

# North Yorkshire County Council

## Pension Fund Committee

Minutes of the meeting held on 22 May 2014, commencing at 10 am at County Hall, Northallerton.

**Present:-**

County Councillors John Weighell (Chairman), Bernard Bateman MBE, Sam Cross, Roger Harrison-Topham, Patrick Mulligan and Helen Swiers.

Apologies were received from County Councillor Margaret-Ann de Courcey-Bayley; together with Councillor Jim Clark (Local Government North Yorkshire and York) and Councillor Dafydd Williams (City of York Council).

---

**Copies of all documents considered are in the Minute Book**

---

**County Councillor Sam Cross, Patrick Mulligan and John Weighell declared non-pecuniary interests in respect of them being members of the Pension Scheme.**

**39 Minutes**

**Resolved -**

That the Minutes of the meeting held on 20 February 2014, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**40. Public Questions or Statements**

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

**41. Member and Employer Issues**

Considered -

The report of the Treasurer on the following:-

- (a) Admission agreements.
- (b) LGPS 2014.
- (c) Communications Strategy 2014/15.
- (d) Councillors' Pensions.
- (e) Membership analysis.
- (f) Administration performance.
- (g) Actuarial Services contract.
- (h) Collaboration activity.

- (i) Member training.
- (j) Meetings timetable.

The following issues were highlighted:-

#### Communications Strategy

Technological solutions were being utilised to improve communications. The main thrust of the Communications Strategy was being directed at those due to retire, with emphasis on the transitional aspect of the scheme. A number of employers were organising communications events for their employees to outline the transitional issues.

The following issues were raised by Members and observers in relation to this matter:

The Advisory Panel requested that some slight amendments be made to the Communications Strategy and those were taken on board and agreed.

A Member requested that facilities were kept in place for those who did not want to obtain their information in relation to the Pension Scheme on-line or could not obtain the information on-line.

Details of the new regulations coming into place next year required inclusion in the Communications Strategy.

In response to the issues raised it was stated that information would be made available through alternative means to the on-line versions to ensure that there was access for all and it was noted that benefits statements could still be obtained in paper versions. It was also noted that issues relating to the transition between the Pension Schemes would be picked up by pension roadshows and those being organised by the employers. The amendments to the Communications Strategy highlighted by the Advisory Panel would be undertaken.

#### Membership Analysis

Further to issues having been raised at previous meetings regarding the number of active members of the Pension Fund continuing to increase an analysis of the numbers relating to that increase had been undertaken. The significant increase in active membership in terms of post numbers was highlighted in the report, however the increase in fte terms was negligible. It was noted that although the total number of ftes within North Yorkshire County Council had fallen in 2013/14 by approximately 1% the small increase in pensionable fte numbers was likely to be attributable to auto-enrolment.

It was noted that the Advisory Panel had requested that details of the trends over time of membership numbers be produced, and the Treasurer agreed to undertake that.

A Member asked whether auto-enrolment had a significant impact on the administration of the Pension Fund. In response the Treasurer stated that the major impact of auto-enrolment was on the employer initially and the main impact currently on the Pension Fund administration was in implementing the Local Government Pension Scheme 2014. There was no significant impact on administration from auto-enrolment.

### Administration Performance

Performance within administration remained very good, however, preparation for the LGPS 2014 had affected the ability to meet some of the new performance indicators, although it was expected that this would revert in due course.

### Actuarial Services Contract

The initial stages of re-procuring Actuarial Services using the framework agreement was underway with a new contract expected to be in place later in the year.

### Collaboration Activity

Further discussion had taken place with regard to possible collaborations on Pension Fund issues with both Lincolnshire Pension Fund and East Riding of Yorkshire Council. It was noted that any potential collaboration opportunities would be considered and Members would be kept updated of those possibilities.

#### **Resolved -**

That the report be noted.

#### **42. Budget/Statistics**

Considered -

The report of Treasurer on the expenditure/income position for the year to March 2014 and the cash deployment of the Fund.

The report provided full details of the following:-

- ◆ Draft 2014/15 outturn.
- ◆ Cash deployment in 2013/14.

#### **Resolved -**

That the report be noted.

#### **43. Performance of the Fund's Portfolio for the Quarter in year ending 31 March 2014**

Considered -

The report of the Treasurer on the investment performance of the overall Fund, and of the individual Fund Managers, for the quarter to 31 March 2014 and the 12 month ending on that same date.

The report highlighted the following issues:-

- ◆ The performance of the Fund.
- ◆ Fund Manager performance.
- ◆ Risk indicators.
- ◆ Solvency.

- ◆ Re-balancing.
- ◆ Proxy voting.

The Investment Adviser and Investment Consultants provided separate reports and Members undertook a detailed discussion with them and the Treasurer, which highlighted the following issues:-

- ◆ Standard Life GARS - the departure of their Management Team and possible effect that could have on performance.
- ◆ The fees being paid to Newtons and the lower rate currently being offered to their prospective retail clients and the needs to address that matter with them.
- ◆ The overall performance of diversified growth funds.
- ◆ The possibility of having both Newtons and Standard Life GARS managers to attend meetings with the Pension Fund Committee Members and provide a presentation.
- ◆ Discussion took place on the re-balancing of the Fund to take account of the current 84% solvency position.
- ◆ Consideration was given to the most appropriate investment strategy, to protect the improved solvency position whilst not significantly reducing the potential to increase solvency further.
- ◆ It was emphasised that the current solvency position should not precipitate an immediate reconsideration of the Investment Strategy of the Fund, but that it continue to be monitored closely for the time being.
- ◆ Details of potential re-balancing options were provided by the Investment Consultant and the Investment Adviser, together with the Treasurer and Pension Fund Officers.

#### **Resolved -**

That a re-balancing of the investment position of the Fund be undertaken, with an additional 1% allocated to Newton and 3% to M&G, to increase the protection to the current solvency position, and that the issue relating to the fees charged by Newton be delegated to officers to discuss with the manager.

#### **44. Fund Manager Matters**

Considered -

The report of the Treasurer updating Members on the position regarding allocation to equities.

## **Resolved -**

- (i) That following further presentations from Veritas, Unigestion and Tobam, a report be considered at the meeting of the Pension Fund Committee taking place on 10 July 2014 to determine whether further action should be taken on the equity allocation of the Fund; and
- (ii) That the offer of a presentation from the East Riding Pension Fund as described within the report be accepted.

## **45. Consultation on Structural Reform to the Local Government Pension Scheme**

Considered -

The report of the Treasurer informing Members of the latest consultation on structural reform of the LGPS.

The report set out the full details of the initial consultation undertaken by the Government in relation to opportunities for collaboration, cost saving and efficiencies and the evidence base for the proposals within the consultation described in the report by Hymans Robertson.

The proposals being consulted upon were in relation to common investment vehicles and passive management of listed assets. The Treasurer stated that a response to the consultation would be developed and circulated to Members of the Pension Fund Committee and the Advisory Panel for them to comment upon, with a final draft being presented to Members at the PFC meeting on 10 July 2014. It was noted that the response would have to be agreed at that meeting as the closing date for the consultation was 11 July 2014.

Members commented on the report and the following issues were highlighted:-

- ◆ The negative effect that the proposals would have on the investment performance of NYPF should the sustained out-performance experienced over the period since the financial crisis continued.
- ◆ The knock on effect this would have in terms of employer contribution rates.
- ◆ Members suggested that a “one size fits all” mentality was being adopted in relation to these matters to try and address localised problems with certain other LGPS Funds.
- ◆ Representatives of the Advisory Panel outlined that they were grateful to have the opportunities to comment on the submission in relation to the consultation.
- ◆ Members suggested that the proposals were being driven for the need to identify funding for the Governments infrastructure programme.

## **Resolved -**

That a draft response to the consultation be circulated to Members of the Pension Fund Committee and the Advisory Panel prior to the meeting taking place on 10 July 2014 so that a final response can be approved at that meeting and submitted by the consultation deadline.