

**NORTH YORKSHIRE COUNTY COUNCIL****PENSION FUND COMMITTEE****22 MAY 2014****FUND MANAGER MATTERS****Report of the Treasurer****1.0 PURPOSE OF REPORT**

- 1.1 To update Members and seek comments on the Equity allocation of the Fund.

**2.0 ALLOCATION TO EQUITIES**

2.1 Following Investment Strategy Workshops in October 2013 and February 2014 Members decided that further research should take place on the merits of adding a fourth mandate to complement the existing three. The Fund does have a slight bias towards growth stocks but the conclusion from the Workshops was that there are no significant gaps or weaknesses as the existing managers/portfolios are a good fit with each other. Although it was agreed that no changes were necessarily required, this decision was based on concerns over:

- the relative risk the fund is exposed to through the portfolio managed by Standard Life
- Fidelity's ability to achieve their performance target of 2% above their benchmark
- the size of mandates with each of the equity managers

2.2 To assist in this research a number of presentations to the PFC have been arranged. The presentation by Dodge & Cox on 21 February 2014 was well received. Further sessions are planned with:

- Veritas on 22 May 2014 immediately after the PFC meeting
- Unigestion on 23 May 2014 at 10am
- Tobam on 23 May 2014 at 11am

2.3 Members are invited to comment on progress so far. Based on these comments, the presentations on 22 and 23 May 2014 and subsequent comments from Members, a proposal will be taken to the next PFC meeting on 10 July 2014. This will be one option from:

1. start a search for a new manager
2. perform further research including receiving presentations from additional managers
3. not to undertake any further research and not to pursue another manager appointment at this time

- 2.4 Option 1 would require that Members agree the key characteristics of the mandate at the PFC meeting on 10 July 2014 and that a Panel of Members be appointed to take part in the process.

### **3.0 INTERNALLY MANAGED FUNDS**

- 3.1 The proposal described in Section 4 of the Consultation on Structural Reform of the LGPS paper is for greater use of passive management. One approach taken by many administering authorities is to manage all or part of their assets internally rather than employ external managers.
- 3.2 The East Riding of Yorkshire Council administers the East Riding Pension Fund (ERPF). Approximately two thirds of the £3bn fund is managed internally by the Council's employees, using both active and passive strategies, across equities, fixed income and alternatives.
- 3.3. Should Members wish it, ERPF has offered to present their approach to the PFC.

### **4.0 RECOMMENDATIONS**

- 4.1 Members are asked to comment as described in **paragraph 2.3**.
- 4.2 Members are asked if they wish to accept the offer of a presentation from the East Riding Pension Fund as described in **paragraph 3.3**.

GARY FIELDING  
Treasurer  
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13 May 2014