London Borough of Haringey Pension Fund

Business Plan 2009/10

Index

1. Introduction

1.1 The Local Government Pension Scheme is a statutory scheme with defined benefits based on membership and final pay and guaranteed by law. Membership is open to all Council employees and Councillor Members until the day before age 75. The statutory and fiduciary responsibilities that fall on the Council in its capacity as an administering authority under the Local Government Pension Scheme means that effective pensions management is vital. Membership of Haringey's Pension Fund as at 31 March 2009 totalled 18,713 (see Table in 7.1 below). There are 12 employing bodies in the scheme in addition to Haringey Council (see Table in 6.4 below).

1.2 Haringey Council Pension Service is composed of two distinct arms: Fund Management and Pension Administration. These two functions are from two business units; Fund Management is part of Corporate Finance (Corporate Resources Directorate), while Pensions Administration is part of Personnel (Assistant Chief Executive People, Organisation and Development's Service). Both functions are included in the business plans of their respective business units, both of these documents making links to the Council's aims and objectives.

1.3 The fund management responsibility is a finance function and this relates to the fund as a whole, including all organisations admitted to the fund whose employees are not employees of the Council. Pensions administration relates only to employees of the Council. Where co-ordination of issues is required this is carried out effectively.

1.4 Both functions operate in accordance with their professional standards and within the regulations laid down by the Local Government Pension Scheme.

1.5 At the Member level Pensions Committee are the trustees for the Pensions Fund.

2. Trustees, officers, advisors and external key providers of services

2.1 The Pensions Committee is made up of seven trustees as follows;

- Cllr Catherine Harris (Chair)
- Cllr Thompson (Vice Chair)
- Cllr Cooke
- Cllr Beacham
- Cllr Mallett
- Cllr Wilson
- Cllr Winskill
- Earl Ramharacksingh – Admitted and Scheduled Bodies Representative
- David Corran – Pensioner Representative
- Roger Melling – Trade Union representative

2.2 Key officer contacts

- Gerald Almeroth, Chief Financial Officer
- John Suddaby, Head of Legal Services and Monitoring Officer

- Ian Benson, Pensions Manager
- John Hardy, Corporate Finance (including co-ordinating role}.

2.3 Advisors

- Howard Jones - Independent advisor to trustees
- Hymans Robertson - Fund Actuary
- Hewitt Associates – Fund Investment Advisors (appointed August 2008)

2.4 Other external key providers of services

- National Westminster Bank – Bankers;
- Grant Thornton - External Auditors;
- Fund Managers – Bernstein (replaced by Legal & General on 17 June 2009), Capital International, Fidelity, ING and Pantheon. Active Currency – We are in the process of agreeing mandates with Investec and Record;
- Northern Trust - Master Custodian, commission recapture provider and performance consultants;
- AVC Providers – Clerical and Medical, Equitable Life and Prudential Assurance.

3. Local Government Pension Scheme

3.1 The Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS), and as such is dependent upon direction and legislation enacted by Communities and Local Government (CLG) on behalf of Central Government. The Haringey Pension Fund Trustees, the Pensions Committee, may not make changes to the scheme, and may only exercise such discretions as are prescribed by the scheme regulations.

3.2 The LGPS is established by statute, and benefit levels are set in legislation passed by Parliament. It is controlled by the Local Government Pension Scheme Regulations 1997, which are made under the 1972 Superannuation Act. From 1 April 2008 the New Look Local Government Pension Scheme came into effect under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

3.3 Throughout this report the term 'Trustee' is used to describe individual members of the Pensions Committee. The LGPS is not a trust and therefore has no trustees, however the elected members who are responsible for administering local government pension funds have quasi trustee responsibilities.

4. How the Service is structured

4.1 Pensions Committee

4.1.1 Seven elected members of the Council form the Pensions Committee and act as Trustees to the fund. The Members are from the political spectrum and may include the Cabinet Member for Resources. The Committee operate in accordance with their Terms of Reference that was adopted by Council on 21 May 2007 and is included in the Council's Constitution.

http://harinet.haringey.gov.uk/part_3_secc_torcouncil2.pdf

4.1.2 Terms of Reference of Pensions Committee:

1. To exercise the functions which are stated not to be the responsibility of The Executive in Regulation 2 and Schedule 1 paragraph H of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) and in any Statute or subordinate legislation further amending these Regulations. The Committee's functions are those of the 'Administering Authority' under the Pensions legislation.

2. To be responsible for the management and monitoring of the Council's Pension Fund through:-

(a) Selection and appointment of Investment Managers, master custodian, provider of performance monitoring against benchmarks services, providers for the Council's Additional Voluntary Contributions (AVC) scheme and specialist external advisors as necessary.

(b) Reviewing Investment Managers' performance

(c) Formulation of investment, socially responsible investments (SRI) and governance policies

(d) Maintaining a Statement of Investment Principles

(e) Publicising statements and policy documents as required by legislation, government directives and best practice.

3 To monitor and as appropriate to decide upon Pensions Administration issues.

4 To receive the Pension Fund Budget annually and monitor spend against this.

5 To agree to the admission of bodies into the Council's Pension scheme.

6 To receive actuarial valuations.

4.1.3 The Pensions Committee meets on a regular basis with approximately six meetings per annum.

5. How the Service is delivered

5.1 The Pension service, including the financial aspects of the scheme, is delivered in accordance with current legal, professional or other standards.

5.2 Corporate Finance are responsible for Fund Management work. Key work includes:

- Overall monitoring of Fund Managers' performances, partly by using information provided by the Custodian, and reporting regularly to Pensions Committee;

- Holding quarterly review meetings with our Fund Managers to closely monitor fund performance compared to agreed benchmarks and targets;
- Managing the contracts of our Fund Managers Custodian, Actuary and investment advice provider;
- Producing and monitoring an annual budget and pension fund annual accounts;
- In full reviews of investment strategy, that are undertaken on a three to four years basis, to ensure that the process is managed properly to meet required deadlines and that necessary work is undertaken;
- To ensure that investment strategy is kept under continuous review and appropriate changes are reported to Pensions Committee promptly;
- Ensure that required documents are revised on a timely basis as required – Pensions Business Plan, Financial Strategy Statement (FSS), Statement of Investment Principles (SIP) and the Governance Compliance Statement;
- To produce appropriate papers for Pensions Annual General Meetings (AGM's).

5.3 The Pensions Team is responsible for the interpretation and implementation of the pension scheme regulations and related legislation. The Council and scheme members are kept informed of developments and scheme changes through reports, bulletins and increasingly through the Council's Intranet facility. Procedures and standards of service delivery have regard to best practice advice from the Local Government Pensions Committee and the Pensions Unit of the DCLG.

6. Admitted and Scheduled Bodies

6.1 The Haringey Pension Fund has a number of external members as admitted and scheduled bodies.

6.2 An admitted body is an employer permitted to participate in the LGPS. This might be a non profit making body carrying out work that is similar in nature to a public service like local government or it might be a private company to which a service or assets have been outsourced.

6.3 A scheduled body is a public body which is required by law to participate in the LGPS. Each scheduled employer is listed in the scheme regulations.

6.4 For the Haringey scheme these include:

Organisation	Status
Fortismere School	Scheduled
Homes for Haringey	Scheduled
Alexandra Palace Trading Co Ltd	Admitted
Haringey Age Concern	Admitted
Enterprise Ltd	Admitted
Haringey CAB	Admitted
RM Education	Admitted
Urban Futures London Ltd	Admitted
TLC Group Ltd	Admitted
Greig City Academy	Scheduled
John Loughborough School	Scheduled
Haringey Council	Scheduled
CONEL	Scheduled

7. Fund Membership

7.1 Membership of the Haringey Fund as at 31 March 2009 is as follows:-

SCHEME MEMBERSHIP AT 31/3/2009	ACTIVES	DEFERRED	PENSIONERS	DEPENDANTS
HARINGEY COUNCIL	5809	5743	4540	965
HARINGEY MAGISTRATES	0	25	15	3
COLLEGE OF NORTH EAST LONDON	159	134	61	10
Greig City Academy	38	8	2	0
Homes for Haringey	571	70	36	15
HARINGEY AGE CONCERN	3	4	17	0
CSS (HARINGEY) LTD	0	39	44	4
HARINGEY CAB	12	0	0	0
JARVIS WORKSPACE LTD	0	28	16	0
ALEXANDRA PALACE TRADING CO.	6	9	6	1
URBAN FUTURES LONDON LTD	6	5	0	0
ENTERPRISE (formerly ACCORD)LTD	119	35	28	3
CAPITA BUSINESS SERVICES	0	0	0	0
MITTIE) Securities Ltd	1	0	2	0
INITIAL CATERING LTD	0	1	1	0
OCS	1	1	1	0
Harrisons Catering	0	3	0	0
R W EDUCATION PLC	3	0	0	0
TLC AT COOPERSCROFT	22	5	1	0
John Loughborough School	9	1	0	0
Fortismere School	38	5	0	0
Total Haringey Scheme 001	6797	6116	4770	1001
Total Councillors Scm 101	23	6	0	0
TOTAL	6820	6122	4770	1001
FUND TOTAL EXCL UNCLAIMED REFUNDS	18713			

8. Internal and external Audit reports

8.1 Our internal auditors are Deloitte & Touche. Regular audits are completed on Pension Fund investments and Pensions administration.

8.2 The latest audit report for Pension Fund investments was in March 2009 and this gave a full level of assurance. Full assurance can be defined as "there is a sound system of control designed to achieve the system objectives" The last audit report on pensions administration was in December 2004 and this gave a green level of assurance.

9. Pension Fund Accounts for 2008/09 (including the actuarial position)

9.1 Annual Pension Fund accounts are prepared and reported to Pensions Committee. The accounts are also included within the Council's Annual Pension Fund Report. These are then audited by Grant Thornton. The latest accounts for the year ending 31 March 2009 were reported to the Committee on 18 June 2009 and the Annual Pension Fund Report will be submitted to the Committee on 1 December 2009. The accounts show the latest actuarial position following the triennial actuarial valuation as at March 2007, fund performance over the past year and since our current fund management structure was introduced, the 2008/09 income and expenditure account and Balance sheet, and the 2009/10 budget. In addition, The Annual Pension Fund Report contains the Statement of Investment Principles, the Funding Strategy Statement ,the Communications Policy, and the Governance Statement.

9.2 The accounts show the following key points:

9.3 The Pension Fund Account shows the contributions to the Fund during the year and benefits paid from it. This shows a net decrease in the Fund during the year of £117.6 million (19.4%) from £605.1 million to £487.5 million. £142.9 million is due to a decrease in the market value of investments and this is offset by £10.7 million of non-investment income (mainly employee and employer contributions) exceeding expenditure (mainly the cost of pension benefits), and £14.6 million income from investments (net of investment management expenses).

9.4 The Net Asset Statement sets out the financial position for the Fund. The Fund is separately managed by the council acting as trustee and its accounts are separate from the Council's.

9.5 The level of funding as a whole for the Fund has increased from 69 per cent to 77.7 per cent between the triennial actuarial valuations as at end of March 2004 and end of March 2007. The level of funding is determined as part of independent actuarial valuations of the Fund. The main reasons for the increase in the funding level are an improvement in investment earnings and value, and the planned stepped increases in employer's contributions from 2004.

9.6 Performance from our Fund Managers resulted in negative absolute returns of (21.65) per cent and this was, 2.31 per cent, below the benchmark that was in place for the year. There remains much volatility in the market due to credit issues that have arisen and are linked to the sub prime mortgage market in the USA and a consequent weakness and volatility in global stock markets. This has impacted upon the performance of our portfolio and is still ongoing. We are monitoring the position carefully.

9.7 Performance of the combined Fund and of individual Fund Managers compared to benchmarks and targets has been regularly reported to previous meetings of the Committee in the quarterly Fund Performance update reports and is also reported to the Pension Fund AGM.

9.8 Performance of the overall fund compared to benchmark and target is shown below. The benchmark and target are shown gross of Fund Managers fees

	12 months to end of March 2009 (annualised performance)
	%
Overall fund performance	(21.65)

Benchmark	(19.34)
Performance versus benchmark	**(2.31)**
Overall fund performance Target	(21.65) 17.70)
Performance versus target	**(3.95)**

9.9 This shows that in the 12 month period to March 2009:

- The annualised performance of the combined Haringey fund has decreased in absolute terms by 21.65% and under-performed against the benchmark that was in place for the year by 2.31% and target by 3.95%.

- The annualised performance of the combined fund over the two years since the inception of the current investment management arrangements shows that the fund has decreased in absolute terms by 13.60% and underperformed the bench mark by 2.27% and target by 3.91

9.10 It is important to view Fund Investment over the long term.

9.11Trustees will remember that the Council's contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2007. Following this valuation, the Actuary has agreed that the Council's contribution rate can prudently remain at the 2007/08 rate of 22.9 per cent.

9.12 As at 31 March 2009, the Authority had the following overall assets and liabilities for pensions.

	2008/09 £'000	2007/08 £'000
Present value of scheme liabilities	668,103	681,516
Present value of unfunded liabilities	47,938	51,338
Estimated assets in scheme	(409,413)	(505,436)
Net liability	**306,628**	**227,418**

9.13 The primary cause of the increase from an estimated net liability of £227m as at 31 March 2008 to an estimated net liability of £307m as at 31 March 2009 is the investment performance being lower than anticipated due to the world-wide economic downturn.

9.14 The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The net liability of £307 million has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding this deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

10. Investment strategy

10.1 Details of the Fund's current investment management strategy are set out below:-

- UK equities 30 per cent;
- Holdings in overseas equities 35 per cent;
- A 5 per cent allocation to a global market cap mandate (this is included in the percentage allocations for UK equities and overseas equities shown above);
- A 5 per cent allocation to private equity;
- An active currency overlay;
- Property allocation 10 per cent;
- Allocation in bonds 20 per cent.

10.2 Pensions Committee completed our last full review of the Fund's investment management strategy in 2006/07 and our current structure was largely implemented on 16 March 2007. It will take some further time to increase our holdings in property up to the new benchmark (10 per cent) and to fully build holdings in private equity. It has taken some time to implement active currency and we hope that this can be introduced in the near future.

10.3 Independent advice on investment strategy is taken from our advisors. Approximately 63 per cent of funds is currently invested in equities and the remainder in other assets. It is very important not to take too much risk but equally we need to take some risk as the fund needs to grow for the prudent benefit of the fund. We were advised that opportunities for growing the fund will improve by reducing the proportion of funds held in UK equities.

10.4 We were advised that the changes made will further improve our opportunities for growing the fund whilst taking due regard to risk. Our detailed investment structure is shown in our Statement of Investment Principles (SIP) in Appendix 1.

10.5 The management of the Fund's investments is currently placed with five independent fund managers, Legal & General (who replaced Bernstein 17 June 2009), Capital International, Fidelity and ING plus a private equity manager - Pantheon.

10.6 We are in the process of investing with two active currency managers, Investec and Record. In addition a Master Custodian is used.

10.7 The investment performance of the Fund is critical as it impacts directly on the level of employer's contributions that the Council is required to pay.

11. Statement of Investment Principles (SIP)

11.1 The Council has an extant SIP that is attached in Appendix 1.

12. Funding Strategy Statement (FSS)

12.1 The Local Government Pension Scheme (Amendment) Regulations 2004 required LGPS administering authorities to prepare and publish a FSS, by 31 March 2005, in accordance with guidance issued by CIPFA.

12.2 The FSS is reviewed in detail every three years ahead of triennial valuations being carried out. It has been revised in collaboration with the fund's actuary, and after consultation with the fund's employers and investment adviser, is attached as Appendix 2, and is effective from 31 March 2008.

12.3 When FSS's were introduced by the then Office of the Deputy Prime Minister (ODPM) who stated that the purpose of the FSS is:

- "to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and,
- to take a prudent longer-term view of funding those liabilities."

12.4 These objectives are desirable individually, but may be mutually conflicting. The FSS sets out how we have balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

12.5 The FSS has been drawn up in discussion with our Actuaries, reflects guidance from CIPFA (Guidance on preparing and maintaining a FSS – Issue number 6 of the CIPFA Pensions Committee – issued in March 2004) and is consistent with those being prepared for other Local Authority pension funds.

13. Fund Managers, Master Custodian and external advice

13.1 The majority of the fund management function has been outsourced. This includes Fund Managers and Custodian Services. External advisors are employed as necessary to undertake specific work, including actuarial and investment advice services.

13.2 Fund Managers are monitored against mandated performance benchmarks and targets that are set for rolling periods of 12 months.

13.3 Performance of the combined Fund and of individual Fund Managers compared to benchmark and target is regularly reported to meetings of Pensions Committee in the quarterly Fund Performance update reports. Two 'core' managers attend Pensions Committee each quarter to report current performance and to answer any questions; exceptions are the property and private equity managers as these are deemed to be longer term asset classes. The passive manager attends as required by the Committee. In addition, the Chief Financial Officer and/or his representative holds quarterly meetings with each Fund Manager to review performance.

13.4 The Custodian attends Pensions Committee annually to review performance and the contract is reviewed annually.

14. 2009/10 Budget

14.1 The table below shows the 2008/09 outturn and 2009/10 budget for the Pension Fund.

Pension Fund Budget 2009/10

	2008/09 Outturn £'000	2009/10 Budget £'000
Contributions and benefits:		
Employee Contributions	(10,258)	(10,500)
Employer Contributions	(33,981)	(34,700)
Transfer Values Received	(2,562)	(4,000)
Total income	**(46,801)**	**(49,200)**
Expenditure:		
Pensions and other benefits	28,846	30,300
Transfer values paid	6,612	4,000
Other expenses	673	800
Total expenditure	**36,131**	**35,100**
Net addition from dealings with members	**(10,670)**	**(14,100)**
Returns on Investment:		
Investment income	(18,339)	(18,300)
Taxation	197	200
Investment management expenses	3,541	3,600
Net return on investments	**(14,601)**	**(14,500)**

14.2 Fund Administration and Membership - Haringey Council administers the Pension Fund under the provisions of the Local Government Superannuation Act, to provide benefits to its employees. At 31 March 2009, there were 6,820 employees contributing to the Fund and 5,771 pensioners and dependents receiving benefits. There were also 6,122 deferred pensioners.

14.3 Actuarial Position – this is set out in paragraphs 9.5 and 9.11.

14.4 Management - The Pension Fund includes the costs, charges and expenses incurred in administering the Fund. The internal administration costs include the apportionment of the costs of the relevant central services of the Council including the Pensions Team.

14.5 The Fund Management structure has resulted in the management of the Fund's investments being placed with five independent fund managers. We are in the process of agreeing mandates with two active currency managers. It will take time to become fully invested in property, private equity and currency. In addition a Master Custodian is used.

14.6 Fees payable to Fund Managers have been based upon fees paid in 2008/09. Fees are related to the market value of the Fund at the end of each month/quarter and therefore will increase should the market value of the Fund increase.

14.7 Investment income shown is an estimate and will depend upon market conditions.

14.8 Pensions and other benefits have been inflated to include the pensions increase of 5.0% from 6 April 2009 set by the Government.

14.9 Additional Voluntary Contributions (AVC's) paid by scheme members are not included within the accounts as these are managed independently of the fund by three specialist AVC fund providers, Prudential, Clerical Medical and Equitable Life Legacy Fund.

15. UNIT COSTS

15.1 Unit costs are measured against the SF3, a Government standard that benchmarks the costs of running the scheme. The results of the most recent SF3 benchmark that has been published (2005/06) are given below. Haringey's 2008/09 data is also shown, although the 2008/09 data for other authorities is not available for comparative purposes as yet. The information is given as a cost per scheme member.

15.2 Haringey is an outer London Borough with inner London characteristics and therefore this has been used as a comparator. In 2005/06 Haringey's total costs for administration and fund management per scheme member was below the average for inner London Boroughs.

15.3 However, Fund Management costs per scheme member were marginally above the averages for inner London Boroughs at that time. Our last two full reviews of investment strategy have been thorough and concluded on active versus passive (deciding on active) and consequently this has impacted on the Fund Management costs as set out in the table below.

The Committee made their decisions following advice from the Chief Financial officer and Hymans Robertson. Active management was deemed to be in the best interests of the fund in order to maximise our returns after taking account of fund management fees. This will be monitored rigorously by officers and at Pensions Committee. Investment strategy is reviewed when deemed appropriate.

15.4 **SF3 Data – 2005/06 – Per Capita Administration Costs**

SF3 Data 2005/06	Admin Costs (£ psm)	Fund Management (£ psm)	Total (£ psm)
Inner London	£50.69	£123.75	£174.44
Outer London	£47.51	£84.37	£131.88
Haringey Council	£35.94	£126.37	£162.31
Haringey Council (2008/09)	**£35.95**	**£189.27**	**£225.22**

Cost per scheme member has been calculated as the total cost divided by the total number of scheme members in each category.

16. Communications policy

16.1 Effective communication between Haringey Council, the scheme members, and the employers within the fund is essential to the proper management of the LGPS on a transparent and accountable basis.

16.2 The current policy is attached in Appendix 3 and sets out the policy framework within which the Council communicates with:-

- Members of the scheme;
- Representatives of members;
- Employing bodies; and,
- Prospective members.

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

16.3 The Communications Policy includes the provision of a pensions page on the Haringey website. This facility enables staff to access information about the Local Government Pension Scheme in their own home with families/partners who may also have a stake hold in the benefits of the scheme. In addition, for new staff, a DVD on the New Look Local government Scheme is used as part of the staff induction process. The DVD is also available on-line on Harinet and the Pensions Web page.

17. Governance Compliance Statement

17.1 Our Governance Compliance Statement is set out in Appendix 4. The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme transparent and accountable to our stakeholders. All administering authorities were originally required to publish their first Governance Compliance Statement on or before 1st March 2008 and this was subsequently revised to a later date. We met the original deadline and our statement was forwarded to the Department for Communities and Local Government (DCLG).

APPENDIX1

Statement of Investment Principles

1.0 Introduction

1.1 This is the Statement of Investment Principles adopted by Haringey Council ('The Council') as administrating authority of the Haringey Council Pension Fund in relation to the investment of assets. The Statement is made in accordance with The Local Government Pension Scheme Regulations 1997 (the main regulations) as amended. It is subject to periodic review by the Council's Pensions Committee ('The Committee'). The attached annexations form an integral part of, and should be read in conjunction with this Statement.

1.2 Due account has been taken of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners and active members), together with the level of disclosed surplus or deficit.

1.3 Investments are monitored on a quarterly basis by Pensions Committee (property on an annual basis as is a longer term investment), acting on the delegated authority of the Council. Advice is received as required from professional advisers. In addition, the Committee formally reviews the performance of Fund Managers by means of an annual health-check. Investment strategy is reviewed formally every three years although appropriate changes in between formal reviews are considered by Committee on a timely basis. In all cases, the Committee is advised by the Chief Financial Officer in a strategic capacity, by the independent advisor to trustees and by our external advisors as appropriate.

1.4 The Committee has agreed asset allocation benchmarks, performance targets and various controls on the Fund's investments. These reflect the Committee's views on the appropriate balance between maximising the long-term return on investments and minimising short term volatility and risk. The benchmarks reflect the position following the triennial actuarial valuation of the Fund as at 31 March 2007. It is intended that the Pension Fund strategy will be reviewed at least every three years to reflect revised actuarial assessments of the Funds financial position. Interim actuarial valuations are completed on an annual basis.

2.0 Objectives

2.1 Primary Objective

The primary objective of the Fund is as follows.

To provide for members pension and lump sum benefits on their retirement or for their dependants benefits on death before or after retirement, on a defined benefits basis.

In order that this primary objective can be achieved, the following funding and investment objectives have been agreed.

2.2 Funding Objectives - Ongoing Plan

A summary of the Funds approach to funding its liabilities is contained in the councils Funding Strategy Statement (FSS) which came into effect from 31 March 2005. This document is reviewed every three years. The last review was completed in March 2008, with the next full review due to be completed by 31st March 2011.Funding objectives stated in the FSS include the following:

- to ensure the long-term solvency of the Fund (and of the share of the Fund attributable to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

2.3 Investment Objectives

To achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives set out above on an ongoing basis.

3.0 Investment Parameters

3.1 To achieve the investment objectives the following have been agreed:

3.2 Choosing Investments

The Committee will ensure that one or more investment managers are appointed who are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 to manage the assets of the Fund.

The Committee, after seeking appropriate investment advice, may give specific directions as to the strategic asset allocation and will ensure the suitability of assets in relation to the needs of the Fund. The investment managers will be given full discretion over the choice of individual stocks and are expected to maintain a diversified portfolio.

Pensions Panel (Committee from 2007/08 municipal year) have completed a full review of the Fund's investment management strategy and our new structure was largely implemented on 16 March 2007. The Committee were advised by the Chief Financial Officer, Independent Advisor to Trustees and our former external advisors, Hymans Robertson. Key changes agreed were as follows:

- reduce our holdings of UK equities from 43 to 30 per cent,
- increase our holdings in overseas equities from 27 to 35 per cent,
- introduce a 5 per cent allocation to a global market cap mandate (this is included in the percentage allocations for UK equities and overseas equities shown above),
- introduce a 5 per cent allocation to private equity,
- introduce an active currency overlay and passive currency hedging,

- increase our property allocation from 6 to 10 per cent.
- Reduce our allocation in bonds from 22 to 20 per cent.

We took independent advice from our advisors regarding options for changing our previous investment strategy. It was decided to continue to invest approximately 70 per cent of funds in equities and the remainder in other assets. It is very important to not take too much risk but equally we need to take some risk as the fund needs to grow. We were advised that opportunities for growing the fund will improve by reducing the proportion of funds held in UK equities.

We were advised that the changes made will further improve our opportunities for growing the fund whilst taking due regard to risk. As part of our review Wellington ceased to be one of our Fund Managers. It will take time to increase our holdings in property and to build holdings in private equity and currency.

The Fund Management structure has resulted in the management of the Fund's investments being placed with four independent fund managers, Bernstein, Capital International, Fidelity and ING plus a newly appointed private equity manager (Pantheon). We are in the process of investing with two active currency managers, Investec and Record. In addition a Master Custodian is used.

The investment performance of the Fund is critical as it impacts directly on the level of employer's contributions that the Council is required to pay.

On 26 March 2007 the Pensions Committee approved an amendment to ING's property mandate such that ING may now invest up to 25% of their mandate in European Pooled Property funds.

3.3 Investment Managers

The managers appointed to manage the Fund's assets as at 1 April 2007 are summarised in annex 4. However, following a period of unsatisfactory performance, Bernstein were replaced by Legal & General on 17 June 2009.On 16 April 2007 the Pensions Committee approved the appointment of Pantheon Ventures Limited as the funds Private Equity manager. To date Pantheon had made 11 investment calls totalling £5.3 million on the funds behalf in a US Private Equity fund, five investment call of £0.95m in a Asia Private Equity Fund and 3 calls totalling £3.2 in a Europe Fund. On 11 June 2007 Pensions Committee approved the appointment of two Active currency managers. Contracts are currently being finalised with the two managers concerned, Investec and Record.

3.4 Custody

The former Pensions Panel (now Pensions Committee) appointed The Northern Trust Company to act as Global Custodians for the Fund from April 2002. Performance and fees charged by Northern Trust are reviewed annually by Pensions Committee.

3.5 Kinds of Investments to be held

The type of assets each Investment Manager is mandated to hold is shown in annex 4.

3.6 Limit for investments in OEIC's

It is permitted under the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003 to increase the limit of investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body from 25 to 35 per cent. This increase in limit has therefore been made in respect of one of our Fund Managers, Fidelity Pensions Management from 10 September 2007.

3.7 Performance Reviews

Quarterly performance review meetings are held by the Chief Financial Officer and / or his representative with each Fund Manager (semi-annual meetings with Private Equity and Active Currency managers). Fund Managers attend Pensions Committee on alternate quarters to present the current position and to answer questions from Trustees and the independent advisor to Trustees. Exceptions are the Property and Private Equity managers who attend Committee annually because property and private equity investments are deemed to be of a longer term nature. The Chief Financial Officer meets with the Custodian on an annual basis and the Custodian attends Pensions Committee on an annual basis.

3.8 Balance between different kinds of investments:

Management agreements are in place for each Investment Manager that set out their benchmark and performance targets, with those in place at start of April 2007 summarised in annex 4 and 5. Investment restrictions determined by the Committee including asset allocations and permitted tolerances are also prescribed in the agreements, the latter are detailed in annex 6.

The benchmarks agreed by the Committee provide an appropriate balance between risk and return, in light of the liability profile and funding level of the Fund.

3.9 Risk

The adoption of asset allocation benchmarks (as described above) and the explicit monitoring of performance relative to performance targets, constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way as to enhance returns.

The appointment of multiple Investment Managers introduces a measure of diversification of manager risk.

Each manager is expected to ensure a diversified portfolio of investments.

3.10 Expected return on investments

The strategic benchmark is expected to produce a return over the long term in excess of the investment return assumed in the actuarial valuation. The fund's assets are managed on an active basis and the fund managers are expected to outperform their respective benchmarks over the long term and achieve target. In this way, the investment performance achieved by the fund is expected to exceed the rate of return assumed by the actuary in funding the fund on an ongoing basis.

3.11 Realisation of investments

The majority of stocks held by the fund's Investment Managers are quoted on major stock markets and may be realised quickly if required.

3.12 Fees

Fees for the provision of Investment Management and related administrative services are levied by the investment managers based on scale charges linked to the market values of the portfolio under management. Fees are calculated quarterly in arrears and the council invoiced in the month following the quarter end. Where the managers' services commence or cease during a quarter, fees are pro-rata on a daily basis. Where managers invest in–house investment vehicles e.g unit trusts where management fees are covered in the price of the units, the market value of such holdings are deducted from the portfolio value at the quarter end before calculating chargeable fees. This protects the fund from multiple charging for services provided. The scale charges levied by the Investment managers as at the start of April 2007 are shown in annex 7. Fees in respect of Legal & General who replaced Bernstein as at 17 June 2009 are shown as a footnote.

The fees of the Global Custodian are levied based on the number of accounts maintained (one account per investment manager), a scale charge for safekeeping the assets (country and market value related) and transaction charges for the purchase/sale of assets and related foreign exchange transactions.

Fee levels are reviewed periodically to ensure they are reasonable. The latest review was reported to Pensions Committee on 10 September 2007.

3.13 Additional Voluntary Contributions (AVC's)

Members have the opportunity to invest in AVC funds as given in Annex 8

4.0 Other Issues

4.1 Responsible Investment

Our Responsible Investment policy has been reviewed and agreed by Pensions Committee at its meeting on 23rd June 2008.The revised Responsible Investment policy is set out in 4.2 below.

4.2 Revised Responsible Investment Policy

The fund believes that the adoption by companies of positive Environmental, Social and Governance principles (ESG) can enhance their long term performance and increase their financial returns.

These issues are of concern to the Pension Fund because it is considered that companies who

- do not have regard for the social and environmental impact of their business, or
- who conduct their business in a way which is not sustainable over the longer term;

are in danger of adversely affecting the future prospects of the company, and potentially the company's long term share price.

The trustees have an overriding fiduciary duty to the members of its pension fund to maximise financial returns, whilst taking a prudent level of risk. Subject to complying with that duty, the Pensions Committee has decided to use its influence, via its fund managers, to improve corporate behaviour where it finds examples of shortcomings in the approach of companies to these issues.

The fund's policy in practical terms applies to UK and non-UK equities and to pooled funds, not bonds.

There will be no engagement in stock screening or exclusionary approaches.

In instances where shareholder value and responsible investment conflict the fund manager would vote for shareholder value and would report these instances to the next meeting of the Pensions Committee with brief reasons why they voted as they did. If there were no instances in a quarter where shareholder value and responsible investment clash then a nil return would need to be reported.

Fund managers are expected to sign up to the Enhanced Analytics Initiative, or demonstrate that they have access to at least equivalent research.

In December 2007 Haringey signed up and formally adopted the 'United Nations Environmental Principles for Responsible Investment' initiative and we encourage our fund managers to also adopt these principles.

The six principles contained in the initiative are as follows; -

- Incorporate Environmental Social and Governance issues into investment analysis and decision making processes;
- Be active owners and incorporate Environmental Social and Governance issues into ownership policies and practices;
- Seek appropriate disclosure on Environmental Social and Governance issues by the entities in which we invest;
- Promote acceptance and implementation of the principles within the investment industry;
- Work together to enhance our effectiveness in implementing the principles;
- Each report on our activities and progress towards implementing the principles.

4.3 The Local Government Pension Scheme (Management and Investment of Funds)
(Amendment) Regulations 2002 - SI 2002 No.1852

This provision requires that this SIP sets out the extent to which the Pension Fund complies with the ten principles of investment practice contained in the document published in April 2002 by CIPFA called 'CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the UK Guidance note issue no.5'.

The Fund complies with all but one of the Myners principles. The trustees have an issue regarding the payment of trustees.

4.4 Independent Advisor for Trustees

An independent advisor has been appointed from March 2004. The advisor attends meetings of Pensions Committee and the quarterly officers meetings with our Fund Managers to scrutinise performance. Before each meeting of Pensions Committee the advisor has a meeting with trustees to discuss any relevant issues, to give advice and to discuss questions to ask Fund Managers. The advisor is fully involved in our reviews of investment strategy.

ANNEXATIONS

1. Main Actuarial Assumptions as at 31 March 2007

	% per annum	Relative to RPI % per annum
RPI Inflation	3.2	-
Increases in pay (excl. increments)	4.7	1.5
Investment returns - equities (prevailing market) - bonds	6.1 4.5	2.8 1.3

The actuarial valuation as at 31 March 2007 was carried out using unsmoothed market values to value the funds assets.

The projected unit method with a one year control period was used to determine the cost of benefits accruing for the fund as a whole and for employers who continue to admit new members. For employers who no longer admit new entrants the attained age method was used to determine these costs.

It should be noted that the absolute returns as given above are not critical to the results of the Valuation - it is the returns relative to one another which are more significant (in particular, the return achieved in excess of inflation).

The Trustees have commissioned Hymans Robertson to undertake annual interim valuations for the fund. The last valuation of the fund was as at the end of March 2007 and the results were reported to Pensions Committee on 25 June 2007.

2. Liability Mix

Valuation date	2007
Past Service Liabilities	£m
Employees	354
Deferred pensioners	154
Pensioners	290
Total liabilities	798
Assets Surplus/(Deficit)	620 (178)
Funding Level	78%

Based on the actuarial valuation as at 31 March 2007

3. Asset Mix as at 1 April 2007

	Fund %	Benchmark * %
UK Equities	32	30.5
Overseas Equities	37	34.5
UK Index linked Bonds	4	6
Property	6	10
Private Equity	0	5
UK fixed Interest Bonds	7	7
Corporate Bonds	9	7
Overseas Bonds	0	0.0
Cash	5	0.0
Monetary assets	100	100

*** L.B. Haringey Pension Fund Bespoke Benchmark**

4. Investment Managers and Value of Assets Held as at 31st March 2009

Manager	Value £M	% Total Portfolio	Mandate	Benchmark	Performance Target
Capital International - Equities	95.6	19.8	Global Equity	Customised (Annex 5C)	+2.0% (gross) of fees p.a over a rolling 3 year period
Capital International - Fixed Income	63.1	13.1	Bonds	Customised (Annex 5A)	+1.0% (gross) of fees p.a over a rolling 3 year period
Fidelity Pensions Management- Equities	98.2	20.4	Global Equity	Customised (Annex 5D)	+1.7% (gross) of fees p.a over a rolling 3 year period
Fidelity Pensions Management-Fixed Income	64.4	13.3	Bonds	Customised (Annex 5B)	+0.6% (gross) of fees p.a over a rolling 3 year period.
Alliance Bernstein – UK Equities	71.6	14.8	UK Equities	FTSE All Share	+2.0% (gross) of fees p.a over a rolling 3 year period
Alliance Bernstein – Global Equities	18.9	3.9	Global Equity	Morgan Stanley Capital International (MSCI) World Index	+3.0% (gross) of fees p.a over a rolling 3 year period
ING Real Estate	36.0	7.5	Property	HSBC/APUT Balance Funds Index	+1% (gross) of fees p.a. over a rolling 3 year period
Pantheon Private Equity	11.5	2.4	Private Equity	Morgan Stanley Capital International (MSCI) World Index +5%	+ 0.75% (gross) of fees p.a.
Unallocated Cash (Held pending investment	23.0	4.8	N/A	N/A	
TOTAL	**482.3**	**100**			

5. Customised Benchmark

Asset Class	Asset Description	Benchmark
A. BONDS –Capital International		
1	UK Gilts	FTSE A over 15 year gilts
2	Corporate Bonds	Merrill Lynch Sterling non gilt all maturities
3	Index Linked	FTSE ILG (over 5 years)
B. BONDS –Fidelity Pensions Management		
1	UK Gilts	FTSE A over 5 year gilts
2	Corporate Bonds	Merrill Lynch Sterling non gilt over 10 years
3	Index Linked	FTSE ILG (over 5 years)
C. GLOBAL EQUITY -Capital International		
1	UK	FTSE All Share
2	North America	FTSE AW Developed North America
3	Europe –Ex UK	FTSE AW Developed Europe(ex UK)
4	Japan	FTSE AW Developed Japan
5	Pacific(Ex Japan)	FTSE AW Developed Pacific(ex Japan)
6	Emerging Markets	MSCI Emerging Markets
D. GLOBAL EQUITY -Fidelity Pensions Management		
1	UK	FTSE All Share
2	US	S&P 500
3	Europe –Ex UK	FTSE AW Developed Europe(ex UK)
4	Japan	FTSE AW Japan
5	Pacific(Ex Japan)	FTSE AW Developed Asia Pacific(ex Japan)
6	Emerging Markets	MSCI Emerging Markets free

6. Asset Allocation & tolerances

Manager Asset allocation(tolerance)	Capital (Equities) %	Capital (Bonds) %	Fidelity (Equities) %	Fidelity (Bonds) %	Bernstein (UK) %	Bernstein (Global) %	Pantheon %	ING %
Equities								
UK	25(15-35)	0	17(+/-10)	0	100	10.1	0	0
North America	25(15-35)	0	17(+/-4)	0	0	49.6 MSCI World (+/-10%)	0	0
Europe(ex UK)	24(14-34)	0	16(+/-4)	0	0	18.8 MSCI World (+/-10%)	0	0
Japan	13(8-18)	0	8.5(+/-3.5)	0	0	11.0 MSCI World (+/-10%)	0	0
Pacific Basin	6(3.5-8.5)	0	4(+/-2.5)	0	0	3.3 MSCI World (+/-10%)	0	0
Emerging Markets	7(0-14)	0	4.5(+/-2)	0	0	7.2 MSCI World (+/-10%)	0	0
Private Equity	0	0	0	0	0	0	100	0
Bonds								
UK Gilts	0	35(15-55)	0	11.5 (30-40)	0	0	0	0
Corporate Bonds	0	35(15-55)	0	11.5 (30-40)	0	0	0	0
Index Linked	0	30(10-50)	0	10 (25-35)	0	0	0	0
Property	0	0	0	0	0	0	0	100

On 17 June 2009 , following the termination of Bernstein's contract, the assets were placed in 5 index pooled funds managed by Legal & General on bases that maintain the above asset allocation.

7.Investment management and administration fees

Investment Manager	Scale Charges(Annual rate)
Capital International (Equity Mandate)	On first £17.5mn 0.675% On next £25mn 0.525% Over £42.5mn 0.400%
Capital International (Bond Mandate)	On first £35mn 0.300% On next £35mn 0.200% On next £140mn 0.180% Over £210mn 0.150%
Fidelity (Equity Mandate)	On first £25mn 0.75% On next £25mn 0.50% On next £50mn 0.30% Over £100mn 0.25% Excludes relationship discount
Fidelity (Bond Mandate)	On first £25mn 0.335% On next £25mn 0.2175% On next £50mn 0.15% Over £100mn 0.125% Excludes relationship discount
Alliance Bernstein (Global) *	On first £15mn 0.800% On next £15mn 0.600% On next £30mn 0.500% Over £60mn 0.400%
Alliance Bernstein (UK)*	On first £15mn 0.550% On next £15mn 0.400% On next £30mn 0.300% On next £60mn 0.250% Over £120mn 0.200%
ING - Real Estate	Up to £100mn 0.20%
Pantheon –Private Equity	Annual Management Fee of 0.75%of committed capital, tapering in at 0.375% of commitments in the first year,0.5625% of commitments in the second year, with the full fee payable from the third year onwards.

***Following the termination of Bernstein's contract on 17 June 2009 the fees payable to the incoming manager Legal & General for the passive management of the 5 pooled vehicles used to replicate the agreed asset allocation are within the range 04% p.a. and .14% p.a.**

8. AVC Arrangements

The options for members' AVCs are set out below, together with details of the principles governing the range of investment vehicles offered. In its review of AVC fund options, the Members may wish to introduce the ethical fund options of both providers.

Members can choose to switch AVC's between options available to them from time to time, subject to the terms and conditions of each vehicle. At retirement, the accumulated value of a member's AVC is used to purchase an annuity on the open market or buy additional service.

Provider	**Vehicle**
*Equitable Life**	*Building Society*
	With Profits
	Managed Fund
Prudential	*Deposit*
	With Profits
	Discretionary (Managed)
Clerical & Medical	*With Profits*
	Managed
	Deposit

**Not Available to New Applicants*

The With Profits vehicles are designed to provide smoothed medium to long term growth by investing in a range of assets including equities and property. The investment returns are distributed by way of reversionary and terminal bonuses.

The objective of the With Profits and managed funds is to provide returns on members' contributions which at least keep pace with inflation. The building society options offer interest at competitive rates.

Appendix 2

Funding Strategy Statement (FSS)

1. Introduction

This is the Funding Strategy Statement (FSS) of the Haringey Council Pension Fund ("the Fund"),that is administered by Haringey Council, ("the Administering Authority").

It has been revised by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. This revised version replaces the previous FSS and is effective from 31st March 2008.

1.1 Regulatory Framework

Scheme members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level that covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers, or pools of employers, pay for their own liabilities.
The FSS forms part of a framework that includes:

- the Local Government Pension Scheme Regulations 1997 (regulations 76A and 77 are particularly relevant);
- the Rates and Adjustments Certificate, which can be found appended to the Fund actuary's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions, provides recommendations to the Administering Authority when other funding decisions are required, for example when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years ahead of triennial valuations being carried out, with the next full review due to be completed by 31 March 2011. More frequently, Annex A is updated to reflect any changes to employers.
The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact John Hardy in the first instance at john.hardy@haringey.gov.uk or on 020-8489-3726.

2. Purpose

2.1 Purpose of FSS

The The Department for Communities and Local Government (CLG) has stated that the purpose of the FSS is:

- "to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities."

These objectives are desirable individually, but may be mutually conflicting.
This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.
The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund (and of the share of the Fund notionally allocated to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;

- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;

- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and

- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target, "*past service adjustment*". If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary is required by the regulations to report the *Common Contribution Rate*[1], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years of all the employers' scheme members.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer or pool together with individual past service adjustments according to employer (or pool)-specific spreading and phasing periods.

Annex A contains a breakdown of each employer's contributions following the 2007 valuation for the financial years 2008/09, 2009/10 and 2010/11. It includes a reconciliation of each employer's rate with the *Common Contribution Rate*. It also identifies which employers' contributions have been pooled with others.

Any costs of early retirements other than on the grounds of ill-health must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should agree with the Administering Authority before making one-off capital payments.

---

[1] See Regulation 77(4)

[2] See Regulation 77(6)

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.
'Solvency" for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary's *ongoing funding basis*. This quantity is known as a funding level.
The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority.
The Fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. Please refer to paragraph 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experiences of LGPS funds advised by the Fund Actuary. It is acknowledged that future life expectancy and in particular, the allowance for future improvements in mortality, is uncertain. Allowance has been made for improvements in line with PMA/PFA92 series projections up to calendar year 2017 for non-pensioners and 2033 for pensioners with age ratings applied to fit past LGPS experience. Employers are aware that their contributions are likely to increase in future if longevity exceeds the funding assumptions.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different profiles of employers.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from the Fund's assets in excess of gilts or even match the return on gilts. There is, however, no guarantee that assets will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

In light of the statutory requirement for the Actuary to consider the stability of employer contributions, it is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.
Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2007

valuation, it is assumed that the Fund's investments will deliver an average real additional return of 1.6% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation. Based on the asset allocation of the Fund as at 31 March 2007, this is equivalent to taking credit for excess returns on equities of 2% p.a. over and above the gross redemptions yield on index-linked gilts on the valuation date and for excess returns of 0.4% p.a. on the non-equity assets

The same financial assumptions are adopted for all ongoing employers. All employers have the same asset allocation.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The future service rate has been calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole.

The approach used to calculate the employer's future service contribution rate depends on whether or not new entrants are being admitted.

Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the *Projected Unit Method* with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.4.2 Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the *Attained Age* funding method is normally adopted. This will limit the degree of future contribution rises by paying higher rates at the outset. Both funding methods are described in the Actuary's report on the valuation.

Both future service rates will include an allowance for expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding position.

The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, part-time/full-time, manual/non manual);
- the effect of any changes to the valuation basis from the one used in the previous valuation, on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between the 2004 and 2007 valuations and each subsequent triennial valuation period.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers.

Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation, including, but not limited to:

- the actual timing of employer contributions within any financial year; and

- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole Fund between the employers (or pool of employers) at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer or pool of employers. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.
The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Deficit Recovery Periods

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below unless otherwise agreed by the Administering Authority and the Fund's actuary.

Type of Employer	Maximum Length of Deficit Recovery Period
Statutory bodies with tax raising powers	A period to be agreed with each employer not exceeding 20 years
Community Admission Bodies with funding guarantees	A period to be agreed with each employer subject to a maximum of the future working lifetime.
Best Value Admission Bodies	The period from the start of the revised contributions to the end of the employer's

	contract.
Community Admission Bodies that are closed to new entrants e.g. Bus Companies, whose admission agreements continue after last active member retires	A period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers, subject to not less than 9 years.
All other types of employer	A period equivalent to the expected future working lifetime of the remaining scheme members

This maximum period (unless otherwise agreed by the Administering Authority and the Fund's actuary) is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2008 for 2007 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example, to improve the stability of contributions.

3.7.2 Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above (unless otherwise agreed by the Administering Authority and the Fund's actuary) for deficits in calculating their minimum contributions.

However, to help meet the stability requirement, employers may prefer not to take such reductions.

3.7.3 Phasing in of Contribution Rises

Best Value Admission Bodies are not eligible for phasing in of contribution rises. Other employers may opt to phase in contribution rises as follows:

- for employers contributing at or above its future service rate in 2007/08, phasing in the rise in employer contributions over a period of three years;

- for employers contributing at less than its future service rate in 2007/08, phasing in the rise in contribution rises over a period of three years.

3.7.4 Phasing in of Contribution Reductions

Any contribution reductions will be phased in over three years for all employers except Transferee Admission Bodies who can take the reduction with immediate effect.

3.7.5 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2004 valuation, or to phase-in contribution changes, will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.
However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit

3.7.6 Pooled Contributions

The Administering Authority allows Haringey Council to pool the legacy liabilities and assets that remain when an employer leaves the Fund. Otherwise, the Administering Authority does not permit the pooling of contribution rates.

3.8 Admission Bodies ceasing

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.
Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point.
If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.
The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(a) For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) For non-Transferee Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. This could give rise to significant payments being required.

(c) For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. All employers, irrespective of whether or not they are pooled, are required to pay additional contributions wherever an employee retires "early" (see below) with no reduction to their benefit or receives an enhanced pension on retirement..
It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age other than on ill-health grounds are deemed to have retired "early".
The additional costs of premature retirement are calculated by reference to these ages.

3.9.2 Ill health monitoring

The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative number of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as applies for non ill-health cases.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2007, the proportion held in equities and property was 75% of the total Fund assets.

The investment strategy of lowest risk would be one which provides cash-flows which replicate the expected benefit cash-flows (i.e. the liabilities). Equity investment would not be consistent with this.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

The funding policy currently adopts an asset out-performance assumption of 1.6% p.a. over and above the redemption yield on index-linked gilts. The Fund's investment strategy is detailed in our SIP. The Fund's Actuary considers that the funding basis does conform to the requirements to take a "prudent longer-term" approach to funding.

The Administering Authority is aware that, in the short term – such as the three yearly assessments at formal valuations – the proportion of the Fund invested in equities brings the possibility of considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of the out-performance target. The stability measures described in Section 3 will dampen down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

4.4 Inter-valuation Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of annual interim valuations. If appropriate, investigations will also be made into the individual employer funding positions.

5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority's has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

5.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Analyse progress at three yearly valuations for all employers. Annual interim valuations.
Inappropriate long-term investment strategy	Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark	Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark and target.
Pay and price inflation significantly more than anticipated	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in index linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and	Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading

admission/scheduled bodies	and phasing in of contribution rises.

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Ill-health retirements significantly more than anticipated.	Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built in.
Pensioners living longer.	Set mortality assumptions with some allowance for future increases in life expectancy. Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.
Deteriorating patterns of early retirements	Employers are charged the extra capital cost of non ill health retirements following each individual decision. Employer ill health retirement experience is monitored.

5.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself. The Administering Authority considers all consultation papers issued by the CLG and comments where appropriate. The Administering Authority will consult employers where it considers that it is appropriate.
Changes to national pension requirements and/or HM Revenue and Customs rules e.g. effect of abolition of earnings cap for post 1989 entrants from April 2006, abolition of 85 year rule and new 2008 scheme	

5.5 Governance

Risk	Summary of Control Mechanisms

<table>
<tr><td>Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).</td><td rowspan="2">The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations
Deficit contributions are expressed as monetary amounts and percentages (see Annex A).</td></tr>
<tr><td>Administering Authority not advised of an employer closing to new entrants.</td></tr>
<tr><td>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.</td><td>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.
It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements.</td></tr>
</table>

An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: • Seeking a funding guarantee from another scheme employer, or external body, where-ever possible. • Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. • Vetting prospective employers before admission. • Where permitted under the regulations requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed.

Annex A – Employers' Contributions, Spreading and Phasing Periods

Following the 2007 valuation, the minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2007 valuation report are based on the deficit recovery periods and phasing periods shown in the table below. The table also shows the individual adjustments under Regulation 77(6) to each employer's contributions from the 'Common Contribution Rate'.

		Minimum Contribution for the year ending					
Employer Code	Employer Name as at 31 March 2007	Year ending 31 March 2009	Additional Monetary Deficit Payment £'000	Year ending 31 March 2010	Additional Monetary Deficit Payment £'000	Year ending 31 March 2011	Additional Monetary Deficit Payment £'000
1	Haringey Council	22.9%		22.9%		22.9%	
3	Age Concern Haringey	33.8%		33.8%		33.8%	
5	College of North East London	18.7%		19.9%		19.9%	
7	Haringey Citizens Advice Bureaux	19.6%	17	19.6%	18	19.6%	19
8	Alexandra Palace Trading Co Ltd	18.7%	107	18.7%	113	18.7%	
11	Urban Futures London Ltd	17.4%		17.4%		17.4%	
12	Haringey Accord Ltd	19.7%		19.7%		19.7%	
13	Greig City Academy	13.0%		13.0%		13.0%	
15	Trident Safeguards Ltd	25.2%	67	25.2%		25.2%	
18	Homes for Haringey	15.4%		15.4%		15.4%	
19	John Loughborough School	17.2%		17.2%		17.2%	
20	Rockley Dene Homes Ltd	19.0%		19.0%		19.0%	

Notes

The monetary amounts in the years ending 31 March 2010 and 31 March 2011 have been increased at the rate of 4.7% p.a. from April 2008.

Contributions expressed as a percentage of payroll should be paid into London Borough of Haringey Pension Fund ('the Fund') at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentation using methods and factors issued by me from time to time.

Further sums may be required to be paid to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those included within my assumptions.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund actuary.

The assets and liabilities of Capita Business Services, CSS (Haringey) Ltd and Haringey Magistrates Courts Committee have been pooled with those of Haringey Council.

A cessation valuation was carried out for Jarvis Workspace FM Ltd as at 1 February 2008.

OCS Group UK Ltd's contract ceased in August 2007 and therefore no contribution rate has been included above.

Annex B – Responsibilities of Key Parties

The Administering Authority should:-

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain a FSS and SIP, both after proper consultation with interested parties; and
- monitor all aspects of the fund's performance and funding and amend FSS/SIP
- prepare annual accounts and get these audited, control cash flow and administration costs

The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, excess ill-health early retirements if appropriate; and
- notify the administering authorities promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:-

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS; and

- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Appendix 3

Communications Policy

Local Government Pension Scheme (Administration) Regulations 2008) Reg. 67
Policy Statement on Communications with Members and Employing Bodies

Effective communication between Haringey Council, the scheme members, and the employers within the fund is essential to the proper management of the LGPS on a transparent and accountable basis.

This document sets out a policy framework within which the Council will communicate with:-

- Members of the scheme and their family units.
- Representatives of members
- Employing bodies and
- Prospective members

It identifies the format, frequency and method of distributing information and publicity. It also outlines the processes for promoting the scheme to prospective members and employing bodies.

Members of the scheme:

A. Points of Contacts:

i. Pension Team for day-to-day contact and visits.

ii. Ad hoc briefings and workshops

iii. Pre retirement courses

iv. Harinet

v. Pensions Web Page

A pensions page is maintained on Harinet and on the Haringey Web Site which provides :-

- Guides to the LGPS including Pension Sharing on Divorce, Increasing Pension Benefits and the Appeals Process
- Forms which allow members to :-
  - Join or leave the scheme
  - Nominate a cohabiting partner for dependant survivor benefits
  - Indicate to the Council how any death grant should be disbursed.
- Policy Statements on the use of the Council's Discretionary Powers, Investment Principles. The Financial Strategy Statement and the Communications Strategy
- Annual Reports and Pensions Bulletins

- Notice of events
- Contact details for the Pensions Team
- Links to other useful sites including the scheme regulations and on-line to the LGPS.

The information held on the Harinet and Pensions Web Pages is reviewed and updated on a regular basis. Although the web page mirrors the information held on Harinet, it extends to a wider audience and allows the family unit to access pensions information relevant to them.

B. Levels of Communication:

i. General day to day administration of the scheme

ii. Monthly payslips and annual newsletter to Pensioner Members

iii. Statutory notices and statements e.g : individual notices regarding entry to the scheme or hours changes and Annual Benefits Statements .

iv. Formal notice of significant proposals to change the scheme

v. Life certificates to Pensioners living abroad.

C. Medium of communication

i. Telephone and e-mail

ii. Hard copy dispatches

iii. Annual General Meeting for all fund members and employing bodies

iv. Workshops/ Employee Briefings

v. Face to face meetings

D. Timing

i. General policy is to issues statutory notifications and statements within the prescribed limits and to respond to written enquiries within 10 working days.

ii. An Annual Report on the Fund is published annually prior to the Pension Fund Annual General Meeting.

iii. Pension Bulletins on items of significance are issued as the need arises.

iv. The Pensions Newsletter is published in April of each year to coincide with pensions increase awards.

v. The Deferred Members Newsletter is published in June each year and coincides with the distribution of the Deferred Members Annual Benefits Statements

Representatives of members

A. Points of Contact

i. The Corporate Industrial Relations Group

ii. Council and Staff Joint Consultative Committee

iii. Pensions Committee and General Purposes Committee

iv. Annual General Meeting

v. Face to face meetings or issues raised in correspondence or by telephone.

vi. Ad hoc presentations to Trade Union Officers and work place representatives.

B. Levels of communication

i. Consultation on proposed scheme changes and significant policy issues on the use of employer discretions.

ii. Joint meetings with staff affected by TUPE transfers

iii. Response to employee complaints or queries via their representatives.

iv. Semi- formal meetings to brief employee representatives on scheme changes or to explain existing scheme rules.

C. Medium of communication

i. Telephone and e-mail

ii. Hard copy dispatches

iii. Group meetings at Officer level

iv. Committee meetings at Elected Member level

v. Face to face meetings

D. Timing

.Formal meetings are dictated by pre determined dates. Informal meetings as and when required.

Employers

A. Points of contact:

Day to day contact falls into three categories:-

i. Pensions Team for day to day administration

ii. Pay Support (where the Council provides a payroll service)

iii. Finance for FRS 17 disclosure and funding issues.

B. Levels of Communication:

i. General day to day administration of the scheme

ii. Formal notification of discussion documents and consultation papers

iii. Employer briefings on issues affecting the scheme including an Employers Guide to the LGPS

iv. Pre and post fund valuation meetings.

C. Medium of communication

i. Telephone and e-mail

ii. Site visits

iii. Hard copy dispatches

iv. Annual General Meeting

D. Timing

The general policy is to keep employers informed of issues as they arise or are expected to arise in good time for the appropriate action to be taken or comments considered.

Prospective Members and promoting the LGPS

i. All new starters are issued with a leaflet Pensions Choice as part of their new starter packs. This gives a brief outline of the scheme benefits and the alternative choices available.

ii. All new Haringey Council starters attend an induction course where they are reminded of the right to join the scheme. A DVD presentation explains the benefits of joining the LGPS. The DVD has been made available to the Employers participating in the Fund and is available on-line.

iii. An Annual Benefits Statement is issued which includes a forecast of State Scheme benefits. This ensures that members appreciate the value of being a scheme member which they can share with colleagues.

iv. Promotions of the Additional Voluntary Contributions Scheme are held in conjunction with the Council's AVC providers. These events are open to all staff and act to attract non members to the LGPS.

Appendix4

Governance Compliance Statement

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to our stakeholders.

Principle A – Structure

a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Fully Compliant**
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Partly compliant**
c)	C. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not applicable**
d)	D. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Not applicable**

Pensions Committee includes an employee representative as part of its membership. We plan to increase the membership of the Committee to include all stakeholders as soon as possible Then all stakeholders will be represented at Pensions Committee. These would be non-voting members of the Committee. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner. We also hold an Annual General meeting (AGM).

Bi-annually a meeting is held with admitted and scheduled bodies that is chaired by the Chair of Pensions Committee to cover key issues. e.g. actuarial valuation results where the Actuary is invited to attend.

Pensions Committee has full responsibility for these functions and meets six times per annum.

We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel.

Principle B – Representation

a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, e.g, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Partly compliant**
b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Fully compliant**

Pensions Committee includes an employee representative as part of its membership. We plan to increase the membership of the Committee to include all stakeholders as soon as possible Then all stakeholders will be represented at Pensions Committee. These would be non-voting members of the Committee. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner.

Pensions Committee is attended by an Independent Advisor to trustees to advise Trustees.

We have held an Annual general meeting (AGM) for the past five years and all stakeholders are invited to attend the meeting.

The employee representative that currently is a member of Pensions Committee receives all non-exempt papers and attends the Committee other than for exempt matters. Equal access is given to training and also has a full opportunity to contribute to the decision making process but without voting rights. This approach will also be followed when we increase the membership of the Committee to include all stakeholders as soon as possible, namely to represent admitted and scheduled bodies, to represent all pensioners and staff not represented by the current member of the Committee.

Principle C – Selection and role of lay members

a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	**Fully compliant**

We meet the above by ensuring that proper training is received at regular intervals. Where technical pensions matters are discussed at Committee meetings .e.g. asset liability modelling proper explanation is given in the report and by our external Investment Advisors when introducing their reports.

When we increase the membership of Pensions Committee we will similarly ensure that new representatives are given the same

opportunities for training.

Principle D – Voting

a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Fully compliant**

Our policy regarding voting rights is clearly set out. Only elected members of Pensions Committee are permitted to vote.

Principle E – Training, Facility time, Expenses

a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Fully compliant**
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Fully compliant**

Clear policy is to ensure that there is regular and comprehensive access to training. The current stakeholder representative on Pensions Committee has equal access and we plan the same approach for new stakeholder representatives.

Principle F – Meetings (frequency/quorum)

a)	That an administering authority's main committee or committees meet at least quarterly.	**Fully compliant**
b)	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Not applicable**
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	**Partly compliant**

An employee representative is currently a member of Pensions Committee. We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel. Up to three additional representatives would seem to be right; one to represent admitted and scheduled bodies, one pensioner to represent all pensioners and one person to represent staff that our existing employee representative on the Committee does not represent. An alternative option would be for the employee side representatives to also represent all classes of pensioner.

We have held an Annual general meeting (AGM) for the past five years and all stakeholders are invited to attend the meeting.

Bi-annually a meeting is held with admitted and scheduled bodies, and is chaired by the Chair of Pensions Committee.

Pensions Committee meets six times per annum plus any special meetings.

We plan to have representation of all stakeholders at Pensions Committee as soon as possible and not to have a secondary committee or panel.

Principle G – Access

a)	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Fully compliant**

Equal access is given. This will be applied for additional stakeholder representatives that will sit on pensions Committee as soon as possible.

Principle H – Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**Fully compliant**

Wider scheme issues are also part of the Council's governance arrangements. Some pensions matters are dealt with by General Purposes Committee regarding determining the Council's policies as Employing Authority and determining the terms of release of Chief and Deputy Chief Officers aged 50 or over and made redundant or retired early with a claim on the pension scheme.

Principle I – Publicity

a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Partly compliant**

Our current Governance Policy Statement has been properly shared with stakeholders; it has been approved by Pensions Committee, copied to our admitted and scheduled bodies, seen by the trade union representative that is a member of Pensions Committee and is published on Harinet.

The creation of a pensions page on the Haringey Web site will widen scope for all stakeholders to access this document.

Our proposed first Governance Compliance Statement is appended for approval and will be shared with stakeholders.