



**Pensions Committee      On 01 December 2009**

Report title: **Annual Pension Fund Report for the year ended 31 March 2009**

Report of: **Chief Financial Officer**

**Ward(s) affected:** All

**Report for:** Decision

**1. Purpose**

1.1 To present the statutory Annual Pension Fund Report for the year ended 31 March 2009.

**2. Recommendations**

2.1 That Pensions Committee adopt the Annual Pension Fund Report for the year ended 31 March 2009.

**Report authorised by: Gerald Almeroth – Chief Financial Officer**

**Contact officer: Colin Duck – Corporate Finance**  
Telephone 020 8489 3731

**3. Executive Summary**

3.1 The attached Annual Pension Fund Report for the year ended 31 March 2009 is submitted for adoption by the Pensions Committee in accordance with statutory requirements.

#### **4. Reasons for any change in policy or for new policy development (if applicable)**

- 4.1 The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2007 requires that separate annual reports and audit statements are required for the Annual Report of the Pensions Fund.

#### **5. Local Government (Access to Information) Act 1985**

##### **The following background papers were used in the preparation of this report:**

- 5.1 Reports of Chief Financial Officer to Pensions Committee on 18 June 2009 and 17 September 2009.

#### **6. Background**

- 6.1 In accordance with the Audit Commission's statutory Code of Practice for Local Government bodies it is now necessary to produce a separate Annual Pension Fund Report. Pensions Committee has previously considered the Annual Governance Report of Grant Thornton and agreed a presentational amendment to the accounts.

#### **7. Financial Implications**

- 7.1 There are no direct financial implications arising from the recommendations in this report.

#### **8. Recommendations**

- 8.1 That the Committee adopt the Annual Pension Fund Report for the year ended 31 March 2009.

#### **10. Head of Legal Services comments**

- 10.1 The Head of Legal Services has been consulted on the content of this report and the attached Annual Pension Fund Report 2008/09 and has no specific comment to make.



**Haringey** Council

Annual Pension Fund Report

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**For the year ended** 31 March 2009

Scheme Registration Number:	00329316RX
Administering Authority:	London Borough of Haringey
Secretary to the Committee:	Head of Local Democracy and Member Services
Scheme Administrator:	Chief Financial Officer
Actuary:	Hymans Robertson
Investment Managers:	Alliance Bernstein Capital International Fidelity ING Pantheon Legal & General (no funds allocated)
Custodian:	Northern Trust
Investment Consultants:	Hymans Robertson (until 31 July 2008) Hewitt (from 1 August 2008)  Howard Jones - Independent Advisor to Trustees
Bankers:	Royal Bank of Scotland
Legal advisors:	Head of Legal Services
AVC providers:	Equitable Life Assurance Society Prudential Assurance Clerical and Medical
Independent Auditors:	Grant Thornton UK LLP

# Index

	<b>PAGE</b>
Report of the Pensions Committee	3
Investment report	9
Principal accounting policies	15
Fund account	17
Net assets statement	18
Notes to the financial statements	19
Actuarial Statement	27
Report of the independent auditor	29

Pensions Committee presents its report and the audited financial statements of the Scheme for the year ended 31 March 2009. The financial statements have been prepared and audited in accordance with regulations under the Audit Commission Act 1998.

### Nature of the scheme

The Scheme is a defined benefit Scheme and was established on 1 April 1965 to provide retirement benefits to all eligible employees of Haringey Council. Certain other organisations also participate in the Scheme, and are summarised below:

Organisation name	Participation type
Haringey Age Concern	Admitted
Alexandra Palace Trading Co	Admitted
Enterprise Futures London Ltd	Admitted
Urban Futures London Ltd	Admitted
Haringey CAB	Admitted
Mitte Ltd	Admitted
CONEL	Scheduled
Greig City Academy	Scheduled
Homes for Haringey	Scheduled
John Loughborough Ltd	Scheduled
TLC Ltd	Admitted
One Complete Solution Ltd	Admitted
Fortismere School	Scheduled
RM Education Ltd	Admitted

The Scheme is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004, and is contracted-out of the State Second Pension (S2P).

Management of the Scheme - Pension Committee ("The Committee")

The overall responsibility for administering the Scheme is that of the Committee, the members of which are set out below. The day-to-day running of the Scheme has been delegated to the Chief Financial Officer.

The Committee consists of seven elected Councillors, Quasi-Trustees, with full voting rights and three representatives. Trustees are selected by their respective political Groups, and their appointment is confirmed at the next meeting of the full Council. They are not appointed for a fixed term but the membership is reviewed regularly by the political groups. The three representatives are appointed by their peer groups and generally serve for a period of one year. The constituency of the Pensions Committee for 2008/09 is as follows:

Name	Status
Cllr Gmmh Rahman Khan	Trustee-Chair of Pensions Committee
Cllr Sheik G L Thompson	Trustee (appointed 19 May 2008)
Cllr Charles Adje	Trustee
Cllr Dhiren Bssu	Trustee
Cllr Toni Mallett	Trustee (until 19 May 2008)
Cllr Ron Aitken	Trustee (until 19 May 2008)
Cllr David Beacham	Trustee
Cllr Ed Butcher	Trustee
Cllr Richard Wilson	Trustee
David Fishman	Pensioner representative (appointed 24 July 2008)

Roger Melling	Employee representative
Earl Ramharacksingh	Admitted and Scheduled Bodies representative (appointed 18 September 2008)

### **Committee Meetings**

Committee meetings are generally held 6 times a year. In the year under review the Committee met on 8 occasions.

### **The Chief Financial Officer's Responsibilities**

The financial statements are the responsibility of the Chief Financial Officer. Pension scheme regulations require that audited financial statements for each Scheme year are made available to Scheme members, beneficiaries and certain other parties, which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and
- contain the information specified in the Local Government Pension Scheme Regulations 1997 (As Amended), including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Chief Financial Officer has supervised the preparation of the financial statements and has, agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Chief Financial Officer is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Chief Financial Officer is responsible for ensuring that records are kept in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Administering Authority and other participating bodies by the due dates.

The Chief Financial Officer is responsible for the maintenance and integrity of the financial information of the Scheme included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Chief Financial Officer also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

### **Changes to the Scheme Rules**

There have been no changes in the Scheme rules during the year.

**Increases in benefits**

Otherwise than in accordance with legislative requirements, there were no increases to benefits in payment in the year.

**Membership**

There were 6,820 active (2008: 6,954), 6,122 (2008: 5,487) deferred members, and 5,771 (2008: 5657) pensioners and dependents receiving benefits.

**Financial development of the Scheme**

The financial statements on pages 15 to 26 show that the value of the Scheme's assets decreased by £117.6m to £487.5m as at 31 March 2009. The decrease in the value of the fund was due to a decrease in the market value of investments (£142.9m), partially offset by £10.7m of non-investment income (mainly employee and employer contributions) exceeding expenditure (mainly the cost of pension benefits) and £14.6m of income from investments (net of management expenses and taxation)

Further details of the financial development of the Scheme may be found in the audited financial statements on pages 15 to 26.

**Actuarial position**

The Scheme is independently valued every three years by a firm of actuaries to assess the adequacy of the Scheme's assets to meet its long term obligations.

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2007 in a report dated 20 March 2008.

The 2007 valuation was carried out in accordance with the Funding Strategy Statement and Guidelines GN9: Retirement Benefits Schemes – Actuarial reports published by the Institute of Actuaries. The valuation method used was the projected unit method. The resulting contribution rates reflected the cost of providing year-by- year accrual of benefits for the funded members and the level of funding for each employer's past –service liabilities.

The market value of the Fund at the time of the last triennial valuation as at 31 March 2007 was £620m. Against this sum liabilities were identified of £798m equivalent to a funding deficit of £178m. The movement in the actuarial deficit / surplus is analysed below:

**Reason for change**

	<b>£'m</b>
Interest on surplus	(37)
Investment returns higher than expected	99
Change in demographic assumptions	(24)
Experience items	37
Change in financial assumptions	(71)
Total	<u>4</u>
 (Deficit) brought forward	 <u>(182)</u>
 (Deficit) carried forward	 <u><u>(178)</u></u>



The level of funding on an ongoing funding basis has increased from 69 per cent to 77.7 per cent between the triennial actuarial valuations as at end of March 2004 and as at end of March 2007. The main reasons for the increase in the funding level are an improvement in investment earnings and value, and planned stepped increases in employer's contributions since 2004.

The funding policy of the Scheme is to be fully funded. As this policy had not been achieved at the valuation date it has been agreed with the actuary that the past service deficit will be recovered over a period not exceeding 20 years. This maximum recovery period is considered prudent for a statutory body with tax raising powers. Concerning the identified past service deficits of the admitted and scheduled bodies (with the exception of Best Value Admission Bodies) these are to be recovered over the expected future lifetime of the remaining scheme members. Past service deficits in respect of Best Value Admission Bodies should be recovered over the period of the employer's contract. The main economic assumptions are set out below.

Following the valuation as at 31 March 2007, the actuary agreed that the Council's contribution rate can remain at the 2007/08 rate of 22.9 per cent of pensionable salaries. The 2008/09 contribution rate is split 8.8 per cent between the past service adjustment to fund the deficit over 20 years and the future service rate of 14.1 per cent.

The actuary has recently undertaken an interim actuarial valuation. The funding level has reduced to 53 per cent as at 31 March 2009 and improved to 58 per cent as at 8 May 2009.

The above deterioration is largely due to the fall in the funding level mainly because investment performance was lower than expectations due to stock market volatility.

The actuary does not propose to revise the minimum level of employer contribution rates as a result of this funding update even though the position has worsened significantly.

The Actuary advises that there is no power in the LGPS regulations to increase employer's contributions between triennial valuations due to market conditions (other than for admitted bodies whose admission agreement is to end soon)

The need for any changes to the contribution rate will be fully assessed as part of the triennial valuation as at 31 March 2010. Results will be available by early 2011.

The main assumptions used in the 2007 valuation were:

<b>Investments</b>	<b>Annual nominal rate of return</b>
	<b>%</b>
Equities	6.5
Bonds	4.9
<b>Rate of pensionable salary increases (excluding increments)</b>	<b>Annual change</b>
	<b>%</b>
Compound	4.7
RPI/pension increases	3.2

**Advisors**

From time to time the Committee reviews its advisors. During the year a review was undertaken into the provision of actuarial services and the provision of investment advice. Following tendering, Hymans Robertson were retained as the Scheme actuary but were replaced as the investment advisor. Hewitt were appointed as investment advisors with effect from 1 August 2008.

A complete list of all scheme advisors may be found at the front of this report.

**Disputes and queries**

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, an Internal Disputes Resolution Procedure has been established. In the first instance, members are expected to take up matters with the Pensions Manager, Ian Benson at the following address: Level 2, Alexandra House, 10 Station Road, Wood Green, London, N22 7LR. If the matter remains unresolved, a stage 1 appeal may be made to Steve Davies, Head of Human Resources and thereafter, if necessary a further appeal may be made to David Burn, Senior Lawyer, Legal Services.

If the problem remains unresolved, members then have the facility to refer the matter to The Pensions Advisory Service (TPAS) which has a network of pension advisers who will try to resolve problems before they are referred on to the Pensions Ombudsman. However, the TPAS service may be invoked at any stage of the appeal process. Both TPAS and the Pensions Ombudsman can be contacted at:

11, Belgrave Road  
London  
SW1V 1RB

The statutory body responsible for the regulation of pension schemes in the United Kingdom is The Pensions Regulator (tPR) and can be contacted at the following address:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

A central tracing agency exists to help individuals keep track of deferred pension entitlements from previous employers' pension schemes. An application for a search can be submitted to:

Pension Tracing Service  
The Pension Service  
Whitley Road  
Newcastle upon Tyne  
NE98 1BA

The Scheme has registered its details.

**Further information**

For information about the Scheme generally, further information about resolving disputes, or an individual's entitlement to benefit, please / refer to the member's booklet issued to all members of the Scheme or contact the Pensions Team, 2<sup>nd</sup> Floor, Alexandra House, 10

Station Road, Wood Green, N22 7TR / telephone 020 8489 5919 / refer to the Council's website: [www.haringey.gov.uk/pensionfund](http://www.haringey.gov.uk/pensionfund)

Additionally, members are entitled to inspect copies of documents giving information about the Scheme which can be found on the Council's website as above.

- The Statement of Investment Principles explains how the Committee invests the money paid into the Scheme;
- The full report on the Actuarial Valuation following the actuary's examination of the Scheme's funding position as at 31 March 2007;
- The Funding Strategy Statement sets out a prudent long-term approach to meeting the funds liabilities.
- The Governance Compliance Statement seeks to make the administration and stewardship of the scheme more transparent and accountable to stakeholders.
- The communications policy sets out a framework within which the Council will communicate with Scheme members and employers.
- The Scheme's handbook (you will have been given a copy when you joined the Scheme, but we can let you have a copy of the current booklet);
- Annual Benefit Statement - if you are not receiving a pension from the Scheme (and have not received a benefit statement in the previous 12 months), you can ask for a statement that provides an illustration of your likely pension.

On behalf of the Committee

**Catherine Harris**  
(Chair)

## Investments

The overall management of the Scheme's investments is the responsibility of the Committee. However, the day-to-day execution of investment related transactions has been delegated to the fund managers listed at the front of this report. The overall strategy of each of the fund managers is set out below:

	<b>Mandate</b>	<b>Benchmark return/index</b>	<b>Target over 3 year rolling periods</b>
Capital International	Global Equity	Customised	+2% (gross) of fees p.a.
Capital International	Bonds	Customised	+1% (gross) of fees p.a.
Fidelity Pensions Management	Global Equity	Customised	+1.7%(gross) of fees p.a.
Fidelity Pensions Management	Bonds	Customised	+0.6% (gross) of fees p.a.
Alliance Bernstein	UK Equities	FTSE All Share	+2 % (gross) of fees p.a.
Alliance Bernstein	Global Equity	MSCI World Index HSBC/APUT Balance	+3% (gross) of fees p.a.
ING Real Estate	Property	Funds Index MSCI World Index +	+1 % (gross) of fees p.a.
Pantheon Private Equity	Private Equity	5%	+0.75% (gross) of fees p.a.

This strategy is formalised in a statement of investment principles which has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. The investment principles were consistently applied during the year.

The investment strategy has remained unchanged since the prior year.

At the year end, the asset allocation, compared to the Statement of Investments Principles was as follows:

<b>Asset class</b>	<b>Asset allocation %</b>	<b>Target Allocation per SIP %</b>
UK Equities	25.0	30.5
Overseas Equities	37.3	34.5
UK Index linked Bonds	7.3	6.0
Property	7.3	10.0
Private Equity	2.5	5.0
UK Fixed Interest Bonds	9.1	7.0
Corporate Bonds	11.5	7.0
Total	<b>100.0</b>	<b>100.0</b>

## Investment performance

The performance of the investment managers is reviewed periodically at Committee meetings. The Committee meets with each of the core fund managers four times each year. Meetings with the Property and Private Equity managers are held annually.

The percentage return on the Scheme's investments, on an annualised basis, compared to the targets is set out below. Performance data reflects the returns achieved on the current investment strategy which was largely implemented in March 2007. Regarding investments made in Pantheon's private equity funds, performance numbers received from the custodian are included in fund aggregate figures but are not shown separately as they are not meaningful until a significant proportion of the allocation to this asset class has been invested.

**Investment performance to 31 March 2009**

	<b>Absolute fund performance over 1 year %</b>	<b>Absolute annualised fund performance over 2 years %</b>
Alliance Bernstein - UK Equity	(39.20)	(26.60)
Alliance Bernstein - Global Equities	(33.31)	(22.38)
Capital - Equities	(23.66)	(14.83)
Capital - Bonds	1.05	1.24
ING - Real Estate	(30.13)	(19.46)
Fidelity - Bonds	(1.30)	1.61
Fidelity - Equities	(21.61)	(12.82)
Pantheon - Private Equity	n/a	n/a
<b>Total Fund Performance</b>	<b>(21.65)</b>	<b>(13.60)</b>

	<b>Performance target for 1 year %</b>	<b>Annualised performance target over 2 years %</b>	<b>Annualised performance versus target (under)/over 1 year %</b>	<b>Annualised performance versus target (under)/over 2 years %</b>
Alliance Bernstein - UK Equity	(27.33)	(17.25)	(11.87)	(9.35)
Alliance Bernstein - Global Equities	(17.38)	(15.82)	(15.93)	(12.56)
Capital Equities	(20.80)	(11.29)	(2.86)	(3.54)
Capital Bonds	1.22	(3.78)	(0.48)	(2.54)
ING - Real Estate	(26.12)	(18.55)	(4.01)	(0.91)
Fidelity - Bonds	1.37	3.31	(2.67)	(1.70)
Fidelity - Equities	(21.13)	(11.80)	(0.48)	(1.02)
Pantheon - Private Equity	n/a	n/a	n/a	n/a
<b>Total Fund</b>	<b>(17.70)</b>	<b>(9.69)</b>	<b>(3.95)</b>	<b>(3.91)</b>

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 managers invest in 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. The fund management fees paid in 2008/09 amounted to £3.265m (2007/08: £2.247m)

A detailed review of the investment performance of the investments held in the year is set out below:

## **Bernstein**

### **UK and Global equities**

Pensions Committee on 30 April 2009 agreed to cease using Alliance Bernstein and to move the UK and Global equities managed to the new passive manager, Legal and General (L&G), as soon as possible pending completion of a tendering exercise to appoint a new active Fund Manager. Transfer of assets to L&G is taking place in the second half of June 2009

## **Capital International**

### **Equities**

Global stock markets tumbled during the reporting period, losing more than a fifth of their value. This followed on from the US mortgage market crisis that began in early in 2007 when a loss of investor confidence in US sub prime mortgage-backed bonds spread to all securitised debt and structured investment vehicles. The credit crisis accelerated in 2008 as credit evaporated, investment banks went bust, housing and consumer spending slumped and automakers were pushed to the brink of failure. The US, UK, Japan and the euro zone were all in recession by the end of the period. Crude oil rose to a record US\$145 a barrel in the summer of 2008 then fell back well below US\$50 a barrel, easing the pressure on consumers. The US dollar rose against most major currencies, retaining its safe haven status, while sterling fell against most major currencies.

In the Haringey portfolio over the year ending 31 March 2009, stock selection was the main detractor on results while sector and country allocation was broadly positive. In particular, stock selection in financials was the biggest detractor to relative returns, though this was partly offset by the underweight position in the sector as financial stocks plunged. Positions held in Royal Bank of Scotland along with the US mortgage finance companies Fannie Mae and Freddie Mac were the largest negatives. Within the consumer services sector, media stocks such as Yell and Gannett also weighed on returns during the period. On the positive side, exposure to emerging markets via the Capital International Emerging Markets Fund was beneficial to overall returns as this fund performed strongly despite emerging markets being the worst affected region during most of 2008.

Capital made changes to both the management of its global institutional business and to some of its investment teams in order to address the underperformance during the last few years. Results during the second half of this review period indicate the changes have had a positive effect.

## **Capital International**

### **Bonds**

During 2008, developed market government bonds outperformed corporate debt as investors retreated from riskier securities amid a financial crisis that at one point threatened to devastate the banking system and tip the global economy into a deep recession. Investors holding bonds rather than equities experienced better returns during this period of economic recession.

Returns for sterling-based investors investing overseas were boosted with the weakening sterling. Faced with an unprecedented deterioration in the health of the banking industry and a sharp contraction in economic activity, fiscal and monetary authorities implemented a series of drastic and unconventional measures in late 2008 to prevent a protracted slump. Interest rates were slashed to historic lows in the US, UK and the euro zone and measures designed to increase the supply of money – known as quantitative easing – were adopted by the Bank of England and the US Federal Reserve.

Mounting evidence that the recession might prove to be longer than initially forecast coupled with worries over a pick-up in default rates on corporate bonds weighed on sentiment in the credit markets over much of the period. The less cyclical utilities sector outperformed while financials saw the heaviest falls. The first quarter of 2009 saw investors make a cautious return to corporate debt: the primary bond market was especially lively, playing host to a flurry of new deals from all regions and sectors.

Absolute returns from UK corporate bonds were negative on portfolio returns but compared favourably with those of the benchmark. However, the portfolio's preference to invest more in corporate bonds than government issued debt was detrimental to absolute returns for much of this period until the recovery in corporate debt in early 2009. The decision to be below benchmark weight in inflation-linked bonds was unhelpful for the first part of this period as inflation continued to rise but a fall in inflation levels as global economic growth slowed down dramatically in the second half of this period was beneficial to returns. Holdings in global investment grade and high yield bonds (via two pooled funds) was also a good decision.

## **Fidelity**

### **Equities**

Global equities fell over the 12 months to March 2009 as the financial turmoil, which began with US mortgage defaults in 2007, plunged major economies into recession. The crisis reshaped the banking landscape, with several financial institutions failing or requiring the infusion of government funds, and prompted several countries to rethink their monetary policies. The pace of decline, however, slowed in the first quarter of 2009, as governments' efforts to revive the global economy and some unexpectedly strong data on the US economy provided support. Against this backdrop, Japan declined the least in sterling terms; its performance was also aided by a rise in the value of the yen. Equities in the traditionally defensive US market, Pacific ex-Japan, emerging markets, the UK and Continental Europe followed.

### **Bonds**

UK government bonds (gilts) ended higher over the 12 month review period, buoyed by significant cuts in base rates and on uncertainty about the severity of the economic slowdown and the financial crisis. Rising inflationary risks, led by higher oil prices triggered a change in expectations for higher interest rates for a brief period. However, the period saw the failure of several prominent financial institutions including Lehman Brothers thereby prompting the UK government to increase its equity stake in several High Street banks. Nevertheless, credit spreads widened dramatically and volatility soared across markets. On the macroeconomic front, headline inflation continued to decline from its high of 5.2% in September. Hit by the global financial market turmoil, collapse of the domestic housing market and contraction in demand, the UK economy slipped into a recession. Deteriorating economic outlook, coupled with weakness in the financial markets, led the Bank of England to lower interest rates to 0.5% and embark on an aggressive quantitative easing program to the tune of £75 billion aimed at reviving the economy. Against this backdrop, government debt outperformed corporate bonds. High-yield bonds were the worst performers.

All major government bond markets generated positive returns over the last one year, buoyed by significant cuts in base rates and uncertainty about the severity of the economic slowdown and the financial crisis. The review period was marked by a shift from rising inflationary pressures to slowing growth globally. Although the rescue of Bear Stearns prompted a brief recovery in credit earlier in the period, spreads widened significantly as the credit market crisis intensified amid unprecedented events including bank failures and bailouts by governments. Nevertheless, short-term money market rates eased by the end of the period following several government measures which helped improve liquidity in key segments of the market. In view of slowing economic growth and receding inflationary pressures, central banks of key economies, particularly, the US and the UK, significantly lowered interest rates to close to zero. Moreover, to thaw the credit markets, governments embarked on a quantitative easing program by buying government bonds. Against this backdrop, investment-grade bonds underperformed government debt while high-yield was the worst performing fixed-income asset class.

## ING

The portfolio under-performed the new Investment Target principally for two reasons:

An overweight position relative to the new benchmark to the retail warehouse and central London office sectors:

These have underperformed the wider market: The Manager was targeting an exit from the central London office market in 2009, which was in line with its forecasts of office supply increases, however the market fell much earlier, faster and harder than anticipated with the almost complete drying up of demand for space caused by the credit crunch. Rental growth from the retail warehouse sector had been the strongest and investment yields had been bid down to reflect this. The impact of the economic slowdown with marked softening of both retailer and investor demand has led to a rapid rise in yields and therefore drop in values. This particular impacted on the lower yielding sectors such as retail warehousing.

- i) The manager recommended that the benchmark for the portfolio be changed from the original benchmark (IPD All Pooled Funds Index) to a newer benchmark namely the IPD All Balanced Funds Index. This recommendation was because the old benchmark was seen as containing too much risk relative to the Pension Fund's risk/return requirements. In particular the level of gearing in the underlying funds that made up the benchmark had become skewed to particular sectors such as shopping centres and retail warehouses. To continue tracking such an index was perceived as too high a risk.
- ii) When the recommendation to change benchmarks and hence strategies was made the manager anticipated that it would take circa 12 months to re-balance the portfolio into line with the new benchmark. In reality the large falls in value and extreme market illiquidity meant that even after 24 months the portfolio had yet to be fully re-balanced. The result is that during the last two years the portfolio has suffered from higher gearing than the new benchmark and whilst it has out-performed the old benchmark it has under-performed the new benchmark.

## Custodial arrangements

The Council employs Northern Trust to act as custodian of the Scheme's investments. As professional custodians, they employ a rigorous system of controls to ensure safekeeping of assets entrusted to them. The custodian is responsible for the settlement of all day-to-day investment transactions, collection of investment income, and the safe custody of the investments custody with the Scheme's bankers.



A good source is the [journal article](#) of [Mason, 2010](#).

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### **Basis of Preparation**

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2007 (As Amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2008, having regard to the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007). 'The SORP (May 2007)'.

The principal accounting policies of the Scheme are set out below.

The SORP (May 2007) is being adopted for the first time this year, which has required certain changes to be made to the disclosures in the accounts summarised below: The previous years accounts only need to be restated if changes are material.

- investments that were valued using the mid-market prices are now required to be valued at bid prices;
- derivatives are required to be valued at fair value. These were previously accounted for by using an effective economic exposure basis;
- new classifications of Employer contributions have been established;
- direct transaction costs are required to be separately disclosed.

The purpose of these changes is to provide a fairer reflection of the balances and transactions in the accounts. Unless the change in presentation is material:

- changes to comparative figures have not been made but there have been some reclassifications made particularly in respect of the analysis of investments (see note 8);
- opening balances to the net asset statement have not been re-stated;
- no comparative figures are provided for information being disclosed for the first time;
- where the impact on Fund Account items, has resulted in re-analysis of the comparative figures, no explanation is given.

This approach is in accordance with the SORP (May 2007).

### **Fund account**

The following items are included on the accruals basis as follows:

Employer normal contributions - amounts relating to wages and salaries for the Scheme year.

Employer additional contributions - amounts receivable in accordance with actuarial advice.

Member normal contributions - amounts deducted from wages and salaries during the Scheme year.

Benefits - amounts due in respect of the year.

Dividends - accrued by reference to the ex-dividend date.

Withholding tax - accrued on the same basis as the income to which it relates.

Rent - amounts earned in accordance with the terms of the lease during the year.

Interest on fixed interest investments, index linked securities, cash and short-term deposits are accounted for on an accruals basis.

Income from derivatives contracts is recognised as follows:

- Futures contracts - All realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis;
- Forward foreign exchange contracts - All realised and unrealised gains and losses are included within change in market value. All interest receivable is accrued on a daily basis.

Transfers in and out - accounted for when the transfer value is paid or received.

Administrative expenses - amounts payable in respect of the year.

### **Investments**

Investments are stated at fair value on the final working day of the accounting year as follows:

- Listed securities are stated at bid value. Previously listed securities were shown at mid value. As the change in valuation methodology is not material, the 2007/08 values have not been restated (see note 8).
- Unquoted securities are stated at the estimate of fair value provided by the investment manager.
- Units in managed funds and pooled investment vehicles are stated at bid value

Derivatives are valued at fair value as follows:

- Futures contracts are valued at the relevant exchange prices at the accounting date.
- Forward foreign exchange contracts are valued by establishing the gain or loss that would arise on closing out the contract at the accounting date by entering into an equal and opposite contract on that date.

### **Additional voluntary contributions (“AVCs”)**

Members of the Scheme are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in.

Further details about the AVC arrangements are disclosed in note 15 to the financial statements.

Members participating in these arrangements each receive an annual statement made up to 31 March (Prudential and Clerical and Medical) or 5 April (Equitable Life) confirming the amounts held to their account and the movements in the year.

## Fund account

Pension Fund Account	Note	2008/09 £'000	2007/08 £'000
<b>Contributions and benefits</b>			
Contributions receivable	1	(44,239)	(41,332)
Transfers in	2	(2,562)	(5,418)
Other income		0	(5)
		<hr/>	<hr/>
		(46,801)	(46,755)
Benefits payable	3	28,846	26,696
Payments to and on account of leavers	4	6,612	4,484
Administrative expenses	5	673	595
		<hr/>	<hr/>
		36,131	31,775
<b>Net additions from dealings with members</b>		<hr/> <b>(10,670)</b>	<hr/> <b>(14,980)</b>
<b>Returns on investments</b>			
Investment income	6	(18,339)	(18,026)
Change in market value of investments	8	142,861	45,083
Taxation	7	197	254
Investment management expenses	9	3,541	2,605
		<hr/>	<hr/>
<b>Net returns on investments</b>		<hr/> <b>128,260</b>	<hr/> <b>29,916</b>
<b>Net decrease in the fund during the year</b>		<hr/> <b>117,590</b>	<hr/> <b>14,936</b>
<b>Net assets brought forward as at 1 April 2008</b>		<hr/> <b>(605,103)</b>	<hr/> <b>(620,039)</b>
		<hr/>	<hr/>
<b>Net assets carried forward as at 31 March 2009</b>		<hr/> <b>(487,513)</b>	<hr/> <b>(605,103)</b>

## Net assets statement

	Note	2008/09 £000	2007/08 £000
Investment assets	8	<u>482,291</u>	<u>600,141</u>
Current assets	10	5,916	5,456
Current liabilities	11	<u>(694)</u>	<u>(494)</u>
		<b>5,222</b>	<b>4,962</b>
		<hr/>	<hr/>
<b>Net assets as at 31 March</b>		<b><u>487,513</u></b>	<b><u>605,103</u></b>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations is dealt with in the Statement from the Actuary on pages 27 to 28, and these financial statements should be read in conjunction with it.

The financial statements for 2008/09 were approved by Pensions Committee on 1 December 2009.

Committee Member

Committee Member

1	Contributions receivable	<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Employers' normal contributions	33,015	31,896
	Employers' deficit funding contributions	66	125
	Employers' other contributions	900	523
	Members' normal contributions	10,258	8,788
		<b>44,239</b>	<b>41,332</b>

Employers' deficit funding contributions relate to payments by Haringey CAB, Mitte Limited and Alexandra Palace Trading. These are to cover the deficit positions of employers who do not admit new members and whose payroll is thought likely to decrease in the inter-valuation period. Employers' other contributions relate to capital cost payments and cover the cost to the Fund of members awarded early retirement before age 60, or otherwise after 60, but before their normal protected retirement age. Contributions are further analysed as follows:

		<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Administering authority	37,717	34,400
	Scheduled bodies	5,375	5,478
	Admitted bodies	1,147	1,454
		<b>44,239</b>	<b>41,332</b>

2	Transfers in	<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Individual transfers from other schemes	2,562	5,418
		<b>2,562</b>	<b>5,418</b>

3	Benefits payable	<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Pensions	23,603	22,143
	Commutations and lump sum retirement benefits	4,195	3,974
	Lump sum death benefits	1,048	579
		<b>28,846</b>	<b>26,696</b>

Benefits payable are further analysed as follows:

		<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Administering authority	26,410	24,451
	Scheduled bodies	1,470	1,438
	Admitted bodies	966	807
		<b>28,846</b>	<b>26,696</b>

4	Payments to and on account of leavers	<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Refunds to members leaving service	9	13
	Group transfers to other schemes	2,439	0
	Individual transfers to other schemes	4,164	4,471
		<b>6,612</b>	<b>4,484</b>

Group transfers in 2008/09 relate to the transfer of Magistrates Court staff to the London Pensions Fund Authority (LPFA) scheme.

5	Administrative expenses	<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Administration and processing	630	542
	Legal and professional fees	43	53
		<b>673</b>	<b>595</b>

Other than costs disclosed, all administrative costs of running the Scheme are borne by the Administering Authority.

6	Investment income	<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Income from fixed interest securities	535	2,004
	Dividends from equities	9,141	9,743
	Income from index-linked securities	143	535
	Income from pooled investment vehicles	6,743	4,015
	Interest on cash deposits	1,777	1,729
		<b>18,339</b>	<b>18,026</b>

7	Taxation	<b>2008/09</b>	<b>2007/08</b>
		<b>£'000</b>	<b>£'000</b>
	Irrecoverable with-holding tax on investment income	197	254
		<b>197</b>	<b>254</b>

## 8 Investments

	Value at 1 April 2008 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Changes in market value £'000	Value at 31 March 2009 £'000
Fixed interest securities	42,336	44,350	(46,540)	(21,481)	18,665
Equities	259,510	114,546	(111,842)	(91,048)	171,166
Index-linked securities	27,421	9,476	(2,146)	(20,478)	14,273
Pooled investment vehicles	240,542	123,484	(113,232)	(7,281)	243,513
Derivative contracts	0	34	(30)	(4)	0
	<b>569,809</b>	<b><u>291,890</u></b>	<b><u>(273,790)</u></b>	<b>(140,292)</b>	<b>447,617</b>
Cash deposits	25,886			(2,084)	31,852
Other investment balances	4,446			(485)	2822
	<b><u>600,141</u></b>			<b><u>(142,861)</u></b>	<b><u>482,291</u></b>

The changes in market value during the year comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £469k (2007/08: £479k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

The following investments (other than UK government securities) each exceed 5% of the total value of the net assets of the Scheme:

Fidelity Institutional Exempt America OEIC £28.4m (5.7%) and Capital International UK Corporate Bond Fund £26.442m (5.4%).

Investments held at the year end are further analysed as follows:

**Fixed interest securities**

	2008/09 £'000	2007/08 £'000
United Kingdom public sector quoted	18,612	41,876
United Kingdom corporate quoted	53	460
	<b><u>18,665</u></b>	<b><u>42,336</u></b>



**Equities**

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom quoted	87,800	141,412
United Kingdom unquoted	0	59
Overseas quoted	83,180	117,567
Overseas unquoted	186	472
	<b><u>171,166</u></b>	<b><u>259,510</u></b>

**Index-linked securities**

	<b>2008/08</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
United Kingdom quoted	14,141	27,260
Overseas quoted	132	161
	<b><u>14,273</u></b>	<b><u>27,421</u></b>

**Pooled investment vehicles**

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Unit trusts:		
- property	24,674	39,415
- other	37,505	40,983
Other managed funds:		
- property	7,779	9,375
- other	173,555	150,769
	<b><u>243,513</u></b>	<b><u>240,542</u></b>

The managed funds in which the Scheme has invested are all operated or managed by companies registered in the United Kingdom

**Derivative contracts**

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Forward foreign exchange	(4)	0
Futures-Foreign Equities exchange traded	4	0
	<b><u>0</u></b>	<b><u>0</u></b>

A summary of the forward foreign exchange contracts in set our below:-

<b>CURRENCY</b>	<b>BOUGHT £000</b>	<b>SOLD £000</b>	<b>NET ASSET £000</b>
Australian Dollar	41	89	(48)
British Pound Sterling	1,707	430	1,277
Canadian Dollar	2	-	2
Japanese Yen	194	379	(185)
Singapore Dollar	-	8	(8)
Swedish Krona	186	231	(45)
Swiss France	-	997	(997)
	<u>2,130</u>	<u>2,134</u>	<u>(4)</u>

<b>Futures</b>	<b>Expiration</b>	<b>Economic exposure value £'000</b>	<b>Market value £'000</b>
Foreign Equities exchange traded	1 year	155	4
		<u>155</u>	<u>4</u>

Derivative receipts and payments represent the realised gains and losses on futures contracts. The Scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already in the portfolio without disturbing the underlying assets.

The Pension Fund managers are permitted to use certain derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. As at 31 March 2009 the economic value of Futures contracts held was £155k, outstanding margin settlement was £4k. The Pension Fund did not hold any options as at 31 March 2009.

### Cash deposits

	<b>2008/09 £,000</b>	<b>2007/08 £'000</b>
Sterling	30,790	25,067
Foreign currency	1,062	819
	<u>31,852</u>	<u>25,886</u>

**Other investment balances**

	<b>2008/09</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due from brokers		
Outstanding dividend entitlements	1,586	3,368
Interest received/receivable	1,007	766
Outstanding sales proceeds	3,889	1,328
Unsettled investment purchases	(3,660)	(1,016)
	<hr/>	<hr/>
	<b>2,822</b>	<b>4,446</b>
	<hr/> <hr/>	<hr/> <hr/>

## 9 Investment Management Expenses

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Fund managers fees	3,265	2,247
Custodian fees	139	151
Trustee Advisor fees	85	122
Investment consultant fees	15	17
Other	37	68
	<hr/>	<hr/>
	<b>3,541</b>	<b>2,605</b>
	<hr/> <hr/>	<hr/> <hr/>

## 10 Current assets

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Contributions due from the Administering Authority in respect of the Council	91	87
Contributions due from Admitted Bodies in respect of the employers	55	61
Contributions due from Scheduled Bodies in respect of the employers	71	81
Contributions due from the Administering Authority in respect of members	25	23
Contributions due from Admitted Bodies in respect of members	25	18
Contributions due from Scheduled Bodies in respect of members	15	22
Cash balances	5,489	4,996
Reimbursement of Advisor Fees	8	0
Reimbursement of Fund management expenses (Fidelity)	137	168
	<hr/>	<hr/>
	<b>5,916</b>	<b>5,456</b>
	<hr/> <hr/>	<hr/> <hr/>

All contributions due to the Scheme relate to the month of March and were paid in full to the Scheme within the timescales required by the Scheme Rules.

## 11 Current liabilities

	2008/09	2007/08
	£000	£000
Unpaid benefits in respect of the Administering Authority	289	0
Fund manager and advisor fees	405	494
	<u>694</u>	<u>494</u>

## 12. Contingent assets

There were no contingent assets at 31 March 2009 or at 31 March 2008.

## 13. Contingent liabilities

There were no contingent liabilities at 31 March 2009 or at 31 March 2008.

## 14. Related party transactions

In 2008/09 the Pension Fund paid £0.630m to the Council for administration (£0.542m in 2007/08). As at 31 March 2009 £10.125m was due from the Council to the fund (£4.996m in 2007/08). During 2008/09 four trustees were also members of the Pension Fund. There were no other material related party transactions.

## 15. Additional voluntary contributions ("AVCs")

Separately invested AVCs are held with the Equitable Life Assurance Society, Prudential, and Clerical Medical in a combination of With Profits, Unit Linked or Building Society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions.

Movements by provider are summarised below:

**Equitable Life Assurance Society**

	2008/09	2007/08
	£	£
Value as at 6 April 2008	474,753	519,418
Contributions received	9,046	11,165
Retirement benefits and charges	(40,550)	(101,985)
Change in market value	<u>(19,119)</u>	<u>46,155</u>
Value at 5 April 2009	<u><b>424,130</b></u>	<u><b>474,753</b></u>
Equitable with-profits	230,420	248,917
Equitable Building Society Pension Fund	90,328	86,974
Equitable unit-linked	<u>103,382</u>	<u>138,862</u>
Total	<u><b>424,130</b></u>	<u><b>474,753</b></u>
Number of active members	<u>43</u>	<u>47</u>
Number of members with preserved benefits	<u>18</u>	<u>29</u>

<b>Prudential Assurance</b>	<b>2008/09</b>	<b>2007/08</b>
	<b>£</b>	<b>£</b>
Value as at 1 April 2008	743,097	613,107
Contributions received	177,475	99,023
Retirement benefits and charges	(133,330)	(20,003)
Change in market value	(45,671)	50,970
	<hr/>	<hr/>
Value at 31 March 2009	<b><u>741,571</u></b>	<b><u>743,097</u></b>
Prudential with-profits cash accumulation	490,936	510,672
Prudential Deposit Fund	14,749	16,328
Prudential unit-linked	235,886	216,097
	<hr/>	<hr/>
Total	<b><u>741,571</u></b>	<b><u>743,097</u></b>
Number of active members	<u>97</u>	<u>98</u>
Number of members with preserved benefits	<u>16</u>	<u>16</u>
<b>Clerical and Medical</b>	<b>2008/09</b>	<b>2007/08</b>
	<b>£</b>	<b>£</b>
Value as at 1 April 2008	29,866	26,256
Contributions received	5,948	4,913
Change in market value	(6,154)	(1,303)
	<hr/>	<hr/>
Value at 31 March 2009	<b><u>29,660</u></b>	<b><u>29,866</u></b>
Clerical Medical with-profits	3,459	3,879
Clerical Medical unit -linked	26,201	25,987
	<hr/>	<hr/>
Total	<b><u>29,660</u></b>	<b><u>29,866</u></b>
Number of active members	<u>2</u>	<u>2</u>
Number of members with preserved benefits	<u>2</u>	<u>2</u>

### Actuarial Statement

As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, an actuarial valuation of the assets and liabilities of the London Borough of Haringey Pension Fund ("the Fund") was carried out as at 31 March 2007.

### Security of prospective rights

In my opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, I have assumed that the following amounts will be paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007; and
- Contributions by employers in accordance with the Rates and Adjustments Certificate dated March 2005 for the year ending 31 March 2008. Thereafter, for the three years commencing 1 April 2008, as specified in our Rates and Adjustments certificate dated 20 March 2008.

### Summary of methods and assumptions used

Full details of the method and assumptions are described in our valuation report dated 20 March 2008. The valuation was carried out in accordance with the Funding Strategy Statement.

Copies of these documents are available on request from the London Borough of Haringey, administering authority to the Fund.

My opinion on the security of the prospective rights is based on:

- the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer; or
- the attained age valuation method for employers who were closed to new entrants.

These methods assess the cost of benefits accruing to existing members during:

- the year following the valuation; or
- the remaining working lifetime, respectively

allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the market value of assets.

Since I have taken assets into account at their market value, it is appropriate for me to take my lead from the market when setting the financial assumptions used to value the ongoing liabilities. This ensures the compatibility of the asset and liability valuation bases.

The key financial assumptions adopted for this valuation are as follows:

Financial Assumptions	March 2007	
	% p.a. Nominal	% p.a. Real
Discount Rate	6.1%	2.8%
Pay Increases	4.7%	1.5%
Price Inflation / Pension Increases	3.2%	-

The 2007 valuation revealed that the Fund's assets had a market value at 31 March 2007 of £620 million. These assets were sufficient to meet approximately 78% of the liabilities accrued up to that date.

Individual employers' contributions have been set in accordance with the Fund's Funding Strategy Statement. The deficits for each individual employer are being spread over a period up to a maximum of 20 years.

#### Experience since April 2007

Market conditions since the previous formal valuation have been extremely volatile and the valuation position is likely to have worsened over the period to 31 March 2009. Assets have significantly underperformed relative to the assumptions set at the valuation causing a decrease in assets. In addition a fall in bond yields has increased the value placed on liabilities. My opinion on the security of prospective rights above is dependent upon any increased contributions required being met by employers, although this statement should be read in the context of the statutory nature of the Fund.

Accordingly, this is likely to cause upward pressure on the level of employer contributions if a valuation were carried out at a current date.

The employer contribution rates and Funding Strategy Statement will be reviewed at the next valuation of the Fund, which will be carried out as at 31 March 2010.

Bryan T Chalmers FFA

27 July 2009

For and on behalf of Hymans Robertson LLP

## AUDITOR'S REPORT TO LONDON BOROUGH OF HARINGEY PENSION FUND

Independent auditor's report to the Members of London Borough of Haringey Pension Fund

We have audited the pension fund accounts for the year ended 31 March 2009. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Haringey Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the Chief Financial Officer and auditor***

The Chief Financial officer is responsible for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008. In preparing the pension fund accounts, the Responsible Financial Officer is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts. That information comprises the Statement of Investment Principles, the Funding Strategy Statement, the Communications policy, and the Governance Compliance Statement.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from the audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither



are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the remaining elements of the Pension Fund Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

### ***Basis of audit opinion***

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

### ***Opinion***

In our opinion:

- the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounts.

Paul Dossett  
Senior Statutory Auditor

For and behalf of Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London NW1 2EP