquiry made by the Committee at the previous meeting, the Chair provided information on those scheduled and admitted bodies whose contributions had been received late by the Pension Fund.

The Committee noted that the earliest age at which an employee could be involuntarily retired would be raised from 50 to 55 from 1 April 2010, and asked whether there was any intention to make use of the intervening period to make any retirements from age 50. Mr Benson confirmed that there was no intention to do this. In response to a question from the Committee regarding the difference between flexible and early retirement, Mr Benson advised that early retirement was when an employee left their post, whereas flexible retirement meant that an employee remained in employment at reduced hours or at a lower grade, enabling the Council to retain their skills. The Committee asked about the employing bodies' ability to exercise discretion in determining the approval of early retirements, in response to which it was confirmed that any such decision by an employing body would require a contribution to the Fund to cover the capital costs, so that there was no cost to the Fund as a result of such decisions.

**RESOLVED**

That the Administration Report update be noted.

**PRPP133 FUND PERFORMANCE REPORT**

The Chief Financial Officer introduced the Fund Performance report for the quarter ending 30 September 2009. It was reported that the annualised performance of the Fund had underperformed the gross benchmark by 2.65% and underperformed the gross target by 4.29% up to 30 September 2009. The report covered the performance of the individual fund managers, responsible investment issues and the budget position.

In response to concerns raised by the Committee regarding recent

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|                       | <p>media reports relating to Shell, one of the Fund's main holdings, Colin Duck, Corporate Finance, advised that the information provided in the Fund Performance report only covered the period to September 2009 and that more recent activity would be reported to the next quarterly meeting. Mr Duck requested that Members supply him with details of any information of concern in relation to responsible investment issues, for forwarding to the Fund Managers in question for action. It was reported that such issues would also be highlighted by the LAPFF. The Committee emphasised the importance of responsible investment issues.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"><li>i) That the Fund performance position as at end of September 2009 be noted.</li><li>ii) The responsible investments information be noted.</li><li>iii) That the budget monitoring position to the end of September 2009 be noted.</li></ul>  |  |
| <p><b>PRPP134</b></p> | <p><b>ATTENDANCE BY FUND MANAGERS</b></p> <p>The Committee received presentations from two Fund Managers as follows:</p> <p><b>PANTHEON</b></p> <p>Pantheon presented information on the performance of the private equity mandate. Pantheon set out the position on current performance and answered questions from Trustees.</p> <p>The Committee asked about the apparent difference in the amount of funds drawn and the amount reported as allocated. It was reported that this was as a result of recent activity which would be reflected in the figures presented to the next meeting. In response to a question regarding the anticipated maximum net investment over time, Pantheon agreed to provide an estimate on the basis of the portfolio and it was agreed that the Committee would find this useful.</p> <p>In relation to the issue of responsible investment, the Committee asked whether Pantheon held a list of the companies they held stakes in. Pantheon advised that confidentiality agreements applied to certain companies they held, but agreed to provide a representative list in as great detail as possible on the request of the Committee. Pantheon reported that they were the first private equity manager to sign up to the UN Principles of Responsible Investment.</p> <p>It was requested that staffing issues be included in future reports to the Committee.</p> <p>The Chair thanked Pantheon for their presentation.</p> |  |

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|         | <p><b>CAPITAL</b></p> <p>Fund performance for the equity mandate was 1.74% below the benchmark and 3.74% below the target in annualised terms in the 30-month period to the end of September 2009.</p> <p>Fund performance for the fixed income mandate was 1.03% below the benchmark and 2.03% below the target in annualised terms in the 30-month period to the end of September 2009.</p> <p>Capital explained the reasons for current performance and answered questions from Trustees. It was noted that the Committee had not been provided with revised versions of the performance information, and Capital agreed to supply these outside the meeting.</p> <p>The Chair thanked Capital for their presentation.</p> <p><b>RESOLVED</b></p> <p>That the presentations and answers to questions given by the Fund Managers be noted.</p>  |  |
| PRPP135 | <p><b>ANNUAL PENSION FUND REPORT FOR THE YEAR ENDED 31 MARCH 2009</b></p> <p>The Chief Financial Officer presented the Annual Pension Fund Report for the year ended 31 March 2009, which formed part of the audit process now that the Pension Fund accounts were audited separately. The accounts presented in the annual report were the same as previously reported to the Committee and had now been signed off by the Auditors. The information contained within the report had been presented to the Committee at previous meetings, but there remained a further statutory requirement for the Annual Report to be presented for formal approval by the Committee, which was the purpose of this report. It was confirmed that this was a new requirement following from the separate audit of the Pension Fund accounts, and that a similar report would be produced on an annual basis.</p> <p>The Committee asked about the requirement for the Pension Fund to aim to be fully funded, and it was confirmed that this was a Government requirement under current regulations. The Chief Financial Officer reported that changes to this requirement were among the options being explored by CLG as a way of easing pressure on pension schemes. It was noted that there was a 20-year deficit recovery scheme in place for the Haringey Pension Fund, and that this would be reviewed in detail as part of the actuarial valuation process. The Committee enquired about the significance of the reference to the Council as a statutory body with tax raising powers, and it was confirmed that this was to differentiate from those bodies who only contributed to the scheme for a shorter period. The Committee asked what the position was in respect of the merger between CoNEL and Enfield College, and it was confirmed that negotiations were ongoing between actuaries regarding the value of the</p> |  |

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|                       | <p>transfer. As CoNEL was the larger of the two bodies, it was confirmed that current Enfield College members would be joining the Haringey Pension Scheme.</p> <p>In response to a request for clarification of the bullet points under the Basis of Preparation heading in the report, Mr Duck advised that the change from mid-market prices for investments to bid prices had had a negative impact on the Fund, and that as there had been no derivatives in the previous year, the impact of the change in the way these were valued was not yet known. It was clarified that figures relating to schools did not include teaching staff, who were part of a different Pension Scheme.</p> <p><b>RESOLVED</b></p> <p>That the Annual Pension Fund Report for the year ended 31 March 2009 be adopted.</p>  |  |
| <p><b>PRPP136</b></p> | <p><b>QUARTERLY ASSET ALLOCATION REPORT</b></p> <p>David Crum of Hewitt presented the quarterly asset allocation update. The Committee was reminded that the purpose of the report was for Hewitt to make recommendations on how to amend the asset allocation of the Fund in order to maximise performance, based on Hewitt's analysis of how the market was likely to change. This would enable the Committee to manage the asset allocation of the Fund on a more regular basis than the review of the investment strategy every three years. Further to the previous recommendation that a small percentage be moved from UK gilts to corporate bonds, it was reported that the Fund had benefited from this change by around £500k.</p> <p>Mr Crum reported that further to the production of the report, volatility in the market meant that Hewitt were no longer recommending any change in gilt holdings, but were still recommending a reduction in corporate bonds by around 2%. It was suggested that this be held in cash, for subsequent investment in property by the property manager.</p> <p>In response to a question from the Committee, Mr Crum reported that equities were considered on the basis of performance and company fundamentals rather than geographical location. The Committee asked the meaning of the phrase "overtaken reality" in relation to performance. Mr Crum advised that this referred to the belief in certain sectors that things were back to 'business as usual', and Hewitt's belief that this was over optimistic and not sustainable.</p> <p>The Committee asked why Hewitt were not recommending an increase in gilts, in response to which Mr Crum advised that this was as a result of the high price of gilts at the current time. In response to a question from the Committee regarding the impact of recent concerns relating to Dubai, Mr Crum reported that the extent of any impact would depend on the level of exposure of UK banks to Dubai holdings.</p> |  |

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|                       | <p>The Committee expressed concern regarding increasing the amount of the Fund held in cash, which was not earning significant interest at this time. Howard Jones, the Committee's Independent Advisor, reported that, at a recent meeting of the Committee, the Fund's property manager ING had been cautious regarding the outlook for investment in property, and asked whether Hewitt disagreed. Mr Crum responded that Hewitt did not fundamentally differ from this view. The Committee asked whether Hewitt would be making the same recommendations if it were known that ING were not going to draw on the money to invest, in response to which Mr Crum advised that Hewitt would still be likely to recommend a reduction in corporate bonds, which were overweight in the current allocation.</p> <p>The Chief Financial Officer suggested that ING be asked for their view on the likelihood of investment opportunities arising for which they would require funds. If they were confident that funds would be required, it was suggested that the recommendation to transfer 2% from corporate bonds to cash be acted on, otherwise the position would remain as at present. In respect of the overweight position in corporate bonds, it was suggested that this be monitored on a daily basis and that the Chief Financial Officer be authorised to take an urgent decision to reduce the allocation if this proved necessary, on the basis of an in-principle decision by the Committee.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That an adjustment of 2% from corporate bonds to cash be made only if, following consultation with the Fund's property manager ING, there was felt to be a likelihood that opportunities for investment would arise. No change would be made in the event that ING advised that forthcoming opportunities for investment were unlikely.</li> <li>ii) That the Chief Financial Officer be authorised to make an urgent adjustment to corporate bonds as necessary, based on close monitoring of the performance of this asset class.</li> <li>iii) That the position be reviewed at the next meeting of the Committee.</li> </ul> |  |
| <p><b>PRPP137</b></p> | <p><b>NEW ITEMS OF URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p>   |  |
| <p><b>PRPP138</b></p> | <p><b>EXCLUSION OF PRESS AND PUBLIC</b></p> <p><b>RESOLVED</b></p> <p>That the press and public be excluded from the meeting for the following item.</p>  |  |
| <p><b>PRPP139</b></p> | <p><b>CUSTODY FEE REVIEW</b></p>  |  |

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|                | <p>Cllr Wilson declared a prejudicial interest and withdrew from the meeting for this item. Cllr Winskill also left the meeting.</p> <p>The Chief Financial Officer introduced the report on the custody fee review, and David Crum of Hewitt explained the content of the report in further detail and responded to questions from Trustees.</p> <p><b>RESOLVED</b></p> <p>i) That a revised custody tariff be agreed in order to achieve ongoing annual savings of approximately £25,000.</p> <p>ii) That a further report on the issue of securities lending be presented to the next meeting of the Committee.</p> |  |
| <b>PRPP140</b> | <p><b>NEW ITEMS OF EXEMPT URGENT BUSINESS</b></p> <p>There were no new items of exempt urgent business.</p> <p>The meeting closed at 21:50hrs.</p>   |  |

COUNCILLOR CATHERINE HARRIS

Chair