



**Haringey** Council

Agenda item:

**Pensions Committee**

**On 21 June 2010**

Report Title. **Draft Annual Report and Accounts 2009/10**

Report of **Director of Corporate Resources**

Signed : *J. Palmer* 11/6/10.

Contact Officer : **Nicola Webb – Corporate Finance**  
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Wards(s) affected: **All**

Report for: Non key decision

**1. Purpose of the report**

- 1.1 To consider the draft Annual Report and Accounts for 2009/10 prior to them being subject to external audit.

**2. Introduction by Cabinet Member**

- 2.1 Not applicable.

**3. State link(s) with Council Plan Priorities and actions and /or other Strategies:**

- 3.1 Not applicable.

#### **4. Recommendations**

- 4.1 That the draft Annual Report be approved subject to the review by external audit.
- 4.2 That General Purposes Committee are recommended to approve the draft Pension Fund accounts for 2009/10 subject to external audit.

#### **5. Reason for recommendations**

- 5.1 The Pensions Committee are responsible for approving an annual report prepared in accordance with the Local Government Pension Scheme (LGPS) Administration Regulations.
- 5.2 The Pension Fund accounts are still required to be part of the main Council's accounts and the General Purposes Committee have responsibility for approving them subject to external audit review. Therefore the Pensions Committee are asked to make a recommendation to the General Purposes Committee.

#### **6. Other options considered**

- 6.1 Not applicable.

#### **7. Summary**

- 7.1 The annual report has been prepared in accordance with the LGPS regulations and contains sections on management, investments, administration, funding, financial statements and policy statements.
- 7.2 The accounts show net assets at 31<sup>st</sup> March 2010 of £663.9m, £176.4m higher than the year before. The main reason for the increase was an improvement in the market value of the Fund's investments, due to the rally in global markets.

#### **8. Head of Legal Services Comments**

- 8.1 The Head of Legal Services has been consulted on the content of this report and the annexed Annual Report and Accounts. As the report confirms the Authority is required to publish a pension fund annual report in a specific format annually on or before 1 December of the year following the year end to which the annual report relates. Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008 sets out this requirement and the format in which the report should be published. The annual report annexed to this report complies with the requirements of Regulation 34.

## **9. Equalities & Community Cohesion Comments**

9.1. There are no equalities issues arising from this report.

## **10. Consultation**

10.1. Not applicable.

## **11. Service Financial Comments**

11.1 Although the accounts show an improvement in the market value of investments, the performance of investments is being kept under close review, due to the on-going volatility of markets.

11.2 The funding valuation due to take place this year will determine future employer contribution rates. This has been built into the financial planning process.

## **12. Use of appendices /Tables and photographs**

12.1 Appendix 1: Draft Annual Report and Accounts 2009-10

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

- Accounting working papers

## **14. Background**

14.1 The Local Government Pension Scheme Administration Regulations 2008 require local government pension funds to produce an annual report every year and they set out the contents of such a report. The report is required to be published by 1<sup>st</sup> December each year.

14.2 One of the key components of the annual report is the pension fund accounts for the year. The pension fund accounts are also still required to be part of the Council's main accounts, even though they are now audited separately. General Purposes Committee have responsibility for approving the draft accounts and they are presented to Pensions Committee in advance of General Purposes meeting to enable the Committee to make comments and a recommendation to them.

## **15. Annual Report**

15.1 The annual report has been prepared in accordance with the regulations and includes all the items required.

15.2 The first section of the report sets out what the management arrangements for the Pension Fund were during 2009/10 including the Pensions Committee membership and the Fund's advisers.

- 15.3 The following section covers investments. It sets out the investment strategy operated during the year and the resulting performance. Although the absolute performance was positive in the year at 34.9%, this was 3.1% below the benchmark and 4.7% below the target. A review of the current investment strategy will be taking place during 2010/11.
- 15.4 The administration section follows describing the administration arrangement during the year and reporting on the membership. There are now 15 employers actively participating in the Haringey Fund. There has been an overall increase in scheme members of 2.9% during the year, although the number of active members has fallen slightly.
- 15.5 Funding is the subject of the next section. The results of the last formal valuation are shown, when the Fund was 77.7% funded. The next valuation will be undertaken as at 31 March 2010 with results being ready later in the year.
- 15.6 The Financial report follows – section 16 for details and the appendices are the latest versions of the Pension Fund's policy statements.

## **16. Draft Accounts 2009/10**

- 16.1 The accounts are made up of the Fund Account, which shows income and expenditure during the year, the Net Assets Statement, which shows the Fund's investments and other asset and liabilities at the end of the year and the Notes to the Accounts which provide more detail about the figures.
- 16.2 In the Fund Account, it can be seen that net additions from dealing with members provided additional income of £5.7m compared to 2008/09. The majority of this increase came from transfers in. Transfers in occur when a scheme member transfers service from another pension fund into the Haringey fund when they join. It is therefore by its nature an unpredictable figure and in 2008/09 was low compared to the long term average. Benefits only saw a minimal increase of less than 1% and contributions increased by £1.6m in the year.
- 16.3 The return on investments section saw a large increase of £160m following a £128m loss in 2008/09. Following the strong rally in global markets during the year, the value of the Fund's investments has increased by £151.5m. Note 8 to the Accounts shows that this was mainly in equities and the pooled investment vehicles. Although investment income amounted to £12.1m during the year, this was £6.2m lower than the previous year, due to companies recovering from the global recession and paying lower dividends.
- 16.4 Note 8 to the accounts shows that there was a large (approximately £99m) movement between equities and pooled investment vehicles during the year. This followed the termination of Alliance Bernstein's mandate and

the appointment of Legal & General. Legal & General hold the Fund's assets in pooled vehicles, whereas Alliance Bernstein held the assets in individual stocks.

- 16.5 The resulting position for the Pension Fund was net assets of £663.9m at 31<sup>st</sup> March 2010, this was £176.4m higher than it was on 31<sup>st</sup> March 2009. The table below details the asset classes and the percentages in each at 31<sup>st</sup> March 2009 and 2010 to enable comparison between the two years.

	2009/10 £'000	2009/10 %	2008/09 £'000	2008/09 %
<b>Fixed interest securities</b>				
United Kingdom public sector quoted	16,335	2.6	18,612	4.2
United Kingdom corporate quoted	0	0	53	0.01
	<b>16,335</b>	<b>2.6</b>	<b>18,665</b>	<b>4.2</b>
<b>Equities</b>				
United Kingdom quoted	36,338	5.8	87,800	19.6
United Kingdom unquoted	0	0	0	0
Overseas quoted	85,663	13.7	83,180	18.6
Overseas unquoted	66	0.01	186	0.1
	<b>122,067</b>	<b>19.5</b>	<b>171,166</b>	<b>38.3</b>
<b>Index-linked securities</b>				
United Kingdom Public Sector quoted	16,774	2.7	13,018	2.9
United Kingdom Other quoted	734	0.1	1,123	0.3
Overseas Other quoted	0	0	132	0.03
	<b>17,508</b>	<b>2.8</b>	<b>14,273</b>	<b>3.2</b>
<b>Pooled investment vehicles</b>				
Unit trusts:				
- Property-UK	37,849	6.1	24,674	5.5
- Other-UK	32,202	5.2	26,422	5.9
- Other-Overseas	19,375	3.1	11,083	2.5
Unitised Insurance Policies:				
- UK	108,674	17.3	0	0
- Overseas	27,988	4.5	0	0
Other managed funds:				
- Property-Overseas	7,665	1.2	7,779	1.7
- Other - UK	113,523	18.2	88,393	19.7
- Other- Overseas	121,920	19.5	85,162	19.0
	<b>469,196</b>	<b>75.1</b>	<b>243,513</b>	<b>54.3</b>