

**MINUTES OF A MEETING OF THE PENSIONS PANEL:**  
**29<sup>th</sup> January 2007**

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

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

**1. APOLOGIES FOR ABSENCE AND INTRODUCTION:**

Apologies for absence were received from Councillors Aitken and Bevan.

**2. URGENT BUSINESS:**

There were no items of urgent business.

**3. DECLARATIONS OF INTEREST:**

The Chair and Cllr Mallett declared a personal and prejudicial interest in Agenda Item 11, Part 2 (Update to Policy Statement on Pension Scheme Discretions) ~ this was not actually taken at the meeting.

Those Trustees who were members of the Haringey LGPS declared their interest (Cllrs Khan, Butcher, Mallett and Wilson). Cllr Wilson declared a personal interest, in that he is employed by the Association of British Insurers.

**4. MINUTES:**

**RESOLVED:**

That the Minutes of the meeting held on 5<sup>th</sup> October 2006 be confirmed and signed as an accurate record.

**5. ATTENDANCE BY MASTER CUSTODIAN, NORTHERN TRUST :**

Northern Trust were given approximately 15 minutes for their presentation, followed by questions from the Trustees.

Northern Trust gave their presentation to the Panel, outlining their business strategy and organisation's role as the Haringey LGPS Custodian and Performance Manager. The public sector was their key market. The role of the custodian was to ensure that the transactions of the Haringey LGPS were settled quickly and with minimal financial impact. They did not have control over the decisions as to what shares were bought or sold, which was a matter for the fund managers. The status of custodian was one that had become more common since the Maxwell Report, as that had recommended the separation of the functions of asset management from those of safekeeping of those assets. Northern Trust had also been the commission recapture agent for the LGPS since November 2005.

The Chair stated that he was happy with the performance and service of Northern Trust. The

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challenges for a custodian included ensuring that information relating to transactions was provided in a timely, accurate and automated fashion. The monitoring system used was developed in-house and based on double-entry principles.

**RESOLVED:**

That the presentation and report by Northern Trust be noted.

**6. ATTENDANCE BY FOUR FUND MANAGERS:**

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

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

i) Fidelity

Fund performance was 0.5% below benchmark and 0.8% below target in the quarter to September 2006. Annualised performance since inception was on benchmark, but 1.0% below target.

The Haringey fund portfolio position was summarised and Fidelity's operation as a fund manager. Their investment strategy was led by research and a portfolio built in a risk controlled way. They reported on UK and US equities detracting from performance and Japanese and emerging market equities also produced reduced performance. They reported that in May and June 2006 equity markets had been volatile with turbulence in Q2. there had been less concern about inflation in Q3, with a reduction in the oil price, less tension in the Middle East and earnings expectations moderated. These trends were continuing in Q4, where an improvement had been noted.

ii) Capital

Fund performance was 1.27% above benchmark and 0.90% above target in the quarter to September 2006. Annualised performance since inception was 0.04% above benchmark and 1.25% below target.

UK equities accounted for the out-performance during the last quarter, with the fund manager reporting that stock selection had produced this out-performance. Turnover in the latest quarter continued to be low, with 6.0% of the portfolio in the last two quarters, compared with 41.03% for the last year to date.

Reassurance was given by the fund manager of 100% care of the fund and the Chair indicated that he was happy with the performance and hoped that this would continue.

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iii) Bernstein

Following an introduction and reassurances, the fund managers gave a summary of investment of the Haringey Fund, together with an up-to-date valuation. Fund performance was 0.27% above benchmark and 0.23% below target in the quarter to September 2006. Annualised performance since inception was 0.24% above benchmark and 1.76% below target. A range of returns had been noted on the UK stockmarket, with the best segments in the last quarter being financials and consumer cyclicals, whilst the worst performer was that of industrial commodities. The Chair indicated that he was happy with the performance and wished to see this continue.

iv) Wellington

Fund performance was 1.53% below benchmark and 2.03% below target in the quarter to September 2006. Annualised performance since inception was 2.13% below benchmark and 4.13% below target. An introduction was given by the fund manager describing their model used, with a performance summary of the Haringey Fund. Performance, together with returns had again been disappointing, worst segments being industrials and energy. In an attempt to help in rectifying the current trends, the company reported that added resources were now in place to improve performance, with an increase in fundamental analysts in Europe. Problems with various investments within the LBH portfolio were mentioned. It was considered that US inflation was past its peak. The Chair highlighted the Panel's wish to see a reversal in performance and hoped that the changes mentioned in resources would produce the desired results.

**RESOLVED:**

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

**7. FUND PERFORMANCE UPDATE:**

It was reported that the fund had increased in absolute terms since inception to the end of September 2006 by 16.55% (annualised), but had under performed against the gross benchmark and target by 0.39% and 2.04% respectively, in annualised terms. Bernstein and Capital had met their agreed benchmarks to date. The annualised performance of Fidelity was 0.03% below benchmark and ING was 0.1% below benchmark to date.

The performance of Wellington was still a concern as annualised under-performance compared to benchmark and target since inception were 2.41% and 4.41% respectively. Performance in the quarter to September 2006 had increased to 2.07% below target. This would continue to be monitored carefully.

It was reported that, in overall terms, spend to date was within the approved budget. The current surplus was being monitored carefully, so that any net gain was invested at the appropriate time, in line with the new investment strategy.

It was reported that training for Trustees, had been undertaken over two days, on 2<sup>nd</sup>

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November and 22<sup>nd</sup> November 2006 at Alexandra Palace.

**RESOLVED:**

That the Fund Performance, as at the end of September 2006, be noted together with recommendations made.

**8. FUND ADMINISTRATION UPDATE:**

The report set out the administration updates and the quarterly statistical reports on early retirements and appeals to the end of December 2006.

Following the outcome on the new look LGPS consultation the government had opted for Option B. This was summarised, to provide a pension only based on an accrual rate of 1/60<sup>th</sup> of Final Pay. Members would have the option to convert pension to lump sum on the basis of £12 Lump Sum for every £1 of pension given up.

**The ill-health retirement package will be revised to provide a higher level of benefits for total incapacity, and with different levels of benefits to recognise lesser incapacities. There is no proposal to review awards of ill health benefits in payment.**

**There will be a tiered contribution rate of 5.5% on the first £12000 and 7.5% on the remaining balance. The average contribution is estimated to be 6.3%**

**The increase in employee contributions has acted to reduce the Benchmark Fund Cost for future service from 20.9% to 14.2% for existing members. The Benchmark Cost was calculated by the Government Actuary's Department, but Hymans will advise on how the revised package will impact on the Haringey Fund.**

**Benefits accrued on membership to 31<sup>st</sup> March 2008 will be fully protected.**

**To assist with the ongoing monitoring of the scheme DCLG propose setting up a Policy Group which will focus on strategic issues and to advise on future cost sharing.**

**Draft regulations were issued on 2<sup>nd</sup> January 2007 for consultation. A separate set of Administration Regulations are awaited. These will carry over the provisions of the existing scheme but also include new provisions for :-**

- 8.**
- Pension Administration Strategy Documents
  - Governance Pension Fund Annual Reports
  - Ill Health Retirement Guidance

**There are no changes to the scheme for Councillor Members.**

In considering Salary Sacrifice schemes for Haringey Staff, contracts of employment would be amended to state that the value of the Salary Sacrifice was a pensionable element of pay. This was to ensure that the deduction of pension contributions could not be challenged.

It was proposed that it would be reasonable to set a benchmark for each employing body's Ill health retirements, as part of the next Fund Valuation at 31<sup>st</sup> March 2007. From that date onwards, ill health retirements would be monitored and any likely impact on employer

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contribution rates flagged up to the employers at an early stage.

The Chair requested that additional items be included in future reports.

**RESOLVED:**

That the Fund Administration Update, as at the end of September 2006, be noted together with recommendations made.

**BUSINESS PLAN 2006 – 07:**

The first Business Plan that had been prepared for the Pensions Fund was presented. This would be updated on an annual basis, as necessary. The Plan included key information relating to the Pensions Fund, including Trustees, officers, advisors and external key providers of services, the Local Government Pension Scheme, how the Service was structured and delivered, Admitted and Scheduled Bodies, Fund membership, Pension Fund accounts for 2006/07 (including the actuarial position), internal and external audit reports, Statement of Investment Principles (SIP), Funding Strategy Statement (FSS), Fund Managers, Master Custodian and external advice, and the Budget for 2006/07.

**RESOLVED:**

That the 2006 – 07 Business Plan be accepted.

**9. NEW ITEMS OF URGENT BUSINESS:**

There were no New Items of Urgent Business.

**10. EXCLUSION OF PRESS AND PUBLIC:**

The following item is 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 it contains 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.

**11. EXEMPT MINUTES :**

**RESOLVED:**

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That the Exempt Minutes of the meetings held on 29<sup>th</sup> June and 26<sup>th</sup> July 2006 be confirmed and signed as accurate records.

**12. NEW ITEMS OF URGENT EXEMPT BUSINESS:**

There were no New Items of Urgent Exempt Business.

The meeting ended at 21.25 hours.

Signed.....

Date.....

**COUNCILLOR Gmmh RAHMAN KHAN  
CHAIR.**