



Haringey Council

Agenda Item

Pensions Committee On 20 October 2008

Report title: **Annual Governance Report – to consider the statutory report of Grant Thornton, the Council’s appointed auditor of the Pension Fund.**

Report of: **Chief Financial Officer**

Ward(s) affected: All

Report for: Decision

1. Purpose

1.1 To present the statutory Annual Governance Report of Grant Thornton that reports on their annual audit of the Pension Fund.

2. Recommendations

2.1 That the Committee consider the contents of this report and any further verbal updates given at the meeting from Grant Thornton.

2.2 That the Committee approve the revised Pension Fund accounts for 2007/08.

Report authorised by: Gerald Almeroth – Chief Financial Officer

Contact officer: John Hardy – Corporate Finance
Telephone 020 8489 3726

3. Executive Summary

- 3.1 The purpose of the attached report of Grant Thornton is to highlight the key issues affecting the Pension Fund, and the preparation of the Pension Fund's accounts for the year ended 31 March 2008.
- 3.2 An unqualified opinion on the Council's accounts and for the council's arrangements for securing economy, effectiveness and efficiency in the use of resources has been given by the deadline of 30th September 2008.

4. Reasons for any change in policy or for new policy development (if applicable)

- 4.1 None.

5. Local Government (Access to Information) Act 1985

The following background papers were used in the preparation of this report:

Report of Chief Financial Officer to Pensions Committee on 23 June 2008.

6. Background

- 6.1 The purpose of this report is for Grant Thornton to highlight the key issues affecting the Pension Fund, and the preparation of the Pension Fund's accounts for the year ended 31 March 2008. This reporting requirement is in accordance with the Audit Commission's statutory Code of Practice for Local Government bodies.
- 6.2 The attached report from Grant Thornton sets out the findings of the auditors under various headings, a review of the Pension Fund accounts and audit adjustments required.
- 6.3 The council has worked closely with Grant Thornton to improve the 2007/08 accounts process to ensure improvements in the accounts closure process and working closer with the auditors throughout the accounts closure period, and the audit process, to ensure a smooth and efficient audit.
- 6.4 For 2007/08 there are no areas of dispute between the Council and the auditors and all amendments the auditors have required to be made to the Pension Fund accounts have been actioned.

7. Annual Governance Report

7.1.1 The detailed Annual Governance report from Grant Thornton is attached at Appendix A.

7.1.2 During the course of the audit a number of amendments to the accounts were identified and the Council agreed to make these changes.

- An accrual of £102k in respect of investment manager fees had not been included in the accounts. This change has increased the deficit for the year by £102k to £14.936m.
- There are also three presentation adjustments that have no impact on the net assets of the Fund.
 - £766k of interest receivable debtors on investment cash was shown as debtors as opposed to classifying this within 'other investment balances' in the investment note.
 - £434k of fees deducted directly by our Custodian were shown by them as deductions from interest income. This had the effect of showing netting down interest receivable and custodian expenses.
 - Our Custodian presented cash balances net of trades entered into, but not physically settled at year end. The accounts not show £1.3m of additional debtors in respect of cash to be received from sales and £1m of additional creditors of investment purchases not paid for until after the year end.

7.1.3 A revised set of accounts, fully adjusted for all matters raised by the auditors is attached at Appendix B for committee approval.

8. Financial Implications

8.1 There are no direct financial implications arising from the recommendations in this report.

9. Recommendations

9.1 That the Committee consider the contents of this report and any further verbal updates given at the meeting from Grant Thornton.

9.2 That the Committee approve the revised Pension Fund accounts for 2007/08.

10. Head of Legal Services comments

10.1 The Head of Legal Services has been consulted on the content of this report and comments that there are no specific legal implications arising from its recommendations.

APPENDIX A

Our Ref PTR/MGR/A01234

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[date]

Dear Sirs

London Borough of Haringey Pension Fund ("The Fund") - Report to the Pensions Committee 2007/08

Introduction

The London Borough of Haringey (‘the Council’) is responsible for the preparation of accounts which record its financial position as at 31 March 2008 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council’s accounts present fairly the financial position of the Council. Those accounts are required to include, as a separate appendix, the accounts of the Pension Fund.

Under Local Government Regulations in force for the year ended 31 March 2008, we are not required to issue a separate audit opinion on the accounts of the Fund.

This report has, therefore, been prepared for the benefit of discussion between Grant Thornton and the Pensions Committee of the London Borough of Haringey Pension Fund. The purpose of this report is to highlight the key issues affecting the Fund, and the preparation of the Fund’s accounts for the year ended 31 March 2008. We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the accounts of the Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

We would be pleased to discuss any further work in this regard with the Committee.

Confidentiality

The contents of this report should not be disclosed to third parties without our prior written consent.

Chartered Accountants

Member firm within Grant Thornton International Ltd

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Independence

We are able to confirm our independence and objectivity as auditors and note the following:

- we are independently appointed by the Audit Commission
- the firm has been assessed by the Audit Commission as complying with its required quality standards
- the appointed auditor and client service manager are subject to rotation after a period of no longer than five years
- we comply with the Auditing Practices Board's Ethical Standards.

Acknowledgements

We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management, officers and members during the course of our audit.

Layout of this report

The following sections of this report are set out as follows:

- approach to our work
- audit findings
- review of the accounts
- audit adjustments

Yours faithfully

Grant Thornton UK LLP

1 Approach to our work

Overview

Our work concentrates on three main areas:

- investments
- contributions
- benefits

Investments

Our work focuses on the existence and valuation of investments. We satisfy ourselves on these points by obtaining:

- direct confirmation from the respective fund managers as to assets which they hold
- confirmation from the auditors of the custodian, who issue a report indicating their opinion of the effectiveness of the internal control systems operated by the custodian
- agreement of the custodians' confirmations to the portfolio valuations produced by fund managers
- assurance that the investments are held in line with the Statement of Investment Principles.

Contributions income

When reviewing contributions, we ensure that contributions received are in accordance with the recommendation of the Actuary, and have been received on time. The procedures which we carry out to ensure this happens are:

- checks that pension contribution deductions are calculated and paid over correctly for a sample of individuals

For a sample of members who make Additional Voluntary Contributions ("AVCs"), checks are made to ensure that total member contributions do not exceed HMRC limits.

We also consider contributions as a whole by:

- estimating total contributions with reference to pensionable salaries, average numbers of members, and average contributions rates and comparing to contributions receivable disclosed in the accounts
- review contributions received on a monthly basis to ensure any unusual trends are satisfactorily explained.

Benefits payable

The primary audit objective with respect to all types of benefit payment is to test whether they represent payments in respect of valid beneficiaries and are calculated and made in accordance with the Fund Rules.

The only practical way of testing benefits is to select a sample for each type and agree the payments to member files, ensuring this is correctly reflected in the Fund's accounting and membership records.

When considering pensions payments as a whole, we:

- rationalise pensions paid with reference to changes in pensioner number and increases applied in the year
- compare pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained.

Membership records

Membership records are examined to test that the Fund's membership records are properly maintained and are consistent with benefit payments made and contributions received in the year.

2 Results of our audit

Overall, our review of the Pension Fund concluded that the pensions department operates with the level of efficiency we would expect for a fund of its size. The working papers produced supporting the disclosures in the accounts were clear to understand. Documents were suitably annotated, demonstrating those that had been subject to peer review, by whom, and when the review had taken place.

We should like, however, to draw to the Committee's attention the following matters which arose from our review.

Use of shared bank accounts

Currently, the Council does not hold separate bank accounts in the name of the Pension Fund. The result of this is that separate reconciliations are required to ensure that monies in connection with the Pension Fund are ring fenced from those of the Council.

Although our review did not identify any anomalies with the current procedures, management time could be saved with the Pension Fund having its own named bank accounts. For example, when calculating interest receivable, the daily balance attributable to the Pension Fund needs to be calculated, and then a formula applied to ensure that the Fund is allocated appropriate levels of interest.

Recommendation

It is recommended that the Committee consider the use of separate bank accounts in the name of the Fund.

Management response

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Contributions received late

During our review of contributions, it was noted for ten of the scheduled and admitted bodies, contributions were late for between four days and three months up to a maximum of twelve occasions each. The aggregate amount totalled £482,463. In the context of the Fund as a whole, the amount involved is not material. Regulations require, however, that contributions deducted from members' salaries are paid over to the fund by no later than the nineteenth day following the calendar month from which the contributions have been deducted. (ie March contributions to be paid to the Fund by 19 April).

Recommendation

It is recommended that the scheduled and admitted bodies are reminded of their legal responsibilities.

Management response

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Settlement of benefit liabilities

During our review of benefits paid, it was noted that in some cases, benefit payments were not being settled in a timely manner. For example, transfers out that had been agreed during the month were not included on the BACS run until the end of the month, resulting in a delay of up to fifteen days from date of agreement to final settlement.

Recommendation

It is recommended that once agreed, benefit liabilities are settled at the earliest opportunity

Management response

[Click [here](#) and type **Management response**]

Members with more than one record

It is not uncommon for members to have two periods of pensionable service. This most often occurs when a member leaves one job within the Council and takes up a new post. As far as the administration team is concerned, the member is both a leaver (from their old role) and a joiner (when the member takes up their new post). Unless the member advises the pensions administration team otherwise, the member will have two member records. The current process requires the member to inform administration team that this has occurred.

The effect of this is that when the Actuary is determining the future funding of the Fund, he may believe there are more lives to take into account than there really are.

Recommendation

It is recommended that periodically, a review of the member records takes place to identify duplicate member records.

Management response

We will consider these points again during our work for the year ended 31 March 2009, and report back to the Committee and confirm how they have developed.

3 Review of the Pension Fund accounts

The Local Government SORP requires that the accounts of the Pension Fund should be prepared in accordance with Chapter 2 of the Pensions SORP.

Accounts for the year ended 31 March 2008

Our review of the accounts concluded that the information provided does broadly comply with this requirement. There were, however, a number of areas where it was considered that revision to the presentation would better reflect the Pensions SORP, thus aiding the user of the accounts. We set out below a summary of these points:

- **accounting policies for investments** - each investment class should have its own accounting policy, as methods of valuation are not always the same
- **special contributions** - noted that a description for additional employer contributions has been provided. Similar disclosure should be given for special employer contributions
- **contribution debtors** - should be disclosed showing separate amounts due in respect of Employers and Members. Currently, the debtor has been aggregated
- **investment disclosures** - the main investment note showed values at the year end by type of investment. The more detailed investment disclosure (eg purchases and sales) were disclosed by fund manager. It is normal accounting convention to show this more detailed disclosure on a similar basis to the main investment disclosure. Disclosing investments by fund manager is less relevant unless detail is provided as to which mandate each manager holds
- **use of parentheses** - asset balances are disclosed with parentheses, whilst liability balances are disclosed without parentheses. This gives the impression that at the year end, the Fund has no assets. Normal accounting convention recommends disclosing assets without parentheses, and liabilities with parentheses.

These, along with a number of less significant presentation points have been raised with the Council's management for discussion.

Accounts for the year ended 31 March 2009

As the Pensions Committee will be aware, commencing with the year ended 31 March 2009, the Pension Fund will be required to produce a separate annual report and accounts which comply with the Pension SORP (Revised May 2007). Although the overall layout of the accounts will remain unchanged, there are a number of important areas to be considered:

- all investments to be disclosed using 'bid' as opposed to 'mid' market prices
- the method by which derivatives are valued and disclosed has been revised to ensure compliance with accounting standards FRS 25 and FRS 26
- investment transaction costs to be included as part of the investment purchase and sales disclosure
- new categories of contributions have been introduced.

In order to comply with all the disclosure requirements of the Pensions SORP, the following additional information will be required:

- an investment report, describing the performance of the investments in the year
- a report from the Pensions Committee
- other information the Pensions Committee considers useful to the user of the accounts.

During our review of this year's accounts, other areas of presentation, although compliant with the Local Government SORP for the year ended 31 March 2008, do not comply with the full Pensions SORP, and will require consideration when preparing next year's accounts:

- **additional voluntary contributions** - money purchase AVC income and investments are required to be disclosed within Pension SORP compliant accounts
- **investment note disclosure** - for some years now, there has been a requirement to include a single investment note reconciling investments, by investment type, showing brought forward balances, purchases, sales, change in market value and carried forward balances. (similar in presentation to a Fixed Assets note)

It should be noted that much of the existing detail in the investment notes is no longer required to be disclosed in the notes, but can be disclosed as part of the investment report.

Some of these changes may appear quite onerous. With sufficient advanced planning, however, we do not envisage any significant problems arising.

To assist the accounts team with these changes, we strongly recommend copies of the new Pensions SORP, alongwith the additional guidance for accounting for derivatives, published by the Pensions Research Accounts Group, is obtained.

Should the Pensions Committee require further assistance in how the Pensions SORP should be applied to the Fund, we will be more than happy to assist.

Internal financial controls

We have applied our risk methodology which allows us to document, evaluate and assess your internal controls over the financial reporting process. Our testing to date has not identified any significant control weaknesses which we believe should be brought to the Committee's attention.

4 Audit adjustments

During the course of our work, the following adjustments were identified. The following table presents significant adjustments made to the accounts arising from the audit process which have been processed and agreed with the Chief Financial Officer.

Description	Impact
Investment manager fee accruals When the accounts were drafted, an accrual of £102k in respect of investment manager fees had not been recognised in the accounts.	To reduce the net assets of the Fund by £102k.
Presentation of interest receivable debtor The draft accounts recognised interest debtors on investment cash totalling £766k as debtors, as opposed to classifying this amount within 'other investment balances' in the investment note.	This has no impact on the net assets of the Fund, however, ensures that the more detailed requirements of the SORP are complied with.
Presentation of fund manager expenses Certain fees deducted directly by Northern Trust were shown by them as deductions from interest income. The effect of this being the draft accounts recognised the net impact to the Fund of interest receivable and custodian expenses. The amount involved totalled £434k.	Once again, no impact on the net assets of the Fund, however, processing this adjustment has resulted in a fairer reflection of the total expenses incurred, and income received by the Fund.
Presentation of unsettled trades The Custodian presents cash balances net of trades entered into, but not physically settled at the year end. The unsettled trades should be separately disclosed.	There is no net effect on the assets on the Fund, however, once processed, the accounts now recognise £1.3m of additional debtors in respect of cash to be received from sales, and £1m additional creditors in respect of investment purchases not paid for until after the year end. This treatment is consistent with the requirements of the SORP.

There were no unadjusted adjustments.

APPENDIX B

SECTION 5
PENSION FUND
2007/08

Pension Fund Financial Statements

Introduction

The Authority's Pension Fund operates under the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended.

All officers and manual workers can become contributors on appointment with Haringey or a scheduled body. Employees of other bodies are also admitted to the Fund. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

The Fund operates as a defined benefits scheme and provides retirement pensions and lump sum allowances, survivor dependant's pensions and death gratuities.

Fund Management

The day to day management of the Fund's investments is the responsibility of the Fund's five professional fund managers: Alliance Bernstein, Capital International, Fidelity, ING and Pantheon.

Overall investment strategy is the responsibility of the Pensions Committee, which consists of eight councillors (trustees) and a trade union representative, who receive advice from the Chief Financial Officer and an independent advisor. Committee meetings are held approximately 6 times per annum.

The current investment management structure was largely implemented on 16 March 2007 following a full review of strategy by the then Pensions Panel that was advised by the Chief Financial Officer, the Independent Advisor to Trustees and our external Investment advisors, Hymans Robertson.

As part of this review, the Pensions Panel agreed to introduce a 5 per cent allocation (approximately £30 million) to Private Equity investments. Pantheon was appointed as our Private Equity manager in April 2007.

In addition it was agreed as part of the review to increase our property allocation from 6 per cent of fund investments to 10 per cent and to introduce an active currency overlay. Mandates are in the process of being finalised with two active currency managers.

Fund administration and membership

At 31 March 2008, there were 6,954 (2007: 7,045) employees contributing to the Fund and 5,657 (2007: 5,537) pensioners and dependents receiving benefits. There were also 5,487 (2007: 4,947) deferred pensioners.

Staff in the following organisations contribute to the fund and benefit accordingly.

- Haringey Magistrates Courts(scheduled);
- Haringey Age Concern (admitted);
- Jarvis Workspace Ltd (admitted);
- Alexandra Palace Trading Co. (admitted);
- Haringey Accord Ltd (admitted);
- Urban Futures London Ltd (admitted);
- Haringey CAB (admitted);
- Capita Business Services Limited (admitted);
- Initial Catering Services Limited (admitted);
- Trident Securities Limited (admitted);
- CONEL (scheduled);
- Harrisons Catering Services Ltd (admitted);
- Greig City Academy (scheduled);

- Homes for Haringey (scheduled);
- CSS Haringey Ltd (admitted);
- John Loughborough (voluntary aided school);
- Rokely Dene Homes Ltd (admitted);
- One Complete Solution Ltd (admitted); and,
- Fortismere School (Foundation school).

Actuarial position

The Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's investments and contributions to meet its liabilities.

The last triennial valuation of the Fund was as at 31 March 2007. The actuaries report was approved by trustees at the Pensions Committee meeting in January 2008.

The 2007 valuation was carried out in accordance with Guidelines GN9: Retirement Benefits Schemes – Actuarial reports published by the Institute of Actuaries. The valuation method used was the projected unit method. The resulting contribution rates reflected the cost of providing year-by-year accrual of benefits for the funded members and the level of funding for each employer's past-service liabilities.

The main economic and statistical assumptions used were:

<u>Asset class</u>	<u>Rate of Return Nominal % p.a</u>
Equities	6.5
Bonds	4.9

Rate of pensionable salary increases (excluding increments)

Compound	4.7% p.a
Rate of price inflation/ Pension increases (Compound)	3.2% p.a

The Market value of the Fund at the time of the last triennial valuation as at 31 March 2007 was £620m.

The level of funding as a whole for the Fund has increased from 69 per cent to 77.7 per cent between the triennial actuarial valuations as at end of March 2004 and as at end of March 2007. The main reasons for the increase in the funding level are an improvement in investment earnings and value, and planned stepped increases in employer's contributions since 2004.

Following the valuation as at 31 March 2007, the actuary agreed that the Council's contribution rate can remain at the 2007/08 rate of 22.9 per cent of pensionable salaries. The 2008/09 contribution rate is split 8.8 per cent between the past service adjustment to fund the deficit over 20 years and the future service rate of 14.1 per cent.

Statement of Investment Principles (SIP)

A statement of investment principles was approved by trustees at Pensions Committee in September 2007. The SIP is updated annually to reflect any changes made to investment management arrangements and reports the extent of compliance with Myners principles. The SIP is published on the Council's internet web site.

Related party transactions

In 2007/08 the pension fund paid £0.543m to the Council for administration (£0.591m in 2006/07). As at 31 March 2008 £4.996m was due from the Council to the fund (£4.066m in 2006/07). During 2007/08 four trustees were also members of the Pension Fund. There were no other material related party transactions.

Currency Hedging

The Council permits its Pension Fund managers to use forward contracts as a currency hedging tool between sterling and the base currency. Cross hedging is not permitted. When the managers use these instruments it is generally because a strong view is held on the likely movement of a specific currency. The principle objective of using the instrument is to lower the risk profile of the portfolio.

Use of Derivatives and the Value of Futures and Options

The Pension Fund managers are permitted to use certain derivatives in managing their portfolios, including warrants, futures, convertible securities and swaps. As at 31 March 2008 the market value of Futures contracts held was £96,216. The Pension Fund did not hold any options as at 31 March 2008.

Accounting Policies and Principles

Basis of preparation

The accounts have been prepared in accordance with the LGPS Regulations 1997, the 2005 Code of Practice on Local Authority Accounting in Great Britain issued by CIPFA and comply with chapter 2 of the Pensions SORP.

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

Fund account

The following items are included on the accruals basis as follows:

Employer normal contributions - amounts relating to wages and salaries for the Scheme year.
Employer special contributions - amounts receivable in accordance with the payment agreement.

Employer additional contributions - amounts receivable in accordance with actuarial advice

Member normal contributions - amounts deducted from wages and salaries during the Scheme year.

Member additional voluntary contributions - amounts receivable as they are deducted from members' salaries during the Scheme year.

Benefits - amounts due in respect of the year.

Transfers in and out - accounted for when the transfer value is paid or received.

Investments

Investments are stated at market value on the final working day of the accounting year as follows:

Quoted and unquoted are stated at mid-market values on relevant stock exchanges

Units in pooled investment vehicles are stated at the average of the bid and offer prices quoted by the fund managers

OEICs - quoted at the value stated in the latest financial statements, adjusted for subsequent cash movements to the year end.

Investment income – Income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index linked securities, cash and short term deposits is accounted for on an accruals basis.

Foreign currency translation – the valuation of foreign equities is calculated by using the overseas market price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.

Investment management and administrative expenses - the fees of investment managers are paid in accordance with their investment management agreements and are linked to the current value of the portfolio on an ongoing basis. A proportion of relevant Council officers' time, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters.

Valuation of Private Equity Holdings –the Private Equity valuation in the accounts reflects cost price adjusted by our performance analysts Northern Trust to capture the assets performance over the period based on call payments made.

Pension Fund Account

The Pension Fund shows the contributions to the Fund and the benefits paid from it during the 2007/08 year end.

Pension Fund Account	Notes	2007/08 £'000	2006/07 £'000
Dealings with members, employers and others directly involved in the scheme			
Contributions receivable	1	(41,332)	(38,049)
Transfers In	2	(5,418)	(5,187)
Other Income		(5)	0
Benefits payable	3	26,696	24,408
Payments to and on account of leavers	4	4,484	4,588
Administrative Expenses	5	595	657
Net additions from dealings with members		(14,980)	(13,583)
Returns on Investments:			
Investment Income	6	(17,772)	(18,678)
Change in market value of investments	7	45,083	(16,629)
Investment management expenses	8	2,605	2,309
Net returns on investments		29,916	(32,998)
Net decrease/(increase) in the fund during the year		14,936	(46,581)
Add: Opening net assets of the scheme		(620,039)	(573,458)
Closing net assets of the scheme		(605,103)	(620,039)

Net Assets Statement

The Net Assets Statement sets out the assets and liabilities for the Fund as at 31 March 2008. The Fund is separately managed by the Council acting as trustee and its accounts are separate from the Council's.

Net Assets statement	Notes	2007/08 £'000	2006/07 £'000
Investment assets	9	600,141	616,117
Net current assets and liabilities	14	4,962	3,922
Total Assets		605,103	620,039

Notes to Pension Fund Account**1 Contributions Receivable**

	2007/08 £'000	2006/07 £'000
From employers		
- normal	31,896	28,759
- special	523	854
- additional	125	0
	32,544	29,613
From members		
- normal	8,588	8,258
-additional voluntary	200	178
	8,788	8,436
Total	41,332	38,049

An additional lump sum employer contribution of £125,000 was received in 2007/08 from Alexandra Palace Trading Company. This was a voluntary payment to reduce the deficit, as agreed with the actuaries. Special employers' contributions relate to payments for the cost of early retirements.

1a Analysis of Contributions Receivable

	2007/08 £'000	2006/07 £'000
Contributions receivable		
Administering authority	34,400	31,281
Scheduled bodies	5,478	5,307
Admitted bodies	1,454	1,461
Total	41,332	38,049

2 Transfers In

	2007/08 £'000	2006/07 £'000
Individual transfers in from other schemes	5,418	5,187
Total	5,418	5,187

3 Benefits Payable

	2007/08 £'000	2006/07 £'000
Pensions	22,143	20,907
Commutation of pensions & lump sum retirement benefits	3,974	2,712
Lump sum death benefits	579	789
Total	26,696	24,408

3a Analysis of Benefits Payable

	2007/08 £'000	2006/07 £'000
Benefits payable		
Administering authority	24,451	22,734
Scheduled bodies	1,438	1,146
Admitted bodies	807	528
Total	26,696	24,408

4 Payments to and on account of leavers

	2007/08 £'000	2006/07 £'000
Refunds of contributions	13	32
Individual transfers out to other schemes	4,471	4,556
Total	4,484	4,588

5 Administrative Expenses

	2007/08 £'000	2006/07 £'000
Council Administration charges	542	591
Legal and other fees	53	66
Total	595	657

6 Investment Income

	2007/08 £'000	2006/07 £'000
Interest from fixed interest securities	2,004	2,475
Dividends from equities	9,556	11,447
Income from index-linked securities	535	449
Income from pooled investment vehicles	3,948	3,610
Interest on cash deposits	1,729	697
Total Investment Income	17,772	18,678

Investment income is shown net of irrecoverable withholding tax of £0.254m in 2007/08 (£0.275m in 2006/07)

7 Change in market value

The market value of the fund decreased by £45m during the year, this mainly comprises realised gains of £19m, unrealised losses of £65m and an increase in council cash of £1m. There has been much volatility in the market due to credit issues that have arisen and are linked to the sub prime mortgage market in the USA. This has impacted upon the performance of our portfolio, is still ongoing and are monitoring the position carefully.

8 Investment management expenses

	2007/08 £'000	2006/07 £'000
Fund managers fees	2,247	2,055
Custodian fees	151	153
Trustees advisor fees	17	16
Investment consultant fees	122	78
Other	68	7
Total	2,605	2,309

9 Investment Assets

	2007/08 £'000	2006/07 £'000
Fixed Interest Securities		
Public sector	41,876	41,045
Other	460	711
	42,336	41,756
Equities		
UK	142,113	162,870
Overseas	117,397	117,829
	259,510	280,699
Index Linked Securities	27,421	25,095
	27,421	25,095
Pooled Investment Vehicles -Unit Trust's		
Property	39,415	42,134
Other	40,983	45,134
	80,398	87,268
Pooled Investment Vehicles -OEIC's	148,051	153,066
	148,051	153,066
Pooled Investment Vehicles -Limited Partnerships		
Property	9,375	0
Other	2,718	0
	12,093	0
Cash/Deposits		
Fund managers	7,036	7,250
Council	18,850	18,000
	25,886	25,250
Other Investment Balances		
Accrued dividend Income	3,368	2,983
Interest receivable	766	0
Pending sales	1,328	0
Pending purchases	(1,016)	0
	4,446	2,983
Total	600,141	616,117

There has been much volatility in the market due to credit issues that have arisen and are linked to the sub prime mortgage market in the USA. This has impacted upon the performance of our portfolio and is still ongoing. We are monitoring the position carefully.

In accordance with the strategic review of the Fund approved by the then Pensions Panel, the allocation to property asset class is being increased from 6 per cent to 10 per cent. The increased allocation includes greater exposure to European property holdings. During 2007/08 the Fund's property manager ING made several European property acquisitions. The majority of these European Funds are constituted in the form of Limited Partnership's and this is reflected in the appearance of 'Limited Partnership – Property' asset category in the Investment Account.

The strategic review also sanctioned investment in Private Equity. In April 2007 Pantheon were appointed as the Fund's Private Equity manager. As at 31 March 2008 there had been five cash calls by Pantheon to fund their mandate. Pantheon's Private Equity funds are legally constituted as Limited Partnerships and are shown in the Investment account as 'Limited Partnerships - Other' to distinguish them from the property holdings referred to in the previous paragraph.

Council 'Cash/Deposits' in 2007/08 includes £9.35 million, representing the un-utilised balance of cash earmarked on transition to the new structure in March 2007 to invest in property. It also includes £9.5 million of cash generated from surplus contributions in 2007/08 and earmarked in accordance with the strategic review to fund the Private Equity mandate. Further information about the investments held is disclosed in notes 10 to 13.

10 Fund Management

Manager	Funds Managed 31/03/08 £m	% of Fund	UK Assets £m	Overseas Assets £m	Funds Managed 31/03/07 £m	% of Fund	UK Assets £m	Overseas Assets £m
Alliance Bernstein	146.1	24.3	110.8	35.3	164.3	26.7	130.2	34.1
Capital International	187.7	31.2	92.9	94.8	191.6	31.1	93.7	97.9
Fidelity	192.0	32.0	97.0	95.0	192.8	31.3	94.2	98.6
ING	51.5	8.6	42.1	9.4	46.6	7.5	46.6	0
Pantheon	2.7	0.5	2.7	0	0	0	0	0
Haringey	19.6	3.3	19.6	0	18.0	2.9	18.0	0
Transition Manager	0.5	0.1	0.2	0.3	2.8	0.5	2.7	0.1
Total	600.1	100.0	365.3	234.8	616.1	100	385.4	230.7

11 Listed and Unlisted Investments

The Fund's investment assets are further analysed between listed and unlisted investments as follows:

Market Value of Investment assets as at 31/03/08 £m	Listed Investments £m	Unlisted investments £m	Market Value of Investment assets as at 31/03/07 £m	Listed Investments £m	Unlisted investments £m
600.1	389.2	210.9	616.1	415.7	200.4

12 Investment Transactions

The sales and purchases during the year were as follows:

Fund Managers	Purchases at cost £m	Sales Proceeds £m
Alliance Bernstein	48.5	42.7
Capital International	136.4	129.9
Fidelity	89.5	86.9
ING	12.4	3.2
Pantheon	2.9	0
Total	289.7	262.7

13 Top Ten shares held

As at 31 March 2008				As at 31 March 2007			
Shares	Rank	% of Equities	Market Value	Shares	Rank	% of Equities	Market Value
		%	£'000			%	£'000
Shell	1	3.1	12,739	Shell	1	2.9	12,438
BP	2	2.3	9,546	Royal Bank of Scotland	2	2.2	9,434
Vodafone	3	2.0	8,244	Vodafone	3	2.1	9,005
Royal Bank of Scotland	4	1.6	6,442	BP	4	2.1	8,962
HBOS	5	1.6	6,389	Astrazeneca	5	1.6	6,821
Glaxosmithkline	6	1.5	5,958	HBOS	6	1.5	6,585
HSBC	7	1.3	5,457	Barclays	7	1.5	6,193
Barclays	8	1.3	5,402	HSBC	8	1.3	5,755
Aviva	9	1.1	4,562	Glaxosmithkline	9	1.3	5,342
BAE Systems	10	0.9	4,038	Aviva	10	1.1	4,625

14 Net current assets and liabilities

	2007/08 £'000	2006/07 £'000
Contributions due from employees and employers	284	275
Cash balances held as debtors	4,996	4,066
Other current assets and liabilities	(318)	(419)
Total	4,962	3,922

15 Contingent Liabilities and Post Balance Sheet Events

There are no material contingent liabilities or Post Balance Sheet events.

16 Additional voluntary contributions (AVCs)

AVCs paid by scheme members are not included within the Pension Fund accounts in accordance with regulation 5(2)c of the Pension Scheme(Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). AVCs are managed independently by three specialist providers, Equitable Life Assurance Society, Prudential Assurance and Clerical and Medical Investment Group Ltd.

Key information regarding the AVCs administered for Haringey are as follows:

Equitable Life Assurance Society	
	£
Value of Fund as at 6 April 2007	519,418
Contributions in Year	11,165
Retirement Benefits & Charges	(101,985)
Change in market value	46,155
Value of Fund as at 5 April 2008	474,753
Number of Active Members	47
Number of members with preserved benefits	29

Prudential Assurance	
	£
Value of Fund as at 1 April 2007	613,107
Contributions in Year	99,023
Retirement Benefits & Charges	(20,003)
Change in market value	50,970
Value of Fund as at 31 March 2008	743,097
Number of Active Members	98
Number of members with preserved benefits	16

Clerical and Medical	
	£
Value of Fund as at 1 April 2007	26,256
Contributions in Year	4,913
Retirement Benefits & Charges	0
Change in market value	(1,303)
Value of Fund as at 31 March 2008	29,866
Number of Active Members	2
Number of members with preserved benefits	2

AVC Investments

<u>Equitable Life Assurance Society</u>	<u>Market Value as at 5 April</u> <u>2008</u>	<u>%</u>
Fund		
Equitable with -profits	248,917	52.4
Equitable unit-linked funds	138,862	29.2
Equitable Building Society Pension Fund	86,974	18.4
Total	474,753	100.0

<u>Prudential</u>	<u>Market Value as at 31 March</u> <u>2008</u>	<u>%</u>
Prudential with-profits cash accumulation	510,672	68.6
Prudential Deposit Fund	6,896	0.9
Prudential Cash Fund	9,432	1.3
Prudential Discretionary Fund	38,616	5.2
Prudential Fixed Interest Fund	11,992	1.6
Prudential Global Equity Fund	6,916	0.9
Prudential Index Linked Fund	14,816	2.0
Prudential International Equity Fund	20,771	2.8
Prudential Property Fund	20,706	2.8
Prudential Retirement Protection Fund	12,298	1.7
Prudential Socially Responsible Fund	10,941	1.5
Prudential UK Equity (Active)Fund	31,806	4.3
Prudential UK Equity (Passive)Fund	47,235	6.4
Total	743,097	100.0

<u>Clerical Medical</u>	<u>Market Value as at 31 March</u> <u>2008</u>	<u>%</u>
Clerical Medical with-profits	3,879	13.0
Clerical Medical unit-linked	25,987	87.0
Total	29,866	100.0