



Haringey Council

Agenda Item

Pensions Committee On 28 January 2010

Report title: **Governance options regarding monitoring of Fund Managers and Business Timetable for 2010/11**

Report of: **Chief Financial Officer**

Ward(s) affected: All

Report for: Decision

1. Purpose

1.1 To present governance options regarding monitoring of Fund Managers and a business timetable for 2010/11

2. Recommendation

2.1 That the Committee consider the options presented and agree a business timetable for 2010/11.

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3. Executive Summary

- 3.1 The Committee are invited to consider the options presented concerning the monitoring of Fund Managers and the business timetable for 2010/11.

4. Head of Legal Services comments

- 4.1 The Head of Legal Services has been consulted on the content of this report. There is some discretion under the relevant statutory frameworks for Authorities to decide upon the specific structure and arrangements that they will adopt to for elected Members to carry out their legal responsibilities for the prudent and effective stewardship of the pension funds under their control. The arrangements and framework must however comply with the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and the statutory guidance covering governance compliance issued by the Secretary of State for Communities and Local Government and also fall within the best practice principles of that guidance and the principles of investment practice within LGPS schemes adopted by CIPFA (The "Myners Principles"). Each of the options set out for consideration in the appendix to the report falls within the statutory framework and best practice principles indicated.
- 4.2 The Authority is under a duty to publish and to keep under review a governance compliance statement by virtue of Regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008. Material changes to the current statement including the delegation of functions, frequency of meetings and representation should be published and a copy sent to the Secretary of State. In doing so the Authority must consult such persons as it considers appropriate.

5. Local Government (Access to Information) Act 1985

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

Report by Hewitt to Pensions Committee in October 2008.

6. Background

- 6.1 The purpose of this report is to consider the best practice options regarding the monitoring of the performance of our Fund Managers and agree a business timetable for 2010/11.

- 6.2 LGPS regulations require that:

- The investment manager must report to the administering authority at least once

every three months on the action taken for them;

- Where an administering authority has appointed an investment manager they must keep their performance under review;
- At least once every three months the administering authority must review the investments investment managers have made;
- Periodically an administering authority must consider whether or not to retain each investment manager;
- In reviewing an investment manager's decisions and appointment, an administering authority must take proper advice.

6.3 It is important for the Committee to have the best balance between time spent reviewing investment strategy and monitoring Fund Managers. In the long run, investment strategy adds most value and is an area of significant importance specifically mentioned in the Myners Principles.

6.4 Currently Pensions Committee meets six times per annum (excluding any special meetings). At four of these meetings Fund Managers attend and two meetings are for other business. Our core Fund Managers (Capital International and Fidelity) attend Pensions Committee quarterly to present their performance and set out their longer term strategies. Our other managers with longer term investments attend annually (ING and Pantheon). Legal & General who passively invest the portfolio formerly managed by Bernstein attend as requested. Currently each fund manager attends Committee for 25 to 30 minutes as the meetings have limited time available.

6.5 The Officers and the Independent Advisor to Trustees meet with our Fund Managers every three months to review performance other than our private equity manager where meetings are held every six months.

7. Options

At the Pensions Committee meeting in October 2008, consideration was given to a report from the Council's external investment advisors Hewitts on best practice options.

7.1 Three best practice options, different from the current arrangements, were identified and are as follows;

1. Refocus of current structure: The Committee continues to hold six meetings per annum but with three dedicated to business and three dedicated to Fund Manager monitoring. In addition the agenda would be more focussed – with more emphasis and time spent on the Fund's investment strategy and monitoring at a Fund level;
2. Use of a Sub Committee: The Committee could delegate some responsibilities to a Sub Committee. This body could either be a standing body or meet when deemed necessary. Elected Members who sit on the Pensions Committee could attend the Sub Committee at any time;
3. Delegating responsibilities to Officers: The Committee could create an

Investment Advisory Panel, to deal with some of the Fund's investment matters. Membership of the Panel could include Officers, Independent Advisor and Investment consultants. Pensions Committee members could attend at any time. The Panel would support the Committee, possibly to include developing investment strategy, monitoring investment managers, monitoring investment management agreements and guidelines, and overseeing the rebalancing of the Fund's strategy. Final decisions would be made by Pensions Committee and the latter could meet less often to quarterly.

- 7.2 Following consideration of Hewitts' report it was felt that OPTION 1 represented the best way forward. The core fund managers would attend twice per annum but with an option of attending more frequently if performance became unsatisfactory. Our other fund managers could attend annually with all being seen at a third meeting. This would then leave three meetings of the Committee available for other matters including reviewing asset allocation and overall investment strategy. However, as there was unprecedented turbulence in financial markets at that time Members agreed that no changes be made to the current arrangements and the matter be reviewed at a future date. The Business timetable (attached as Appendix I) indicates that there is a considerable additional volume of business to be considered by the Committee in the coming year. This additional business is concerned principally with the actuarial valuation as at 31st March 2010 and a full review of the current investment strategy which may result in a number of recommendations to change the current investment management arrangements.

CONCLUSIONS

In order to accommodate the additional business in the coming twelve months, and to maintain robust monitoring arrangements it is proposed that Capital (whose performance continues to cause concern) attend the April meeting, Capital and Fidelity the September meeting, and both core managers (Capital and Fidelity) and the long term managers (Pantheon and ING) at the January 2011 meeting.

The Officers and the Independent Advisor would continue to hold quarterly performance meetings, with Capital International, Fidelity and ING, and a bi-annual meeting with the private equity manager, Pantheon.

8. Recommendation

- 8.1 That the Committee consider the options presented and agree to adopt the pensions business timetable set out as Appendix I.

APPENDIX I

PENSIONS BUSINESS TIMETABLE- 12 MONTHS COMMENCING 15/04/2010

Pensions Committee 15/04/2010	Pensions Committee June 2010	Pensions AGM July 2010	Pensions Committee September 2010	Pensions Committee October 2010	Pensions Committee December 2010	Pensions Committee January 2011
Quarterly Asset Allocation Review-Hewitts	Business Plan 22010/11 including SIP	Guest Speaker	Quarterly Asset Allocation Review - Hewitts	Quarterly Asset Allocation Review - Hewitts	Quarterly Asset Allocation Review-Hewitts	Attendance of Fund Managers-Capital, Fidelity, ING and Pantheon
Capital to attend	Full Review of Investment Strategy (1)	Annual Report 2009/10	Capital and Fidelity to attend	Full Review of Investment Strategy (2)		
	Actuarial Valuation-demographic and statistical assumptions	Pension Fund Accounts for y/e 31/03/2010		Actuarial Valuation – initial indications of 2010 valuation	Final Results of Actuarial Valuation 2010	
Fund Performance Report	Fund Performance Report	Ballot for pensioner representative	Fund Performance Report	Fund Performance Report		
Fund Administration Update	Fund Administration Update		Fund Administration Update		Fund Administration Update	
Report on Pension Fund Bank Account	Pension Fund Financial Statements for y/e31/03/2010, Audit Plan and Budget 2010/11		Annual Governance Plan-statutory report of Grant Thornton			