

PENSIONS Annual Report

2010

Introduction from the Chair of Pensions Committee, Cllr Richard Watson



As the newly elected Chair of the Pensions Committee I am delighted to introduce the Annual Report for 2009/10 through giving an overview of key activities over the past year as well as the Fund's performance.

Following the downturn in global stock markets, which saw the Pension Fund's investments decrease by 21.6% during 2008/09, there was positive news in 2009/10. During the year the market value of the Pension Fund's investments increased by 34.9% in absolute returns, which more than made up for the reduction in 2008/09.

This increase was due to global markets positive expectations of recovery in economies around the world following the recessions seen by many in 2008.

Although the Pension Fund had a positive absolute return during 2009/10, the return was 3.1% below the benchmark the Pensions Committee set for the fund managers to achieve. This has been of concern to the Pensions Committee. Fund managers have attended meetings of the Committee regularly throughout the year for committee members to challenge them and to understand the reasons for the underperformance.

The Pensions Committee took action early in 2009/10 to remove Alliance Bernstein, the lowest performing manager, and moved the assets in June 2009 to a passive manager, Legal & General. A passive manager invests in line with a benchmark and therefore takes less risk.

The Pensions Committee continues to monitor performance with the advice of the External Investment Adviser, Hewitts and an independent adviser to the Committee, Howard Jones. This supplements the advice of the Chief Financial Officer.

During the coming year the Committee will be undertaking a complete review of the investment strategy of the Pension Fund. This will enable the

Committee to reconsider the investment objectives for the Pension Fund and the level of risk the Pension Fund should be taking, so that an appropriate strategy can be put in place to achieve the objectives.

This is an opportune time to review investment strategy because the next formal triennial valuation will be conducted by the Pension Fund's actuary in the next few months with the results expected in the autumn. The level of funding as a whole for the Fund was 77.7% as at end of March 2007 at the last triennial actuarial valuation. Although investment performance has been positive this year, the three year performance is not likely to have met the actuary's assumption and will have had a negative impact on the funding level. The Committee will work with officers and the Pension Fund's actuary, Hymans Robertson, to determine the best way to improve the funding level for the future.

As part of the Pension Fund's governance arrangements, representatives of pensioners, active members and of admitted and scheduled bodies took part in Committee meetings throughout the year. A new pensioner representative will be elected at the forthcoming AGM on 22nd July 2010.

For the first time, the external auditors Grant Thornton, undertook a separate audit of the Pension Fund accounts for 2008/09. Previously the audit had been part of the main Council's audit. Grant Thornton reported to the Pensions Committee in September 2009 that the accounts were fairly presented and no material changes were required to the draft set prepared by officers.

Following this, a formal annual report was prepared in accordance with the new requirements of the Local Government Pension Scheme regulations and published on 1st December 2010.

I am looking forward to the challenging year ahead and am confident of being able to report to you next year on some positive actions the Committee has taken in meeting these challenges.

Cllr Richard Watson
Chair of Pensions Committee

2010

PENSIONS Annual Report

Pensions Committee at 31/3/2010

Cllr C Harris (Chair)

Cllr T Mallett

Cllr M Cooke

Cllr E Jones

Cllr D Beacham

Cllr R Wilson

Cllr D Winskill

Cllr M Whyte

D Corran (Pensioner representative)

R Melling (Employee representative)

E Ramharacksingh (Admitted &
Scheduled Bodies representative)

Secretary to the Committee

Head of Local Democracy and
Member Services

Scheme Administrator

Chief Financial Officer

Actuary

Hymans Robertson

Investment Managers

Alliance Bernstein (until May 2009)

Capital International

Fidelity

ING

Legal & General

Custodian

Northern Trust

Investment Consultants

Hewitt Associates Limited

Independent Advisor to the Pensions Committee

Howard Jones

Bankers

Royal Bank of Scotland

Legal advisors

Head of Legal Services

AVC providers

Clerical and Medical

Equitable Life Assurance Society

Prudential Assurance

Internal Auditors

Deloitte & Touche

External Auditors

Grant Thornton UK LLP

Pension Fund Account Summary

	2009/10 £M	2008/09 £M
Employee contributions	10.602	10.258
Employer contributions	35.265	33.981
Transfer values received (where staff change employers)	7.003	2.562
Investment income	11.996	18.142
Other Income	-	-
Total income	64.866	64.943
Pensions and other benefits	29.405	28.846
Transfer values paid	6.324	6.603
Investment management expenses	3.058	3.074
Other expenses	0.730	0.682
Total expenditure	39.517	39.205
Surplus for investment	25.349	25.738
Movement of funds		
Opening net assets	487.513	605.103
Surplus for investment	25.349	25.738
Increase/decrease (-) in value of assets	151.010	(143.328)
Closing net assets	663.872	487.513

Where Fund is invested

	%
United Kingdom	64.5
Europe	12.5
USA and Canada	10.1
Japan	5.7
Other	7.2

Fund Membership

	2008/09	2009/10
Actives	6820	6787
Pensioners	4770	4890
Dependants	1001	1002
Deferred	6122	6473

PENSIONS Annual Report

2010

Top Ten Shares

Security	Percentage of Equities	Market Value £'000
1. BP	2.3	2,763
2. Lloyds Banking Group	2.2	2,694
3. Shell	2.1	2,566
4. Vodafone	2.0	2,476
5. SMC Corp	1.5	1,797
6. Barclays	1.4	1,761
7. Roche Holdings	1.3	1,583
8. HSBC	1.3	1,544
9. E.On	1.2	1,514
10. NTT Docomo	1.1	1,405

Market Value of Investment as at 31.03.2010

	Percentage of Fund %	Market Value £'000
U.K. Equities	5.5	36,339
Overseas equities	12.9	85,728
OEICs	33.6	222,390
Fixed interest securities	2.5	16,335
Pooled investments	37.2	246,806
Index linked securities	2.6	17,508
Cash	5.5	36,199
Other	0.2	1,397
Totals	100	662,702

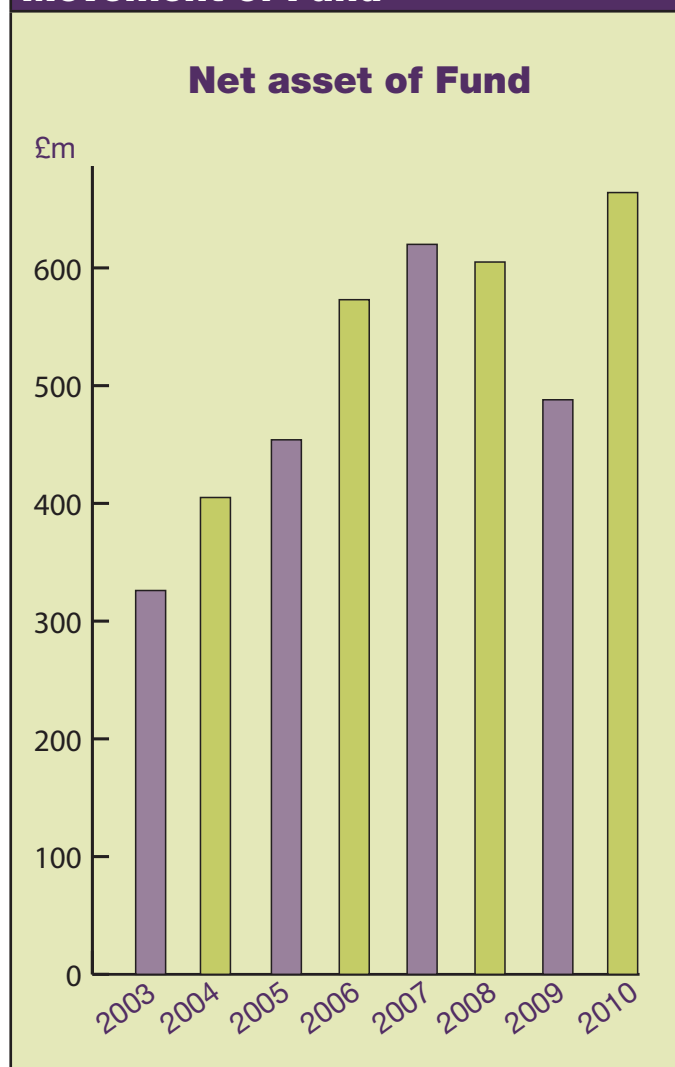
Performance Indicators 2009/10

Retirement Benefits	Target met
Target (5 days)	96.40%
Death Benefits	
Target (20 days)	94.65%
Starters	
Target 30 days	99.29%
Transfers In and Out	
Target (20 days)	89.23%

Employing Bodies with active members

Alexandra Palace Trading Company
 College of North East London
 Enterprise Ltd
 Europa Workspace Solutions Ltd
 Fortismere School
 Greig City Academy
 Haringey Age Concern
 Haringey Citizens Advice Bureau
 Haringey Council
 Homes for Haringey
 John Loughborough School
 Mittie Ltd (Ceased 6th April 2009)
 ONtime Parking Solutions
 RM Education Ltd
 TLC Ltd
 Urban Futures (London) Ltd

Movement of Fund



AN AFFORDABLE LGPS

'We are within the next couple of years going to face significant cuts in public expenditure. Increasing employer contributions, funded by the taxpayer, is not realistic or equitable.

To ensure public pension funds remain sustainable in the longer term that leaves three choices – increasing employee contributions, increasing retirement ages, changing the benefit structure particularly how benefits and pensions are indexed'. (Sir Anthony Meyer Chair London Pension Fund Authority Feb.2010)

These remarks were made at a recent conference held in London. The objective of the conference was to bring together a range of stakeholders to discuss the sustainability of the LGPS and reach a consensus on options for change.

A key speaker at the conference was Brian Stratton the National Secretary of the GMB Union. Brian has accepted an invitation to be the guest speaker at this year's Pension Fund AGM. He will bring a perspective on how the Trades Unions working together with employers and the government can best meet the challenge of reforming the LGPS. **The date of the AGM is 22nd July 2010.**

This year Pensions Officers will be at the Civic Centre from 4pm to answer general questions about the LGPS. There will also be a representative from DWP who will assist with queries about State Scheme Benefits and a representative from our AVC Providers.

AGM Agenda

- Welcome by Chair of Pensions Committee Cllr Richard Watson
- Guest Speaker Brian Stratton National Secretary GMB Union
- Minutes of the last AGM
- Report on the Pension Fund Accounts
- Ballot for Pensioner Member Representative
- Close by Chair of Pensions Committee

A sandwich buffet will be available from 5pm
Venue is the Civic Centre, Council Chamber N22 8LE

New Legislation 2009/10

Summary details of new scheme regulations are published on the Pensions Web Page and on Harinet (see Contacts below). There were important changes to dependant's benefits which are summarised below:

Partners Pensions

Reference to a partner's pension in the Annual Benefits Statements issued to active members in June this year refers to dependent partner pensions. This includes a spouse, a civil partner or a nominated cohabiting partner.

Dependants of Registered Civil Partnerships

Dependant's benefits for members in a Civil Partnership were based on membership from 6th April 1988. This has now changed so that all membership will count in the calculation of a dependant's benefit. This only applies if you were contributing to the LGPS on or after 1st April 2008.

See CONTACTS below for links to more information and a definition of Dependants Benefits.

Nominated Co-habiting Partners

Dependant's benefits for co-habiting nominated partners are restricted to membership from 6th April 1988. **You can elect to buy in pre April 1988 membership but this must be done by 31st March 2011.**

Equitable Life Compensation

The government has announced its intention to compensate contributors to Equitable Life AVCs affected by the collapse of that company. More information will be issued when the details are published.

CONTACTS:

Pensions Team: 020 8489 5916
Fax: 020 8489 3986
Office : Alexandra House, 10 Station Road,
Wood Green N22 7TR
Email: Pensions.Mailbox@haringey.gov.uk
Web page: www.haringey.gov.uk/pensionfund
Online guide: www.lgps.org.uk
Harinet Personnel >Pay and Pensions>Local
Government Pension Scheme