

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 15 September 2016 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillor John Weighell OBE (in the chair); County Councillors John Blackie, Bernard Bateman MBE, Margaret-Ann de Courcey-Bayley, Roger Harrison-Topham, Patrick Mulligan and Helen Swiers.

Councillor Jim Clark – North Yorkshire District Councils.

Councillor Chris Steward - City of York Council.

David Portlock - Chair of the Pension Board.

Other representatives of the Pension Board were in attendance.

Copies of all documents considered are in the Minute Book

137. Minutes

Resolved -

That the Minutes of the meeting held on 7 July 2016, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

138. Declarations of Interest

County Councillors Margaret-Ann de Courcey-Bayley, Patrick Mulligan and John Weighell OBE, together with Councillor Jim Clark, declared non-pecuniary interests in respect of them being members of the Pension Scheme.

139. Public Questions or Statements

There were no questions or statements from members of the public.

There was an adjournment at this stage of the meeting.

140. Member and Employer Issues

Considered -

The report of the Treasurer advising of the following:- that there were no new admission agreements or new Academies during the quarter ended 30 June 2016; an analysis of the numbers of active, deferred and pensioner members in the Fund; the performance of the Pensions Administration Team; Member training; and arrangements for forthcoming Committee meetings and meetings with the Investment Managers.

Members highlighted the difference between the Actuary's numbers of the Fund's active, deferred and pensioner members and the Fund membership numbers as set out in the Treasurer's report.

Resolved -

- (a) That the report be noted.
- (b) That the Treasurer and Pensions Administration Team check the numbers of active, deferred and pensioner members of the Fund.
- (c) That Councillor Jim Clark's attendance at training held on 9 to 11 March 2016 be included in the Member Training Record.

141. Budget/Statistics

Considered -

The report of the Treasurer advising of expenditure/income for 2016/17 to date and the cash deployment of the Fund.

The Treasurer highlighted that forecasts for 2016/17 were unchanged. With regard to Cash Deployment, there was a negative cash balance as at 30 June 2016 as a result of adding to the property investment with Threadneedle. The negative cash balance would be addressed through a disinvestment from one of the Fund's Investment Managers. This would be discussed with the Investment Consultant.

Resolved -

That the report be noted.

142. Annual Report and Accounts 2015/16

Considered -

The report of the Treasurer asking the Committee to receive the 2015/16 Annual Report and approve the Statement of Investment Principles and the Governance Compliance Statement.

The Treasurer highlighted the following:-

- Various documents, which formed part of the Annual Report, had not changed or had changed only very superficially.
- Documents which had been amended included the Statement of Investment Principles and the Governance Compliance Statement. The Committee's Member Working Group had reviewed both documents on 25 August 2016. It was highlighted that the Governance Compliance Statement and Statement of Investment Principles made reference to LGPS pooling arrangements.
- The Funding Strategy Statement would be redrafted as part of the Triennial Valuation 2016 and submitted to the Committee's meeting in February 2017 for approval.
- The Fund's auditor, KPMG, had advised informally that it would give an unqualified opinion on the Annual Report. The Treasurer advised that no

material issues for the Pension Fund had arisen from the audit. However, if any such issue was to arise, Members would be informed. A few minor changes were required to the Annual Report before it was considered by the Audit Committee on 29 September 2016. The changes included the insertion of a page headed "Statement of responsibilities for the financial statements", copies of which were circulated to Pension Fund Committee Members during this meeting. This page would require sign off by the Treasurer at the Audit Committee.

- The previous auditor, Deloitte, had required a separate Letter of Representation for the Pension Fund. However, KPMG required only one letter for the whole authority including the Pension Fund.

In response to questions, officers clarified that the costs incurred in relation to the administration of the Fund were the same in two different financial years because the budget for the management of the Fund for one year was based on actual previous year costs. This figure will increase in future years due to the additional resources approved by the Pension Fund Committee for the Pension Fund.

In response to questions, the officers confirmed that the Committee had decided previously not to stock lend.

Members advised that they were satisfied that the sentence "The PFC takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries" (page 141) accurately recorded the Committee's current policy in respect of Socially Responsible Investments.

Members highlighted that it would have been helpful if the Annual Report, in view of its size, could have been provided to them in hard copy.

Resolved -

- (a) That the Annual Report 2015/16, as set out at Appendix 1 to the Treasurer's report, be noted.
- (b) That the updated Statement of Investment Principles and Governance Compliance Statement, as appended to the report, be approved.

143. Pension Board

Considered -

The draft Minutes of the meeting of the Pension Board held on 14 July 2016. The Chair of the Pension Board (David Portlock) highlighted two issues, both relating to LGPS pooling, namely:-

- There was disappointment that the Board had not had opportunity to review the 15 July 2016 submission relating to the BCPP Pool to which North Yorkshire Pension Fund agreed, in principle, to join. However, the Board had acknowledged that the Pension Fund Committee had considered the submission at its meeting the previous week and it was a question of timing and opportunity.
- The Board awaited, with interest, the response from the Government regarding North Yorkshire Pension Fund's submission. The Board will be particularly concerned to understand and comment on the Governance arrangements relating to the BCPP Pool.

In view of the imminent Party Conference Season during which Parliament will be in recess, a response from Government is not expected until October.

A Committee Member advised that, at a recent national Pensions conference, members of some pension boards had expressed the view that they felt that they were being “squeezed out” by the LGPS pooling arrangements and questioned whether pension boards would have relevance under the new arrangements. David Portlock advised that the message he had received during a recent CIPFA Pension Board’s conference from civil servants was that 90% of the current responsibilities of pension fund committees would continue and that pension boards would therefore continue to offer advice to administering authorities regarding governance and administration. Members expressed the opinion that pension fund committees would retain much less than 90% of their responsibilities under pooling arrangements.

Resolved -

That the report be noted.

144. Performance of the Fund’s Portfolio for the Quarter ended 30 June 2016

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the quarter ended 30 June 2016; risk indicators; the solvency position; re-balancing; and proxy voting on behalf of NYPF during the period April to June 2016.

Geoff Dalton and Rob Shepherd from Aon Hewitt Ltd circulated and presented a separate report concerning the impact and implications of Brexit. The headlines from the Executive Summary were as follows:-

- The Fund had been reasonably well protected against the impact of Brexit.
- Equities were slightly underweight against target.
- Sterling had depreciated post Brexit which had benefitted the Fund’s overseas investments.
- Interest rates had fallen significantly which had materially increased the liability values on the 2013 valuation basis.
- In summary, the outlook for equities was weaker with low yields for bonds. Volatility was a concern.

Resolved -

That the investment performance of the Fund for the quarter ended 30 June 2016 be noted.

145. LGPS Pooling Arrangements

Considered -

The report of the Treasurer providing an update on the progress towards the Government’s announced intention to pool the assets of LGPS funds.

It was reported that the Officer Operations Group had met three times since 15 July 2016 to discuss the practicalities of options for putting pooling arrangements in place. Progress had been limited, pending receipt of the Government’s response. That response was required before much further work could be done and significant

expenditure incurred. The Members' Steering Group had not met since 15 July 2016 and was next due to meet on 29 and 30 September 2016.

County Councillors John Weighell OBE and Roger Harrison-Topham, together with Gary Fielding (Corporate Director – Strategic Resources), advised of recent discussions and meetings they had each had regarding LGPS pooling. County Councillor John Weighell OBE advised that he would be attending the Members' Steering Group meeting on 29 and 30 September 2016.

Resolved -

That the report be noted.

146. Private Debt Manager Appointment

Considered -

The report of the Treasurer concerning the possible appointment of a Private Debt manager and setting out a recommendation for the appointment of two managers.

County Councillors Roger Harrison-Topham and John Blackie proposed and seconded the recommendations set out in the report. County Councillor John Blackie emphasised that he had been hugely impressed by the amount of due diligence undertaken by the Managers. Gary Fielding (Corporate Director – Strategic Resources) provided a reassurance that both County Councillors Roger Harrison-Topham and John Blackie had been present throughout the full interview process. Options for funding an investment into the Private Debt asset class were discussed.

Resolved -

That an investment of 5% of the Fund be made into the Private Debt asset class, split equally between Permira and Bluebay.

At the close of the meeting, the Corporate Director – Strategic Resources undertook to circulate, to Pension Fund Committee Members, an Internal Audit report that will be provided to the Pension Board at their next meeting.

The meeting concluded at 1.20 pm.

RAG/JR