

MINUTES OF A 'SPECIAL' MEETING OF THE PENSIONS PANEL:
5th October 2006

Councillors *Gmmh Rahman Khan (Chair), *Bevan (Deputy Chair),
*Basu, *Beacham, *Butcher, *Davies, *Mallett and *Wilson.
[* Members present]

In attendance: *Howard Jones (Advisor to Trustees) and Roger Melling
(Designated Union Representative).

1. APOLOGIES FOR ABSENCE AND INTRODUCTION:

Apology for absence was received from Roger Melling (Designated Union Representative).

2. URGENT BUSINESS:

There were no items of urgent business.

3. DECLARATIONS OF INTEREST:

Those Trustees who were members of the Haringey LGPS declared their personal interest. Cllr Wilson declared a personal interest in that he is employed by the Association of British Insurers.

4. DCLG CONSULTATION ON THE NEW LOOK LGPS:

Government policy was to support the provision of good quality index linked pensions for workers in and around local government. This consultation exercise was seen as an opportunity to ensure that the scheme moved forward on an affordable and sustainable basis, whilst balancing fairness to both scheme members and taxpayers. The Department for Communities and Local Government (DCLG) stated that there were no fixed proposals and no front runner.

Scheme members, Employing Bodies, Elected Members, and the Trades Unions had been invited to participate in this consultation, by 6th October 2006. Both political groups in the council and UNISON had been consulted and Haringey's views were required to be submitted amongst the other stakeholders.

The new look scheme was summarised, together with the national costings for the scheme, obtained from the government actuary. It was explained that four options were being considered, together with a 'hybrid' and these were each explained and compared. Issues to be considered, in addition to cost, included both the recruitment and retention of staff.

The questionnaire contained in the report required completion and the final agreed version submitted is attached herewith as Appendix 1.

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RESOLVED:

That the agreed version of the completed questionnaire be submitted to The Department for Communities and Local Government (DCLG).

5. DCLG CONSULTATION ON THE LGPS – GOVERNANCE ARRANGEMENTS:

The Department for Communities and Local Government (DCLG) have embarked on a consultation exercise for Governance arrangements in LGPS. A discussion paper was presented, which put forward ideas for the future governance and stewardship of the Local Government Pension Scheme. In line with previous discussions at Pensions Panel, it was suggested that the proposals should be welcomed for improving governance. A further detailed report would be prepared for a future meeting of Pensions Panel, once the results of the DCLG statutory consultation exercise are known, to consider establishing a 'Pensions Representative Panel', that took account of an indication of the range of issues considered, such as :

- the composition of the panel;
- the frequency of meetings;
- arrangements for voting rights;
- scope and remit;
- access to committee papers and scheme information;
- relationships and communications with main committees
- constitutional issues, Chairmanship, etc;
- costs, accommodation, facility time, etc.
- publicity

For a representative panel to be effective, it would be necessary to encourage sufficient admitted bodies to engage in this process, which meant having a mechanism in place to provide for employer representatives.

The Chair again mentioned the previously raised issue of the current decision making structure, that was in place within the Council. This related to the powers of General Purposes Committee to overrule the decisions of the Pensions Panel and also the respective reporting lines. The Chair had expressed the view that the existing structure and reporting lines needed to be formally reviewed, to ensure that the most appropriate structure and powers were in place to meet best practice and to comply with the requirements of trust law / common law / Myners 10 principles / CIPFA Guidance and best practice, as reported by the recent DCLG survey, especially the independent decision making structure of the Pensions Committee.

RESOLVED:

That the report be agreed, with the 'best practice model' to be submitted at a future meeting of Pensions Panel.

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6. **EXCLUSION OF THE PRESS AND PUBLIC:** The following items are likely to be the subject of a motion to exclude the press and public from the meeting as they contain 'exempt' information as defined in Section 100A of the Local Government Act 1972, namely that they contain terms proposed or to be proposed by or to the Authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.
7. **EXEMPT ITEM – REVIEW OF INVESTMENT STRATEGY:**
8. **EXEMPT ITEM – APPOINTMENT OF A TRANSITION MANAGER:**

The meeting ended at 19.30 hours.

Signed.....

Date.....

**COUNCILLOR Gmmh RAHMAN KHAN
CHAIR.**

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APPENDIX 1

Core Response Template: submitted to The Department for Communities and Local Government (DCLG).

	The Four Options
C1	Which of the four options, or variations on them, would you support and which would you oppose? Why?
Resp	Option C1 is the preferred option
Why	A Care scheme would better reflect the demographic make up of the workforce and removes some of the inequalities inherent in the current Final Salary scheme. The hybrid scheme was rejected as an option. Members felt it preserved an element of the scheme which would be regarded as only benefiting a small primarily highly paid group, whereas they wanted a single scheme providing equal benefits for all.
C2	Bearing in mind the criteria for evaluation, which Option would you recommend be taken forward for the new-look scheme?
Resp	Revaluation for C1 should be RPI
Why	This decision was taken on the basis of cost.
	Flexible and early retirement
C3	Which of the four possible extensions to the current flexible retirement provisions, or variations on them, would you support and which would you oppose? Why?

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Resp	We support the option to pay extra contributions for early retirement on the basis that it is easy to administer and simple for scheme members to understand.
Resp	We support both the removal of employer consent to flexible retirement provided it is on a cost neutral basis and for the requirement that employees reduce their hours or grade in order to take flexible retirement.
Why	These are simplifications to the scheme that reduce administration and bring flexible choices to the member at no cost to the Fund.
Resp	We support the proposal to increase benefits accrued after age 65 to reflect the fact that they will be paid for a shorter period of time.
Why	Benefits accrued before age 65 are increased to reflect delayed payment, and the same principal should apply to post age 65 accrued benefits

	Member Contributions
C4	What should the average employee contribution rate be in the new-look scheme?
Resp	Members supported the Employers Organisation view that employee contributions should average 7% and that costs going forward should be shared on a 2:1 split.
C5	Should the employee contribution rate be tiered, so that a lower contribution rate would be payable on pensionable pay below a certain cut off point? Would this depend on which Option was implemented, and if so, how and why?
Resp	The Council does not support tiered contribution rates
Why	We note the LGPC's statement that there is no evidence to show that low paid employees would be attracted to join the scheme if a lower contribution rate was introduced. A tiered contribution creates may cause difficulties for staff contemplating promotion or increasing hours. There is also the question of multiple employments which would complicate arriving at thresholds for the tiered rates
C6	What would an affordable employer contribution rate be in the new-look scheme, in relation to the employer rates being paid by scheme employers for future service costs under the current scheme?
Resp	Members supported the Employers Organisation view that

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	employer contributions should average 7% and that costs going forward should be shared on a 2:1 split
Technical response	
T1	Hymans Robinson were asked to report on the impact on of the four options on the Haringey Pension Fund and their findings are attached as Appendix1
T2	We welcome the introduction of the flexible and early retirement extensions being proposed. The Council has a policy for Flexible Working and is drafting a policy for Flexible Retirement.
T3	The Council is opposed to the the introduction of tiered contributions and supports the LGPC view on this issue.
T6	On the basis of splitting cost on a 2:1 basis, the preferred option of C1 is affordable
T7	The two tier ill health proposals are supported. The top tier should apply to members permanently unfit for ALL work. Very clear criteria should be laid out to define what All work should include. The Top tier should be subject to review. The lower tier should apply to members unfit to do their own job and should not attract an enhancement. We support the LGPC view that a multi layered review system would be administratively burdensome and cause uncertainty and anxiety to members with medical issues
T8	See T7
T9 – T12	A cost sharing exercise based on the proposals from LGPC is supported. This would contribute to the longer term sustainability of the LGPS
T13- T16	Allowing current members to retain their existing entitlement with an option to transfer to the New Scheme on a cost neutral basis would simplify the process and avoid contentious industrial relations issues
T17	We support the LGPC vies that the LGPC should remain a national scheme and that Employers should not be able to opt-in or out of certain provisions.

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Appendix 1a

Summary of Costings for Haringey Fund compared to GAD Notional Fund

The Benchmark Costings in the consultation document are provided by GAD. These costings were based on a synthetic fund.

The Council commissioned Hymans Robertson to provide costings for the Haringey Fund which are detailed below

Hymans focus on future service costs. A supplementary cost for past service deficit would be required.

The costs below include average employee contributions of 5.9%.

Type of Scheme	Option A	Option B	Option C1	Option C2
Total cost Synthetic Fund Based on Hymans Assumptions	17.3%	18.6%	18.3%	18.2%
Total cost Haringey Fund Based on Hymans Assumptions	15.3%	16.5%	16.1%	16.0%
Employer contribution rate for the existing scheme at 2004 fund valuation.				12.8 %¹
The Past Service Deficit Rate as at the 2004 Valuation				10.1%
Total Rate				22.9%

¹ Excludes employee average contribution of 5.9%