



Haverling

LONDON BOROUGH

HAVERING PENSION FUND

**BUSINESS PLAN/REPORT ON THE WORK
OF THE
PENSIONS COMMITTEE
DURING
2011/12**

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 2011 to 31st March 2012 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 2011/12 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 had five different fund managers (who have specific mandates) during 2011/12 and performance is monitored against an agreed benchmark. The Pensions Committee appointed a new global Equity Manager (Baillie Gifford) in December 2011 but they did not start trading until April 2012.

The positioning of the fund as at March 2012 was as follows:

Manager and target percentage of total Fund awarded	Mandate	Tactical Benchmark (what managers are measured against)	Out performance Target
Standard Life 20%	UK Equities	FTSE All Share Index	2%
State Street (SSgA) (Account 1) 15%	UK/ Global Equities - Passive	UK – FTSE All Share Index Global (ExUK) – FTSE All World Ex UK Index MSCI All World Index	To track the benchmark
State Street (SSgA) (Account 2) 25%	UK/ Global Equities - Passive	UK – FTSE All Share Index Global (ExUK) – FTSE All World Ex UK Index MSCI All World Index	To track the benchmark
Royal London Asset Management (RLAM) 25%	Investment Grade Bonds	<ul style="list-style-type: none"> • 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

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 an informal 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 Group 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 April 2011 to March 2012 was as follows:

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

Non voting Union Members:

John Giles (Unison)
Andy Hamsphire (GMB) from January 2012

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 in May 2012 and the current structure as at the date of the report publication is as follows:

Cllr Melvin Wallace (Chair) – Conservative Group
Cllr Rebecca Bennett (Vice-Chair) – Conservative Group
Cllr Roger Ramsey – Conservative Group
Cllr Eric Munday – Conservative Group
Cllr Ron Ower – Residents Group
Cllr Pat Murray – Labour Group
Cllr Jeffrey Tucker - Independent Local Residents Group

Fund Administrator	London Borough of Havering
Actuary	Hymans Robertson
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) Baillie Gifford (Global Equities) from April 2012
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 (SIP) for the pension fund and subsequently monitor and review performance
- Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
- To appoint and review the performance of advisers and investment managers for 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 2011/12

The Committee met a number of times during 2011/12 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

- **Investment Strategy**

Interviewed Global Equities manager from the framework and appointed Baillie Gifford.

- **Investment Advisor**

Interviewed potential investment fund advisors and re appointed the current fund's advisors Hymans Robertson

- **Agreed 2010/11 Pension Fund Accounts**

- **Annual Report**

The Pension Fund Annual Report 31 March 2011 was produced and agreed in line with the LGPS (Administration) regulations.

- **Governance Policy**

In line with the 2008 Local Government Pension Scheme (LGPS) the committee undertook an annual review of the Pension Fund's Governance Compliance Statement and agreed to recommend to Governance Committee a change to the constitution with regard to training arrangements.

- **Statement of Investment Principles**

In line with the 2009 Local Government Pension Scheme (LGPS) the committee undertook a review and updated the Statement of Investment Principle.

- **Whistleblowing Requirements of the Pensions Act**

An annual review was undertaken and no issues were reported.

- **Business Plan**

The Pension Fund Business Plan for 2010/11 was agreed incorporating the work of the pension committee members.

- **Reviewed Fund Managers quarterly performance**

- **Reviewed performance of Custodians**

- **Funding Strategy Statement**

This was reviewed and updated following revisions made during the outcomes of the 2010 Valuation.

PENSION COMMITTEE MEETINGS 2012/13 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 new LGPS scheme being introduced from April 2014
- Further Investment Strategy Review.
- Topical issues discussed as appropriate.

INTERNAL & EXTERNAL RESOURCES

The Pensions Committee is supported by the administrating authority's 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 9.6 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

	2010/11 Actual £000's	2011/12 Actual £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Administration & Processing	499	522	530	530	530
Actuarial Fees	63	9	30	30	30
Audit Fees	35	35	35	35	35
Other Fees	6	5	6	6	6
Other Costs	10	15	10	10	10
TOTAL	613	586	611	611	611

Investment Management expenses

	2010/11 Actual £000's	2011/12 Actual £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Administration, Management & custody	1,224	1,053	1,200	1,200	1,200
Performance Measurement services	11	12	10	10	10
Other Advisory Fees	47	73	60	60	60
TOTAL	1,282	1,138	1,270	1,270	1,270

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 for 2012/13 onwards.
- Based on 2011/12 fund and staffing structures.
- Actuary fees were higher in 2010/11 due to the work carried out on 2010 valuation.

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 2011/12 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 2012/13 and ONWARDS

Associated training will be given when required which will be linked to the Pension Fund meeting coverage for 2012/13 as shown in Annex C.

Training will be targeted as appropriate.

PENSIONS COMMITTEE MEETINGS HELD DURING 2011/12

ANNEX A

MONTH	TOPIC	ATTENDED BY
June 2011	<ul style="list-style-type: none"> Agreed Business Plan/ Report on the work of the Pensions Committee 2010/11 Pension Fund Performance Monitoring for the quarter ending 31 March 2011 Reviewed and updated the Funding Strategy Statement as revised during the Valuation results. 	Cllr Eric Munday (chair) Cllr Damian White (vice chair) Cllr Roger Ramsey Cllr Fred Thompson (sub for Melvin Wallace) Cllr Ron Ower Cllr Denis Breading John Giles (UNISON)
September 2011	<ul style="list-style-type: none"> Pension Fund Performance Monitoring for the quarter ending 30 June 2011 Agreed Pension Fund Accounts 2010/11 	Cllr Eric Munday (chair) Cllr Damian White (vice chair) Cllr Roger Ramsey Cllr Melvin Wallace Cllr Clarence Barrett (sub for Ron Ower) Cllr Denis Breading
November 2011	<ul style="list-style-type: none"> Reviewed Pension Fund's Governance Compliance Statement 2011 Noted Whistleblowing Report Reviewed the services of the Pension Fund Custodian Agreed Pension Fund Annual Report – Year ended 31 March 2011 Reviewed and updated the Statement of Investment Principles 	Cllr Eric Munday (chair) Cllr Georgina Galpin (sub for Damian White) Cllr Roger Ramsey Cllr Melvin Wallace Cllr Ron Ower
December 2011 (SPECIAL)	<ul style="list-style-type: none"> Interviewed Global Equities Manager from Framework and appointed Baillie Gifford 	Cllr Eric Munday (chair) Cllr Fred Thompson (sub for Damian White) Cllr Melvin Wallace
December 2011 (SPECIAL)	<ul style="list-style-type: none"> Interviewed potential new Investment Fund Advisors and appointed Hymans Robertson 	Cllr Eric Munday (chair) Cllr Fred Thompson (sub for Damian White) Cllr Melvin Wallace Cllr Ray Morgan (sub for Ron Ower)
December 2011	<ul style="list-style-type: none"> Pension Fund Performance Monitoring for the quarter ending 31 September 2011 Admitted Volker as an Admitted Body in the Pension Fund 	Cllr Melvin Wallace (chaired the meeting) Cllr Fred Thompson (sub for Eric Munday) Cllr Fred Osborne (sub for Damian White) Cllr Roger Ramsey Cllr Ron Ower John Giles (UNISON)

PENSIONS COMMITTEE MEETINGS HELD DURING 2011/12

ANNEX A

MONTH	TOPIC	ATTENDED BY
March 2012	<ul style="list-style-type: none">Pension Fund Performance Monitoring for the quarter ending 31 December 2011	Cllr Eric Munday (chair) Cllr Damian White (vice chair) Cllr Roger Ramsey Cllr Georgina Galpin (sub for Melvin Wallace) Cllr Ron Ower Cllr Jeffrey Tucker Cllr Pat Murray John Giles (UNISON) Andy Hampshire (GMB)

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

PENSIONS COMMITTEE MEMBER TRAINING 2011/12

ANNEX B

DATE	TOPIC COVERED	LOCATION	COST	ATTENDED BY
26 May 2011	RLAM Keynote Briefing "Tougher Times Ahead – The continuing case for active management" –delivered by Royal London the fund's Bond Manager	London Stock Exchange	Free	Cllr Munday Cllr Tucker
9 February 2012	LAPF Strategic Investment forum Presentation	London	Free	Cllr Munday
14 February 2012	CIPFA and Hymans jointly delivered training covering topics in the Knowledge and Skills framework: <ul style="list-style-type: none"> o Background to LGPS o Governance Framework o Actuarial methods, standards & Practices o Pension accounting & Audit standards o Financial markets & product knowledge o Investment Strategy 	Pewterer's Hall	£250.00 per person	Cllr Munday Cllr Ramsey Cllr D. White Cllr Ron Ower Marshajane Thompson (sub for John Giles)(UNISON) Debbie Ford

INDICATIVE PENSIONS COMMITTEE CYCLICAL MEETINGS AND COVERAGE 2012/13

ANNEX C

	JUNE 2012	SEPTEMBER/OCTOBER 2012	NOVEMBER 2012	DECEMBER 2012	MARCH 2013
Formal Committees with Members	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of March: <ul style="list-style-type: none"> a) Property Manager b) Multi Asset Manager ▪ External Audit Plan 2011/12 ▪ Internal Cash Management Policy 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of June: <ul style="list-style-type: none"> a) UK Equities Manager b) UK Bonds Manager ▪ Pension Fund Accounts 11/12 ▪ Business Plan and Work Plan inc work of the committee ▪ Annual report on activity of Pensions Administration 	<ul style="list-style-type: none"> ▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Communications Policy ▪ Review of Governance Policy ▪ Whistleblowing Annual Assessment ▪ Administration Strategy (regs change) if necessary ▪ Pension Fund Annual Report ▪ Stakeholder/ Regs review on pensions as required Activity; IDR policy; discretions – 100 weeks only – 100 weeks done verbally?? TBC 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of September: <ul style="list-style-type: none"> a) Property Manager b) Passive Equity Manager c) Global Equity 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of December: <ul style="list-style-type: none"> a) UK Equities Manager b) UK Bonds Manager
Officer Meeting	Meeting: 15 May 12 <ul style="list-style-type: none"> ▪ UK Equities ▪ UK Bonds ▪ Passive Equity Manager 	Meeting: 02 Aug 12 (am) <ul style="list-style-type: none"> ▪ Property ▪ Global Equity ▪ WM presentation Meeting • Advisor Review (TBC) 	No meeting	Meeting: 14 Nov 12 (am) <ul style="list-style-type: none"> ▪ UK Equities ▪ UK Bonds Manager 	Meeting: 13 Feb 13 (am) <ul style="list-style-type: none"> ▪ Property ▪ Multi Asset Manager ▪ Global Equities
Training	Associated Training	Associated Training	Associated training	Associated Training	Associated training