

MINUTES OF THE PENSIONS PANEL
MONDAY, 23 JANUARY 2006

Councillors Rahman Khan (Chair), E Prescott (Deputy Chair), Floyd and Patel

Apologies Councillor Beacham

Also Present: Councillor **Error! No document variable supplied.**

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRPP01.	APOLOGIES FOR ABSENCE (IF ANY) Apologies for absence were received from Councillor Beacham.	
PRPP02.	URGENT BUSINESS There were no items of urgent business.	
PRPP03.	DECLARATIONS OF INTEREST No declarations of interest were received.	
PRPP04.	MINUTES - TO CONFIRM AND SIGN THE MINUTES OF THE MEETING OF PENSIONS PANEL HELD ON 21 NOVEMBER 2005 That the Minutes of the meeting held on 21 November 2005 be confirmed and signed as an accurate record. Referring to the minutes of this body, the Chair requested that officers update the panel about the implementation of decisions made and matters raised, during this period.	
PRPP05.	DEPUTATIONS/PETITIONS No deputations or petitions were received.	
PRPP06.	PRESENTATION BY NORTHERN TRUST <i>Ray Bloom and Ronda Skeels from Northern Trust made a presentation to the Pensions Panel, outlining the organisation's role as the Haringey LGPS' custodian and Performance Manager.</i> <i>Mr. Bloom and Ms. Skeels stated the role of the custodian was to make sure that the transactions of Haringey LGPS were settled quickly and with minimal financial impact. They did not have control over the decision as to what shares were bought or sold. That was a matter for the fund managers.</i>	

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	<p><i>Mr. Jones, the Advisor to Trustees, informed members that the status of custodian was one that had become more common since the Maxwell Report, as that recommended the separation of the functions of asset management from those of safekeeping those assets.</i></p> <p><i>Mr. Bloom and Ms. Skeels informed the Panel that the custody fees charged by Northern Trust would be reviewed in March 2006.</i></p> <p><i>Northern Trust had been the commission recapture agent for the LGPS since November. Mr Jones requested that they send him a copy of the method used in their commission recapture system.</i></p> <p><i>The Chair stated that so far he was happy with the performance of Northern Trust. He enquired from them as to whether they had faced any challenging tasks as the custodian and wanted to know the quality of the monitoring systems they had in place.</i></p> <p><i>Mr. Bloom informed the Panel that one of the challenges for a custodian was to make sure that information relating to transactions was provided in a timely, accurate and automated fashion. He explained that the monitoring system the firm used was one that they had developed in house and was based on double-entry principles. The Chair also enquired whether they could arrange training for the panel members in better scrutinising the performance of the Fund Managers.</i></p> <p><i>In reply, Mr. Bloom and Ms. Skeels informed the Panel that their company has organised training schemes for some clients. These training schemes would boost knowledge and awareness among trustees as to the operation of pensions systems.</i></p> <p>RESOLVED:</p> <p>That the presentation and report by Northern Trust be noted.</p>	
PRPP07.	<p>ATTENDANCE BY FOUR FUND MANAGERS</p> <p>Each Fund Manager gave a presentation of approximately 10 minutes followed by questions from Members and the Advisor.</p> <ul style="list-style-type: none"> i. Fidelity ii. Capital iii. Bernstein iv. Wellington <p><i>i. Fidelity</i></p> <p>Peter Yarrow from Fidelity addressed the Panel.</p> <p>Fund performance was 0.55% above benchmark and 0.18% above target in the quarter to September 2005. Annualised performance since inception was 0.26% above benchmark and 1.14% below target.</p> <p><i>Mr. Yarrow said the fund was overweight in Japanese equities and underweight</i></p>	

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in bonds. This was a strategy the Fund was following as it was felt that Japanese equities had a large potential for growth.

The Chair asked the opinion of Mr. Yarrow about where the predominant weight of the Fund's investment should be. Mr. Yarrow said that, as the LGPS' liabilities were in pounds sterling, UK equities should be the largest component of the investment portfolio.

The Panel asked Mr. Yarrow how Fidelity was working to promote corporate social responsibility with the funds it was managing on behalf of the Haringey LGPS. Mr. Yarrow informed the Panel that Fidelity was exercising proxy votes and was using them to vote against remuneration packages for directors if they were not matched by performance. However, Mr. Yarrow said that they would not refuse to buy shares in a firm on purely ethical grounds.

ii. Capital

Anthony Burgess from Capital addressed trustees.

Fund performance was 1.00% below benchmark and 1.37% below target in the quarter to September 2005. Annualised performance since inception was 0.70% below benchmark and 2.20% below target.

Mr. Burgess stated that underperformance in the quarter was mainly due to UK equities. The Fund was underweight in oil stocks, but oil firms did particularly well in that quarter. The best performing component of the portfolio was Japanese equities.

Mr. Jones, the Advisor to Trustees, mentioned the departure of an analyst in the insurance sector. He asked if any further changes in their team were anticipated. Mr. Burgess replied to say there would be some changes in the media division.

The information provided by Capital to the Panel stated that the cost of turnover was 26 basis points (0.26%). Mr. Jones asked if this would be disaggregated into execution and research costs. Mr. Burgess stated this was not currently possible but, following pilot work in the US, it would be rolled out in the UK in future.

Mr. Burgess informed the Panel that he was optimistic that the firms the fund had invested in would show high rates of return in the medium-term despite their underperformance in the 3rd quarter of 2005.

iii. Bernstein

A presentation was made by Patrick Rudden on behalf of Bernstein.

Fund performance was 0.03% above benchmark and 0.47% below target in the quarter to September 2005. Annualised performance since inception was 0.28% above benchmark and 1.72% below target.

Mr. Rudden explained that part of the reason for the rate of return being lower than target in this quarter was because the valuations of UK firms had converged. There was less difference between the P/E ratios of different firms.

Mr. Rudden drew members' attention to the fact the fund was overweight in the financial sector and in consumer staples. These were sectors that Bernstein

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	<p><i>thought were currently undervalued.</i></p> <p><i>Mr. Jones mentioned that the documents presented by Bernstein stated that commissions paid to brokers were 12.5 basis points (0.125%). He asked if they were disaggregated between execution and research costs. Mr. Rudden informed the Panel that the brokers did not disaggregate them. Bernstein had to make estimates as to what the commission for research was and what the commission for execution was.</i></p> <p><i>The Chair enquired about Bernstein's implementation of the principle of corporate social responsibility, which was an issue the Panel wished the LGPS to promote. Mr. Rudden informed members that Bernstein used their proxy votes to promote this and for example they were encouraging companies to take measures to reduce the amount of carbon dioxide they emitted.</i></p> <p>iv. Wellington</p> <p><i>David Heape and Mike Elwood addressed the Panel on behalf of Wellington.</i></p> <p>Fund performance was 0.64% below benchmark and 0.94% below target in the quarter to September 2005. Annualised performance since inception was 1.64% below benchmark and 3.64% below target.</p> <p><i>Mr. Heape and Mr. Elwood mentioned that, as the number of firms in the benchmark had increased, Wellington would be hiring more analysts so that they could investigate a larger number of stocks.</i></p> <p><i>The Panel was informed by the representatives from Wellington that the sector that Wellington had done best in was healthcare in this quarter. The sectors they had performed worst in were I.T. and industrial stocks.</i></p> <p><i>The Panel asked Mr. Heape and Mr. Elwood whether Wellington was exercising its proxy votes. They assured the Panel that the firm was exercising proxy votes as requested.</i></p> <p>The Panel noted the reports of all the Fund Managers and their assurances that they would exercise extreme care and caution in managing Haringey Council's Pension Fund.</p>	
PRPP08.	<p>FUND PERFORMANCE AND ADMINISTRATION UPDATES [REPORT OF CHIEF EXEC & DIRECTOR OF FINANCE]</p> <p>The Director of Finance, Mr. Travers, presented his report on Fund Performance and Administration to the Panel.</p> <p>The combined Haringey Fund has increased in absolute terms since inception by 18.72 % in annualised terms. Fund performance was 0.21% below benchmark and 0.62% below target in the quarter to September 2005. Annualised performance since inception was 0.48% below benchmark and 2.13% below target.</p> <p>Mr. Travers said that Part 1 of the review of strategy had been undertaken at the November meeting of the Panel when the report of Hymans Robertson was presented to it. Parts 2 and 3 would look further at strategy and at what the Panel wanted from its fund managers and</p>	

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would take place at future meetings. He mentioned the scheduled meeting on 2nd February would be examining issues falling under Part 2.

Mr. Travers assured members that the spend to date was within budget. He commended the approach Hymans Robertson had suggested for trustee training. He mentioned that, after May, he would talk to individual Panel members of the new Pensions Panel about training issues.

The Panel was informed by the Director of Finance that he was awaiting guidance from CIPFA on governance matters. When received, these matters would be referred to members for their attention at the March 2006 meeting. The Chair asked the Director of Finance to circulate the guidance, whenever received, to Panel members with a request to give their suggestions, if any, to him in time before the meeting.

Mr. Travers stated there was uncertainty regarding the 85 year rule. However, it appeared likely that it would cease from 31 October 2006.

Currently, the earliest age at which an employee can retire is 50. Mr. Travers informed members that it was due to rise to 55 by 2010. Mr. Travers also mentioned to members that there would be rule changes that would allow employees to take a larger lump-sum on retirement.

In reply to the Chair's concern expressed at past meetings about extra government grant money towards assisting the Haringey LGPS, Mr. Travers informed the Panel that no new government money had been made available by Whitehall to assist local authority pension funds.

A Business Plan will be prepared for the Pensions Fund for 2006/07 as requested by the Chair.

The Chair mentioned that ING have not yet furnished a FRAG-21 certificate. The deadline for this was March 2006. The Chair requested that officers ensure that this date is met.

The Chair concurred with the Director of Finance's statements on trustee training. The Chair mentioned that he would like training providers to include National Association of Pension Funds (NAPF) and Northern Trust, but personally he did not like to avail himself of any training from the Fund managers, for the interest of better monitoring their performance.

The Panel asked the Director of Finance to ensure that we receive written replies from each Fund Manager regarding our letter on unbundling of commissions and copy these to the Chair.

The Chair mentioned that up to 5% of the fund was in unlisted investments. This was a matter of concern that he had raised with officers previously. He informed the Panel that officers had reassured him that it was prudent for funds to be invested in unlisted companies so long as the percentage was relatively small.

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	<p>The Chair requested that when guidance is received by officers about governance issues that they forward it to him and other Panel members immediately for their contributions so these can be included in the report to Panel in March 2006.</p> <p>The Chair requested that in future this report includes the position, regarding compliance of disclosure information, the Data Protection Act and all obligatory information to Fund Members.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the Fund Performance position as at the end of September 2005 be noted. 2. That the administration update be noted, with the assurance that a business plan be provided in due course. 3. That the budget monitoring position as at the end of December 2005 be noted. 4. That trustee training requirements be determined after May 2006. 	
PRPP09.	<p>NEW ITEMS OF URGENT BUSINESS - TO CONSIDER ANY ITEMS ADMITTED AT ITEM 2 ABOVE</p> <p>There were no new items of urgent business admitted by the Committee</p>	

COUNCILLOR GMMH RAHMAN KHAN

Chair