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Havering
LONDON BOROUGH

PENSIONS COMMITTEE AGENDA

7.30 pm	Wednesday 22 June 2011	Committee Room 3A - Town Hall

Members 7: Quorum 3

COUNCILLORS:

Conservative Group (4)	Residents' Group (1)	Labour Group (1)	Independent Residents' Group (1)
Eric Munday (C) Damian White (VC) Roger Ramsey Melvin Wallace	Ron Ower	Denis Breading	Jeffrey Tucker

Trade Union Observers

(No Voting Rights) (2)

John Giles (Unison)

TBC

Admitted/Scheduled Bodies Representative

(No Voting Rights) (1)

David Holmes

For information about the meeting please contact:
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james.goodwin@havering.gov.uk

AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – receive

3 DECLARATION OF INTERESTS

Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING (Pages 1 - 6)

To approve as correct the minutes of the meeting held on 24 March 2011 and authorise the Chairman to sign them.

5 PENSION FUND PERFORMANCE MONITORING -QUARTER ENDING 31 MARCH 2011 (Pages 7 - 20)

Report attached.

6 REVIEW OF FUNDING STRATEGY (Pages 21 - 38)

Report attached.

7 BUSINESS PLAN/ANNUAL REPORT ON WORK OF THE COMMITTEE (Pages 39 - 54)

Report attached.

8 URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

9 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

10 REPORT CONTAINING EXEMPT INFORMATION E1 (Pages 55 - 70)

Report attached.

11 REPORT CONTAINING EXEMPT INFORMATION E2 (Pages 71 - 88)

Report attached.

12 REPORT CONTAINING EXEMPT INFORMATION E3 (Pages 89 - 90)

Ian Buckmaster
Committee Administration &
Member Support Manager

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MINUTES OF A MEETING OF THE PENSIONS COMMITTEE
Havering Town Hall, Romford
24 March 2011 (7.00pm – 9.18pm)

Present:

COUNCILLORS

Conservative	Eric Munday (in the Chair), Roger Ramsey and Damian White
Residents	Ron Ower
Independent Residents	Jeffrey Tucker
Trade Union Observers	John Giles (Unison)

Apologies for absence were received from Councillors Breading and Wallace.

All decisions were made with no member voting against.

The Chairman advised the Committee of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

24. MINUTES OF THE MEETING

The minutes of the meetings held on 1 December 2010 and 28 February 2011 were agreed as a correct record and signed by the Chairman.

25. PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 31 DECEMBER 2010

The Committee received a report from officers on the performance of the Havering Pension Fund investments for the quarterly period to 31 December 2010. The net return on the Fund’s investments for the quarter was 5.1%. This represented an out performance of 0.5% against the combined tactical benchmark and an outperformance of 8.1% against the strategic benchmark.

The overall net return of the Fund’s investments for the year to 31 December 2010 was 11.6%. This represented an underperformance of -1.9% against the annual tactical combined benchmark and an under performance of -0.2% against the annual strategic benchmark.

a) Hymans Robertson (HR)

HR informed the Committee that the positive trend in equity markets over the summer months had continued during the final quarter of 2010. Key events during the quarter were:

Global Economy

- Momentum of economic recovery strengthens in all major markets
- USA announces second round of quantitative easing ($600bn)
- Austerity packages announced in Ireland, Spain and Portugal
- Sharp rise in commodity prices adds to concerns over inflationary pressures
- Short-term interest rates held at record lows despite economic recovery

Currencies

- Euro under pressure on concerns over cost of Irish bailout and potential support required by other Euro-zone countries
- Yen strength continues; +3.6% over the quarter and +18.3% for the year against Sterling

Bonds

- Yield spread between UK and German government bonds narrows as UK public deficit is tackled
- Markets uncertain about appropriate measures to resolve future debt problems in Euro-zone (concept of Euro bond raised)
- Yield differentials between peripheral Euro countries and Germany increase despite Irish bail out.

The fourth quarter of 2010 was the first full quarter with the Fund's new manager structure in place. It was also the last quarter for which Alliance Bernstein would manage the Fund's global equities. Assets were transferred from Alliance Bernstein on 23 February 2011 and moved to State Street Global Advisers; this change would be reflected in the first quarter of 2011.

HR advised the Committee that Alliance Bernstein had performed in line with the MSCI All Countries Index (net) over the final quarter of 2010. Since inception, however, the relative returns continued to languish at -2.9%.

One of the new Managers, State Street Global Advisors, had marginally underperformed the benchmark by 0.2% over the quarter. HR stated that this was within the bounds they would expect from a passive manager.

The UBS Triton fund underperformed by 0.4% during the quarter. Due to the troubles the fund experienced in 2008 and 2009 the returns since inception were 2.8% behind benchmark. However, 4 quarters of positive absolute returns had amounted to a significant return over the year of 11.8%.

The Total Fund had performed broadly in line with benchmark over the quarter. Relative returns had been helped by the outperformance of Standard Life and Ruffer. Since inception returns had improved slightly to -1.5% relative to benchmark (net of all management fees.)

b) Ruffer

David Ballance, Investment Director, attended the meeting to present details of the Fund's performance since inception. As at the end of February 2011 Ruffer LLP had £11.1billion under management, of which £3.8 billion was managed for 154 pension schemes. He informed the Committee that Ruffer was not accepting any new pension scheme clients although they would accept additional funds from existing clients.

The Ruffer Investment philosophy and approach could be defined as follows:

- Two investment objectives defining 'absolute returns'
    - Capital preservation: not to lose money on a rolling 12 month basis
    - Consistent positive returns: significantly greater than the return on cash
- 'Long-only' investment approach
    - all conventional asset classes; global equities and bonds and currencies
    - active asset allocation and focused stock selection.

In response to questions the Committee were advised that Jonathan Ruffer would be standing down as CEO next year but would be remaining as Chairman. He would be replaced by Henry Maxey. This would not affect how the company was run.

As at 28 February the portfolio value had increased by 6.3% since the funds were placed with Ruffer on 8 September 2010. Up to date figures showing the funds value at 23 March 2011 were tabled at the meeting.

The Committee **noted** the positive report and thanked Mr. Ballance for his presentation.

c) Standard Life

David Cumming, Executive Director, Head of UK Equity, delivered a presentation on Standard Life's performance in quarter 4. Relative performance saw a strong recovery in the second half of 2010. Standard Life was of the opinion that the global recovery would continue. Their investment process was generating positive ideas, and they were confident in market levels and future outperformance.

Performance in the fourth quarter was a return of 8% which represented a Relative Return over Benchmark of 0.6%. Since inception Standard Life had achieved a 6.5% return on the Pension Fund, a Relative Return over Benchmark of -0.4.

The Committee **noted** the report and thanked Mr. Cumming for his presentation.

d) Royal London

Paul Rayner, Head of Government Bonds and Victoria Muir, Head of Client Services delivered a presentation on Royal London's performance in quarter 4. Royal London had outperformed for the 6^{th} successive quarter. The absolute return on the portfolio was -1.9% (net of fees), slightly ahead of the benchmark return which was -2.1%. The returns since inception were now 0.3% ahead of benchmark.

The Royal London team explained their strategy and clarified why they were overweight in UK corporate bonds. These were expected to post the strongest relative returns as spreads narrowed.

The Committee **noted** the report and thanked the Royal London officers for their presentation.

Having considered the officers' report, the report from Hymans Robertson and the presentations from the three Fund Managers the Committee**:**

i) **Noted** the summary of performance of the Pension Fund, i.e. an increase of £19.64m over the quarter);
ii) **Noted** that no Corporate Governance issues had arisen from the voting of each Fund Manager; and
iii) **Noted** the analysis of the cash balance.

26. PENSION FUND INVESTMENT STRATEGY

Further to considerations at the meeting on 28 February 2011 officers had submitted a report outlining the options available. This report considered the advice given by the Pension Fund Investment advisors in connection with the funds asset allocation and made recommendations to re-balance the fund.

Hymans Robertson was recommending that the allocation to Property should be at or near target. Although UBS Triton, the funds portfolio manager for Property, had experienced a period of poor returns in the last two to three years, their recent performance had improved (4 consecutive quarters of positive absolute returns had amounted to a significant return over the year of 11.8%.). Void rates (i.e. un-let properties) had been reduced substantially which had contributed to this turn round.

The absolute return mandate was managed by Ruffer and the majority of funds held by them were invested in equities and bonds. When the Investment Strategy was reviewed in 2008 Hymans Robertson had recommended an allocation of 10% to 15% to this asset class. In view of the Pension Fund's limited experience with this form of investment it had agreed to allocate 5% as an initial step. Hymans was now recommending that the allocation to Ruffer be increased to 10%, by reducing the allocation to bonds by approximately £18 million.

Having considered the advice of officers, the recommendations from Hymans Robertson and the presentation from Ruffer the Committee **agreed** to:

1) Approve the allocation of £7million in cash to the property portfolio manager, UBS Triton;

2) Increase the absolute returns mandate by 5% and reduce the mandate with the Global Bonds Manager by 5%.
3) Increase the funds allocated to Ruffer from 5% to 10% to be funded by a reduction in the allocation to the bond manager, Royal London. This allocation was expected to be in the region of £18 million;

4) Receive a further report from Hymans Robertson at the next meeting on the rebalancing of the active and passive management of UK Equities.

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE

22 June 2011

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 31 MARCH 2011**
Report Author and contact details:	Debbie Ford Pension Fund Accountant (01708) 432569 debbie.ford@havering.gov.uk
Policy context:	Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met.
Financial summary:	This report comments upon the performance of the Fund for the period ended 31 March 2011

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity	[]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[]

SUMMARY

This report provides the Committee with an overview of the performance of the Havering Pension Fund investments for the quarterly period to 31 March 2011. The performance information is taken from the Quarterly Performance Report supplied by each Investment Manager, the WM Company Quarterly Performance Review Report and Hymans Monitoring Report.

The net return on the Fund's investments for the **quarter** to 31 March 2011 was **0.9%.** This represents an under performance of **-0.2%** against the combined tactical benchmark and an out performance of **1.7%** against the strategic benchmark.

The overall net return of the Fund's investments for the **year** to 31 March 2011 was **6.3%**. This represents an underperformance of **-1.9%** against the annual tactical combined benchmark and an under performance of **-3.3%** against the annual strategic benchmark.

Members should bear in mind that the markets have seen unprecedented volatility since the latter half of 2007, with further market falls during 2008. The markets did rally during 2009, erasing some of the losses from the year before. In the quarter ending March 2011, equity markets proved remarkably resilient to the political tension in the Arab countries and the implications in Japan during the quarter. One of the major influences on markets was increased inflationary pressures, particularly in emerging markets. In the developed markets, the economic improvement has been more evident in the corporate sector supported by strong earnings growth and the re-building of balance sheets.

It is now possible to measure the individual managers' annual return for the new tactical combined benchmark since they became active on the 14th February 2005. These results are shown later in the report.

RECOMMENDATIONS

That the Committee:

1) Considers Hymans performance monitoring report and presentation (Appendix A).
2) Receive a presentation from the funds Property Manager (UBS).
3) Notes the summary of the performance of the Pension Fund within this report.
4) Considers the quarterly reports provided by each investment manager.
5) Considers and notes any Corporate Governance issues arising from voting as detailed by each manager.
6) Considers any points arising from officer monitoring meetings (section 4 refers).
7) Notes the analysis of the cash balances (paragraphs 2.2 and 2.3 refers).

REPORT DETAIL

1. Background

1.1 A major restructure of the fund took place in the first quarter of 2005. A further restructure of the fund took place during the first half of 2008 and these changes were reflected in a revised Statement of Investment Principles (SIP) adopted by members in September 2008 and subsequently updated in June 2010. Implementation of the strategy is currently ongoing.

1.2 As part of the SIP a strategic benchmark was adopted for the overall Fund of Gilts + 3.6% gross (3% net) per annum. In the revised SIP the strategic benchmark adopted for the overall Fund is Gilts plus 2.9% (net of fees) per annum. This is the expected return in excess of the fund's liabilities over the longer term. **The main factor in meeting the strategic benchmark is market performance.**

1.3 Individual manager performance and asset allocation will determine the out performance against the strategic benchmark. Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which their performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance. No revisions were made to individual fund manager benchmarks as part of the investment strategy review. However the asset allocation has been revised and these are shown in the following table against the manager's benchmarks:

Manager and % of total Fund awarded	**Mandate**	**Tactical Benchmark**	**Out performance Target**
Standard Life 20%	UK Equities -Active	FTSE All Share Index	2%
State Street (SSgA) (Account 2) 25%	UK/Global Equities - passive	UK- FTSE All Share Index Global (Ex UK) – FTSE All World ex UK Index	To track the benchmark
State Street (SSgA) (Account 1) 15%	UK/Global Equities - Passive	UK- FTSE All Share Index Global (Ex UK) – FTSE All World ex UK Index	To track the benchmark
Royal London Asset Management 25%	Investment Grade Bonds	• 50% iBoxx Sterling Non Gilt Over 10 Year Index • 16.7% FTSE Actuaries UK Gilt Over 15 Years Index • 33.3% FTSE Actuaries Index-Linked Over 5 Year Index	0.75%
UBS 10%	Property	IPD (previously called HSBC/AREF) All Balanced Funds Median Index	To outperform the benchmark
Ruffer 5%	Multi Asset	Not measured against any market index – for illustrative purposes LIBOR (3 months) + 4%.	To outperform the benchmark

1.4 The Committee appointed a Multi-Asset Manager (Ruffer) and a Passive Equity Manager (State Street Global Advisors Limited (SSgA)) in February 2010. Both Managers commenced trading from 8th September 2010.

1.5 The mandate with the Global Equities Manager (Alliance Bernstein) was active during the quarter ending March 2011 but was terminated in February 2011. Assets were transferred to State Street Global Advisors pending further consideration of the investment strategy.

1.6 UBS and SSgA manage the assets on a pooled basis. Standard Life, Royal London, Alliance Bernstein and Ruffer manage the assets on a segregated basis. Performance is monitored by reference to the benchmark and out performance target. Each manager's individual performance is shown in this report with a summary of any key information relevant to their performance.

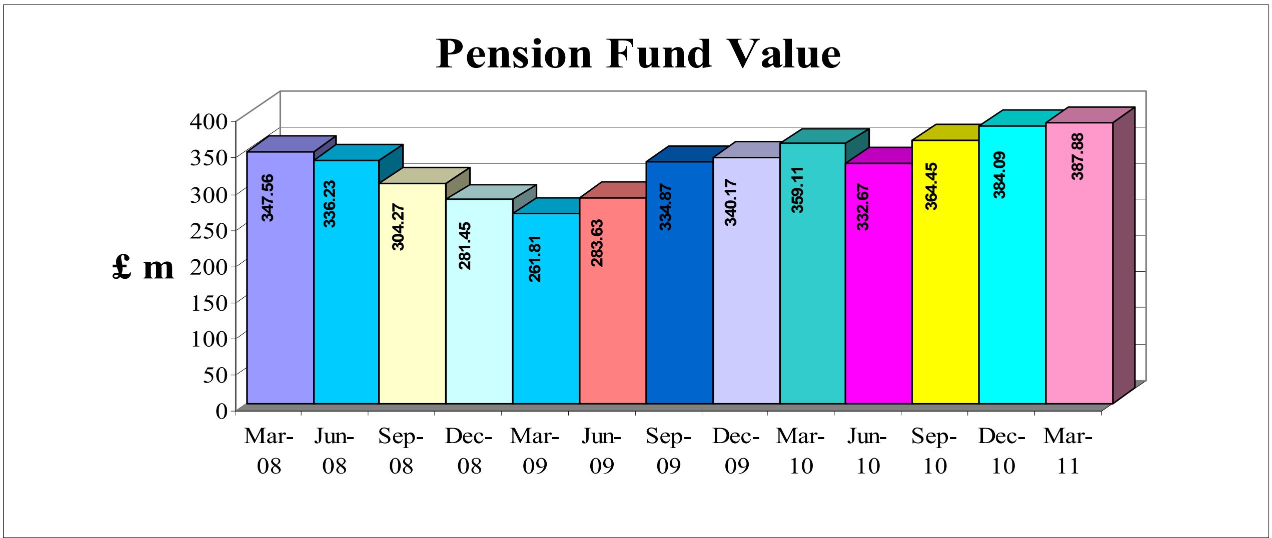
1.7 Since 2006, to ensure consistency with reports received from our Performance Measurers, Investments Advisors and Fund Managers, the 'relative returns' (under/over performance) calculations has been changed from the previously used arithmetical method to the industry standard geometric method (please note that this will sometimes produce figures that arithmetically do not add up).

1.8 Existing Managers are invited to present at the Pensions Committee Meeting every six months. On alternate dates, they meet with officers for a formal monitoring meeting. The exception to this procedure is the Multi Asset (Ruffer) and the Passive Equity (SSGa) Managers will attend two meetings per year, one with Officers and one with Pensions Committee. However if there are any specific matters of concern to the Committee relating to the Managers performance, arrangements can be made for additional presentations.

1.9 Hyman's performance monitoring report is attached at **Appendix A.**

2. Fund Size

2.1 Based on information supplied by our performance measurers the total combined fund value at the close of business on 31 March 2011 was **£387.88m**. This valuation differs from the basis of valuation used by our Fund Managers and our Investment Advisor in that it excludes income. This compares with a fund value of £384.09m at the 31 December 2010; an increase of **£3.79m**. The movement in the fund value is attributable to an increase in fund performance of £3.77m and an increase in cash of £.02m. The internally managed cash level totals **£8.4m**, of which an analysis follows in this report.



Source: WM Company (Performance Measurers)

2.2 An analysis of the internally managed cash balance of **£8.4m** follows:

CASH ANALYSIS	**2008/09**	**2009/10**	**2010/11**
	£000's	£000's	£000's
Balance B/F	**-6673**	**-7999**	**-4763**
Benefits Paid	23878	26926	25634
Management costs	1742	1939	1970
Net Transfer Values	156	2639	-2985
Employee/Employer Contributions	-26546	-28251	-28408
Cash from/to Managers	-315	0	163
Internal Interest	-241	-17	-37
Movement in Year	**-1326**	**3236**	**-3663**
Balance C/F	**-7999**	**-4763**	**-8426**

2.3 Internally managed cash had been decreasing during 2009/10; the significant factor being the reduction in net transfer values (more members of the fund transferring out than in). A clarification in the regulations was required before a number of 'Transfers In' could be processed. This has since been received and the numbers of 'Transfers In' processed had increased, hence why the cash levels have risen.

3. Performance Figures against Benchmarks

3.1 The overall net performance of the Fund against the new **Combined Tactical Benchmark** (the combination of each of the individual manager benchmarks) follows:

	Quarter to 31.03.11	**12 Months to 31.03.11**	**3 Years to 31.03.11**	**5 years to 31.03.11**
Fund	0.9%	6.3%	3.1%	1.8%
Benchmark return	1.1%	8.3%	5.8%	4.1%
*Difference in return	-0.2%	-1.9%	-2.6%	-2.1%

Source: WM Company

**Totals may not sum due to geometric basis of calculation and rounding.*

3.2 The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts over 15 years + 3% per and then revised to 2.9%) is shown below:

	Quarter to 31.03.11	**12 Months to 31.03.11**	**3 Years to 31.03.11**	**5 years to 31.03.11**
Fund	0.9%	6.3%	3.1%	1.8%
Benchmark return	-0.8%	9.9%	8.1%	6.8%
*Difference in return	1.7%	-3.3%	-4.6%	-4.6%

Source: WM Company

**Totals may not sum due to geometric basis of calculation and rounding.*

The Fund's revised strategy adopted in September 2008 has not been fully implemented and historical performance greater than three years is no reflection of the revised strategy.

3.3 The following tables compare each manager's performance against their **specific (tactical) benchmark** and their **performance target** (benchmark plus the agreed mandated out performance target) for the current quarter and the last 12 months.

QUARTERLY PERFORMANCE (AS AT 31 MARCH 2011)

	Standard Life	Alliance Bernstein (as at Feb 11 only)	Royal London	UBS	Ruffer	SSGA
Return (performance)	0.0	2.4	0.6	2.9	-0.6	1.8
Benchmark	1.0	2.0	-0.1	1.9	0.2	1.8
***Over/(Under) Performance vs. Benchmark**	**-1.0**	**0.4**	**0.7**	**1.0**	**-0.8**	**0.0**
TARGET	1.5	2.6	0.1	n/a	n/a	n/a
*** Over/(Under) Performance vs. Target**	**-1.5**	**(0.2)**	**0.5**	**n/a**	**n/a**	**n/a**

Source: WM Company, Fund Managers and Hymans

* Totals may not sum due to geometric basis of calculation and rounding.

ANNUAL PERFORMANCE (LAST 12 MONTHS)

ANNUAL	Standard Life	Alliance Bernstein (as at Feb 11 only)	Royal London	UBS	Ruffer	SSGa
Return (performance)	5.1	5.9	8.3	10.7	n/a	n/a
Benchmark	8.7	8.0	6.5	8.9	n/a	n/a
***Over/(Under) Performance vs. Benchmark**	**-3.3**	**(1.9)**	**1.7**	**1.8**	**n/a**	**n/a**
TARGET	10.7	10.5	7.3	n/a	n/a	n/a
*** Over/(Under) Performance vs. Target**	**(5.2)**	**(4.1)**	**1.0**	**n/a**	**n/a**	**n/a**

Source: WM Company, Fund Managers and Hymans

- Totals may not sum due to geometric basis of calculation and rounding.
- Ruffer and SSGa Inception from 8 Sept 2010
- Alliance Bernstein not a full quarter – mandate terminated February11

4. Fund Manager Reports

4.1. UK Equities (Standard Life)

a) In accordance with agreed procedures officers met with representatives from Standard Life on the 10 May 2011 at which a review of the quarter 1 performance was discussed.

b) Market Value of the fund as at 31 March increased by 0.09% compared with the previous quarter.

c) Standard Life underperformed the benchmark in the quarter by -1% and underperformed the target in the quarter by -1.5%. Since inception they are below benchmark by -0.6% and -2.5% against the target. As at the date of the meeting performance was flat against the benchmark.

d) Standard Life reported that UK equities moved modestly over the quarter after a strong finish to 2010. Consumer and oil sensitive stock exposures held back performance. Equities volatile on the back of events in Japan, Middle East and North Africa and concerns persisted over the euro area.

e) Standard Life explained that they are increasing their exposure to non-life insurance in response to a question about the economic outlook and whether there are likely to be any changes in the type of stocks they hold going forward.

f) Household Goods & Home Construction, Life Insurance and Industrial Engineering contributed to the positive outperformance. Negative contributors came from General Retailers, Media and Oil & Gas Producers.

g) Positive attribution in stock selection came from not holding Tesco stocks as they reported poor sales results. Resolution as management gave greater clarity on their strategy. Aviva and RSA as the sector performed well as a beneficiary of rising bond yields. Galliford Try as trading across the house building sector improving.

h) Negative attribution in stock selection came from Dixons as they reported weak Christmas trading. GKN gave up some of its gains from quarter 4 and there were market concerns regarding input cost pressures and supply distribution from Japan. British Airways fell back on worries over rising fuel prices. Lloyds Banking Group as sector came under pressure on worries over potential regulatory change.

i) The portfolio activity during Quarter 1 were as follows :
- Purchased Anglo American –low valuation
- WS Atkins (engineering consultant) – benefits from the recovery in construction activity.
- Purchased Premier Farnell (distributor of parts) – improving industrial demand and a management restructuring program to shift the business into higher margin areas.

- Purchased WPP – further earnings revisions likely as company benefits from a broad based recovery in global advertising trends.
- Purchased Prudential – attractive valuation, particularly given the growth in their Asian business and 20% increase in the dividend gives an indication in conference in future cash flow.
- Sold stocks in IAG – on concerns that the rise in the fuel price hadn't been discounted by the market.
- Sold Aviva – reduced following a strong run in shares and the life sector generally.
- Took profits in Inchcape after good performance.

j) Standard Life were asked about the underweight position in the Oil & Gas sector and whether this was based on the prospects for the oil price or are the valuations less attractive. They responded by saying that it is not a sector issue but management issues over spending with Shell.

k) Going forward Standard Life believe that stock picking will be the main driver.

l) No governance or whistle blowing issues were reported.

4.2. Global Equities (Alliance Bernstein)

a) Members decided at the committee meeting held on the 14 December 10 to terminate the mandate held with Alliance Bernstein. Assets were transferred to State Street Global Advisors on the 23 February 2011 on a temporary basis until further decisions about the investment strategy can be made.

b) As trading ceased on the 4 February 11no performance reports were submitted by Alliance Bernstein. The WM performance data shows that during the partial quarter Alliance Bernstein outperformed the benchmark by 0.4% but were below target by -0.2%.

4.3. UK Investment Grade Bonds (Bonds Gilts, UK Corporates, UK Index Linked, UK Other) – (Royal London Asset Management)

a) In accordance with agreed procedures officers met with representatives from Royal London on the 10 May 2011 at which a review of the quarter 1 performance was discussed.

b) Market Value of the fund as at 31 March increased 0.49% compared with the previous quarter.

c) Royal London outperformed the benchmark for the quarter by 0.7% and 0.5% against the target. Since inception they outperformed benchmark by 0.4% but below target by -0.3%.

d) Asset allocation of the fund during the quarter was 56.3% Sterling Credit Bonds, 29.2% Index Linked, 10.3% Government Bonds, 4.2% Overseas Government Bonds.

e) Royal London's tactical overweight position in corporate bonds and overseas bonds and an underweight position in index linked and conventional government bonds was kept marginally unchanged in the quarter.

f) Stock selection, asset allocation and duration views were the key contributors to performance.

g) The duration position, the sensitivity of a bond's price to shifts in interest rates, of the fund on average was longer than the benchmark on duration and this added to performance.

h) In respect of asset allocation Royal London's activity during the quarter was as follows:
   - Maintained an overweight position in corporate bonds – this was a positive contributor
   - Tactical off-benchmark positions in overseas index linked bonds - holdings of overseas bonds added value over the quarter.

i) In respect of stock selection the activity during the quarter was as follows:
   - Held no supranational bonds over the quarter – this was a positive factor for performance
   - Ran an overweight position in subordinated financial bonds- this was beneficial.
   - Increased the overweight position in asset backed securities through new issues of covered bonds – this was a benefit in the quarter
   - Participated in several new issues with a bias towards covered and consumer bonds – the fund gained from its participation particularly in covered bonds.
   - Underweight positions were held in auction stocks – positive effect on portfolio performance.

j) Royal London was asked to explain why they held an overweight position in corporate bonds relative to government bonds. They believe that the three drivers of this positioning are that they are good value (cheap to buy), the market and the returns.

k) Royal London explained that their 'bias towards security' in terms of holdings in real estate, social housing, structured and unrated issues is on a sector basis.

l) As Royal London had increased their holdings in covered bonds they were asked to explain what these were and whether they plan to hold onto them in the long term. They explained that these were senior bonds that were covered by mortgages and the new issues they bought in Nationwide, Abbey and Lloyds were bought cheap. It is their intention to hold covered bonds for the longer term.

m) In the presentation pack there was a slide on their Absolute Return Bond Fund. Royal London went on to explain that this is a new product that they will be launching within the next three months. They see this as a fund that clients will hold as an additional holding rather than a replacement for bond mandates as this will be measured against a cash benchmark. They explained that it will be a 'best ideas fund' and will be managed by the same managers of our existing fund. They gave assurances that this will not be detrimental to the management of our existing portfolio.

n) Members have agreed a change to our portfolio that allows bonds to be held if they are downgraded after purchase to below investment grade BBB- . This means that Royal London would avoid having to be forced to sell those downgraded bonds. Royal London has been granted some flexibility over the disposal of these bonds during a period where it is expected a higher than usual numbers of bonds are being downgraded. It will not be permitted to allow purchase of bonds below BBB- only to have some flexibility when to sell if downgraded.

o) Royal London explained that for those assets that were downgraded earlier in the year and were not forced to sell benefited the portfolio.

p) No governance or whistle blowing issues were reported.

q) The committee agreed at its meeting on the 24 March 11 to reduce the funds holdings in Bonds by 5% in order to rebalance the fund. UPDATE: the cash of £19m was transferred to Ruffer on the 20 April 11

4.4. Property (UBS)

a) Representatives from UBS are to make a presentation at this committee, therefore a brief overview of Quarter 1 performance follows:

b) The value of the fund as at 31 March 2011 increased by 2.45% since the last quarter.

c) UBS out performed the benchmark in the quarter by 1.0% and out performed the benchmark in the year by 1.8%.

d) The committee agreed at its meeting on the 24 March 11 to increase its investment with UBS in order to rebalance the fund and move the asset allocation for property nearer to its 10% planned allocation. UPDATE: £7m was transferred to UBS on the 17 May 2011 which was funded from internally managed cash.

4.5. Multi Asset Manger (Ruffer)

a) In accordance with agreed procedures officers will only meet with representatives from Ruffer once in the year with the other meeting to be held with members. Ruffer attended their first meeting with members at the 24 March 11 Pensions Committee meeting. Officers were not due to meet with officers but a brief review of the quarter 1 performance follows:

b) The value of the fund as at 31 March 11 decreased by .47% since the previous quarter.

c) The small decline in fund values mainly reflected their gold and dollar positions.

d) Ruffer underperformed in the quarter by -0.6%.

e) Japanese equities fell sharply in the aftermath of the March's earthquake and tsunami, but losses were mitigated by gains made in January and February, some ground was recovered in the balance of March, but most of their Japanese equities ended down for the period.

f) At its meeting on the 24 March 11 Ruffer gave a presentation about how the mandate is managed and how the mandate had performed since their inception date of 8 September. At this meeting the committee agreed to increase its investments with Ruffer as part of the fund's rebalancing, this was funded from reducing the bond's holding by 5%. UPDATE: £19m was transferred to Ruffer on the 20 April 11.

4.6. Passive Equities Manager (SSgA)

a) In accordance with agreed procedures officers will only meet with representatives from SSgA once in the year with the other meeting to be held with members. Therefore officers met with representatives from SSgA on the 10 May 2011 at which a review of the quarter 1 performance was discussed.

b) This was the first meeting with SSgA since inception of 8 September 2010.

c) The value of the fund (account 1) as at 31 March 11 increased by 1.8%.

d) On termination with the funds Global Asset Manager (Alliance Bernstein) a second wave of assets were transferred to SSgA on the 23 February 2011 (Account 2).

e) State Street explained that as part of the first transfer of funds they undertook rebalancing of the asset allocation over three phases. Phase 1 (at inception) the split was 67% in UK Equities and 33% in the FTSE All World (ex UK) index. Phase 2 split as at end of September was 50% in UK Equities and 50% in FTSE All World (ex UK) index. The final phase was completed at the end of October and the benchmark split was 33% in UK Equities and 67% in the FTSE All World (ex UK) index.

f) State Street went on to explain that instead of measuring the benchmark against a number of regional sub funds they have moved to the All World Fund. This makes no difference to the overall benchmark but makes it easier to measure against the one benchmark.

g) Since inception State Street has performed in line with the benchmark. Although they were behind the benchmark by -0.2%) at the quarter ending December 10. This in part was part was due to transfer costs and the movement in the fund to achieve the target asset weighting.

h) The second account is being kept separate, as the current intention is that this is a temporary measure until further discussions on the investment strategy have progressed.

i) State Street was asked if there were any outstanding issues over the second transfer of assets and if they are now fully invested. The only outstanding issue is the sweeping up of cash from Alliance Bernstein. This is being carried out on a regular basis via our custodian and will continue until all dividends, tax reclaims and trades have all been settled in the Alliance Bernstein account.

j) State Street explained that when a new stock is included in the FTSE ALL Share Index, in order to manage their exposure, they stagger the purchases by buying a few days before and after.

k) State Street enquired as to whether we would consider switching to currency hedging within the portfolio. After discussion officers said that they would consult with the funds advisor and get back to them.

l) No governance or whistle blowing issues were reported.

5. Corporate Governance Issues

The Committee, previously, agreed that it would:

1. Receive quarterly information from each relevant Investment Manager, detailing the voting history of the Investment Managers on contentious issues. This information is included in the Managers' Quarterly Reports, which is available for scrutiny in the Members Lounge.

2. Consider a sample of all votes cast to ensure they are in accordance with the policy and determine any Corporate Governance issues arising.

3. Receive quarterly information from the Investment Managers, detailing new Investments made.

   - Points 1 and 3 are contained in the Managers' reports.

   - With regard to point 2, Members should select a sample of the votes cast from the voting list supplied by the managers placed in the Member's room which is included within the quarterly report and question the Fund Managers regarding how Corporate Governance issues were considered in arriving at these decisions.

This report is being presented in order that:

- The general position of the Fund is considered plus other matters including any general issues as advised by Hymans.

- Hymans will discuss the managers' performance after which the particular manager will be invited to join the meeting and make their presentation. The managers attending the meeting will be from:

  UBS

- Hymans and Officers will discuss with Members any issues arising from the monitoring of the other managers.

IMPLICATIONS AND RISKS

Financial Implications and risks:

Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund.

Legal Implications and risks:

None arising directly

Human Resources Implications and risks:

There are no immediate HR implications. However longer term, shortfalls may need to be addressed depending upon performance of the fund.

Equalities and Social Inclusion Implications and risks:

None arising directly

BACKGROUND PAPERS

Standard Life Quarterly report to 31 Mar 2011
Alliance Bernstein Quarterly report to 31 Mar 2011
Royal London Quarterly report to 31 Mar 2011
UBS Quarterly report to 31 Mar 2011
The WM Company Performance Review Report to 31 Mar 2011
Hyman's Monitoring Report to 31 Mar 2011

Havering
LONDON BOROUGH

PENSIONS COMMITTEE **22 JUNE 2011**	

Subject Heading:	**REVIEW OF THE FUNDING STRATEGY STATEMENT**
Report Author and contact details:	Contact: Debbie Ford Designation: Pension Fund Accountant Telephone: (01708) 432569 E-mail address: Debbie.ford@havering.gov.uk
Policy context:	Regulation 35 of the LGPS (Administration) Regulations 2008 requires an administrative authority to keep this document under review
Financial summary:	New measures introduced will reduce financial risk to the fund.

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity	[]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[]

SUMMARY

In line with the Local Government Pensions Scheme (Administration) Regulations 2008 and good practice the London Borough of Havering as an administrating authority undertook a review of the Funding Strategy Statement (FSS) during the Fund's revaluation process. This report sets out how the review was undertaken and highlights where or if changes were necessary.

RECOMMENDATIONS

That the committee:

1. Agree the proposed changes to the Funding Strategy Statement.

REPORT DETAIL

1. LGPS (Administration) Regulations 2008 Regulation 35 states that the administrative authority must keep the FSS under review and make such revisions as appropriate following a material change.

2. Funding Strategy Statement (FSS)

   a) This was last reviewed in November 08 following the Investment Strategy Review.

   b) The Fund's actuary was consulted in October 09 and no changes were suggested at this time.

   c) The Funding Strategy Statement was reviewed during the revaluation process which commenced on the 31 March 2010 with the results published by 31 March 2011. The Fund's Actuary was consulted throughout the revaluation process and this resulted in some material changes being required.

   d) The proposed revised Funding Strategy Statement was distributed to our employers in the fund on the 23 May 2011 for their comment. If any comments are received these will be raised at the meeting.

   e) The revised FSS is attached as **Appendix A**. This is displayed with tracked changes shown so that members can see where the proposed changes have been made. In summary the changes cover :

      (1) Solvency (page 7) - explains the method used to set contribution rates when an admission body has no guarantor or loses its last active member within a timeframe frame of the next 5 to 10 years.

      (2) Stabilisation (page 10) – explains the reasons why this modelling method would be used and has been applied to the fund.

      (3) Admission bodies ceasing (page 11) – sets out the procedures for terminating admission agreements and when this would be applicable.

      (4) Ill Health monitoring (page 13) – Sets out that the fund will monitor the cost of Ill health retirements for each employer and that a charge will be applied when the allowance has been exceeded.

      (5) New Admitted Bodies (page 13) – explains why it is required that bonds will be required for new Admitted Bodies to the fund.

IMPLICATIONS AND RISKS

Financial implications and risks:
There are no implications arising directly, however the review will ensure that the Pension Fund is compliant with the regulations and the introduction of some of the new measures will reduce any potential financial risks to the fund.

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

None arise from this report.

BACKGROUND PAPERS

Background Papers List
Funding Strategy Statement (Nov 08)

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FUNDING STRATEGY STATEMENT

REVISED
MARCH 2011

LONDON BOROUGH OF HAVERING PENSION FUND

Overview

This Statement has been prepared in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997. The Statement describes London Borough of Havering's strategy, in its capacity as Administering Authority (the Administering Authority), for the funding of the London Borough of Havering Pension Fund (the Fund).

As required by Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (the Administration Regulations), this Statement is kept under review and revised as appropriate. In reviewing and making revisions to the Statement, the Administering Authority has regard to guidance published by CIPFA in March 2004.

Consultation

In accordance with Regulation 35(3)(b) of the Administration Regulations, all employers participating within the London Borough of Havering Pension Fund have been consulted on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

In addition, the Administering Authority has had regard to the Fund's Statement of Investment Principles published under Regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (the Investment Regulations).

The Fund Actuary, Hymans Robertson LLP, has also been consulted on the contents of this Statement.

Policy Purpose

The three main purposes of this Funding Strategy Statement are:

- To establish a clear and transparent strategy, specific to the Fund, which will identify how employer's pension liabilities are best met going forward.
- To support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
- To take a prudent longer-term view of funding the Fund's liabilities.

The Aims of the Fund

The aims of the Fund are:

1. To ensure that sufficient resources are available to meet all liabilities as they fall due.

   The Administering Authority recognises the need to ensure that the Fund has, at all times, sufficient liquid assets to be able to pay pensions, transfer values, costs, charges and other expenses. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position on a monthly basis to ensure that all cash requirements can be met.

2. To enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the Scheduled bodies, Admitted bodies and to the taxpayers.

   The Administering Authority recognises that the requirement to keep employer contribution rates as nearly constant as possible can run counter to the following requirements:

   - the regulatory requirement to secure solvency,
   - the requirement that the costs should be reasonable, and
   - maximising income from investments within reasonable cost parameters (see 4 below)

   Producing low volatility in employer contribution rates requires material investment in assets which 'match' the employer's liabilities. In this context, 'match' means assets which behave in a similar manner to the liabilities as economic conditions alter. For the liabilities represented by benefits payable by the Local Government Pension Scheme, such assets would tend to comprise gilt edged investments.

   Other classes of assets, such as other equities and property, are perceived to offer higher long term rates of return, on average, and consistent with the requirement to maximise the returns from investments the Administering Authority invests a substantial proportion of the Fund in such assets. However, these assets are more risky in nature, and that risk can manifest itself in volatile returns over short term periods.

   This short term volatility in investment returns can produce a consequent volatility in the measured funding position of the Fund at successive valuations, with knock on effects on employer contribution rates. The impact on employer rates can be mitigated by use of stabilisation mechanisms.

   The Administering Authority recognises that there is a balance to be struck between the investment policy adopted, the stabilisation mechanisms used at valuations, and the resultant smoothness of employer contribution rates from one valuation period to the next.

The Administering Authority also recognises that the position is potentially more volatile for Admission Bodies with short term contracts where utilisation of stabilisation mechanisms is less appropriate.

3. To manage employers' liabilities effectively.

   The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by seeking regular actuarial advice, ensuring that employers and Pensions Committee Members are properly informed, and through regular monitoring of the funding position.

4. To maximise the income from investments within reasonable risk parameters.

   The Administering Authority recognises the desirability of maximising investment income within reasonable risk parameters. Investment returns higher than those available on government stocks are sought through investment in other asset classes such as stocks and property. The Administering Authority ensures that risk parameters are reasonable by:

   - restricting investment to the levels permitted by the Investment Regulations.
   - restricting investment to asset classes generally recognised as appropriate for UK pension funds.
   - analysing the potential risk represented by those asset classes in collaboration with the Fund's Actuary, Investment Advisors and Fund Managers.

Purpose of the Fund

The purpose of the Fund is:

1. To pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.
2. To receive monies in respect of contributions, transfer values and investment income.

Responsibilities of the key parties

The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the Individual Employers and the Fund Actuary.

Their key responsibilities are as follows:

Administering Authority

The Administering Authority's key responsibilities are:

1. Collecting employer and employee contributions and, as far as the Administering Authority is able to, ensure these contributions are paid by the due date.

   Individual employers must pay contributions in accordance with Regulations 39, 40, 41, 42 and 43 of the Administration Regulations. The Administering Authority will ensure that all employers are aware of these requirements especially the requirement of the Pensions Act 1995 that members' contributions are paid by the 19th of the month following the month that it is paid by the member. The contributions to the Pension Fund are monitored and processed by the Pension Administration team. If contributions are received more than a month after payment is due, interest will be charged at the rate of 1% above the bank base rate.

   The Administering Authority will ensure that action is taken to recover assets from Admitted Bodies whose Admission Agreement has ceased by:

   - Complying with Regulation 38(2) of the Administration Regulations by requesting that the Fund Actuary calculates any deficit at the date of the cessation of the Admission Agreement
   - notifying the Admitted Body that it must meet any deficit at the cessation of the Agreement .

2. Invest surplus monies in accordance with the regulations.

   The Administering Authority will comply with Regulation 9 of the Investment Regulations.

3. Ensure that cash is available to meet liabilities as and when they fall due.

   The Administering Authority recognises this duty and discharges it in the manner set out in the Aims of the Fund above.

4. Manage the valuation process in consultation with the Fund's Actuary

   The Administering Authority ensures it communicates effectively with the Fund Actuary to:

   - agree timescales for the provision of information and provision of valuation results
   - ensure provision of data of suitable accuracy
   - ensure that the Fund Actuary is clear about the Funding Strategy
   - ensure that participating employers receive appropriate communication throughout the process
   - ensure that reports are made available as required by Guidance and Regulation

5. Prepare and maintain a Statement of Investment Principles and a Funding Strategy Statement after due consultation with interested parties.

   The Administering Authority will ensure that both documents are prepared and maintained in the required manner.

6. Monitor all aspects of the Fund's performance and funding and amend these two documents if required.

   The Administering Authority monitors the funding position of the Fund on a quarterly basis, and the investment performance of the Fund on a monthly basis. The Statement of Investment Principles and Funding Strategy Statement will be reviewed annually, unless circumstances dictate earlier amendment.

Individual Employers will:

1. Deduct contributions from employees' pay.
2. Pay all contributions, including their employer contribution as determined by the actuary, promptly by the due date.
3. Exercise discretions within the regulatory framework.
4. Pay for added years or pensions in accordance with agreed arrangements.
5. Notify the administering authority promptly of all changes to membership, or other changes which affect future funding

The Fund Actuary will:

1. Prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the Funding Strategy Statement.

   Valuations will also be prepared in accordance with generally accepted actuarial methods and reported on in accordance with Guidance Note 9 issued by the Board for Actuarial Standards, to the extent that the Guidance Note is relevant to the LGPS.

2. Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

   Such advice will take account of the funding position and funding strategy of the Fund, along with other relevant matters.

Solvency

The Administering Authority will prudentially seek to secure the solvency of the Fund. For this purpose the Administering Authority defines solvency as being achieved when the value of the Fund's assets is greater than or equal to the value of the Fund's liabilities when measured using 'ongoing' actuarial methods and assumptions (ongoing funding basis).

'Ongoing' actuarial methods and assumptions are taken to be measurement by use of the projected unit method of valuation, using assumptions generally recognised as suitable for an open, ongoing UK pension fund with a sponsoring employer of sound covenant.

The financial assumptions used to assess the funding level will have regard to the yields available on long term fixed interest and index linked gilt edged investments. The Administering Authority has also agreed with the Fund Actuary that the assumptions will make partial allowance for the higher long term returns that are expected on the assets actually held by the Fund, and understands the risks of such an approach if those additional returns fail to materialise.

The ongoing funding basis has traditionally been used for each triennial valuation for all employers in the fund.

Where an admission agreement for an admission body that is not a Transferee Admission Body and has no guarantor is likely to terminate within the next 5 to 10 years or lose its last active member within that timeframe, the Fund reserves the right to set contribution rates by reference to liabilities valued on a gilts basis (i.e. using a discount rate that has no allowance for potential investment outperformance relative to gilts). The target in setting contributions for any employer in these circumstances is to achieve full funding on a gilts basis by the time the agreement terminates or the last active member leaves in order to protect other employers in the fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required when a cessation valuation is carried out.

The Fund also reserves the right to adopt the above approach in respect of those admission bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease.

The Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority.

Funding Strategy

Where a valuation reveals that the Fund is in surplus or deficiency against this solvency measure, employer contribution rates will be adjusted to target restoration of the solvent position over a period of years (the recovery period). The recovery period applicable for each participating employer is set by the Administering Authority in consultation with the Fund Actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.

The Administering Authority recognises that a large proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, the Administering Authority is prepared to agree to recovery periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the

Administering Authority also recognises the risk in relying on long recovery periods and has agreed with the Fund Actuary a limit of 20 years. The Administering Authority's policy is to adopt recovery periods for each employer which are as short as possible within this framework.

For employers whose participation in the Fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a recovery period longer than the remaining term of participation, other than in exceptional circumstances, when it may permit recovery over a period not exceeding 10 years subject to security, e.g. an indemnity or bond or other contingent asset of amount and form acceptable to the administering Authority, being maintained.

Consistent with the requirement to keep employer contribution rates as nearly constant as possible, the Administering Authority permits some employers to be treated as a group for the purposes of setting contribution rates. In particular, contribution rates could be very volatile for smaller employers due to the increased likelihood that demographic movements would have a material effect. The Administering Authority recognises that grouping can give rise to cross subsidies from one employer to another over time. The Administering Authority's policy is to consider the position carefully at each valuation and to notify each employer that is grouped that this is the case, and which other employers it is grouped with. If the employer objects to this grouping, it will be offered its own contribution rate. For employers with more than 50 contributing members, the Administering Authority would look for evidence of homogeneity between employers before considering grouping. For employers whose participation is for a fixed period grouping is unlikely to be permitted.

Again, consistent with the requirement to keep employer contribution rates as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or should be reached by a series of steps over future years. The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach, and will examine the financial impact and risks associated with each employer. The Administering Authority's policy is that in the normal course of events no more than three equal annual steps will be permitted. Further steps may be permitted in extreme cases, but the total is very unlikely to exceed six steps.

Identification of risks and counter measures

The Administering Authority's overall policy on risk is to identify all risks to the Fund and to consider the position both in aggregate and at an individual risk level. The Administering Authority will monitor the risks to the Fund, and will take appropriate action to limit the impact of these both before, and after, they emerge wherever possible. The main risks to the Fund are:

Demographic

The main risks include changing retirement patterns, take up of the commutation option and longevity. The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

If significant demographic changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and will review the bonds that are in place for Transferee Admitted Bodies.

Regulatory

The risks relate to changes to regulations, National pension requirements or Inland Revenue rules. The Administering Authority will keep abreast of all proposed changes and, where possible, express their opinion during consultation periods after careful consideration. The Administering Authority's policy will be to ask the Fund Actuary to assess the impact on costs of any changes and, where these are likely to be significant, the Administering Authority will notify Employers of this likely impact and the timing of any change.

Governance

This covers the risk of unexpected structural changes in the Fund membership (for example the closure of an employer to new entrants or the large scale withdrawal or retirement of groups of staff), and the related risk of the Administering Authority not being made aware of such changes in a timely manner.

The Administering Authority's policy is to require regular communication between itself and employers, and to ensure regular reviews of such items as bond arrangements, financial standing of non-tax raising employers and funding levels.

Statistical/Financial

This covers such items such as the performances of markets, Fund investment managers, asset reallocation in volatile markets, pay and /or price inflation varying from anticipated levels or the effect of possible increases in employer contribution rate on service delivery and on Fund employers. The Administering Authority's policy will be to regularly assess such aspects to ensure that all assumptions used are still justified.

Solvency measure

The Administering Authority recognises that allowing for future investment returns in excess of those available on government bonds introduces an element of risk, in that those additional returns may not materialise. The Administering Authority's policy will be to monitor the underlying position assuming no such excess returns are achieved to ensure that the funding target remains realistic relative to the low risk position.

Stabilisation

There can be occasions when, despite the deployment of contribution stabilising mechanisms such as pooling, stepping and the extension of deficit recovery periods, the theoretical employer contribution rate is not affordable or achievable. This can occur in times of tight fiscal control or where budgets have been set in advance of new employer contribution rates being available.

In view of this possibility, the Administering Authority has commissioned the Fund Actuary to carry out extensive modelling to explore the long term effect on the Fund of capping future contribution increases. The results of this modelling indicate that it is justifiable to limit employer contribution rate changes, subject to the following conditions being met:

- the Administering Authority is satisfied that the status of the employer merits adoption of a stabilised approach; and
- there are no material events between now and 1 April 2011 which render the stabilisation unjustifiable.

In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that the results of the modelling demonstrate that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" and are therefore paying less than their theoretical contribution rate should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The Fund currently has a strong net cash inflow and can therefore take a medium to long term view on determining employer contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long term view. It allows short term investment markets volatility to be managed so as not to cause volatility in employer contribution rates.

The LGPS regulations require the longer term funding objectives to be to achieve and maintain assets to meet the projected accrued liabilities. The role of the Fund Actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements. The approach to the actuarial valuation and key assumptions used at each triennial valuation form part of the consultation undertaken with the FSS.

<u>Recovery period</u>

The Administering Authority recognises that permitting surpluses or deficiencies to be eliminated over a recovery period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements. The Administering Authority's policy is to discuss the risks inherent in each situation with the Fund Actuary and to limit the permitted length of recovery period to no longer than 20 years.

Stepping

The Administering Authority recognises that permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process. The Administering Authority's policy is to discuss the risks inherent in each situation with the Fund Actuary and to limit the number of permitted steps to three annual steps. In exceptional circumstances further steps may be permitted but the total is highly unlikely to exceed six annual steps.

Admission Bodies Ceasing

Admission agreements for Transferee Admission Body contractors are assumed to expire at the end of the contract.

Admission agreements for other employers are generally assumed to be open-ended and to continue until all the benefits have been paid in full. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These admission agreements can however be terminated at any point subject to the terms of the agreement.

The Fund, however, considers any of the following as triggers for the termination of an admission agreement:

- Last active member ceasing participation in the LGPS;
- The insolvency, winding up or liquidation of the admission body;
- Any breach by the Admission Body of any of its obligations under the agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the admission body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the admission body to renew or adjust the level of the bond or indemnity or to confirm appropriate alternative guarantor as required by the Fund.

In addition either party can voluntarily terminate the admission agreement by giving the appropriate period of notice as set out in the admission agreement to the other party (or parties in the case of a Transferee Admission Body).

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

a) For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with the assumptions used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

b) For admission bodies that are not Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or which triggers a cessation event, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. Where there is a guarantor, the cessation valuation will normally be calculated using an ongoing valuation basis appropriate to the investment strategy. Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis" with no allowance for potential future investment outperformance and with an allowance for further future improvements in life expectancy. This approach results in a higher value being placed on the liabilities than would be the case under a valuation on the ongoing funding basis and could give rise to significant payments being required.

c) For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

In the event that the Fund is not able to recover the required payment in full directly from the Admission Body or from any bond or indemnity or guarantor, then:

a) In the case of Transferee Admission Bodies the awarding authority will be liable. At its absolute discretion, the Administering Authority may agree to recover any outstanding amounts via an increase in the awarding authority's contribution rate over an agreed period.

b) In the case of admission bodies that are not Transferee Admission Bodies and have no guarantor, the unpaid amounts fall to be shared amongst all of the employers in the Fund. This will normally be reflected in contribution rates set at the formal valuation following the cessation date

As an alternative to (b) above where the ceasing Admission Body is continuing in business, the Fund, at its absolute discretion, reserves the right to enter into an agreement with the ceasing Admission Body to accept an appropriate alternative security to be held against any funding deficit and to carry out the cessation valuation on an ongoing valuation basis. This approach would be monitored as part of each triennial valuation and the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified.

Early Retirement Costs

Non Ill Health retirements

The Actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to any part of their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age other than on ill-health grounds are deemed to have retired "early".

The additional costs of premature retirement are calculated by reference to these ages.

Employers must make these additional contributions as a one off payment to the fund immediately on awarding the early retirement. The exception to this rule are statutory bodies with tax raising powers, where, depending on the circumstances, the Administering Authority may at its absolute discretion agree to spread the payment over a period not exceeding 3 years. In any event the spread period cannot exceed the period to the member's normal retirement date if this is shorter than 3 years.

Ill health monitoring

The Fund will monitor each employer's, or pool of employers, ill health experience on an ongoing basis. If the cumulative cost of ill health retirements in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases.

New Admitted Bodies

The Fund requires the following from any potential Admission Bodies wishing to join the Fund.
Transferee Admission Bodies will be required to have a guarantee from the transferring scheduled body and also provide a bond if requested by the awarding authority and/or the Administering Authority. The bond is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the employer's contract
- allowance for the risk of asset underperformance
- allowance for the risk of a fall in gilt yields

The Fund may also require employers to include their current deficit within the bond amount. The bond amount will be reassessed by the Fund actuary on an annual basis.

The Administering Authority will only consider requests from Community Admission Bodies to join the Fund if they are sponsored by a scheduled body with tax raising powers, guaranteeing their liabilities, and also provide a bond if requested.

These measures reduce the risk to the Fund of potentially having to pick up any shortfall in respect of Admission Bodies.

Links to investment policy set out in the Statement of Investment Principles

The Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles and the funding policy set out in this Statement.

The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate including, where appropriate, asset liability modelling or other analysis techniques.

Future monitoring

The Administering Authority plans to review this statement annually, and as part of the triennial valuation process unless circumstances arise which require earlier action.

The Administering Authority will discuss with the actuary the impact on the funding position of any significant changes that have arisen to determine whether interim valuations or any other action needs to be taken.

Havering
LONDON BOROUGH

PENSIONS COMMITTEE **22 June 2011**	

Subject Heading:	**BUSINESS PLAN/ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE 2010/11**
Report Author and contact details:	Contact: Debbie Ford Designation: Pension fund Accountant Telephone: (01708) 432569 E-mail Address: debbie.ford@havering.gov.uk
Policy context:	A Business Plan incorporating training demonstrates compliance against Myners principle for effective decision making
Financial summary:	Training costs are met from the Pension fund

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity	[]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[]

SUMMARY

This report sets out the work undertaken by the Committee during 2010/11 and the plan of work for the following year (2011/12) along with an assessment of the training requirements for Members of the Committee. This will form the basis of the Pension Fund Business Plan.

This report explains why a Business Plan is needed and what it should contain.

RECOMMENDATIONS

1. Members consider and agree the Business Plan/ Report of the work of the Committee (See Appendix A).

2. Members agree the Business Plan/Report of the work of the Committee be reported to full Council.

3. Members consider and agree the training proposals, identifying and incorporating any other needs (Paragraph 6 refers).

4. Members add any areas/topics that they want covered.

REPORT DETAIL

1. Each administrating authority is required by regulation 12 (3) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to include in its Statement of Investment Principles the extent to which the authority's policy complies with guidance given by the secretary of state. Compliance is measured against the six principles set out in the Myners Principles.

2. In a letter from the CLG to administering authorities dated 14 December 2009 reference referred to relates to the guidance issued by Chartered Institute of Public Finance and Accountancy (CIPFA) on 11 December 2009. This is a guide to the application of the Myners Principle and includes suggested best practices that could be adopted to demonstrate compliance.

3. In Myners Principle 1: Effective Decision Making - suggested best practice is the creation of a Business Plan and a Training Plan. The Pensions Committee has, in recent years, prepared a report that has covered both Committee activities, including training and the general performance of the Fund. The latter is now a statutory requirement and will be prepared as part of the annual accounts process and included in the Annual Report. It is; however appropriate to continue to prepare a separate report on the activity of the Committee on an annual basis and this will be adopted as the Business Plan. The Business Plan will incorporate the Training Plan. This would also demonstrate compliance against Myners Principles 1: Effective Decision making.

4. CIPFA guidance suggests that the Business Plan is submitted to the committee for consideration and should contain:

- Major milestones & issues to be considered by the committee
- Financial estimates – investment and administration of the fund
- Appropriate provision for training
- Key targets & methods of measurement
- Review level of internal & external resources the committee needs to carry out its functions
- Recommended actions to put right any deficiencies

5. It is important that all the Members of the Committee are adequately trained and briefed to make effective decisions and that members are aware of their statutory and fiduciary responsibilities and achieve the terms of reference of this Committee which are:

- To consider and agree the investment strategy and statement of investment principles for the pension fund
- Where appropriate and above staff delegation levels to authorise the invitation of tenders and the award of contracts for actuaries, advisers and fund managers or other related investment matters
- To appoint and review the performance of advisers and investment managers for Council and pension fund investments
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning pensions made under Regulations set out in Sections 7,12 or 24 of the Superannuation Act 1972.

6. Training and development will be held having regard to the work plan as shown in Annex C of Appendix A. It is proposed that Members will be requested to notify any other training needs to the Pension Accountant pending review of the adoption of the CIPFA Knowledge and Skills Framework.

7. In line with the above, a report is attached as Appendix A.

IMPLICATIONS AND RISKS

Financial implications and risks:

1. Training costs are met from the Pension Fund directly or via the Advisor Fee.
2. There is a considerable risk of poor decision making if Members of the Committee are not adequately trained.

Legal implications and risks:

The specialist training of those Members who oversee the administration of the Council Pension Scheme is highly desirable in order to help show the proper administration of the scheme. The Council's Constitution recommends that the Membership of the Pension Committee remains static for the life of the Council for the very reason that Members need to be fully trained in investment matters. The life of the Council is considered to be the four year term.

Human Resources implications and risks:

None arising directly.

Equalities implications and risks:

None arising directly.

BACKGROUND PAPERS

CIPFA Guide investment decision making and disclosure (Dec 09)

Havering
LONDON BOROUGH

HAVERING PENSION FUND

BUSINESS PLAN/REPORT ON THE WORK OF THE PENSIONS COMMITTEE

2010/11

INTRODUCTION

The Havering Pension Fund (the Fund) provides benefits to Council employees (except teachers). The performance of the Fund impacts on the cost of Council services through the cost of employer contributions. It is therefore beneficial to issue a Business Plan/Annual report to all Council Members on the Havering Pension Fund and the work of the Pensions Committee.

The Business Plan looks forward over the next three years and will be reviewed and updated annually. This report also covers the period 1st April 2010 to 31st March 2011 and outlines:

- The work of the Pensions Committee
- Key issues arising during the course of the year

The financial position and the performance of the Havering Pension Fund for 2010/11 is featured as part of the formal Annual Report of the Fund itself and not included here. The Annual Report is prepared later in the year when the pension fund accounts have been finalised.

BACKGROUND TO THE PENSION FUND

The Council is an administering Authority under the Local Government Pension Scheme Regulations and as such invests employee and employer contributions into a Fund in order to pay pension benefits to scheme members. The Fund is financed by contributions from employees, employers and from profit, interest and dividends from investments.

The Council had delegated the responsibility for investment strategy and performance monitoring to the Pensions Committee.

The Havering Pension Fund has adopted a benchmark for the overall fund of Gilts + 2.9% (net of fees). The Fund currently has six different fund managers (who have specific mandates) and performance is monitored against an agreed benchmark.

Manager and percentage of total Fund awarded	**Mandate**	**Tactical Benchmark (what managers are measured against)**	**Out performance Target (net of fees)**
Standard Life 30%	UK Equities	FTSE All Share Index	2%
Alliance Bernstein 30%	Global Equities	MSCI All World Index	2.5%
Royal London Asset Management (RLAM) 30%	Investment Grade Bonds	• 50% iBoxx Sterling Non Gilt Over 10 Year Index • 16.7% FTSE Actuaries UK Gilt Over 15 Years Index • 33.3% FTSE Actuaries Index-Linked Over 5 Year Index	0.75%
UBS 10%	Property	IPD (previously called HSBC/AREF) All Balanced Funds Median Index	To outperform the benchmark
Ruffer 5%	Multi Asset	Not measured against any market index – for illustrative purposes LIBOR (3months) +4%	To outperform the benchmark
State Street Global Assets 15%	UK/ Global Equities - Passive	UK – FTSE All Share Index Global (ExUK) – FTSE All World Ex UK Index	To track the benchmark

Fund Managers present performance updates on a quarterly basis. They report every 6 months at the Pensions Committee and on alternate quarters meet with officers for a formal meeting, with the exception of Ruffer and State Street who will attend two meetings per year (one with officers and one with the committee).

The Fund also uses the services of WM Performance Measurers to independently report on fund manager performance.

FUND MANAGEMENT STRUCTURE

Day to day management of the fund is delegated to the Director of Finance and Commerce. The Committee also obtains and considers advice from the authority's officers, and as necessary from the Fund's appointed professional adviser, actuary and performance measurers who attend meetings as and when required.

The membership of the Pensions Committee reflects the political balance of the Council and the structure of the Pensions Committee during the period March 2010 to April 11 is as follows:

Cllr Robby Misir (Chairman) - Conservative Group
Cllr Eric Munday (Vice Chairman) - Conservative Group
Cllr Benham - Conservative Group
Cllr Melvin Wallace - Conservative Group
Cllr Clarence Barrett - Residents Group
Cllr Linda van den Hende - Residents Group
Cllr Jeffrey Tucker - Independent Local Residents Group

Non voting Union Members:
Brian Long (Unison) replaced by John Giles
Sean Ramsden (TGWU)

Non voting Admitted/Scheduled Body Representative:
David Holmes – Havering College of Further and Higher Education

There were some changes made to the elected members of the committee following Local Elections held in May 2010 as follows:

Cllr Eric Munday (Chairman) – Conservative Group
Cllr Damian White (Vice-Chairman) – Conservative Group
Cllr Roger Ramsey – Conservative Group
Cllr Melvin Wallace – Conservative Group
Cllr Ron Ower – Residents Group
Cllr Denis Breading – Labour Group
Cllr Jeffrey Tucker - Independent Local Residents Group

Fund Administrator	London Borough of Havering
Actuary	Hymans Robertson (April 2010)
Auditors	PricewaterhouseCoopers LLP (PWC)
Performance Measurement	WM Company
Custodians	State Street Global Services
Investment Managers	Standard Life Investments (UK Equities) Royal London Asset Management (Investment Bonds) Alliance Bernstein Institutional Investors until February 2011(Global Equities) UBS (Property) State Street Global Assets from September 2010 (UK/Global Equities – passive) Ruffer LLP from September 2010 (Multi Asset)
Investment Advisers	Hymans Robertson
Legal Advisers	London Borough of Havering Legal Services provide legal advice as necessary (specialist advice is procured as necessary)

The terms of reference for the committee are:

- To consider and agree the investment strategy and statement of investment principles for the pension fund
- Where appropriate and above staff delegation levels to authorise the invitation of tenders and the award of contracts for actuaries, advisers and fund managers or other related investment matters

- To appoint and review the performance of advisers and investment managers for Council and pension fund investments
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities)(England) Regulations 2000 relating to those matters concerning pensions made under Regulations set out in Sections 7, 12 or 24 of the Superannuation Act 1972

PENSION COMMITTEE MEETINGS 2010/11

The Committee met a number of times during 2010/11 and Annex A sets out the coverage but the key issues that arose in the period or since the last business plan was produced are shown below:

Key issues arising in the period

- **2010 valuation**

Members agreed the outcomes of the 2010 Actuarial Valuation for the fund

- **Investment Strategy**

Investment Strategy Implementation was progressed and potential fund managers were interviewed and appointed for a Multi Asset Manager and a Passive UK/Global Equity Manager.

Following the outcome of the 2010 Valuation members agreed to some initial changes to asset allocations and some rebalancing within the fund.

- **Annual Report**

The Pension Fund Annual Report 31 March 2010 was produced and agreed in line with the LGPS (Administration) regulations.

- **Communication Strategy and Governance Policy**

In line with the 1997 Local Government Pension Scheme (LGPS) the committee undertook an annual review of the Pension Fund's Communication Strategy and Governance Compliance Statement.

- **Statement of Investment Principles**

Updated the Statement of Investment Principles as at June 10 to reflect the changes to the revised Myners' principles and Compliance statement.

- **Whistleblowing Requirements of the Pensions Act**

An annual review was undertaken and no issues were reported.

- **Updated Discretionary Policies**

Reflected the change in the increase to the minimum retirement age to 55 which came into effect on the 1 April 2010.

- **Business Plan**

The Pension Fund Business Plan for 2009/10 was agreed incorporating the work of the pension committee members.

- **Reviewed Fund Manager quarterly performance**
- **Agreed the final extension of the contract for Pension Advisory Services until 31 March 2012.**
- **Reviewed performance of Custodians**
- **Agreed membership status of non teaching staff in non community schools**
- **Agreed 2009/10 Pension Fund Accounts**

PENSION COMMITTEE MEETINGS 2011/12 AND ONWARDS

In addition to the annual cyclical work programme as shown in Annex C there are a number of issues that are likely to be considered by the Pensions Committee in the coming year and beyond:

- The potential outcomes of the Hutton proposals on Public Sector pension reforms
- Further Investment Strategy implications following the 2010 Valuation result.
- Appointment of the Pension Fund Advisory Services.
- Review of the Funding Strategy Statement in conjunction with 2010 Valuation.
- Topical issues discussed as appropriate.

INTERNAL & EXTERNAL RESOURCES

The Pensions Committee is supported by the administrating authorities' finance and administration services and the associated costs are therefore reimbursed to the administrating authority by the Fund. The costs for these services form part of the Administrative and Investment Management expenses as reported in the Pension Fund Statement of Accounts. Estimates for the medium term on Administration and Investment Management expenses follow in this report.

The Pensions Administration service consists of an establishment of 8.6 full time equivalent posts (1 post currently vacant).

The Finance service that supports the pension fund consists of an establishment of 1.5 full time equivalent posts.

FINANCIAL ESTIMATES

Administrative Expenses

	2009/10 Actual £000's	**2010/11 Actual £000's**	**2011/12 Estimate £000's**	**2012/13 Estimate £000's**	**2013/14 Estimate £000's**
Administration & Processing	568	499	500	500	500
Actuarial Fees	14	63	20	20	20
Audit Fees	35	35	35	35	35
Other Fees	6	6	6	6	6
Other Costs	13	11	10	10	10
TOTAL	**636**	**614**	**571**	**571**	**571**

Investment Management expenses

	2009/10 Actual £000's	**2010/11 Actual £000's**	**2011/12 Estimate £000's**	**2012/13 Estimate £000's**	**2013/14 Estimate £000's**
Administration, Management & custody	1,224	1,224	1,200	1,200	1,200
Performance Measurement services	11	11	11	11	11
Other Advisory Fees	68	47	40	40	40
TOTAL	**1,303**	**1,282**	**1,251**	**1,251**	**1,251**

Please note the following regarding the above figures

- Takes no account of any inflationary increases
- Management and custody fees are charged according to the fund value; therefore an average figure has been applied.
- Based on 2010/11 fund and staffing structures.
- Actuary fees increased in 2010/11 for the work carried out on 2010 valuation.
- Advisory Fees greater in 2009/10 due to Investment Manager tendering and appointment

TRAINING AND DEVELOPMENT STRATEGY

Long membership of the committee is encouraged in order to ensure that expertise is developed and maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the term in Council, unless exceptional circumstances require a change.

CIPFA's knowledge and Skills self assessment training questionnaire was distributed to members in January 2011. Training will be targeted as appropriate.

Training and development took place during 2010/11 to ensure that Members of the Committee were fully briefed in the decisions they were taking.

Training logs are maintained and attendance and coverage can be found in Annex B.

The Fund uses the three day training courses offered by the Local Government Employers (LGE) which is specially targeted at elected members with Pension Fund responsibilities. All new members are encouraged and given the opportunity to attend.

Members receive briefings and advice from the Funds Investment adviser at each committee meeting.

The Fund is a member of the CIPFA Pensions network which gives access to an extensive programme of events, training/workshops, weekly newsletters and documentation, including briefing notes on the latest topical issues.

The Pension Fund Accountant also attends quarterly forum meetings with peers from other London Boroughs; this gives access to extensive opportunities of knowledge sharing and benchmarking data.

TRAINING PLAN FOR 2011/12 and ONWARDS

Associated training will be given when required which will be linked to the Pension Fund meeting coverage for 2011/12 as shown in Annex C.

Training will be targeted as appropriate.

ANNEX A

PENSIONS COMMITTEE MEEETINGS HELD DURING 2010/11
(or since production of the 2009/10 Business Plan)

MONTH	TOPIC	ATTENDED BY
March 2010	• Pension Fund Performance Monitoring for the quarter ending 31 December 2009 • Agreed Business Plan/ Report on the work of the Pensions Committee • Reviewed the services of the Pension Fund Actuary • Discretionary Policies Update	Cllr Melvin Wallace (chair) Cllr Robby Misir Cllr Eric Munday Cllr Clarence Barrett David Holmes (Employer representative)
March 2010 (Special)	• Interviewed potential new Fund Managers (Alternatives and Passive equities)	Cllr Melvin Wallace (chair) Cllr Robby Misir Cllr Eric Munday Cllr Clarence Barrett David Holmes (Employer representative)
June 2010	• Pension Fund Performance Monitoring for the quarter ending 31 March 2010 • Reviewed and updated the Statement of Investment Principles in line with revised Myners principles	Cllr Eric Munday (chair) Cllr Damian White Cllr Melvin Wallace Cllr Roger Ramsey Cllr Ron Ower Cllr Denis Breading Cllr Jeffrey Tucker Brian Long (UNISON)
September 2010	• Pension Fund Performance Monitoring for the quarter ending 30 June 2010 • Agreed Pension Fund Accounts 2009/10 • Noted external audit report	Cllr Eric Munday (chair) Cllr Damian White Cllr Melvin Wallace Cllr Roger Ramsey Cllr Clarence Barrett (sub for Ron Ower) Cllr Keith Darvill (sub for Denis Breading) John Giles (UNISON)
November 2010	• Reviewed Pension Fund's Communication Strategy and Governance Compliance Statement • Noted Whistleblowing Report • Reviewed the services of the Pension Fund Custodian • Agreed extension of the Contract for Pensions Advisory Services • Agreed Membership status of non teaching staff in non community schools • Agreed Pension Fund Annual Report – Year ended 31 March 2010	Cllr Eric Munday (chair) Cllr Damian White Cllr Melvin Wallace Cllr Roger Ramsey Cllr Denis Breading John Giles (UNISON)
December 2010	• Pension Fund Performance Monitoring for the quarter ending 30 September 2010	Cllr Eric Munday (chair) Cllr Melvin Wallace Cllr Roger Ramsey Cllr Osman Dervish (sub for Damian White) Cllr Keith Darvill (sub for Denis Breading) Gary Chick-Mackay (UNISON) (sub for John Giles)

ANNEX A

PENSIONS COMMITTEE MEEETINGS HELD DURING 2010/11
(or since production of the 2009/10 Business Plan)

MONTH	TOPIC	ATTENDED BY
FEBRUARY 2011 (Special)	• Outcome of 2010 Valuation Report and implications for Investment Strategy	Cllr Eric Munday (chair) Cllr Damian White Cllr Melvin Wallace Cllr Denis Breading Cllr Ron Ower Cllr S. Kelly (sub for Roger Ramsey) John Giles (UNISON) David Holmes (Employer representative)
MARCH 2011	• Pension Fund Performance Monitoring for the quarter ending 31 December 2010 • Pension Fund Investment Strategy - asset allocation and rebalancing	Cllr Eric Munday (chair) Cllr Damian White Cllr Roger Ramsey Cllr Ron Ower Cllr Jeffrey Tucker John Giles (UNISON)

- Please note that three members constitute a quorum.
- Target dates for issuing agendas were met.

APPENDIX A

PENSIONS COMMITTEE MEMBER TRAINING 2010/11

ANNEX B

DATE	TOPIC COVERED	LOCATION	COST	ATTENDED BY
30 June 2010	Pension's overview – delivered by Pension Fund Accountant/Fund's Advisor and Actuary.	Town Hall	Officer Time (charge by Actuary and Advisor built in with fee charges)	Cllr Ower Cllr Breading Cllr D.White (partial) Cllr Wallace (partial)

20 October, 09 November & 7 December 10	Local Government Employers delivering Trustee Training:
	• Day 1 (20 Oct 10)
	  ○ LGPS framework (past and present)
	  ○ Investment framework
	  ○ Traditional Asset Classes
		London	£210.00 pp	Cllr Munday
				Cllr D. White

	• Day 2 (9 Nov 10)
	  ○ Valuations
	  ○ Funding Strategy Statements
	  ○ Corporate Governance
	  ○ Communication Strategies/Policies
	  ○ Established Alternative Investments
		London	£210.00 pp	Cllr Munday
				Dave Thomas (UNISON) (sub for John Giles)

	• Day 3 (7 Dec 10)
	  ○ Duties and Responsibilities of committee members
	  ○ The future for LGPS
	  ○ Managers and Manager Selection
	  ○ Brining it all together
		London	£210.00 pp	Cllr Munday

10 November 10	Alliance Bernstein – UK Pension Fund Leaders Dinner	London	Free	Cllr Munday
11 November 10	Standard Life – Equities Dinner	London	Free	Cllr D.White Cllr Dervish
20 December 10	Engaged Investor Handbook distributed – Covers: Introduction Jargon Buster Part 1 – Asset Classes Part 2 – Investment Strategies Part 3 – Managing Investments Part 4 – Defined Contributions (Info only)	Via email	Officer Time	Cllr Munday Cllr D. White Cllr Wallace Cllr Ramsey Cllr Ower Cllr Breading Cllr Tucker John Giles (UNISON) David Holmes (Employer Rep)

PENSIONS COMMITTEE MEMBER TRAINING 2010/11

ANNEX B

DATE	TOPIC COVERED	LOCATION	COST	ATTENDED BY
28 February 110	• 2010 Valuation – Delivered by Funds' Actuary • Investment Strategy – Delivered by Fund's Investment Advisor	Town Hall prior to Committee meeting	(charge by Actuary and Advisor built in with fee charges)	Cllr Munday Cllr D.White Cllr Wallace Cllr Breading Cllr Ower Cllr Tucker John Giles (UNISON) David Holmes (Employer Rep)

APPENDIX A

INDICITIVE PENSIONS COMMITTEE CYCLICAL MEETINGS AND COVERAGE 2011/12

ANNEX C

	JUNE 2011	**SEPTEMBER 2011**	**NOVEMBER 2011**	**DECEMBER 2011**	**MARCH 2012**
Formal Committees with Members	▪ Overall Monitoring Report on Pension Fund to end of March: ▪ a) Property Manager ▪ Annual Training/ Business Plan and Work Plan Review inc work of Committee ▪ Review of FSS following Valuation	▪ Overall Monitoring Report on Pension Fund to end of June: a) UK Equities Manager b) UK Bonds Manager ▪ Pension Fund Accounts 10/11 ▪ Annual report on activity of Pensions Administration	▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Communications/ Governance Policies ▪ Whistleblowing Annual Assessment ▪ Administration Strategy (regs change) if necessary ▪ Pension Fund Annual Report ▪ Stakeholder/ Regs review on pensions as required Activity; IDRP policy; discretions – 100 weeks only – 100 weeks done verbally??? TBC	▪ Overall Monitoring Report on Pension Fund to end of September: a) Property Manager b) Passive Equity Manager	▪ Overall Monitoring Report on Pension Fund to end of December: a) UK Equities Manager b) UK Bonds Manager
Officer Meeting	Meeting: 10 May 11 ▪ UK equities ▪ UK Bonds ▪ Passive Equity Manager	Meeting:18 Aug 11 (am) ▪ Property ▪ WM presentation Meeting TBC: • Custodian Review • Advisor Review	No meeting	Meeting: 24 Nov 11 (pm) ▪ UK Equities ▪ UK Bonds Manager	Meeting: 7 Feb 12 (pm) ▪ Property ▪ Multi Asset Manager
Training	Associated Training	Associated Training	Associated training	Associated Training	Associated training

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Agenda Item 11

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Agenda Item 12

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