



Haringey Council

Agenda item:

Pensions Committee

On 21 June 2010

Report Title. **Business Plan 2010-11**

Report of **Director of Corporate Resources**

Signed : *J. Pave* 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 proposed Pension Fund business plan for 2010-11.

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 proposed Pension Fund Business Plan for 2010-11 be approved.

5. Reason for recommendations

- 5.1 The Pension Fund Business Plan provides direction to members and officers of the activities planned for the coming year.
- 5.2 The Plan incorporates the Pension Fund budget for 2010-11, which enables members to monitor income to and expenditure from the Pension Fund.

6. Other options considered

- 6.1 Not applicable.

7. Summary

- 7.1 It is best practice for a Pension Fund to prepare an annual business plan. This plan sets out the terms of reference for the Pensions Committee, the key activities and the resources available.
- 7.2 The key activities during the coming year will be the investment strategy review and the funding valuation.

8. Head of Legal Services Comments

- 8.1 The Head of Legal Services has been consulted on the content of this report and has no specific comment to make.

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 The Pension Fund budget for 2010-11 is set out in the business plan.

12. Use of appendices /Tables and photographs

- 12.1 Appendix 1: Business Plan 2010-11

13. Local Government (Access to Information) Act 1985

- Haringey Council constitution

Appendix 1

Pension Fund Business Plan 2010-11

1 Introduction

The preparation of a business plan for the Pension Fund is considered by CIPFA to be best practice. This plan sets out who will be involved in its delivery, the key activities for the year, the budget for the Pension Fund and a schedule of reports planned for the year to deliver the plan.

2 Pensions Committee

Pensions Committee are responsible for managing the Local Government Pension Scheme on behalf of Haringey Council and the terms of reference as set out in the Council's constitution are shown below:

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.

The Pensions Committee membership for 2010-11 is:

Elected members

Cllr Richard Watson	Chair of Pensions Committee
Cllr Charles Adje	Vice chair
Cllr Pauline Gibson	Councillor
Cllr Anne Stennett	Councillor
Cllr David Beacham	Councillor
Cllr Jim Jenks	Councillor
Cllr Richard Wilson	Councillor

Representatives

David Corran	Pensioner representative*
Roger Melling	Employee representative
Earl Ramharacksingh	Admitted and Scheduled Bodies representative

* Election of the pensioner representative will take at the Annual General Meeting on 22nd July 2010

3 Key Activities in 2010-11

The Pensions Committee is responsible for a number of different areas of pensions related work. These can be classified into the following:

- Governance
- Investments
- Funding
- Accounting
- Administration

The key activities which are proposed to take place during 2010-11 in each of these areas of work are set out below.

Governance

The key governance items are being presented to this meeting – this business plan and an update of the Statement of Investment Principles. Later in the year the Funding Strategy Statement will need to be reviewed in light of the funding valuation.

Investments

The key activity which is proposed to take place in 2010-11 is a review of investment strategy. The existing strategy was implemented in 2007 with a review date of 2010 set. The Committee will need to revisit its investment objectives and level of risk to determine an investment strategy going forward. The Committee will be advised by the Investment Adviser, the Independent Adviser to the Committee and officers in this review. It is proposed that the majority of the meeting on 14th October is used to formulate the strategy and the meeting be extended and start at 4.30pm to enable a full discussion.

The Committee will need to continue to review the performance of the fund managers operating the current investment strategy. Officers will produce a performance summary report every quarter to assist with this. In addition active equity and bond managers will attend meetings twice during the year and the property and private equity managers once.

The Investment advisers, Hewitts, produce a quarterly asset allocation report for the Committee to consider. The benefits of this need to be reviewed as part of the investment strategy review.

Funding

Local Government Pension Funds are required to undertake a triennial valuation of the Fund on a fixed timetable. A valuation is due as at 31st March 2010 and the Fund actuary will be calculating the funding level at that date and recommending future employer contribution rates. The Fund actuary will report to Committee in the autumn on the results of this work.

Accounting

The 2009-10 Pension Fund accounts are being presented to the 21st June 2010 Committee meeting prior to being audited. The external auditors, Grant Thornton will audit the accounts over the summer and present a report of their opinion and any recommendations to the September 2010 Committee meeting.

Administration

An annual report on administration activity during the year will be presented to the Committee at the end of the year. In addition reports on administration or employer issues will be presented to the Committee as required.

3 Resources

Officers and advisers

The Pensions Committee are supported in their role by officers and professional advisers. The key contacts are:

Director of Corporate Resources	Julie Parker
Head of Corporate Finance	Kevin Bartle
Head of Finance: Treasury & Pensions	Nicola Webb
Pensions Manager	Ian Benson
Investment Advisers	Hewitts Associates Ltd
Fund Actuary	Hymans Robertson LLP
Independent Adviser to the Committee	Howard Jones
External Auditors	Grant Thornton

Budget

The proposed budget for the Pension Fund is set out alongside the final figures for 2009-10.

	2009/10 Outturn £'000	2010/11 Budget £'000
Contributions and benefits:		
Employee Contributions	(10,602)	(10,700)
Employer Contributions	(35,166)	(36,000)
Transfer Values Received	(7,003)	(5,100)
Total income	(52,771)	(51,800)
Pensions and other benefits	29,405	30,000
Transfer values paid	6,328	5,300
Administrative expenses	725	800
Total expenditure	36,458	36,100
Net addition from dealings with members	(16,313)	(15,700)
Returns on Investment:		
Investment income	(12,148)	(15,200)
Taxation	152	190
Investment management expenses	3,549	3,800
Net return on investments	(8,447)	(11,210)

The budget for contributions and benefits is based on values in 2009/10 inflated minimally reflecting the 0% pensions increase rate and the fact salaries and consequently contributions are unlikely to grow in the year.

Transfer values in and out are unpredictable, so have been set at the average level over the last 5 years.

Administrative expenses have been increased to reflect inflation of 3% and the additional fees which will be incurred as a result of this year's valuation of the Fund.

It has been assumed that Investment income will start to move towards the levels seen in years before the recession, so an average of the level in 2009/10 and 2008/09 has been set as the budget for investment income and taxation.

The investment management expenses are related to the market value of the Fund's investments and so have been inflated by the Fund actuary's assumed level of annual investment performance, which is 6.1%.

A monitor of actual income and expenditure against the budget will be undertaken once a quarter and reported to the Committee as part of the Fund performance report

4 Schedule of reporting

The table below shows a schedule of the reports it is planned to submit to Pensions Committee during 2010-11.

Area of work	21 June 2010	16 September 2010	14 October 2010 (4.30pm)	20 December 2010	20 January 2011	12 April 2011
Governance	Business Plan 2010-11					Business Plan 2011-12
	Statement of Investment Principles				Funding Strategy Statement	
Investments		Equity and bond fund managers – Capital and Fidelity to attend		Property fund manager to attend - ING	Equity and bond fund managers – Capital and Fidelity to attend	Private Equity fund manager to attend – Pantheon
		Quarterly Asset Allocation review - Hewitts	Quarterly Asset Allocation review - Hewitts		Quarterly Asset Allocation review - Hewitts	Quarterly Asset Allocation review - Hewitts
		Investment Strategy – initial report	Investment Strategy – discussions	Investment Strategy – final proposals		
	Fund performance report (qtr to 31/03/10)	Fund performance report (qtr to 30/06/10)		Fund performance report (qtr to 30/09/10)		Fund performance report (qtr to 31/12/10)

Area of work	21 June 2010	16 September 2010	14 October 2010	20 December 2010	20 January 2011	12 April 2011
Funding			Initial valuation results – Hymans Robertson	Final valuation results – Hymans Robertson		
Accounting	Draft Annual report and accounts for 2009-10	Annual Governance report – Grant Thornton				
Administration						Review of administration in 2010-11

In addition to the meetings in this table, the Annual General Meeting to which all scheme members are invited will take place on 22nd July 2010. The meeting will include a review of the annual report and the ballot for the pensioner representative to serve on Pensions Committee.