

**EXEMPT MINUTES OF A MEETING OF THE PENSIONS PANEL:
10 OCTOBER 2005**

THESE MINUTES ARE NOT FOR PUBLICATION AS THEY CONTAIN INFORMATION CLASSIFIED AS EXEMPT UNDER THE LOCAL GOVERNMENT ACCESS TO INFORMATION ACT 1985, IN THAT THEY CONTAIN TERMS PROPOSED OR TO BE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.

Councillors *GMMH Rahman Khan (Chair), *E. Prescott (Deputy Chair),
*Beacham, *Floyd, Milner, Patel and *Reynolds.
[* Members present]

In attendance: Roger Melling (Designated Union Representative), Howard Jones (Advisor to Trustees) and Bryan Chalmers (Actuary).

1. APOLOGIES FOR ABSENCE AND INTRODUCTION:

Apology for absence was received from Councillor Patel.

The Chair opened the meeting by stating that it appeared to him that the structure, method of working and the content of the issues periodically reported to this Panel deserved to be re-examined in order to comply fully with the Myners' principles, as well as other regulations issued from time to time. He informed the Panel he had sent a letter to the Director of Finance, with a copy to the Leader and Interim Chief Executive, on these matters. The Chair assured members he would report to this Panel when there were any developments.

2. URGENT BUSINESS:

There were no items of urgent business.

3. DECLARATIONS OF INTEREST:

The Chair declared that he had a personal interest in Item 9 of the agenda (Update to Council's Discretions on Pensions) as he had been a member of Haringey LGPS. He had referred the matter to the Monitoring Officer and had been advised by her the he had no prejudicial interest.

4. MINUTES:

RESOLVED:

That the Minutes of the meeting held on 16th June 2005 be confirmed and signed as an accurate record.

5. THE COST OF REINSTATING THE RULE OF 85 FROM APRIL 2005:

The Actuary explained the changes that the Government was making to reinstate the rule of 85, together with the report from the actuaries setting out the implications of this change. The rule of 85 had been abolished in December 2004, with retirement at age

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65. The unions had disliked this move and, in March 2005, ODPM abolished the rule of 85 as a consequence. It was reinstated in July 2005. The saving, on abolition, would be 2.1% of payroll on an annual basis. It was explained that people were now living longer and this would inevitably cost money. ODPM gathered evidence to respond to the unions and a tripartite committee was established to look at the whole LGPS. An interim valuation was sought from all of local government during September 2004.

The tripartite committee concluded:

- i) Actuaries were too cautious, with people not living longer.
- ii) Retirement behaviour was not typical; most people were taking late retirement.
- iii) Good investment returns had resulted in the deficit being reduced.

The interim valuation showed a funding level of 69% in 2004, now having risen to 72%. Bond yields had fallen since March 2004 and the march 2005 funding level had marginally increased. The demographic study had demonstrated regional variations, whilst 30% of retirements occurring after age 65 – on average 3 years later, with one extra year being the typical time period. It was pointed out, that in any event, the Rule of 85 would be illegal from October 2006, on age discrimination grounds, under the EU Directive. It was reported that there was no reason for increased contribution rates at this time. Phasing had been introduced at the 2004 valuation, with minimum contribution rates specified. It was considered that there would have to be a change in employee entitlements in order to safeguard the fund into the future. The draft consultation paper was expected by the end of October 2005.

RESOLVED:

That the report be noted and the Director of Finance be requested to monitor the funding level on at least an annual basis.

6. ATTENDANCE BY FOUR FUND MANAGERS:

Each was given approximately 10 minutes for presentation, followed by questions from the Trustees:

- Wellington**
- Bernstein**
- Capital**
- Fidelity**

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i) Wellington

An introduction was given by the fund manager, with a performance summary of the Haringey Fund. The company reported that added resources were now in place. Performance, together with returns had shown an improvement during the second quarter, due to stock selection. Problems with various companies, particularly within the healthcare and industrial sectors, within the LBH portfolio were mentioned. Best performing segments included IT and materials. A positive return of 7% had been demonstrated in emerging markets.

Fund performance was 1.29% above benchmark and 0.79% above target in the quarter to June 2005. Annualised performance since inception was 1.47% below benchmark and 3.47% below target.

It was requested that, in future, a commissions breakdown should be shown between execution and research. The fund manager reported no outstanding issues.

ii) Bernstein

After an introduction and reassurances, the fund managers gave a summary of investment of the Haringey Fund, together with an up-to-date valuation. A range of returns had been noted on the UK stockmarket. Best performance in the quarter was Consumer cyclicals, reflecting the positive stock selection, and the worst technology and electronics.

Fund performance was 0.83% below benchmark and 1.33% below target in the quarter to June 2005. Annualised performance since inception was 0.30% above benchmark and 1.70% below target.

It was requested that, in future, a commissions breakdown should be shown between execution and research. The fund manager reported no outstanding issues.

iii) Capital

After an introduction and reassurances, the fund manager reported a poor quarter, due to UK and overseas equities performance. Sector selection caused the under-performance. There was a low weight in oil shares, whilst oil stocks had performed well and was a major aspect of investment. Capital had performed satisfactorily in the past and, currently, analyst's ideas had not been challenged. Reassurance was given by the fund manager of 100% care of the fund and the Chair indicated that he was happy with the past performance and looked for improvement.

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Fund performance was 1.01% below benchmark and 1.38% below target in the quarter to June 2005. Annualised performance since inception was 0.29% below benchmark and 1.79% below target.

It was requested that, in future, a commissions breakdown should be shown between execution and research. The fund manager reported no outstanding issues.

iv) Fidelity

The fund manager summarised how the Haringey fund portfolio was positioned. The major investment portfolio was in UK equities, with 4% in overseas equities. Reassurances were provided by Fidelity who explained that stock picking had been the main problem with UK equities. Additional research capabilities had now been put into place.

Fund performance was 0.46% below benchmark and 0.81% below target in the quarter to June 2005. Annualised performance since inception was 0.02% above benchmark and 1.38% below target.

It was requested that, in future, a commissions breakdown should be shown between execution and research. The fund manager reported no outstanding issues.

RESOLVED:

That the reports presented individually by Wellington, Bernstein, Capital, and Fidelity, each be noted with the added reassurances of care and expertise by each of the fund managers.

The ING performance report was noted, with a requirement to see ING and our custodian once in each municipal year in accordance with current practice.

7. FUND PERFORMANCE AND ADMINISTRATION UPDATES

The Director of Finance reported the latest investment performance data for the Pension Fund and for each of the Fund's investment managers, who continued to be vigorously monitored. He set out the fund performance and administration updates to The end of June 2005 and the Pension Fund budget for the 2005/06 financial year.

The combined Haringey Fund has increased in absolute terms since inception by 17.57% in annualised terms.

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Fund performance was 0.38% below benchmark and 0.79% below target in the quarter to June 2005. Annualised performance since inception was 0.43% below benchmark and 2.08% below target.

The regulatory changes affecting the administration of the Local Government Pension Scheme, together with relevant issues covered in circulars issued by the Local Government Pensions Committee (LGPC) were considered.

The Pension Fund budget for the 2005/06 financial year was reported, together with budget monitoring to June 2005 and an updated Statement of Investment Principles (SIP). The issue of performance related fees with fund managers was mentioned and will be discussed as part of the review of investment strategy.

RESOLVED:

1. That the Fund Performance, as at the end of June 2005, and administration update, be noted.
2. That the Pension Fund budget for 2005/06 be noted, together with the budget monitoring position to end of June 2005 (period 3). However, the service had been asked to submit a business plan with details of administrative, investment & contractual expenses, charged to the Fund, in any future reports, together with disclosure requirements.
3. That the updated SIP be approved, subject to the opening remarks of the chair and previous minutes.
4. That a formal letter be sent to all fund managers reminding them that, in future, a commissions breakdown should be shown between execution and research; and
5. That trustees required confirmation that members were receiving annual benefit statements.

8. PENSION FUND FINANCIAL STATEMENTS FOR YEAR ENDING 31 MARCH 2005

The Pension Fund's financial statements for 2004/05 were presented, having been approved by General Purposes Committee on 25 July 2005.

RESOLVED:

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That the statements be noted with remarks that, without any feedback from this Panel, the Accounts of the Fund had been approved by another body . The Service been asked to explain about the 'unlisted' investments in a future report.

9. UPDATE TO COUNCIL'S DISCRETIONS ON PENSIONS

The policy on the use of discretionary powers resulting from changes introduced by the Local Government Pension Scheme (Amendment) regulations 2005 was updated.

RESOLVED:

That the Policy Statement be amended to reflect changes in the scheme regulations which have reinstated the 85 Year Rule and changed the early retirement age from 55 back to 50.

10. REVIEW OF INVESTMENT STRATEGY

Pensions Panel agreed on 25 January 2005 to commission a comprehensive review of the Fund's strategy as part of the healthcheck of investment fund arrangements.

The report from Hymans Robertson detailed possible types of review that could be undertaken and fees for completing the work, based on experience of similar exercises.

RESOLVED:

That Hymans Robertson be appointed to complete a comprehensive review of investment strategy and also a healthcheck as detailed in their proposal. That the outline timetable for completing the work in Appendix 1 was noted.

NEW ITEMS OF URGENT BUSINESS

11.

There were no New Items of Urgent Business.

EXCLUSION OF THE PRESS AND PUBLIC:

12.

RESOLVED:

That the press and public be excluded from the meeting for item 10 below as the item contained 'exempt' information as defined in Section 100A of the Local Government

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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 supply of goods or services.

13. EXEMPT MINUTES:

That the exempt Minutes of the meetings held on 16th June 2005 and 27th June 2005, both be confirmed and signed as accurate records.

14. EXEMPT ITEM – REVIEW OF INVESTMENT STRATEGY – APPENDIX 2 – Fees

A proposal was considered from our external advisors, Hymans Robertson, which set out possible types of review that could be undertaken and estimated fees for completing the work, based upon experience of similar exercises. Fees would be based on time-cost.

RESOLVED:

That work be charged at time-cost, with an estimated cost of £25,000, plus the cost of attending meetings to discuss modelling and outcome of review. These costs would be charged to the Pension Fund and would be met from the budget.

While agreeing to the above cost, the Panel noted that they preferred to go for quotations, as noted in the Legal Comments, but as recommended by the Director of Finance, the Panel concurred with his recommendation to engage Hymans Robertson at an estimated cost noted above.

15. NEW ITEMS OF URGENT EXEMPT BUSINESS:

There were no new items of urgent exempt business.

The meeting ended at 21.45 hours.

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Signed.....

Date.....

**COUNCILLOR GMMH RAHMAN KHAN
CHAIR.**