

## North Yorkshire County Council

### Pension Fund Committee

Minutes of the meeting held on 9 July 2015 at County Hall, Northallerton commencing at 10.00 am.

**Present:-**

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

Councillor Jim Clark - Local Government North Yorkshire and York) and Councillor Ian Cuthbertson - City of York Council (substituting for Chris Steward).

Officers: Geoff Dalton - Investment Consultant, Mercers, Gary Fielding - Corporate Director Strategic Resources, Tom Morrison - Head of Commercial & Investments, Anna Binks - Technical Manager.

Also present: County Councillor Carl Les; Ben Drake and Stella Smethurst UNISON.

Apologies were received from Bernard Bateman MBE, Councillor Chris Steward (City of York Council).

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

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**Declarations of Interest**

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

**84. Minutes**

**Resolved -**

That the Minutes of the meeting held on 21 May 2015, having been printed and circulated, are taken as read and are confirmed and signed by the Chairman as a correct record.

**85. Public Questions or Statements**

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

**86. Statement of Final Accounts 2014/15**

Considered -

The report of the Treasurer seeking the Committee's approval to the draft Statement of Final Accounts for the financial year 2014/15.

Tom Morrison, Head of Commercial and Investments, advised that every year the draft Statement of Accounts is brought forward for approval prior to consideration by Audit Committee. It was noted that the Accounts presented in a different format the management information which had been presented to previous meetings of the Committee. He stated that the Committee would be made aware of significant amendments, if any, at their September meeting.

Members' commented as follows:-

- Where contributions had been declining in previous years, this year they appeared higher as reflected in page 5 of the report. Gary Fielding, Corporate Director - Strategic Resources, commented that additional income had been received as a result of employers seeking to "get ahead" by making lump-sum contributions to reduce on-going costs as a way to mitigate the impact of austerity. Tom Morrison commented that a major contribution had been made by the Police at the end of the previous financial year, a sum of £8.2m, and he advised that other employers may seek to follow suit this year. In the prevailing economic climate this was felt to be a logical strategy.
- With a reducing workforce, close attention should be needs to be paid to this. Tom Morrison commented that with auto-enrolment, membership of the Fund was presently increasing despite this.
- A typographical error at the end of the first paragraph on page 20 was noted.
- It was noted that investment expenses were down by 10% due to the impact of a 'payment by results' regime. Tom Morrison commented that this reflected variations between years in performance related fees. The Member observed that a two year comparison was common practice and it might be helpful to look at this over a five year period to enable trend analysis. Tom Morrison confirmed that this is carried out, however the format of the accounts is based on CIPFA guidance.
- On the question of the reducing workforce, a Member enquired about historic arrears and the way this is taken into consideration. Tom Morrison advised of the Triennial Valuation process sets contribution levels with the focus on maintaining stability in cash terms. He further commented that this was a sensible approach for employers and the Fund, enabling any arrears to be recovered over an agreed period. He noted that owing to the consistent performance of the Fund, contribution rates had remained stable for some time.
- A Member raised the question of the internally managed funds of £20m referred to on page 16 of the report, and asked whether this would be better invested. He asked whether rebalancing was undertaken frequently enough given this sum was higher than the previous year by £7m. He also observed that the Fund includes 107 organisations and has 84,000 members who should be aware of who the members of the Pension Fund Committee are, but this information is not included in the Accounts. Responding, Tom Morrison noted that much of the £20m was made up of debtors and the £8.2m that had come from the Police which was received on 31 March 2015. The Member suggested that details could be provided to explain such one-offs. Tom Morrison added that membership of the PFC was detailed in the Annual Report which would be presented to the Committee at the next meeting.

- A Member commented upon the increase in total assets over the last year of +16%, and Tom Morrison advised that for the year to 31 March 2015 the Fund was the 10th top performing LGPS Fund in the UK.

**Resolved -**

That the draft Statement of Final Accounts 2014/15 are approved.

**87. Governance Arrangements**

Considered -

The report of the Treasurer seeking the Committee's approval of certain governance documents required to accompany the Statement of Final Accounts of the Pension Fund and presenting to the Committee the findings of the Independent Professional Observer on the Fund's governance arrangements.

Tom Morrison, Head of Commercial and Investments, noted that an error had been identified in the papers issued with the agenda, and noted that a corrected version had since been circulated. He advised that most of the documents had been drafted several years ago to respond to the regulations and received only minor updates each year, unless new or revised regulations required more substantial changes. He explained that Part C was the Risk Register which was formally reviewed twice a year. He noted that the risk rating for the investment strategy had reduced from 2 to 3 to reflect the consistent performance of the Fund's assets over recent years. He also made reference to the annual Communications Strategy. He asked that Members provide any comments by the end of the following week. Gary Fielding added that the Communications Strategy contained no surprises, as Members had been briefed periodically throughout the year. A Member commented that the use of acronyms particularly in relation to officers' titles in the Risk Register was confusing and it was agreed that such acronyms be fully explained on the website. It was also agreed to include the membership details of the Pension Board and Tom Morrison agreed to circulate this information to Members by email.

**Resolved -**

That the set of governance documents in Appendix 1 to the report and the report of the Independent Professional Observer in Appendix 2 of the report are noted.

**88. Board Strategy Review**

Considered -

The report of the Treasurer updating Members on the progress of the review and seeking a decision from Members on rebalancing the allocation to bonds.

Tom Morrison, Head of Commercial and Investments, led a discussion regarding the options for rebalancing. There was consensus that it was appropriate to equalise investments with the Fund's two liability matching managers, to spread the risk and optimise the Fund's position.

**Resolved -**

That £40m be transferred from Amundi to M&G so as to provide each manager with a total allocation of approximately £210m (8.9%).

The meeting concluded at 10.40 am – JO'D