

**MINUTES OF THE PENSIONS COMMITTEE
MONDAY, 20 DECEMBER 2010**

Councillors Watson (Chair), Gibson, Stennett, Beacham, Jenks and Wilson

Apologies Councillor Adje

Also Present: Keith Brown, Howard Jones, Michael Jones and Roger Melling

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP15.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Cllr Adje.</p>	
PRPP16.	<p>URGENT BUSINESS</p> <p>There were no items of urgent business.</p>	
PRPP17.	<p>DECLARATIONS OF INTEREST</p> <p>Cllr Watson declared a personal interest as a deferred member of the Haringey Pension Scheme.</p> <p>Michael Jones declared a personal interest as a pensioner member of the Haringey Pension Scheme.</p> <p>Cllr Wilson declared a personal interest as an employee of the National Association of Pension Funds.</p> <p>Cllr Jenks declared a personal interest as a current member of the Haringey Pension Scheme. Cllr Jenks also declared a personal interest as a member of the Friends of Cooperscroft, a care home owned by TLC Group Ltd, one of the scheduled and admitted bodies of the Fund.</p> <p>Roger Melling declared a personal interest as a pensioner member of the Haringey Pension Scheme.</p>	
PRPP18.	<p>MINUTES</p> <p>RESOLVED</p> <p>That the unrestricted minutes of the meeting of the Pensions Committee held on 1 November 2010 be approved and signed by the Chair.</p>	
PRPP19.	<p>FUND PERFORMANCE REPORT</p> <p>The Committee considered a report on the performance data for the Pension Fund and the Fund's investment managers, key responsible investment issues using information provided by the Fund Managers and</p>	

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	<p>the Local Authority Pension Fund Forum (LAPFF), budget monitoring against the Pension Fund budget and late payment of contributions.</p> <p>In response to a suggestion from the Committee, it was agreed that responsible investment issues should also be monitored in respect of Legal and General in future reports. It was noted that further to the production of the report, the situation with regards to late payments had improved since letters to address this issue had been sent out.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the Fund performance position as at end of September 2010 be noted. ii) That the responsible investments information provided be noted. iii) That the pension fund budget monitoring position be noted. iv) That the late payments of contributions be noted. 	
PRPP20.	<p>RESULTS OF ACTUARIAL VALUATION</p> <p>Bryan Chalmers, the Fund's Actuary, presented the summary of the results of the 2010 Actuarial Valuation of the Fund to the Committee, covering events since 2007, the proposed approach for 2010, assumptions, initial results and conclusions. Mr Chalmers then answered questions from the Committee.</p> <p>In response to a question from the Committee regarding the basis on which the 6.1% investment return assumption was made, Mr Chalmers reported that this incorporated an assumed 6.5% equity return, on the basis on a 2% equity risk premium. Mr Chalmers reported that a best assumption would be a 3% equity risk premium, which would lead to a 7.5% return. The Committee noted that when cross-referencing the reports of Hymans Robertson and Aon Hewitt it was important to ensure that the figures were comparable; based on the information provided by the actuary, it was suggested that the higher return assumption of 7.5% should be used for comparison purposes with the report provided by Aon Hewitt.</p> <p>RESOLVED</p> <p>That the content of the report be noted and the assumptions set out by the Fund's actuary in his report for the 2010 valuation be agreed.</p>	
PRPP21.	<p>NEW ITEMS OF UNRESTRICTED URGENT BUSINESS</p> <p>There were no new items of unrestricted urgent business.</p>	
PRPP22.	<p>EXCLUSION OF PRESS AND PUBLIC</p>	

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	<p>RESOLVED</p> <p>That the press and public be excluded for the remainder of the meeting.</p>	
<p>PRPP23.</p>	<p>EXEMPT MINUTES</p> <p>RESOLVED</p> <p>That the exempt minutes of the meeting held on 1 November 2010 be approved and signed by the Chair.</p>	
<p>PRPP24.</p>	<p>INVESTMENT STRATEGY</p> <p>The Chair advised that a meeting of the Investment Strategy Working Group had been held on 10th December, at which the first proposals had been considered; feedback from that session had contributed to the report now being presented to the Committee.</p> <p>David Crum and David Hager, Aon Hewitt, presented the report, and noted that further to the previous discussion with the actuary, the targets may need to be uplifted accordingly. Five model portfolios had been worked up in the report for consideration by the Committee, with a concentration on portfolios incorporating both active and passive management as being most likely to meet the Fund's requirements. The report looked at obtaining a balance between minimising volatility in the portfolio, and targeting a higher return rate, and initial responses by Committee Members to the questionnaire circulated indicated that targeting an appropriate long term return rate was felt to be more important than minimising volatility in the shorter term. The report set out rough estimates of investment management fees, and the Committee suggested that it would be helpful for the next report to set out the current fees paid by the Fund.</p> <p>The Committee discussed the merits of active management, and the Committee emphasised that they wanted the investment strategy to be based around a passive core, enabling the active investments to include take greater risks in aiming for a higher target. Howard Jones, the Fund's Investment Adviser, emphasised the importance of asset allocation, and outlined the possible approaches to managing this; i) set the allocation at the start of the three-year strategy, to be automatically re-balanced with market fluctuations, ii) the Committee to take advice periodically on asset allocation and take decisions regarding strategic asset allocation issues, iii) the appointment of multi-asset managers, leaving the decisions regarding weighting to them. Aon Hewitt added a further option, which was iv) to appoint a tactical asset allocation manager. The Committee expressed concern regarding option ii), as it was felt that the Committee was not necessarily the right body to be making asset allocation decisions. It was agreed that this would be considered further at the meeting of the Committee on 22 February 2011; the Committee requested further information on option iv), the tactical asset allocation manager, at this meeting.</p>	

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	<p>In discussion of the targeted return for the portfolios modelled by Aon Hewitt, the Committee recommended that the Passive UK equity expected return rate of 7.8%, as set out in the modelling assumptions of the report, be taken as a baseline figure. Aon Hewitt would work up the proposals, based on the Committee's feedback. A further meeting of the Investment Strategy Working Group would be arranged for the New Year. All Committee Members were strongly encouraged to return their investment strategy questionnaires.</p> <p>RESOLVED</p> <p>That the content of the report be noted.</p>	
PRPP25.	<p>NEW ITEMS OF EXEMPT URGENT BUSINESS</p> <p>There were no new items of exempt urgent business.</p>	
PRPP26.	<p>DATE OF NEXT MEETING</p> <p>Tuesday, 22 February, 2011.</p>	

COUNCILLOR RICHARD WATSON

Chair