

# North Yorkshire County Council

## Pension Fund Committee

Minutes of the meeting held on 18 September 2014, at County Hall, Northallerton.

**Present:-**

County Councillors John Weighell (Chairman), John Blackie, Bernard Bateman MBE, Margaret-Ann de Courcey-Bayley, Roger Harrison-Topham, Patrick Mulligan and Helen Swiers.

Members other than County Councillors: Jim Clark (Local Government North Yorkshire and York)

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

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**54. Declarations of Interest**

County Councillors Bernard Bateman, Jim Clark, Patrick Mulligan, Margaret-Ann de Courcey-Bayley and John Weighell stated that although not a disclosable pecuniary interest they wished it to be known that they were members of the Pension Scheme.

**55. Minutes**

**Resolved -**

That the Minutes of the meeting held on 10 July 2014, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

**56. Public Questions or Statements**

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

**57. Member and Employer Issues**

Considered -

The report of the Treasurer updating the Committee on membership movements, the performance and costs of benefits administration together with information on related events and activity during the current year up until the date of the meeting.

In speaking to the report Gary Fielding drew members' attention to Section 7 'Collaboration'. He said that following discussions, East Riding had agreed to attend a workshop the following day to provide an overview of internal fund management arrangements. The Chairman said it was an interesting concept that would be useful for Members future deliberations.

Members commended pension administrative staff on achieving a further reduction of the NYPF pension administration unit cost and were advised to temper expectations that costs could continue decreasing in future.

**Resolved -**

That the report be noted.

**58. Establishment of a Pension Board**

Considered -

The report of the Treasurer inviting Members to comment on draft terms of reference to establish a Pension Board as required by the Public Service Pensions Act 2013. Appended to the report was a copy of the draft terms of reference that was due to be approved at meetings of the Executive and full Council in November 2014.

Members were advised that the draft terms of reference reflected comments made at the previous meeting. The report was introduced by Tom Morrison who highlighted key aspects of the proposed governance arrangements and the latest advice of the monitoring officer in respect of conflicts of interests. Members noted that until further guidance was received it remained unclear whether co-opted members of the Board would be required to comply with the Council's Code of Conduct.

In the discussion that followed a number of conflicting views were expressed by Members. Key observations included:-

- That the language used in the Regulations to describe the role of the Pension Board was ambiguous and may not preclude it from scrutinising the Pension Committee's investment related activity.
- That the role of the Pension Board was to look at governance arrangements and included identifying risks and the risk management process but did not involve looking in at individual risks in detail
- That the role of the Pension Board would evolve based on prevailing DCLG guidance and NYPF requirements
- Membership – trade unions/stakeholders should be represented as recommended by the Advisory Panel. As trade unions represented only 25% of the workforce they should not occupy all "scheme member representative" seats.
- Elected member appointments - would these be restricted to the 'independent member' category? Would elected member appointments be politically proportional?
- Membership – that independent members should be experts and not elected members
- Concern that if membership of the Pension Board did not include elected members it would not be democratically accountable
- Expenses – would these be payable - would the Pension Board have a budget and if so how much?
- Would members of the Pension Board be expected/eligible to attend conferences
- How often was it intended that the Board should meet and would meetings be held in public
- Would members of the Advisory Panel be invited to apply to be members of the Pension Board
- Highlighted a potential conflict of interest for support staff between the Pension Fund Committee and Pension Board

- Would the Chair of the Pension Board be expected to attend meetings of the Pension Committee
- That it was unrealistic to expect employer representatives to be able to brief all of the Fund's employers

Members were concerned about approving the terms of reference given the issues expressed and instead proposed that the decision be deferred to a later date.

Members were advised that the timetable for implementation of the Pension Board meant that any delay would give rise to serious problems, as the new Board needed to be in place by 1 April 2015. The next scheduled meeting of the Committee was 27 November which was after full Council on 12 November. Full Council was not due to meet again until February which would leave insufficient time for recruitment and training.

As a means of moving things forward the Chairman suggested the Committee approve the terms of reference as the issues raised related to terms which could be resolved during the period before approval by full council. Assurances were given that officers would continue to work amendments necessarily arising from DCLG guidance and to provide details about operation of the Board as requested by Members.

Members endorsed this approach and approved the report recommendations with the addition that authority be delegated to both the Chair and Vice Chair to approve any amendments to the terms of reference.

#### **Resolved -**

That the Terms of Reference for the Pension Board appended to the report be referred to the Executive for approval and thereafter for onward recommendation by the Executive to full Council for approval.

That the Committee approves the delegation of authority to the Treasurer in consultation with the Chair and Vice Chair of the Pension Fund Committee, to make any necessary amendments to the Pension Board Terms of Reference, arising out of DCLG guidance and details recorded in the Minutes about how the Board will operate, prior to formal approval of the Terms of Reference by full Council.

#### **59. Budgets/Statistics**

Considered -

The report of the Treasurer on the expenditure/income position for the period 1 April to 30 June 2014 and cash deployment of the Fund.

#### **Resolved -**

That the content of the report be noted.

#### **60. Annual Report 2013/14**

Considered -

The report of the Treasurer presenting the Annual Report for the financial year 2013/14 and asking the Committee to approve a Letter of Representation for

submission to the External Auditor. The letter was a written representation from management describing its responsibility for providing evidence to the Deloitte LLP, the Fund's Auditor in support of the financial statements. Prior to the meeting a copy of the Letter of Representation had been provided to Members.

A copy of the 2013/14 Annual Report and Accounts was appended to the report for information. Members noted that the Annual Report and Accounts was due to be considered by the Audit Committee on 25 September 2014.

In response to a question about when Deloitte's term of appointment was due to expire the Committee was advised that it would end following submission of the 2015/16 Statement of Accounts. KPMG would then be appointed as the external auditor.

**Resolved -**

That the North Yorkshire Pension Fund 2013/14 Annual Report (ex-appendices) be noted.

That the Committee approves the Letter of Representation and approves the delegation of authority to the Chair to sign the Letter of Representation before it is countersigned by the Treasurer on the day of the Audit Committee meeting before its submission to Deloitte.

**61. Performance of the Portfolio**

Considered -

The report of the Treasurer presenting details of investment performance of the Fund, and of individual Fund Managers, for the Quarter to 30 June 2014.

Members noted that whilst the figures made very good reading and performance over the last five years had been exceptionally good overall the Fund had still not recouped the lost performance from the 2008/09 financial crisis.

Members attention was drawn to the loss of several key staff members in quick succession at Standard Life Global Absolute Return Strategy (GARS) team. It was pointed out that following the last meeting of the Committee some Members had met with Standard Life who had assured them that the loss of personnel would not affect performance.

Members discussed the performance of the investments with the Treasurer, Independent Investment Adviser and the Investment Consultant and the following issues and points were highlighted:-

- That the format of the M&G report was slightly confusing as it appeared that there had been a significant deviation from the mandate constraints, however the Investment Consultant reassured members that this was not the case
- That investments in property were performing well
- Noted that ECM had recovered its pre-financial crisis position

**Resolved -**

That the report be noted.

**62. Equity Investments**

The report of the Treasurer updating Members on the search for an Equity Manager.

The Committee was advised that the selection process was underway and that a short list of six candidates had been agreed upon by the Panel. It was proposed that clarification meetings would be held over two days and that those Members participating in these meetings must be prepared to attend on both days. Availability was proving difficult however assurances were given that dates would be circulated shortly.

**Resolved -**

That the progress made in the search for an Equity Manager report be noted.

The meeting concluded at 11.45pm

JW