



# 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 1<sup>st</sup> April 2010 to 31<sup>st</sup> 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	<ul style="list-style-type: none"> <li>• 50% iBoxx Sterling Non Gilt Over 10 Year Index</li> <li>• 16.7% FTSE Actuaries UK Gilt Over 15 Years Index</li> <li>• 33.3% FTSE Actuaries Index-Linked Over 5 Year Index</li> </ul>	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 Breeding – 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**

	<b>2009/10 Actual £000's</b>	<b>2010/11 Actual £000's</b>	<b>2011/12 Estimate £000's</b>	<b>2012/13 Estimate £000's</b>	<b>2013/14 Estimate £000's</b>
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
<b>TOTAL</b>	<b>636</b>	<b>614</b>	<b>571</b>	<b>571</b>	<b>571</b>

### **Investment Management expenses**

	<b>2009/10 Actual £000's</b>	<b>2010/11 Actual £000's</b>	<b>2011/12 Estimate £000's</b>	<b>2012/13 Estimate £000's</b>	<b>2013/14 Estimate £000's</b>
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
<b>TOTAL</b>	<b>1,303</b>	<b>1,282</b>	<b>1,251</b>	<b>1,251</b>	<b>1,251</b>

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.

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

ANNEX A

<b>MONTH</b>	<b>TOPIC</b>	<b>ATTENDED BY</b>
<b>March 2010</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 31 December 2009</li> <li>Agreed Business Plan/ Report on the work of the Pensions Committee</li> <li>Reviewed the services of the Pension Fund Actuary</li> <li>Discretionary Policies Update</li> </ul>	Cllr Melvin Wallace (chair) Cllr Robby Misir Cllr Eric Munday Cllr Clarence Barrett David Holmes (Employer representative)
<b>March 2010 (Special)</b>	<ul style="list-style-type: none"> <li>Interviewed potential new Fund Managers (Alternatives and Passive equities)</li> </ul>	Cllr Melvin Wallace (chair) Cllr Robby Misir Cllr Eric Munday Cllr Clarence Barrett David Holmes (Employer representative)
<b>June 2010</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 31 March 2010</li> <li>Reviewed and updated the Statement of Investment Principles in line with revised Myners principles</li> </ul>	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)
<b>September 2010</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 30 June 2010</li> <li>Agreed Pension Fund Accounts 2009/10</li> <li>Noted external audit report</li> </ul>	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)
<b>November 2010</b>	<ul style="list-style-type: none"> <li>Reviewed Pension Fund's Communication Strategy and Governance Compliance Statement</li> <li>Noted Whistleblowing Report</li> <li>Reviewed the services of the Pension Fund Custodian</li> <li>Agreed extension of the Contract for Pensions Advisory Services</li> <li>Agreed Membership status of non teaching staff in non community schools</li> <li>Agreed Pension Fund Annual Report – Year ended 31 March 2010</li> </ul>	Cllr Eric Munday (chair) Cllr Damian White Cllr Melvin Wallace Cllr Roger Ramsey Cllr Denis Breading John Giles (UNISON)
<b>December 2010</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 30 September 2010</li> </ul>	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)

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

**ANNEX A**

<b>MONTH</b>	<b>TOPIC</b>	<b>ATTENDED BY</b>
<b>FEBRUARY 2011 (Special)</b>	<ul style="list-style-type: none"> <li>• Outcome of 2010 Valuation Report and implications for Investment Strategy</li> </ul>	Cllr Eric Munday (chair) Cllr Damian White Cllr Melvin Wallace Cllr Denis Breeding Cllr Ron Ower Cllr S. Kelly (sub for Roger Ramsey) John Giles (UNISON) David Holmes (Employer representative)
<b>MARCH 2011</b>	<ul style="list-style-type: none"> <li>• Pension Fund Performance Monitoring for the quarter ending 31 December 2010</li> <li>• Pension Fund Investment Strategy - asset allocation and rebalancing</li> </ul>	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.



## 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: <ul style="list-style-type: none"> <li>Day 1 (20 Oct 10) <ul style="list-style-type: none"> <li>LGPS framework (past and present)</li> <li>Investment framework</li> <li>Traditional Asset Classes</li> </ul> </li> </ul>	London	£210.00 pp	Cllr Munday Cllr D. White
	<ul style="list-style-type: none"> <li>Day 2 (9 Nov 10) <ul style="list-style-type: none"> <li>Valuations</li> <li>Funding Strategy Statements</li> <li>Corporate Governance</li> <li>Communication Strategies/Policies</li> <li>Established Alternative Investments</li> </ul> </li> </ul>	London	£210.00 pp	Cllr Munday Dave Thomas (UNISON) (sub for John Giles)
	<ul style="list-style-type: none"> <li>Day 3 (7 Dec 10) <ul style="list-style-type: none"> <li>Duties and Responsibilities of committee members</li> <li>The future for LGPS</li> <li>Managers and Manager Selection</li> <li>Brining it all together</li> </ul> </li> </ul>	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	<ul style="list-style-type: none"> <li>• 2010 Valuation – Delivered by Funds’ Actuary</li> <li>• Investment Strategy – Delivered by Fund’s Investment Advisor</li> </ul>	Town Hall prior to Committee meeting	(charge by Actuary and Advisor built in with fee charges)	Cllr Munday Cllr D.White Cllr Wallace Cllr Breathing Cllr Ower Cllr Tucker John Giles (UNISON) David Holmes (Employer Rep)

## INDICATIVE PENSIONS COMMITTEE CYCLICAL MEETINGS AND COVERAGE 2011/12

## ANNEX C

	JUNE 2011	SEPTEMBER 2011	NOVEMBER 2011	DECEMBER 2011	MARCH 2012
<b>Formal Committees with Members</b>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of March:</li> <li>▪ a) Property Manager</li> <li>▪ Annual Training/ Business Plan and Work Plan Review inc work of Committee</li> <li>▪ Review of FSS following Valuation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of June:</li> <li>▪ a) UK Equities Manager</li> <li>▪ b) UK Bonds Manager</li> <li>▪ Pension Fund Accounts 10/11</li> <li>▪ Annual report on activity of Pensions Administration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual review of Custodian</li> <li>▪ Annual review of Adviser</li> <li>▪ Annual review of Actuary</li> <li>▪ Review of Communications/ Governance Policies</li> <li>▪ Whistleblowing Annual Assessment</li> <li>▪ Administration Strategy (regs change) if necessary</li> <li>▪ Pension Fund Annual Report</li> <li>▪ Stakeholder/ Regs review on pensions as required Activity; IDRPs policy; discretions – 100 weeks only – 100 weeks done verbally???</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of September:</li> <li>▪ a) Property Manager</li> <li>▪ b) Passive Equity Manager</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of December:</li> <li>▪ a) UK Equities Manager</li> <li>▪ b) UK Bonds Manager</li> </ul>
<b>Officer Meeting</b>	Meeting: 10 May 11 <ul style="list-style-type: none"> <li>▪ UK equities</li> <li>▪ UK Bonds</li> <li>▪ Passive Equity Manager</li> </ul>	Meeting: 18 Aug 11 (am) <ul style="list-style-type: none"> <li>▪ Property</li> <li>▪ WM presentation</li> </ul> Meeting TBC: <ul style="list-style-type: none"> <li>• Custodian Review</li> <li>• Advisor Review</li> </ul>	No meeting	Meeting: 24 Nov 11 (pm) <ul style="list-style-type: none"> <li>▪ UK Equities</li> <li>▪ UK Bonds Manager</li> </ul>	Meeting: 7 Feb 12 (pm) <ul style="list-style-type: none"> <li>▪ Property</li> <li>▪ Multi Asset Manager</li> </ul>
<b>Training</b>	Associated Training	Associated Training	Associated training	Associated Training	Associated training