
Pensions Committee

TUESDAY, 12TH APRIL, 2011 at 19:00 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, LONDON N22 8LE.

MEMBERS: Councillors Watson (Chair), Adje (Vice-Chair), Gibson, Stennett, Beacham, Jenks and Wilson

IN ATTENDANCE: Howard Jones, Roger Melling, Michael Jones and Keith Brown

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 of unrestricted urgent business will be considered under agenda item 14, and new items of exempt urgent business will be considered under agenda item 18.

3. DECLARATIONS OF INTEREST

A member with a personal interest in a matter who attends a meeting of the authority at which the matter is considered must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

A member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgement of the public interest and if this interest affects their financial position or the financial position of a person or body as described in paragraph 8 of the Code of Conduct and/or if it relates to the determining of any approval, consent, license, permission or registration in relation to them or any person or body described in paragraph 8 of the Code of Conduct.

4. MINUTES (PAGES 1 - 4)

To approve the unrestricted minutes of the meeting held on 22 February 2011.

5. EXTERNAL AUDIT PLAN 2010/11 (PAGES 5 - 20)

Report of the Director of Corporate Resources to consider the audit plan prepared by the external auditors, Grant Thornton.

6. PENSION FUND TREASURY MANAGEMENT STRATEGY (PAGES 21 - 32)

Report of the Director of Corporate Resources to consider a proposed treasury management strategy statement for the investment of pension fund cash during 2011/12.

7. BRIEFING ON THE FINAL REPORT OF THE INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION (PAGES 33 - 38)

Report of the Director of Corporate Resources to inform the Committee of key issues arising from the final report of the Independent Public Service Pensions Commission.

8. MYNERS PRINCIPLES COMPLIANCE - ASSESSMENT OF EFFECTIVENESS 2010/11 (PAGES 39 - 42)

Report of the Director of Corporate Resources to present to the Committee the results of the formal assessment of effectiveness to enable full compliance with the Myners Principles.

9. ACADEMIES – DEFICIT RECOVERY PERIODS

TO FOLLOW

10. DRAFT WORK PLAN

TO FOLLOW

11. ADMISSION AGREEMENT FOR VEOLIA (PAGES 43 - 46)

Report of the Chief Financial Officer and Assistant Chief Executive – People Organisational Development.

12. ADMISSION AGREEMENT FOR EUROPA SUPPORT SERVICES LTD (PAGES 47 - 50)

Report of the Chief Financial Officer and Assistant Chief Executive – People Organisational Development.

13. CESSATION AGREEMENT FOR EUROPA WORKFORCE SYSTEMS (PAGES 51 - 54)

Report of the Chief Financial Officer and Assistant Chief Executive – People Organisational Development.

14. NEW ITEMS OF UNRESTRICTED URGENT BUSINESS

15. EXCLUSION OF PRESS AND PUBLIC

The following items are likely to be the subject of a motion to exclude the press and public from the meeting as they contain 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).

16. EXEMPT MINUTES (PAGES 55 - 58)

To approve the exempt minutes of the meeting of the Pensions Committee held on 22nd February 2011.

17. INVESTMENT STRATEGY

TO FOLLOW

18. NEW ITEMS OF EXEMPT URGENT BUSINESS

Ken Pryor
Deputy Head of Local Democracy and Member
Services
5th Floor
River Park House
225 High Road
Wood Green
London N22 8HQ

Helen Chapman
Principal Committee Coordinator
Tel: 020 8489 2615
Fax: 020 8489 2660
Email: Helen.chapman@haringey.gov.uk

Monday, 4th April 2011

This page is intentionally left blank

MINUTES OF THE PENSIONS COMMITTEE
TUESDAY, 22 FEBRUARY 2011

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

Also present Roger Melling, Keith Brown and Howard Jones

Apologies Councillor Adje, Michael Jones

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP27.	APOLOGIES FOR ABSENCE Apologies for absence were received from Cllr Adje, for whom Cllr Egan was substituting. Apologies for absence were also received from Michael Jones.	
PRPP28.	URGENT BUSINESS There were no new items of urgent business.	
PRPP29.	DECLARATIONS OF INTEREST Cllr Jenks declared a personal interest as a member of the Haringey Pension Scheme, and also as a volunteer with the Citizens Advice Bureau and as a Friend of Cooperscroft, owned by TLC, which were both scheduled and admitted bodies of the Fund. Cllr Wilson declared a personal interest as an employee of the National Association of Pension Funds. Cllr Watson declared a personal interest as a deferred member of the Haringey Pension Scheme. Keith Brown declared a personal interest as a Governor of CHENEL, one of the scheduled and admitted bodies of the Fund. Roger Melling declared a personal interest as a pensioner member of the Haringey Pension Scheme and as a Trustee of Age Concern, one of the scheduled and admitted bodies of the Fund. Cllr Egan declared a personal interest as Chair of Alexandra Palace Trading Co, one of the scheduled and admitted bodies of the Fund.	
PRPP30.	MINUTES RESOLVED That the unrestricted minutes of the meeting of the Pensions Committee held on 20 December 2010 be approved and signed by the Chair.	

MINUTES OF THE PENSIONS COMMITTEE
TUESDAY, 22 FEBRUARY 2011

PRPP31.	<p>MYNERS PRINCIPLES COMPLIANCE - ASSESSMENT OF EFFECTIVENESS</p> <p>The Committee considered a report on a proposed framework for the formal assessment of the Committee's effectiveness to enable full compliance with the Myners Principles. The Committee was asked to approve the proposed framework, and to decide on the method for undertaking the assessment.</p> <p>It was agreed that Nicola Webb, Head of Pensions and Treasury, would circulate the assessment to Members of the Committee individually for completion in advance of the next meeting of the Committee.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) that the proposed framework for the formal assessment of the Committee's effectiveness be approved. ii) That the assessment be undertaken individually in advance of the meeting on 12th April 2011. 	
PRPP32.	<p>2010 VALUATION AND FUNDING STRATEGY STATEMENT</p> <p>The Committee considered the report on the actuarial valuation as at 31st March 2010 and to present the draft Funding Strategy Statement. Kevin Bartle, Lead Finance Officer, gave an overview of the report, and reported that subsequent to the report being written, Age Concern had agreed to meet the increased contribution set out by the actuary in the first year, with the position being reviewed after 12 months; this arrangement was subject to confirmation from the actuary that it was acceptable within the relevant regulations.</p> <p>Further to questions from the Committee, it was confirmed that the actuary set the contribution levels for each organisation on the basis of a detailed assessment of each organisation's individual circumstances, and that the overall contribution increases for some employers are significant. In the event that an employer is not able to meet the contribution level set by the Actuary, it was reported that the Council would need to take a decision on how to manage this situation. In response to a question regarding whether any of the scheduled and admitted bodies might find themselves in this position, it was confirmed by officers that all employers had agreed the contribution rates, however it was agreed that officers would monitor this.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the valuation report from the Fund Actuary on the 2010 valuation be agreed, subject to agreement of the Fund Actuary to the proposed approach regarding Age Concern. ii) That the Committee delegate responsibility for agreeing any alteration required to the valuation report in respect of Age Concern to the Chair of the Committee. 	

MINUTES OF THE PENSIONS COMMITTEE
TUESDAY, 22 FEBRUARY 2011

	<p>iii) That the updated Funding Strategy Statement be approved.</p>	
PRPP33.	<p>FUND PERFORMANCE UPDATE</p> <p>The Committee considered a report on the performance data for the Fund and the Fund's investment managers, key responsible investment issues using information provided by the Fund Managers and the Local Authority Pension Fund Forum (LAPFF), budget monitoring against the Pension Fund budget and late payment of contributions. Nicola Webb advised the Committee that it had recently been announced that ING Real Estate Investment Management was to be sold to CB Richard Ellis, subject to regulatory approval. The Committee would be kept updated of the impact of this change on the Fund as the situation progressed.</p> <p>In respect of performance, the Committee noted that the investment return achieved in the quarter to December 2010 was 0.57% behind the benchmark and 0.98% behind the target. The Fidelity bond mandate was the only area in which there had been a positive performance against both benchmark and target.</p> <p>RESOLVED</p> <p>i) That the Fund performance position as at end of December 2010 be noted.</p> <p>ii) That the responsible investments information provided be noted.</p> <p>iii) That the pension fund budget monitoring position be noted.</p> <p>iv) That the late payments of contributions be noted.</p>	
PRPP34.	<p>PENSIONS ADMINISTRATION STRATEGY</p> <p>The Committee considered a report to approve the implementation of a Pensions Administration Strategy (PAS). Ian Benson, Pensions Manager, presented the report, and advised the Committee that, while the admission agreement sets out the statutory obligations, there is no document setting out the expected standards around issues such as data return; the PAS attached to the report set out the quality and performance standards expected of all employing bodies participating in the Pension Scheme. Mr Benson advised that Section 5 of the PAS document set out details of the approach to be taken by the Council in the event of necessary recovery of any additional costs associated with the poor level of performance by an employing body, under the LGPS (Administration) Regulations 2008.</p> <p>RESOLVED</p> <p>i) That the Council adopt the PAS document attached as Appendix 1 to the report.</p>	

**MINUTES OF THE PENSIONS COMMITTEE
TUESDAY, 22 FEBRUARY 2011**

	<p>ii) That the PAS be reviewed on a triennial basis commencing from 1st April 2014.</p> <p>iii) That authority is delegated to the Head of Human Resources to develop the PAS within the policy framework approved by this committee, in consultation with the employing bodies and the trade unions.</p>	
PRPP35.	<p>NEW ITEMS OF UNRESTRICTED URGENT BUSINESS</p> <p>There were no new items of unrestricted business.</p>	
PRPP36.	<p>EXCLUSION OF PRESS AND PUBLIC</p> <p>RESOLVED</p> <p>That the press and public be excluded for the remainder of the meeting.</p>	
PRPP37.	<p>EXEMPT MINUTES</p> <p>RESOLVED</p> <p>That the exempt minutes of the meeting of the Pensions Committee held on 20th December 2010 be approved and signed by the Chair, subject to the amendment of Howard Jones' title to "independent advisor" and not "investment advisor" as stated.</p>	
PRPP38.	<p>INVESTMENT STRATEGY UPDATE</p> <p>The Committee considered a report on the proposals for the asset allocation and management style elements of the Pension Fund's investment strategy.</p>	
PRPP39.	<p>NEW ITEMS OF EXEMPT URGENT BUSINESS</p> <p>There were no new items of exempt business.</p>	
PRPP40.	<p>DATE OF NEXT MEETING</p> <p>Tuesday, 12 April 2011, 7pm.</p> <p>The meeting closed at 20:05hrs.</p>	

COUNCILLOR RICHARD WATSON
Chair



Haringey Council

Pensions Committee

On 12 April 2011

Report Title. **External Audit Plan 2010/11**Report of **Director of Corporate Resources**Signed : *J. Parker* 4/4/11.Contact Officer : **Nicola Webb – Corporate Finance**
Telephone 020 8489 3726Wards(s) affected: **All**

Report for: Non key decision

1. Purpose of the report

1.1 To consider the audit plan prepared by the external auditors, Grant Thornton.

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 Audit Plan prepared by Grant Thornton be agreed.

5. Reason for recommendations

5.1 To enable the external audit of the Pension Fund accounts for 2010/11 to take place within the statutory timescales.

6. Other options considered

6.1 Not applicable.

7. Summary

- 7.1 The audit plan will be presented by Subarna Banerjee, the Audit Director and Mitesh Tanna, the Audit Manager from Grant Thornton.
- 7.2 The plan sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit.
- 7.3 Officers will provide the auditors with all necessary information during the audit which will take place during the summer. Grant Thornton will then report back to the Corporate Committee in September to advise of their findings and any recommendations.

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 comment 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 The proposed fee for the audit of the pension fund accounts has increased from £35,000 in 2009/10 to £38,500 for 2010/11. This increase is due to the introduction of International Financial Reporting Standards – discussed in section 2.2 of Grant Thornton's report. The fee is still comparable with other London Borough Pension Funds.

12. Use of appendices /Tables and photographs

- 12.1 Appendix 1: Audit Approach Memorandum for the year ended 31 March 2011 – Grant Thornton.

13. Local Government (Access to Information) Act 1985

Not applicable

Audit Approach Memorandum
London Borough of Haringey Pension Fund
For the year ended 31 March 2011

Subarna Banerjee
Director
T 01908 359647
E subarna.banerjee@uk.gt.com

Mitesh Tanna
Manager
T 01908 359585
E mitesh.tanna@uk.gt.com

To the Pensions Committee of London Borough of Haringey Pension Fund

We are pleased to be engaged to perform the audit of the London Borough of Haringey Pension Fund for the year ended 31 March 2011. 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. 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

Grant Thornton UK LLP
202 Silbury Boulevard
Central Milton Keynes
MK9 1LW
T +44 (0)1908 660666
F +44 (0)1908 690180
www.grant-thornton.co.uk

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

Chartered Accountants

Member firm within Grant Thornton International Ltd

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Contents

1	Our audit approach	1
2	Key audit issues and financial reporting matters	3
3	Logistics	7
4	The small print	9

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 net asset accounts and performing analytical review of income and expenditure streams.

1.3 Identified high risk areas

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 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 at the end of the audit.

2.1 Key audit issues

Issue	Audit approach
Investments - valuation and existence	<ul style="list-style-type: none"> • obtain direct confirmations from the individual fund managers • obtain independent confirmation of market prices for a sample of investment holdings using providers such as Bloomberg
Contributions - completeness and accuracy	<ul style="list-style-type: none"> • 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 • estimate total contributions with reference to pensionable salaries, average numbers of members, and average contributions rates and comparing to contributions receivable disclosed in the accounts • review contributions received on a monthly basis to ensure any unusual trends are satisfactorily explained.
Benefits - completeness	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • for each benefit type, select a sample of transactions and agree to supporting documentation maintained on individual member files

2.2 Financial reporting matters

Issue	Audit approach
<p>Ensure accounts format and disclosure is consistent with the requirements of first time adoption of IFRS</p>	<ul style="list-style-type: none"> the accounts presentation will be compared to IFRS1 and LAS26, along with the Code of Practice on Local Authority Accounting with the first time adoption of IFRS, it is possible that certain presentational changes will be required this year, however, in the context of the pension fund accounts, no significant changes are anticipated as the most significant account areas, for example investment valuation, already broadly follow the principles set out in IFRS. 'option C' under International Accounting Standard 26 Accounting and Reporting by Retirement Benefit Plans ("IAS26") allows for the actuarial present value of promised retirement benefits (the pension liability) to be contained as a separate actuarial report within the financial statements. On the basis that the fund follows the presumed disclosure option for actuarial information the key will be to ensure that sufficient explanation is provided when comparing the amount attributed to the actuarial cost disclosed in the main accounts and the pension fund accounts. We recommend that management liaise with the actuary as necessary to obtain the information required to disclose the actuarial liability under the requirements of IAS26.
<p>Ensure compliance with the Pensions SORP, as applicable to LGPS</p>	<ul style="list-style-type: none"> the accounts will be checked with reference to the SORP disclosure checklist

Our audit last year identified certain matters which were reported to you, and are summarised below. Following our initial discussions with, we indicate how these have developed in the year. We will provide an update on these points in our ISA 260 letter at the end of the audit.

2.3 Update on previous period's detailed findings

Issue	Response
Additional contributions deduction testing Contributions testing.	The testing of contributions deductions will be performed from the main payroll and in addition we will select an additional Employer at which contributions testing will be performed.
Anomalies in relation to investment valuations We noted anomalies between the independent valuation reports from both the custodian and fund managers in respect of ING and Pantheon.	The differences arose due to the requirement to provide valuations soon after the month end. It is probable that an adjustment to the accounts presented to the June Committee would be required. We will review the information available at the time of the audit and report our findings to the Committee.
Reallocation of prior year contribution disclosure The past service deficit element of normal contributions were not separately disclosed, separate disclosure is required by the SORP.	A presentational adjustment was made in 2009/10, the issue is not expected to recur for the 2010/11 year end.
Misallocation of income In 2009/10, during our testing of contributions receipts it was noted that receipts from four employers, amounting to £8,210, which had been received in the year, had been included as an amount owing to the fund at the year end.	We recommended that the process for monitoring, and recording contributions receipts should be reviewed.
Use of shared bank accounts Cash balances are held in shared bank accounts with the Council's funds. We recommended that consideration is given to the Fund having its own bank accounts separate from those of the Council.	We understand that separate bank accounts have now been set up and have been in operation from October 2010.

Timeliness of contributions receipts

Regulations require that contributions deducted from members' salaries are paid over to the fund by no later than the nineteenth day following the calendar month in which the deduction is made.

The Pension Fund continues to remind Scheduled and Admitted Bodies of the requirement to ensure that contributions are received on time, and late contributions are chased regularly.

3 Logistics

3.1 Information required

The information required from management during the course of the audit will be supplied in due course.

3.2 Timetables and milestones

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

Event	Date
Planning meeting with management	1 March 2011
Commence fieldwork	18 July 2011
Manager visit to review work	27 July 2011
Director to review work	29 July 2011
Second partner review	8 August 2011
Issue draft ISA260 letter for management review	26 August 2011
Audit clearance	6 September 2011
Issue final ISA 260 letter	6 September 2011
Committee meeting to approve accounts / discuss audit findings	TBA

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that we work closely with your team to achieve this timetable.

3.3 Engagement team

Our engagement team for the audit will include:

Name	Role	Contact details
Subarna Banerjee	Engagement director	T: 01908 359647 E: subarna.banerjee@uk.gt.com
Mitesh Tanna	Audit manager	T: 01908 359585 E: mitesh.tanna@uk.gt.com
Ria Symmonds	Assistant Manager	T: 01908 359633 E: ria.symmonds@uk.gt.com
Pippa Willis	Audit Executive	T: 01908 660666 E: pippa.tanna@uk.gt.com

3.4 Fees

Our fee estimate for the audit of the Fund, which is exclusive of VAT, is £38,500 (exclusive of VAT). 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 18 July 2011 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 30 April 2011	5,000
By 30 July 2011	20,000
By 31 August 2011	8,500
By 30 September 2011	5,000

Fee notes are payable on 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 Pensions 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 the Pension Fund maintains such books and records as will be sufficient to show the nature of all transactions and disclose, at any time, the financial position of the Pension Fund.

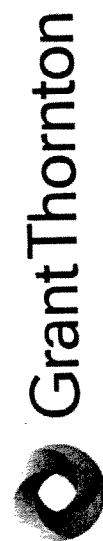
The Pension Fund's management is responsible for:

- 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 Pensions 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 Pensions 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 work
- the form of reports expected



www.grant-thornton.co.uk

© 2011 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd (Grant Thornton International). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

This page is intentionally left blank

Agenda item:

Pensions Committee

On 12 April 2011

Report Title. **Pension Fund Treasury Management Strategy Statement**

Report of **Director of Corporate Resources**

Signed : *J. Pave* 11/4/11

Contact Officer : **Nicola Webb – Corporate Finance**
Telephone 020 8489 3726

Wards(s) affected: **All**

Report for: Non key decision

1. Purpose of the report

- 1.1 To consider a proposed treasury management strategy statement for the investment of pension fund cash during 2011/12.

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 proposed Treasury Management Strategy Statement for pension fund cash be approved.

5. Reason for recommendations

- 5.1. As the Pension Fund now has a separate bank account, it is considered best practice for the Pensions Committee to agree a specific Treasury Management Strategy Statement for 2011/12. Mirroring the Council's treasury management strategy statement is considered the most efficient way of doing this.

6. Other options considered

- 6.1. Not applicable.

7. Summary

- 7.1 The LGPS (Management & Investment of Funds) regulations require Pension Funds to have a bank account which is separate from the Council's.
- 7.2 The Pension Fund holds cash in-house for the purposes of paying benefits and pending investments. It is best practice for the Pensions Committee to agree a specific treasury management strategy statement for investment of this cash.
- 7.3 It is proposed that the pension fund treasury management strategy mirrors that of the Council's as this is considered a prudent strategy suitable for short term cash. The only change from the Council's reflects a restriction by the Debt Management Office regarding the taking of deposits from Pension Funds.

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 its content and recommendation are within the policy agreed by Council and consistent with the requirements and purposes of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. In considering the report Members must take into account the expert financial advice available in the report and any further advice given at the meeting of the Committee.

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 Agreeing a treasury management strategy specifically for the Pension Fund is best practice and helps to demonstrate transparency in dealings between the

Council and the Pension Fund.
12. Use of appendices /Tables and photographs 12.1 Appendix 1: Draft Pension Fund Treasury Management Strategy Statement
13. Local Government (Access to Information) Act 1985 <ul style="list-style-type: none"> Haringey Council's Treasury Management Strategy Statement 2011/12

14. Background

- 14.1 The Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2009 set out the parameters within which Local Government Pension Funds should invest their funds. These regulations require that Pension Funds operate a separate bank account for pensions from 1st April 2011. This was implemented in Haringey in October 2010.
- 14.2 In September 2010, Pensions Committee agreed that the Pension Fund in-house cash balances be invested in accordance with the Council's treasury management strategy for 2010/11. It was also agreed that the activity and performance on these investments be included in the quarterly performance update reports.
- 14.3 Cash is held in-house to manage pension benefit payments and to fund calls from the Private Equity and Property fund managers.

15. Treasury Management Strategy for 2011/12

- 15.1 It is proposed that the strategy attached at Appendix 1 be applied to the Pension Fund cash held in-house. The proposed strategy is based on the one used for the investment of the Council's cash. It is a risk averse strategy appropriate for the investment of cash held for the payment of pension benefits and pending investment by the fund managers.
- 15.2 The strategy proposes primarily investing in a small number of banks all of which are based in countries with AAA ratings and a minimum credit rating of A+ and in AAA rated money market funds. The only differences from the Council's strategy are:
- The Council's strategy lists the Debt Management Office (DMO), which is part of HM Treasury as the default option with no limit. However at the current time the DMO will not accept deposits from the Pension Fund and so an alternative default option is required. It is proposed to continue to use an AAA rated money market fund which invests only in government securities as the default option for the Pension Fund and so a limit of £30m has been included for the

Blackrock Sterling Government Liquidity Fund, which is recommended by the Council's treasury management advisers. It is proposed the DMO remains on the list in case their decision is reversed.

- In addition it is proposed that the Northern Trust Money Market Fund is available to invest in. Northern Trust is the Pension Fund's custodian bank, which means it is responsible for the safekeeping of all the Fund's assets. The use of the Northern Trust money market fund will facilitate a more efficient process of transferring cash to the fund managers.
- 15.3 In agreeing to this strategy, the Committee are accepting the risks inherent with investing cash. The primary risk is that of default by a counterparty. In this event the Pension Fund will bear the total of any loss relating to Pension Fund specific deposits. To mitigate this risk officers keep all the counterparties on the lending list under constant review with the support and advice of the Council's treasury management advisers, Arlingclose.

APPENDIX 1**Pension Fund Treasury Management Strategy Statement****1 Introduction**

This document sets out the limits within which the management of Pension Fund cash held internally is carried out. This should be read in conjunction with the Council's Treasury Management Strategy Statement and the Pension Fund's Statement of Investment Principles.

2 Compliance with guidance

All treasury management activities will be carried out in accordance with the CIPFA Treasury Management Code of Practice and the guidance issued by the Communities and Local Government (CLG) Department on Local Government Investments in England.

To comply with the CLG's guidance, the Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

3 Risk Management

The Pension Fund is responsible for the meeting the costs which would be incurred in the event of default by a counterparty. Although this strategy is prudent, there is always a risk. In order to mitigate this risk the Council operates a real time information monitoring process. With the advice and support of the Council's treasury management advisers the strength of counterparties is monitored by reviewing credit ratings from all three agencies, credit default swaps, share price movements, corporate news and news concerning government support. Where potential issues are spotted, the counterparty will be removed from the list with immediate effect until officers and the advisers are confident that the issues have been resolved or do not affect the likelihood of the return of cash deposits.

4 Types of investments

Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Specified investments are denominated in sterling, mature within 12 months and meet the Council's high credit quality standard. This standard is a minimum long term credit rating of A+ from all three credit rating agencies. These are listed in section 5 and the majority of the Pension Fund investments will fall into this category.

The addition of money market funds investing only in government securities is the only difference to the Council's list of specified investments.

The non specified investments selected for use by the Council are gilts and bonds, as listed in section 6.

Sections 5, 6 & 7 set out the counterparties with whom the Pension Fund can invest, along with the limit for each counterparty. These are set to diversify risk by spreading the investments.

5 Specified Investments

Specified Investments are those that meet the criteria in the CLG Guidance, i.e. the investment:

- is sterling denominated.
- has a maximum maturity of 1 year.
- meets the "high credit quality" definition as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

"Specified" Investments identified for the Council's use are:

- Deposits in the DMO's Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- AAA-rated Money Market Funds with a Constant Net Asset Value
- Treasury-Bills (T-Bills)
- *Certificates of deposit with banks and building societies
- *Gilts: (bonds issued by the UK government)
- *Bonds issued by multilateral development banks

** Investments in these instruments would only be undertaken on advice from the Council's treasury management adviser.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody's and Standard & Poor's (where assigned).

Long-term minimum: A+ (Fitch); A1 (Moody's); A+ (S&P)

Short-term minimum: F1 (Fitch); P-1 (Moody's); A-1 (S&P)

In addition to credit ratings, the Council will review a range of other information to determine an organisation's creditworthiness:

- Credit Ratings (minimum long-term A+ for counterparties; AAA for countries)
- Credit Default Swaps (where quoted)
- Net Debt as a Percentage of GDP for countries
- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment.

Specified investments will be made within the limits detailed in the following table. The limits stated will apply across the total portfolio operated by the Council and so incorporate both Council and Pension Fund specific investments.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment*
Term Deposits	UK	Debt Management Account Deposit Facility (DMADF), Debt Management Office (DMO)	No limit	6 months
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
T-Bills	UK	Debt Management Office (DMO)	No limit	6 months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent)	£20m per bank or banking group	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	Non-UK	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) in European countries** with a Sovereign Rating of at least AAA from all three credit rating agencies.	£15m per bank or banking group	6 months

Continued overleaf

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment*
Bonds issued by multilateral development banks	Non-UK	Counterparties rated AAA in which the UK is a shareholder	£15m per counterparty	364 days
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	Constant Net Asset Value Money Market Funds (MMFs)	£20m per MMF***; Group limit £100m	Instant Access

* The limits for the period of investment are the maximum for the categories of counterparties. Lower operational limits will apply if recommended following a review of creditworthiness.

** Investments in any one country's banks will be limited to a maximum of 10% of the total investments at the time of investment, excluding the UK.

*** Limit per MMF to be no more than 0.5% of the Money Market Fund's total assets.

6 Non-Specified Investments proposed for use by the Council

Non-specified investments are those which do not meet the criteria for specified investments. The non-specified investments which it is proposed the Council will consider are investments for longer than one year with the same counterparties as specified investments. None of these will constitute capital expenditure. Non-specified investments will form a maximum of 50% of the total portfolio at any time.

	In-house use	Maximum maturity	Capital expenditure?
<ul style="list-style-type: none"> ▪ Term Deposits with UK banks and building societies ▪ Certificates of Deposit with UK banks and building societies 	✓	5 years	No
<ul style="list-style-type: none"> ▪ Gilts ▪ Bonds issued by multilateral development banks 	✓ (on advice from treasury adviser)	5 years	No

In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

7 Lending List of counterparties for investments

This is the proposed list of counterparties which the Council can lend to. The list will be kept under constant review and counterparties removed if any concerns are raised about their credit worthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Gilts, Treasury Bills, Term Deposits	UK	Debt Management Office (Term deposits with Debt Management Account Deposit Facility DMADF)	No limit
Term Deposits	UK	Other Local Authorities	£30m per local authority
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Santander UK Plc (Banco Santander Group)	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Bank of Scotland (Lloyds Banking Group)	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Lloyds TSB (Lloyds Banking Group)	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Barclays Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Clydesdale Bank (National Australia Bank Group)	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	HSBC Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Nationwide Building Society	20

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	NatWest (RBS Group)	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Royal Bank of Scotland (RBS Group)	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Standard Chartered Bank	20
Term Deposits/ Call Accounts/ Certificates of Deposit	Finland	Nordea Bank	15
Term Deposits/ Call Accounts/ Certificates of Deposit	France	BNP Paribas	15
Term Deposits/ Call Accounts/ Certificates of Deposit	France	Credit Agricole CIB (Credit Agricole Group)	15
Term Deposits/ Call Accounts/ Certificates of Deposit	France	Credit Agricole SA (Credit Agricole Group)	15
Term Deposits/ Call Accounts/ Certificates of Deposit	France	Société Générale	15
Term Deposits/ Call Accounts/ Certificates of Deposit	Germany	Deutsche Bank AG	15
Term Deposits/ Call Accounts/ Certificates of Deposit	Netherlands	ING Bank NV	15
Term Deposits/ Call Accounts/ Certificates of Deposit	Netherlands	Rabobank	15

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Term Deposits/ Call Accounts/ Certificates of Deposit	Sweden	Svenska Handelsbanken	15
Term Deposits/ Call Accounts/ Certificates of Deposit	Switzerland	Credit Suisse	15
Money Market Funds	Ireland	BlackRock Institutional Sterling Liquidity Fund	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Government Liquidity Fund	30
Money Market Funds	Ireland	Goldman Sachs Liquid Reserves Fund	20
Money Market Funds	Ireland	Henderson Global Investors Liquid Assets Sterling Fund (now managed by DB Advisors – a name change is likely during 2011/12)	15
Money Market Funds	Ireland	Invesco Short Term Investments Company Sterling Liquidity Portfolio	5
Money Market Funds	Luxembourg	J.P. Morgan Asset Management Sterling Liquidity Fund	20
Money Market Funds	Ireland	Northern Trust Global Cash Fund	17
Money Market Funds	Ireland	RBS Global Treasury Fund - Sterling	20
Bonds	European Union	European Investment Bank	15
Bonds	European Union	European Bank for Reconstruction and Development	15
Bonds	Worldwide	International Bank for Reconstruction and Development (the World Bank)	15



Agenda item:

Pensions Committee

On 12 April 2011

Report Title: **Briefing on the final report of the Independent Public Service Pensions Commission**

Report of **Director of Corporate Resources**

Signed :

J. Paver 11/4/11

Contact Officer : **Nicola Webb – Corporate Finance**
Telephone 020 8489 3726

Wards(s) affected: **All**

Report for: Non key decision

1. Purpose of the report

- 1.1 To inform the Committee of key issues arising from the final report of the Independent Public Service Pensions Commission.

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 report be noted.

5. Reason for recommendations

5.1. For noting only.

6. Other options considered

6.1. Not applicable.

7. Summary

- 7.1 The Independent Public Service Pensions Commission has published its final report. It recommends that public service pension schemes, including the Local Government Pension Scheme (LGPS) move to Career Average Revalued Earnings schemes in place of the current final salary schemes, with a retirement age linked to State Pension Age.
- 7.2 The Commission has recommended that the LGPS remains a funded scheme and although it does not recommend merging LGPS funds, it states collaborative working between Funds should be encouraged. It also recommends further improvements in governance in all the public service pension schemes.

8. Head of Legal Services Comments

8.1 As this is an initial information report, there are no specific implications that the Head of Legal Services wishes to draw attention to at this stage.

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 Council is currently paying 22.9% of salaries in employer contributions to the Local Government Pension Scheme. The changes to the scheme recommended by the Commission are likely to reduce the cost of the scheme to the Council, however the Commission has not recommended an accrual rate, so no estimate of the impact can be made at this stage. The changes will not affect accrued rights and therefore will not reduce the value of the deficit which will still need to be met in the long term.

12. Use of appendices /Tables and photographs

12.1 None

13. Local Government (Access to Information) Act 1985

13.1 HM Treasury: Final report of the Independent Public Service Pensions Commission, 10th March 2011

13.2 HM Treasury: Interim report of the Independent Public Service Pensions Commission, 7th October 2010

14. Background

- 14.1 The Independent Public Service Pensions Commission was set up and the terms of reference published on 20th June 2010. Lord Hutton was appointed to chair the commission. The remit is "a fundamental structural review of public service pension provision". The review covers all of the major public sector pension schemes including the Local Government Pension Scheme (LGPS).
- 14.2 The Commission issued an interim report on 7th October 2010 and it's final report was published on 10th March 2011. Both reports are recommendations to the Government and are clear that the decisions on the way forward, in particular the desired future cost of public sector pensions, rest with the government. The Government announced in the budget on 23rd March 2011 that it accepts the recommendations.
- 14.3 On 1st November 2010 a briefing on the interim report was presented to Pensions Committee setting out the key conclusions of the interim report. These included the removal of final salary pension schemes, the retention of the funded nature of the LGPS and a recommendation to increase employee contributions.
- 14.4 This report sets out the key points of the final report as they relate to the Local Government Pension Scheme. Section 15 covers the conclusions and recommendations reached in the report regarding future pension scheme benefits and section 16 sets out the recommendations made in respect of governance.

15. Conclusions and recommendations – Scheme benefits

- 15.1 The Commission's report states that it has taken as given the change to the rate of inflation applied to pensions in payment from the Retail Price Index to the Consumer Price Index. It has also taken an increase in employee contributions as a given, however it expresses caution about the implementation in order to avoid high levels of opt-outs and recommends tiered contribution rates, which are already in place in the LGPS. The Local Government Association and the Fund Actuary have expressed their concerns that the contribution increase proposals will have a detrimental effect on the LGPS and the economy and has called on the Government to enter into a dialogue with the employers and unions to consider how best to achieve the Government's aims.
- 15.2 The Commission has recommended that all public sector pension schemes are Career Average Revalued Earnings (CARE) schemes in future instead of the final salary schemes currently in place. This has been recommended on the basis of fairness, as final salary schemes favour "high flyers" i.e. those whose salary increases are above the average over the course of their career. The report does not recommend an accrual rate, as this would determine the cost of the schemes and the Commission believes this is the responsibility of the government. It does note however the increasing cost of longevity and the Commission recommends that Normal Pension Age for the new schemes is tied to State Pension Age to control this cost. There are already plans for the State Pension Age to rise gradually to 68 by 2046.
- 15.3 It is recommended that all scheme members are moved to the new schemes as soon as they are operational; however it also recommends that accrued rights are protected with the link to final salary maintained. This will ensure minimum change to anticipated pensions for those close to retirement, who have already made plans.
- 15.4 Although the Commission does not recommend an accrual rate and therefore the cost of the new schemes, it does recommend the Government set a fixed cost ceiling. It is recommended that when the cost ceiling is reached, an agreement is reached with scheme members to either increase employee contributions or reduce benefits through an adjustment of the accrual rate. To cover the eventuality of it not being possible to reach agreement, it is recommended a default adjustment is set.

16. Conclusions and recommendations – Governance

- 16.1 In addition to making recommendations about the design of public service pension schemes in future, the Commission makes a number of recommendations about the governance of the schemes in future.

- 16.2 The Commission reiterates their view that the LGPS should remain a funded scheme, while the other schemes remain unfunded. Although the Commission does not recommend merging LGPS funds, as this would remove the local accountability, it does note the value of collaborative working between funds to reduce administrative costs. It recommends this should be encouraged and progress closely monitored by central government.
- 16.3 In order to improve standards of governance in public service pension schemes to the higher levels seen in the private sector, the Commission recommends that every scheme, including every individual LGPS Fund, has a “properly constituted, trained and competent Pension Board with member nominees, responsible for meeting good standards of governance including effective and efficient administration.” This would build on the governance arrangements already in place in the LGPS.
- 16.4 Improvements in the standards of administration and communication with scheme members are recommended through the definition of best practice. It is also recommended that more comparative data is made available to drive good performance.

17. Next Steps

- 17.1 The report recommends that new pension schemes are introduced before the end of the current Parliament in 2015. In the budget on 23rd March 2011, the Government announced it accepts all the recommendations and will not “cherry pick” from them. The Government is targeting the autumn Spending Review to provide specific proposals for consultation with all stakeholders.
- 17.2 The Corporate Committee with it’s responsibility for Pensions will be kept informed of developments. Officers are already exploring possible ways of undertaking collaborative working with other London Boroughs, particularly in the area of procurement and will continue to progress this.



Haringey Council

Pensions Committee

On 12 April 2011

Report Title. **Myners Principles compliance – assessment of effectiveness 2010/11**

Report of **Director of Corporate Resources**

Signed : *J. Pawa* 11/4/11

Contact Officer : **Nicola Webb – Corporate Finance**
Telephone 020 8489 3726

Wards(s) affected: **All**

Report for: Non Key Decision

1. Purpose of the report

- 1.1. To present to the Committee the results of the formal assessment of effectiveness to enable full compliance with the Myners Principles.

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 Committee approve the proposed wording of the disclosure for the Pension Fund Annual Report regarding the assessment of effectiveness set out in paragraph 15.3.

5. Reason for recommendations

- 5.1. To ensure that the Committee is able to record the result of it's assessment in the 2010/11 Annual Report and report full compliance with the Myners Principles on investment.

6. Other options considered

- 6.1. Not applicable.

7. Summary

- 7.1 A self-assessment of effectiveness has been undertaken by members of the Pensions Committee using the framework agreed at the previous meeting. This assessment has resulted in an average score of "Good".
- 7.2 A number of areas for development have been identified including more and better focused training, a review of quarterly data provided and a review of business plan setting process.

8. Head of Legal Services Comments

- 8.1 The Head of Legal Services has been consulted on the content of this report. Approval of the wording as recommended will assist the Council in complying with its duty to prepare a pension fund annual report in relation to the detailed provisions of Regulation 34 of the LGPS (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 Completion of a formal assessment on an annual basis is considered to be good practice and will ensure the Pension Fund complies with the Myners Principles.

12. Use of appendices

- 12.1 None

13. Local Government (Access to Information) Act 1985

- 13.1 Statement of Investment Principles report to Pensions Committee 21st June 2010
- 13.2 Myners Principles compliance – assessment of effectiveness report to Pensions Committee 22nd February 2011

14. Background

- 14.1 At the Pensions Committee meeting on 22nd February 2011, the Committee approved a framework for members of the Committee to use to self-assess their effectiveness during 2010/11. This assessment would enable the Pension Fund to be fully compliant with all of the Myners Principles on investment.
- 14.2 It was agreed at the meeting that the Committee would undertake the assessments individually and a report summarising the assessments and recommending the wording for the 2010/11 annual report be presented to the 12th April 2011 meeting.

15. Results of the Assessments

- 15.1 The framework required each area to be scored according to the following scale:
 - 5 excellent
 - 4 good
 - 3 average
 - 2 below average
 - 1 poor.Comments on areas for future development were also requested.
- 15.2 Seven assessments have been received from members of the Committee at the time of writing. A summary of the average scores awarded and the comments made on possible development areas in each area identified in the framework is shown below:
 - 1. Attendance statistics
Average Score: 4.2
Comments: Setting dates early and not changing them will help improve the 84% attendance rate.
 - 2. Training undertaken
Average Score: 3.6
Comments: More and better focused training on investment strategy is required in advance of considering these matters.

3. Achievement of the business plan

Average Score: 4.0

Comments: Review how the business plan is set to ensure members' views are considered.

4. Monitoring of decisions

Average Score: 3.9

Comments: Review of quarterly information provided required in areas of responsible investment, investment performance and fees.

5. Compliance with best practice and statutory guidance

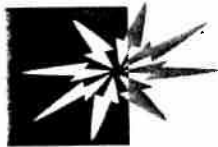
Average Score: 4.3

Comments: Once this assessment is complete, will be fully compliant.

Overall Average Score: 4.0

- 15.3 From the results of these assessments the following wording is proposed for the 2010/11 Pension Fund Annual Report:

"The Pensions Committee members have undertaken a self-assessment of their effectiveness during 2010/11 and have assessed that it was "Good". They identified a number of areas to develop to improve this rating including undertaking more and better focused training, reviewing the quarterly data provided to the Committee and reviewing the business plan setting process."



Haringey Council

Agenda item:

Pensions Committee

On 12th April 2011

Report Title. **Admission of Veolia ES UK Ltd. to the Haringey Pension Fund**

Report of: *J. Parker* 4/4/11

Julie Parker Chief Financial Officer

Signed

dated

Stuart Young Assistant Chief Executive People and Organisational Development

Signed :

Stuart Young

Contact Officer : Ian Benson Pensions Manager (020 8489 3824)

Nicola Webb

Head of Treasury and Pensions (020 8489 3726)

Wards(s) affected: All

Report for: Information only

1. Purpose of the report

- 1.1. To approve the admission of Veolia ES UK Ltd as a transferee admitted body participating in the Haringey Council Pension Fund from 17th April 2011.
- 1.2. This results from the TUPE transfer of staff from Enterprise Ltd, the Haringey Council Recycling Team and a small number of cleaning staff from Corporate Services to the above-mentioned contractor.

2. Introduction by Cabinet Member (if necessary)

2.1. N/A

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

3.1 N/A

4. Recommendations

- 4.1. That Members agree to the admission of Veolia ES UK Ltd as a transferee admitted body to the Fund from 17th April 2011
- 4.2. That the agreement is a closed agreement such that no new members other than those listed in the admission agreement can be admitted.
- 4.3. That the contractor is required to provide a Bond to the value of £26,000 to be reviewed by the Fund actuary on an annual basis
- 4.4. That final approval to the terms of this Admission Agreement be delegated to the Chief Financial Officer.

5. Reason for recommendation

- 5.1 Committee approval is required to admit Europa Support Services Ltd as an transferee admitted body to the Haringey Council Pension Fund

6. Other options considered

- 6.1 Not applicable.

7. Summary

- 7.1 The Waste Management Services contract was tendered and awarded to Veolia ES UK Ltd. The new contract includes the Recycling Team and starts on 17th April 2011. The contract runs for 14 years with an option to extend for a further 7 years.
- 7.2 Staff will be TUPE transferred from the current contractor Enterprise Ltd and staff employed in the Recycling Team will also be TUPE transferred from the Council to the new contractor. Membership of the Local Government Pension Scheme will continue under this proposed admission agreement
- 7.3 The new contractor will pay a contribution rate set by the Fund actuary to cover the cost of future service accrual. The rate is 21% of pensionable pay with a cap of plus or minus 3% over the lifetime of the contract. The Council will retain the past service deficit costs and any cost above the capped employer contribution rate.
- 7.4 The contractor is also required to provide a Bond which is valued by the Fund actuary at £1,271,000. The Bond is required to protect the Fund against the commercial failure of the contractor.

8. Chief Financial Officer Comments

- 8.1 The Chief Financial Officer concurs with the financial implications set out in section 13 below. The Pension Fund is protected from loss through the agreement made between the Council and Veolia as set out in Service Finance Comments paragraph 13. The funding position of Veolia will be monitored throughout their membership of the Pension Fund.

9. Head of Legal Services Comments

9.1 The Head of Legal Services has been consulted on the content of this report. The recommendations set out in the report meet the requirements of the general power available to the Council to make an admission agreement with a transferee admission body and the conditions that will apply to such an agreement set out in the Local Government Pension Scheme Administration Regulations 2008. In this particular case a bond is required under the provisions of Regulation 6 of the 2008 Regulations to meet the level of risk arising on premature termination of the provision of the service or assets by reason of the insolvency, winding up or liquidation of the transferee admission body, following an assessment made of that risk. The Committee has the power to delegate the final approval of the terms of the admission agreement under the terms of the scheme of delegation within the Council's Constitution.

10. Head of Procurement Comments

10.1 Not applicable.

11 Equalities & Community Cohesion Comments

11.1.

12. Consultation

12.1 The Employee-side have been consulted and support the recommendations in this report.

13. Service Financial Comments

- 13.1 The Council's actuary has set a future service contribution rate for the contractor of 22.1% of pensionable payroll. Any future changes to the rate are capped at plus or minus 3%. A Bond is required to protect the Fund against the commercial failure of the company and will be reviewed annually. Initially the Bond value is £1,271,000.
- 13.2 The Council has agreed to meet all past service costs and any excess above a contribution rate of 25.1%. The contractor will reduce charges to the Council if the contribution rate falls below 19.1%.
- 13.3 This agreement which protects the Fund against loss has been agreed between the Council and Veolia in consultation with the Fund Actuary. The terms of the agreement were approved by Cabinet on 21st December 2011.

14. Use of appendices /Tables and photographs

14. There is no Appendix to this report

15. Local Government (Access to Information) Act 1985

15.1 Local Government Pension Scheme (Administration) Regulations 2008 (as amended)

1 BACKGROUND

- 1.1 Following a tender process for the renewal of the Council's Waste Management contract, the successful bidder was Veolia ES UK Ltd. The new

contract will commence on 17th April 2011 when staff will TUPE transfer from Enterprise Ltd (the current contractor).

- 1.2 There will also be a TUPE transfer to Veolia of staff from Haringey Council employed on the Recycling Team and a small number of cleaning staff in Corporate Services.
- 1.3 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.
- 1.4 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. Eligible staff are required to spend not less than 50% of their time working on the Haringey Contract.
- 1.5 The contractor takes responsibility for funding actions that they have control over such as early retirements or excessive pay awards etc. 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 its employer contribution rate at future fund valuations.
- 1.6 The regulations require that the contractor provides a 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 Bond protects the Fund against any deficit payments should the company fail commercially. The review and provision of the Bond is an employer cost.
- 1.7 A cessation report as at 16th April 2011 will be provided by the actuary for Enterprise Ltd which will be reported separately. Early indications are that there is no deficit attributable to this employer.

2. Conclusion

- 2.1 Members are asked to approve the recommendations in this report.



Haringey Council

Agenda item.

Pensions CommitteeOn 12th April 2011

Report Title. **Admission of Europa Support Services Ltd (ESSL) to the Haringey Pension Fund**

Report of:

Julie Parker Chief Financial Officer

Signed

J. Parker

dated

4/4/11

Stuart Young Assistant Chief Executive People and Organisational Development

Signed :

Stuart Young

Contact Officer : Ian Benson

Pensions Manager (020 8489 3824)

Nicola Webb

Head of Treasury and Pensions (020 8489 3726)

Wards(s) affected: All

Report for: Information only

1. Purpose of the report

- 1.1. To approve the admission of Europa Security Services Ltd as a transferee admitted body participating in the Haringey Council Pension Fund from 1st November 2011.

2. Introduction by Cabinet Member (if necessary)

- 2.1. N/A

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

3.1 N/A

4. Recommendations

- 4.1. That Members agree to the admission of Europa Support Services Ltd as a transferee admitted body to the Fund from 1st November 2010.
- 4.2. That the agreement is a closed agreement such that no new members can be admitted
- 4.3. That the contractor is required to provide a Bond valued by the Fund actuary to cover its potential pensions liabilities should the contractor fail commercially and that the Bond value is reviewed annually
- 4.4. That final approval to the terms of this Admission Agreement be delegated to the Chief Financial Officer.

5. Reason for recommendation

- 5.1 Committee approval is required to admit ESSL as an transferee admitted body to the Haringey Council Pension Fund

6. Other options considered

- 6.1 Not applicable.

7. Summary

- 7.1 The Charitable Trust originally outsourced its security contract to Trident Ltd and on 1st August 2002 entered into an Admission Agreement with the Fund. . Three scheme members were TUPE transferred of which one active member remains. Several further changes of contractor ensued of which the change from Europa Workspace Ltd to ESSL is the latest. ESSL is the parent company of Europa Workspace Ltd.
- 7.2 The contract with the Charitable Trust is for four years with an option to extend for up to a further two years.
- 7.3 The new contractor will pay a contribution rate set by the Fund actuary to cover the cost of future service accrual. The rate is 28% of pensionable pay reducing to 24.6% from 1st April 2011. The Charitable Trust will retain the past service deficit and will reimburse the Fund for any related costs.
- 7.4 The contractor is also required to provide a Bond which is initially valued by the Fund actuary at £26,000. The Bond is required to protect the Fund against the commercial failure of the contractor.

8. Chief Financial Officer Comments

- 8.1 The Chief Financial Officer concurs with the financial implications set out in section 13 below. The contractor has agreed to meet all the costs associated with their participation in the Pension Fund and a bond is being put in place to protect the Fund in the event of the company failing. The funding position of the contractor will be

monitored throughout their membership of the Pension Fund

9. Head of Legal Services Comments

9.1 The Head of Legal Services has been consulted on the content of this report. The recommendations set out in the report meet the requirements of the general power available to the Council to make an admission agreement with a transferee admission body and the conditions that will apply to such an agreement set out in the Local Government Pension Scheme Administration Regulations 2008. In this particular case a bond is required under the provisions of Regulation 6 of the 2008 Regulations to meet the level of risk arising on premature termination of the provision of the service or assets by reason of the insolvency, winding up or liquidation of the transferee admission body, following an assessment made of that risk. The Committee has the power to delegate the final approval of the terms of the admission agreement under the terms of the scheme of delegation within the Council's Constitution.

10. Head of Procurement Comments

10.1 Not applicable.

11 Equalities & Community Cohesion Comments

11.1.

12. Consultation

12.1 The Employees-side were consulted and support the recommendations in this report.

13. Service Financial Comments

13.1 The Council's actuary has set a future service contribution rate for the contractor of 28.1% of pensionable payroll reducing to 24.6% of payroll from 1st April 2011. This will be reviewed at each triennial valuation. A Bond is required to protect the Fund against the commercial failure of the company and will be reviewed annually. Initially the Bond value is £26,000.

13.2 The Charitable Trust has agreed to retain the past service deficit and to reimburse the Fund with any related costs.

13.3 This agreement on past service deficit costs has been approved by the Charitable Trust in consultation with the Fund Actuary.

14. Use of appendices /Tables and photographs

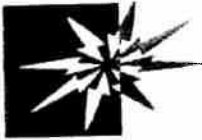
14. There is no Appendix to this report

15. Local Government (Access to Information) Act 1985

15.1 Local Government Pension Scheme (Administration) Regulations 2008 (as amended)

1 BACKGROUND

- 1.1 On 1st November 2011 Alexandra Palace Charitable Trust entered into a contract for security services with ESSL. The previous contractor was Europa Workspace Ltd which is a subsidiary company of ESSL. There have been several changes of contractor since the original contract was outsourced to Trident Ltd on 1st August 2002. Of the original three staff who were TUPE transferred to Trident one remains in active employment.
- 1.2 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.
- 1.3 The agreement will be a 'closed agreement' under which only the remaining member of the LGPS who is employed on the contract, will be eligible for admission to the Local Government Pension Scheme. The actuary has set the employer contribution rate for future service at 28%. This will reduce to 24.6% from 1st April 2011. This reduction follows from the 2010 fund valuation.
- 1.4 The regulations require that the contractor provides an indemnity bond to protect the fund should the agreement terminate early. The value of the Bond is determined by actuarial assessment and is agreed between the parties. The review and provision of the Bond is an employer cost. The Council's actuary has put a value on the Bond of £26,000. The Bond protects the Fund against potential early retirement on redundancy costs should the company fail commercially.
- 1.5 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 its employer contribution rate at future fund valuations.
- 1.6 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 Conclusion
- 1.7 Members are asked to approve the recommendations in this report.



Haringey Council

Agenda Item

Pension Committee

On 12th April 2011Report Title. **Cessation of Admission Agreement with Europa Workspace Ltd.**

Report of Chief Financial Officer and Assistant Chief Executive People and Organisational Development

Julie Parker**Chief Financial Officer**Signed *J. Parker*

Dated 4/4/11

Stuart Young**Assistant Chief Executive People and Organisational Development**Signed *Stuart Young*

Dated

Contact Officer : Ian Benson
Nicola WebbPensions Manager (020 8489 3824)
Head of Treasury and Pensions (020 8489 3726)

Wards(s) affected: All

Report for: Information only

1. Purpose of the report

- 1.1 To report on the funding position attributable to Europa Workspace Ltd on their cessation as an admitted body to the Haringey Pension Fund at 30th October 2010

2. Introduction by Cabinet Member (if necessary)

2.1. N/A

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

3.1 N/A

4. Recommendations

- 4.1. That the settlement of the £64.9k surplus attributed to Europa Workspace Ltd on the cessation of the admission agreement be noted.

5. Reason for recommendation

5.1 The Council as the Administering Authority is required to obtain a Cessation Report from the Fund actuary to identify the liability if any attributable to the former admitted body.

6. Other options considered

6.1 Not applicable.

7. Summary

7.1 The admission agreement with Europa Workspace Ltd ceased on 30th October 2011

7.2 The Council obtained a cessation valuation report from the actuary which reported a surplus attributable to Europa Workspace Ltd of £64.9k which remains in the fund

8. Chief Financial Officer Comments

8.1 The contributions Europa Workspace Ltd. made into the Pension Fund met the cost of all the liabilities and so there is no outstanding debt due to the Pension Fund.

9. Head of Legal Services Comments

9.1 The Head of Legal Services has been consulted on the content of this report. The recommendations set out in the report meet the requirements on the Council as Administering Authority following the termination of an admission agreement with a transferee admission body when that body ceases to be such a body. The report is correct in identifying that there is no provision in the LGPS regulations that allows any surplus to be refunded in such circumstances.

10. Head of Procurement Comments

10.1 Not applicable.

11 Equalities &Community Cohesion Comments

11.1 N/A

12. Consultation

12.1 No consultation was required for the production of this report.

13. Service Financial Comments

13.1 The surplus of £64.9k remains in the Fund. There are no other financial implications

14. Use of appendices /Tables and photographs

14.1 There are no appendices attached to this report

15. Local Government (Access to Information) Act 1985

15. Cessation Report from Hymans Robertson

1 BACKGROUND

- 1.1 Europa Workspace Ltd were contracted to provide security services to Alexandra Palace from 15th January 2010. The company was admitted to participate in the Haringey Council Pension Fund from that date.
- 1.2 On 1st November 2010, the contract was awarded to Europa Security Services Ltd which is the parent company of Europa Workspace Ltd. This automatically brought the admission agreement with Europa Workspace to an end.
- 1.3 On the cessation of an Admission Agreement, the Council as the Administering Authority is required to obtain a cessation report from the Fund actuary.
- 1.4 The one active member of the LGPS who was employed by Europa Ltd was TUPE transferred to Europa Workspace Security Services Ltd
- 1.5 The Cessation Report from Hymans Robertson shows that Europa Workspace Ltd had accrued a small surplus on termination of the agreement amounting to £64.9k. There is no provision in the scheme regulations which allows this surplus to be refunded and it therefore remains in the fund.
- 1.6 Members are asked to note the content of this report.

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is exempt

This page is intentionally left blank