

**MINUTES OF THE PENSIONS COMMITTEE  
THURSDAY, 18 JUNE 2009**

Councillors C. Harris (Chair), Thompson (Vice-Chair), Beacham, B. Harris, Mallett and Wilson

Apologies Councillor Winskill, David Fishman and Roger Melling

Also Present: Howard Jones (Independent Advisor to Trustees) and Earl Ramharacksingh

<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>PRPP88.</b>	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were received from Cllr Winskill, for whom Cllr Oakes was substituting.</p> <p>Apologies for absence were also received from David Fishman and Roger Melling.</p>	
<b>PRPP89.</b>	<p><b>URGENT BUSINESS</b></p> <p>There were no items of urgent business.</p>	
<b>PRPP90.</b>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Cllr Wilson declared a personal interest in respect of his employment by the National Association of Pension Funds.</p> <p>Cllr Thompson declared a personal interest in respect of his membership of the Haringey Pension Scheme. He also declared a personal interest in respect of his attendance at training events and conferences, to which some of the Fund Managers may have directly contributed.</p> <p>Cllr C. Harris declared a personal interest as a contributing member to the Haringey Pension Scheme.</p> <p>Cllr B. Harris declared a personal interest as a contributing member to the Haringey Pension Scheme.</p> <p>Cllr Mallett declared a personal interest as a contributing member to the Haringey Pension Scheme.</p>	
<b>PRPP91.</b>	<p><b>MINUTES</b></p> <p><b>RESOLVED</b></p> <p>That the minutes of the meeting of the Pensions Committee held on 19</p>	

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	<p>March 2009 and the special meeting of the Pensions Committee held on 30 April 2009 be approved and signed by the Chair.</p>	
<p><b>PRPP92.</b></p>	<p><b>PENSION FUND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2009, AUDIT PLAN AND BUDGET 2009/10</b></p> <p>Martin Grundy and Matthew Cass from Grant Thornton presented a report on the audit plan for the Pension Fund accounts, which were now to be audited separately from the Council's main accounts in line with Government guidance. The audit approach was outlined in the report.</p> <p>The Chair asked for further information about the additional fee and the extra work necessitated by the separate audit of the Pension Fund accounts. Grant Thornton reported that the fee was a standard fee imposed by the Audit Commission. As the Pension Fund audit no longer formed part of the overall Council audit, it was reported that additional pension-specific work was required in order to provide a specific audit opinion on the Pension Fund. It was clarified that payment for the audit of the Pension Fund accounts was not charged to the Pension Fund when the audit formed part of the overall Council audit, but that the separate audit would be charged to the Pension Fund.</p> <p>In response to a question from the Committee regarding governance arrangements, Grant Thornton reported that the separate account would ultimately be the responsibility of the Council, and that specific issues included within the Pension Fund accounts would be reported back to the Committee by Grant Thornton as part of their audit work. Grant Thornton reported that they would provide the Committee with an interim report and a final report on the audit, and that the Committee could also request work on any specific areas of concern.</p> <p>The Chief Financial Officer presented the Pension Fund financial statements and budget. In response to a question from the Committee regarding the level of cash holdings, it was confirmed that this was partly due to funds earmarked for strategic allocation, with the investment of these funds having taken longer than anticipated due to market conditions and was also influenced by pending purchases and sales by Fund Managers. The Committee was advised that the cash holdings represented less than 2% of the Fund and therefore were not considered to be too high.</p> <p>In response to a question as to whether there were any issues to report in respect of the admitted and scheduled bodies contributing to the Fund, the Chief Financial Officer reported that there were no issues in respect of the financial statements.</p> <p>On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <p>i) That the Pension Fund's financial statements for 2008/09 be approved.</p>	

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	<ul style="list-style-type: none"> <li>ii) That the Audit Plan of Grant Thornton be agreed.</li> <li>iii) That the proposed fee of £38,500 be approved.</li> <li>iv) That the Pension Fund's budget for 2009/10 be approved.</li> </ul>	
<p><b>PRPP93.</b></p>	<p><b>ACTUARIAL FUNDING UPDATE AS AT 31 MARCH 2009</b></p> <p>Bryan Chalmers of Hymans Robertson presented a report on the interim valuation of the Pension Fund, the full formal valuation of which would be carried out as at end of March 2010. Mr Chalmers reported that the present economic situation was challenging for all pension funds. The Committee was advised that the funding level had been 77.7% in 2007 and had reduced to 53% at 31 March 2009, although there had been some improvement since then. The Committee was advised that investment performance over the previous two years accounted for the change in funding level.</p> <p>Mr Chalmers discussed the options available for addressing the funding gap, and reported that any change in employer contribution rates would not be considered until 2011/12, a year after the full valuation. The investment of different types of asset class to reduce the funding deficit was also discussed.</p> <p>In response to a question from the Committee, Mr Chalmers confirmed that the employee contribution rate could not be changed as this was fixed nationally by the Government, but that the employer contribution rate could be amended. Mr Chalmers reported that the introduction of cost-sharing measures to enable contribution rises to be shared between employers and employees might mean that increases in employee contribution rates could be possible in future.</p> <p>The Committee asked about protecting the Fund, and Mr Chalmers advised that the affordability and stability of the employer contributions needed to be considered, along with the need for good stewardship and prudence. The Fund's actuaries would produce different models in advance of the full valuation in 2010 to try to identify the best approach for the long term benefit of the Fund.</p> <p>In response to a question from the Committee regarding the Haringey Pension Fund's funding position in relation to other local authority pension funds, Mr Chalmers estimated that Haringey fell within the lower third quartile for funding levels. Mr Chalmers clarified that the capacity in which the actuary was working was as advisor to the Trustees of the Pension Fund and not the London Borough of Haringey as an employer.</p> <p>The Committee asked about the way in which assumptions about investment performance were made, in response to which Mr Chalmers advised that historical investment performance would be looked at as part of the assessment of whether the investment performance assumptions were reasonable. In response to a question from the</p>	

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	<p>Committee regarding the level of data looked at in the analysis of liabilities, Mr Chalmers reported that membership of a service called Club Vita would provide access to in-depth analysis of membership data at a much greater level of detail than the standard mortality figures and that it was hoped that a proposal to join Club Vita would be presented to London Borough pension schemes in due course.</p> <p><b>RESOLVED</b></p> <p>That the content of the report be noted.</p>	
<p><b>PRPP94.</b></p>	<p><b>QUARTERLY ASSET ALLOCATION REVIEW</b></p> <p>The Chief Financial Officer introduced the report on asset allocation. The Committee had previously looked at asset allocation in principle, and this was the first report looking at whether there would be any benefit to the Fund in making an adjustment to the asset allocation at this time. It was the decision of the Committee whether they wished to take any action or not.</p> <p>Hewitt presented their analysis of the general market conditions and their recommendations for changes to the Fund's portfolio. Hewitt recommended an increased exposure to corporate bonds relative to gilts, as it was anticipated that these would have a greater yield, and reported that they still advised a cautious position in respect of equities for the time being. Hewitt also reported that they anticipated opportunities to invest in property later in the year, but recommended no changes in position in respect of property for the present. It was noted that it was Hewitt's role as advisors to provide the Committee with information on all the options available to them, even if these were areas the Committee did not wish to pursue.</p> <p>In response to a question from the Committee about how the suggested increase in corporate bonds should be funded, Hewitt suggested that 2% be moved from conventional gilts to corporate bonds.</p> <p>In response to a question from Howard Jones, independent advisor to the Trustees, Hewitt reported that their position on the default and downgrade risk for corporate bonds was lower than the market consensus at present, but was in line with the market over a 10 year period.</p> <p>Cllr Bob Harris left the meeting at 20:30hrs.</p> <p>In response to a question from the Committee, Hewitt reported that the current allocation, strategic allocation and actual performance of the Pension Fund would be monitored to analyse the impact of asset allocation decisions on the Pension Fund.</p> <p>The Committee asked about emerging markets, in response to which Hewitt reported that they would recommend mandates with the flexibility</p>	

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	<p>to invest globally. Individual fund managers would need to reflect the Pension Fund's policy on ethical investments in their selection of global stock.</p> <p>On a motion by the Chair it was:</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"><li>i) That the Committee agree in principle to a movement in the Pension Fund asset allocation of 2% from conventional gilts to corporate bonds.</li><li>ii) That Hewitt be asked to look into options for investment in currency and report back to the Pensions Committee.</li><li>iii) That implementation of the decision of the Committee be delegated to the Chief Financial Officer.</li></ul>	
<p><b>PRPP95.</b></p>	<p><b>FUND PERFORMANCE UPDATE</b></p> <p>The Chief Financial Officer presented the update on Fund Performance. It was reported that overall performance for the quarter was above benchmark by 0.09% but below target by 0.32%.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"><li>i) That the Fund performance position as at end of March 2009 be noted.</li><li>ii) That responsible investments information provided be noted.</li><li>iii) That the budget management position to the end of April 2009 (period 1) be noted.</li></ul>	
<p><b>PRPP96.</b></p>	<p><b>ATTENDANCE BY FUND MANAGERS</b></p> <p>The Committee received presentations from two Fund Managers as follows:</p> <p><b>FIDELITY</b></p> <p>Fund performance for the equities mandate was 0.68% above the benchmark and 1.02% below the target in annualised terms in the 24-month period to the end of March 2009.</p> <p>Fund performance for the bonds mandate was 1.10% below the benchmark and 1.70% below the target in annualised terms in the 24-month period to the end of March 2009.</p> <p>Fidelity explained the reasons for current performance and answered</p>	

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	<p>questions from Trustees. In response to a question from the Committee, Fidelity reported that performance for the equities mandate for Quarter 1 to date was 10.4% in absolute terms, against the benchmark of 11.2%, and performance for the bonds mandate was 2.1% in absolute terms, against the benchmark of 0.7%.</p> <p><b>CAPITAL</b></p> <p>Fund performance for the equity mandate was 1.54% below the benchmark and 3.54% below the target in annualised terms in the 24-month period to the end of March 2009.</p> <p>Fund performance for the fixed income mandate was 1.54% below the benchmark and 2.54% below the target in annualised terms in the 24-month period to the end of March 2009.</p> <p>Capital explained the reasons for current performance and answered questions from Trustees. In response to a question from the Committee, Capital reported that performance for the equity mandate for Quarter 1 to date was 7.9% against the benchmark of 8.4% and that performance for the fixed income mandate for Quarter 1 to date was 1.09% against the benchmark of 1.12%.</p> <p>The Committee requested that Capital look into their composite benchmark figure and report back, as it had been reported that the Capital composite benchmark had underperformed the world benchmark in 2008/09.</p> <p><b>RESOLVED</b></p> <p>That the presentations and answers to questions given by the Fund Managers be noted.</p>	
<p><b>PRPP97.</b></p>	<p><b>FUND ADMINISTRATION UPDATE</b></p> <p>Ian Benson, Pensions Manager, presented the Fund administration update and advised the Committee of updates relating to monitoring ill-health retirements, Equitable Life compensation payments, the South Tyneside appeal case and pension surveys. The report also contained information on ill-health retirement budget monitoring, the schedule of agreed early retirements, the receipt of contributions from employing bodies and schools, the results of the pensions survey and the compliance statement.</p> <p>In response to a question from the Committee regarding the rise in early retirement cases, Mr Benson reported that this related to instances of redundancy where redeployment had not been possible. The Chief Financial Officer confirmed that every effort was made to redeploy staff, but that there were instances where this was not possible. The Chief Financial Officer confirmed that in these cases contributions were paid to the Pension Fund from the appropriate service budget. It was also confirmed that the £9k cost of added years for early retirement under the</p>	

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	<p>employing bodies was paid by the employing bodies so there was no cost to the Pension Fund.</p> <p>The Committee asked for an explanation of the variation between the expected and actual numbers of ill-health retirements. Mr Benson reported that procedures around the statutory requirements for ill-health retirement were now more rigorous than they had been in the past, and also that management of ill-health issues had improved.</p> <p><b>RESOLVED</b></p> <p>That the Administration Report update be noted.</p>	
<p><b>PRPP98.</b></p>	<p><b>ADMISSION OF ONTIME PARKING SOLUTIONS LTD. TO THE HARINGEY PENSION FUND</b></p> <p>Ian Benson, Pensions Manager, presented the report on the admission of Ontime Parking Solutions Ltd as a transferee admitted body in the Haringey Council Pension Fund from 1 June 2009, as the result of the TUPE transfer of staff from the Abandoned Vehicles Team.</p> <p>In response to a question from the Committee, Mr Benson reported that Ontime Parking Solutions responsibilities would be moving abandoned vehicles from the public highways. It was clarified that a separate contractor was responsible for the same function on Homes for Haringey property.</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"> <li>i) That the admission of Ontime Parking Solutions Ltd be agreed as a transferee admitted body to the Fund from 1<sup>st</sup> June 2009.</li> <li>ii) That the agreement is a closed agreement such that no new members can be admitted.</li> <li>iii) That the contractor is required to provide a Bond valued by the Fund actuary to cover potential pensions liabilities should the contractor fail commercially.</li> <li>iv) That final approval to the terms of this Admission Agreement be delegated to the Chief Financial Officer.</li> </ul>	
<p><b>PRPP99.</b></p>	<p><b>NEW ITEMS OF URGENT BUSINESS</b></p> <p>There were no new items of urgent business.</p>	
<p><b>PRPP100</b></p>	<p><b>EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p><b>RESOLVED</b></p> <p>That the press and public be excluded from the meeting for the following</p>	

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	items.	
<b>PRPP101</b>	<b>EXEMPT MINUTES</b>  <b>RESOLVED</b>  That the exempt minutes of the special meeting of the Pensions Committee held on 30 April 2009 be approved and signed by the Chair.	
<b>PRPP102</b>	<b>REVIEWING THE POSITION OF A FUND MANAGER</b>  The Committee considered the report to review the position of a Fund Manager.  <b>RESOLVED</b>  That the recommendations of the report be agreed.	
<b>PRPP103</b>	<b>EXEMPT ITEMS OF URGENT BUSINESS</b>  There were no exempt items of urgent business.	

COUNCILLOR CATHERINE HARRIS

Chair