

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 21 November 2014, at County Hall, Northallerton.

Present:-

County Councillors: John Weighell (Chairman); Bernard Bateman MBE; Sam Cross; Margaret-Ann de Courcey-Bayley; Roger Harrison-Topham; Patrick Mulligan; Helen Swiers; and Carl Les (observing).

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

Officers and other advisors present: Gary Fielding, Tom Morrison, Nigel Dowey, Anna Binks, Geoff Dalton and Robert Shepherd (Aon Hewitt), Carolann Dobson (independent adviser), Stella Smethurst (Unison).

Copies of all documents considered are in the Minute Book

63. 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.

64. Minutes

Resolved -

That the Minutes of the meeting held on 18 September 2014, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

65. Public Questions or Statements

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

66. 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.

Gary Fielding, Corporate Director - Strategic Resources, introduced the report noting that performance was good throughout the Quarter adding that the team had performed very well in responding to the challenges resulting from LGPS 2014. He highlighted paragraph 4.4 which noted the end of benefit statements being sent out in hard copy, as a result of the move to online arrangements. Regarding the data shown in paragraph 5 it was noted that this was presently being verified as some

issues had been identified regarding the question of timing. Nigel Dowey, Pensions Manager, commented upon a typographical error in paragraph 1.3 of the report where the figure of £40,000 appeared, which should have been £50,000. Commenting upon the increase in numbers of registered self-service users, he noted that as at the present date this was up to 6,386 - reflecting continuing progress.

County Councillor Sam Cross asked how many members across the Pension Fund exceeded the annual allowance threshold. It was confirmed that 19 had exceeded the threshold and of these, 16 had had sufficient carry forward of unused allowances to offset the present excess. Three others had been advised of the tax amount due. It was confirmed that this could be dealt with by self-assessment with HMRC or where amounts were over £2,000, customers could elect to repay the amount owing within the scheme. It was noted that in all such occurrences the majority of people had paid the excess amount immediately rather than spread the payments over time. It was confirmed that where payments were spread via the scheme, all the tax was paid by the individual and not the Authority.

Resolved -

That the report is noted.

67. Establishment of a Pension Board

Considered -

The report of the Treasurer updating the Pension Fund Committee on the arrangements for a Pension Board.

Gary Fielding, Corporate Director - Strategic Resources, stated that the draft terms of reference had been agreed at the last meeting, in the knowledge that further Government information was due which might necessitate further change. This had now been received and owing to various central delays, greater flexibility was now afforded in terms of timescales. Gary Fielding added that two further consultations on the matter were due to close at today's date. Tom Morrison, Principal Accountant, advised that there were no significant changes in the latest information received. The previous drafting had been undertaken on the assumption that the guidance would form the basis of the regulations. Consequently the terms of reference prepared for the Pension Board were very similar to the guidance itself. Gary Fielding advised that Councillors could now serve on the Board but added that this should not be a present Pension Fund Member. Similarly any officers involved with the Pension Board should not be those who support the Pension Fund Committee. He felt that this was a very welcome change. Gary Fielding confirmed that arrangements needed to be in place by April 2015 and therefore the proposals would go to County Council in February 2015 for formal approval. He advised that there was a period of four months in which to recruit the members of the Pension Board but cautioned that this time would soon pass and that progress should be made as soon as possible. He also noted that the Advisory Panel would continue until such time as the Pension Board was fully in place. Tom Morrison confirmed that Members would be kept informed of developments which occurred between meetings and their input would be invited at all points. Gary Fielding acknowledged that Members had previously articulated their concerns about how the Pension Board would work in practice, and County Councillor Bernard Bateman MBE noted that at the most recent Pension Fund conference he had gained a firm impression that Pension Board would scrutinise governance arrangements of Pension Funds.

Resolved -

That the report is noted.

68. Budgets/Statistics

Considered -

The report of the Treasurer on the expenditure/income position to date for 2014/15 and the cash deployment of the Fund.

Gary Fielding, Corporate Director - Strategic Resources, confirmed that the cash surplus for the six months to 30 September 2014 exceeded the budget by £1.6m. Whilst there was some concern that difficulties might be experienced at a future point in time, performance was healthy for the foreseeable future. Tom Morrison, Principal Accountant, highlighted Appendix 1 to the report which detailed the profile of income and expenditure and the impact upon the Fund due to deficit funding from employers. On the question of who decides where the rebalancing takes place, Tom Morrison advised that it was part of on-going discussions with employers regarding contributions up front. He noted that previously the proportionate allocation was below the target standard and that this had now been increased by 7 to 8%. There was discussion of the activity and trading which had occurred since the last quarter, and Tom Morrison advised that the decision taken in summer 2014, when equity allocations were 4% higher, had worked out very well for the Fund given the uncertainties experienced since. There was consensus that the decisions taken by the Committee had worked well and Gary Fielding confirmed that if any further tactical changes were required such discussions would be held at a future meeting of the Committee as this was a strategic decision.

Resolved -

That the content of the report is noted.

69. 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 September 2014.

Gary Fielding, Corporate Director - Strategic Resources, highlighted that property continued to perform well. Regarding assets he noted that these had increased but liabilities had increased by more, which he described as a disappointing but satisfactory situation. Carolann Dobson (independent advisor) confirmed that the Fund continued to perform well and she went on to give an overview of the individual managers and noted:

- OCM had little scope to make more money.
- M&G there was a question around benchmarks and discussions were ongoing.
- Newtons - there were no earnings presently and this needed to be resolved.

Carolann Dobson highlighted the situation in the United States where financial commentators were varying widely in their predictions - between 1.5 and 4%, reflecting the volatility in that market place. She noted that Government policy was diverging from the rest of the world and Europe was worried about the prospect of further deflation in future. She felt these factors needed to be borne in mind for the future. Geoff Dalton and Robert Shepherd from AON went on to provide a commentary regarding the different Fund Managers and Carolann suggested that in future quarter by quarter comparisons and reports might help clarify the relative performance.

Resolved -

That the report is noted.

70. Equity Investments

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

Gary Fielding, Corporate Director - Strategic Resources, updated Members on the search for an Equity Manager. He began by explaining the background to the situation, explaining the size of the portfolio and the capacity problems which had been experienced. Given the high level of volatility in this area the question had been posed could a manager better than Fidelity be found as their performance had been found to be mediocre. There was discussion of those who had been seen already and those who were to be considered. It was clarified that two additional managers could be sought if required, but if it were two, these should bring complementary facets. Carolann Dobson stressed that the skills of the new manager/s sought should complement those of the others and so help reduce overall risks for the Fund. It was hoped that a final decision would be reached later in the day with recommendations coming to the meeting on 12 December 2014.

Resolved -

That Members note the progress on Equity Manager search.

The meeting concluded at 10.40 am.

JO'D