

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 17 September 2015 at County Hall, Northallerton commencing at 10.00 am.

Present:-

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

Councillor Jim Clark - Local Government North Yorkshire and York).

David Portlock - Chair of the Pension Board.

Apologies were received from County Councillor John Blackie and Councillor Chris Steward (City of York Council).

Copies of all documents considered are in the Minute Book

Declarations of Interest

County Councillors Bernard Bateman MBE, Margaret-Ann de Courcey-Bayley, Patrick Mulligan and John Weighell; together with Councillor Jim Clark declared non-pecuniary interests in respect of them being members of the Pension Scheme.

89. Minutes

Resolved -

That the Minutes of the meeting held on 9 July 2015, having been printed and circulated, are taken as read and are confirmed and signed by the Chairman as a correct record, subject to the addition of David Portlock - Chair of the Pension Board in the list of attendees.

90. Public Questions or Statements

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

91. Member and Employer Issues

Considered -

The report of the Treasurer providing Members with information relating to membership movements, performance of benefits, administration as well as related events and activity over the year to date as follows:

- (a) Admission agreements and academies.
- (b) Membership analysis.

- (c) Administration performance.
- (d) Member training.
- (e) Meetings timetable.

The Treasurer highlighted the following in relation to the report:-

There had been a significant increase in workload for the Administration Team, which in turn had led to a slight decrease in performance. It was emphasised, however, that the Team was still performing well. Impacting on the administration were implementation issues for LGPS 2014 and a significant increase in retirements associated with the right to retire from age 55. The situation would continue to be monitored with a view to determining how sustainable the current arrangements were for Pensions' Administration and updates would be submitted to subsequent meetings of the Committee.

A Member sought clarification on the Government's consultation on proposals to cap the total cost of exit payments to public sector workers at £95,000. Details of this were provided and it was noted that a formal response to the consultation had been submitted by the North Yorkshire Pension Fund describing the additional administrative burden that this could place on both the Pension Fund and employers. It was noted that employers were able to submit their own specific views in relation to the consultation.

Resolved -

That the report be noted.

92. Budget/Statistics

Considered -

The report of the Treasurer providing details on the following:-

- (a) The expenditure/income position to date for 2015/16.
- (b) The cash deployment of the Fund.

The Treasurer highlighted how the cash surplus for the quarter to 30 June 2015 was slightly lower than the forecast by £0.2m. It was noted that the report provided details for the first quarter only and that minimal variation was projected for the year to March 2016.

Details of the re-balancing that had taken place and the opportunity that had been undertaken to invest in Threadneedle were outlined.

Resolved -

That the report be noted.

93. Annual Report 2014/15

Considered -

The report of the Treasurer requesting Members to receive the Annual Report for the financial year 2014/15 and to approve a Letter of Representation that was required to be submitted to the External Auditor.

A copy of the Annual Report 2014/15 was attached to the covering report, together with details of the Appendices which had been excluded from the PFC papers, as they had been previously approved by the Committee.

Details of a small number of adjustments that had been made to the draft accounts arising from the audit process were provided within the report. It was noted that the adjustments were not material.

In relation to the letter of representation from the External Auditors, that must accompany the Annual Report, it was noted that minor valuation discrepancies had been identified between the figures provided by the Custodian and valuation data used by the External Auditor. It was noted that the differences arose from midday and end of day prices on the last day of the financial year for two of the Fund's managers. It was emphasised that the discrepancies were not material so were not of any major concern. The Chairman of the Pension Board noted that, during his discussions with the External Auditor, it had been established that different valuations could be given, depending on the time of the day they were requested.

Resolved -

- (i) That the Annual Report 2014/15 be noted.
- (ii) That approval be given to the authorisation of the Letter of Representation, with the Chairman signing this on behalf of the Pension Fund Committee.

94. Pension Board

The Chairman of the Pension Board, David Portlock, provided an update on the inaugural meeting of the Pension Board which took place on 30 July 2015, highlighting the following:-

- ◆ David Portlock had been appointed as Independent Chairman of the Board.
- ◆ There was currently one vacancy for an employer representative.
- ◆ The Board adopted the terms of reference and remit for their meetings.
- ◆ The conflicts of interest policy was adopted.
- ◆ A training policy was agreed - officers would provide details of training undertaken by Members of the Board.
- ◆ A debate took place in relation to the Member appointment process around whether appointments or elections should have been utilised to determine the Board. The issue had been discussed with the Assistant Chief Executive (Legal and Democratic Services) who would report back to the next meeting of the Pension Board.
- ◆ Members also discussed the remit of the Pension Board and, again, the Assistant Chief Executive (Legal and Democratic Services) would report back on the expectations of the Pension Board, in their relation to the Pension Fund Committee, at their next meeting.
- ◆ The next meeting of the Pension Board would be on 1 October 2015 where amongst other things a detailed discussion of the work plan for the Board for the next two years would take place.

A Member of the Committee asked whether it would be possible for him to have sight of the terms of reference for the Pension Board. In respect of this it was noted that the terms of reference had been approved by both the Pension Fund Committee and Full Council and this document was the County Council's Constitution, where Members could see it. The Treasurer stated that he would circulate it to Members of the Pension Fund Committee for convenience. The Member who raised the issue stated that he wanted to ensure that the Pension Board knew its role in relation to the Pension Fund Committee. The Members agreed that it was important that the two roles were clearly identified to prevent any misunderstanding.

The Chairman of the Pension Board emphasised the body had come into being as required by pensions regulations and that the terms of reference for that had been drawn up in relation to them. He noted the Advisory Panel had been the forerunner to the Pension Board and a number of discussions had been held to determine what the Pension Board could learn from the approach the Panel had taken in supporting the PFC and what it was required to do differently.

Unison representative Brian Hazeldine noted that Pension Boards had been introduced in an attempt to bring consistency to the governance of Pension Funds across the country, not all of which were managed as effectively as NYPF.

Resolved -

That the report be noted.

95. Performance of the Portfolio - Quarter ending June 2015

Considered -

The report of the Treasurer providing details of the investment performance of the overall Fund, and of the individual Fund Managers, for the quarter to 30 June 2015.

The report highlighted the following issues:-

- ◆ The performance of the Fund.
- ◆ Individual Fund Managers performance.
- ◆ Risk indicators.
- ◆ Solvency position.
- ◆ Re-balancing.
- ◆ Proxy voting.

The investment adviser and investment consultant had provided separate reports. Members undertook a detailed discussion with the investment consultant and the Treasurer, in relation to their reports, with the following issues being highlighted:-

- ◆ The differing performance of the various Fund Managers.
- ◆ The performance of the diversified growth funds.
- ◆ The continued volatility of the financial markets.
- ◆ The performance of the newest Fund Managers.
- ◆ The ratings of the investment consultants in relation to the various Fund Managers.
- ◆ The impact of the downturn in China and how that was affecting financial markets across the world. It was emphasised that although this would cause some volatility in the markets they did not appear to be in crisis.
- ◆ It was noted that NYPF was the top performing LGPS Fund over the five year period to June 2015.

- ◆ The evolution of the Fund's investment strategy was highlighted by Members and the performance over recent years was praised.

Resolved -

That the investment performance of the Fund for the quarter ending 30 June 2015 be noted.

96. Bond Strategy Review

Considered -

The report of the Treasurer updating Members on the progress of the review and seeking a decision on re-balancing the allocation to bonds.

The report highlighted the progress that had been made to date in terms of reviewing the bond strategy for the Pension Fund.

The Investment Consultant, Aon Hewitt, circulated a report in relation to the bond strategy review. The report provided details on the allocation to bonds and the options available to the PFC. It also identified the decisions required by the Committee, initially with whether or not to disinvest from Amundi, and if so:-

- ◆ Agree a timescale of dis-investment.
- ◆ Agree the approach to rebalancing using funds redeemed from Amundi.
 - option 1 (move all Amundi assets to M&G)
 - option 2 (rebalance the equity allocation to the neutral 62% position) - this would require a slight amendment to the Fund's asset allocation target ranges.
- ◆ An alternative option.
- ◆ Next steps.

Members undertook an in-depth discussion with the Treasurer and the Investment Consultant in relation to the report, the decisions required and the options available to them. The following issues and points were raised during that discussion:-

- ◆ The reasons behind consideration being given to a disinvestment from Amundi.
- ◆ The current consultations being undertaken in relation to the LGPS by the Government and suggestions around asset pooling, whether this would come to fruition and the impact on NYPF should this be required. It was suggested that further discussion be held on this matter at the next meeting of the PFC.
- ◆ It was emphasised that the Fund could still move forward with its Investment Strategy whilst decisions were awaited from Government on LGPS pooling arrangements.
- ◆ A Member requested details of fee arrangements with Fund Managers before any response was provided by the Fund on pooling arrangements. The Treasurer confirmed that this information would be used as part of the cost/benefit analysis of potential changes in arrangements and would be shared with the PFC.
- ◆ The recent performances of Amundi and M&G were discussed.

- ◆ An in-depth discussion took place on whether to disinvest from Amundi and the pros and cons of the options should Members choose for this to go ahead.

Resolved -

- (i) That disinvestment from Amundi be agreed with a timescale to be determined by the Treasurer in discussions with the Investment Consultant.
- (ii) That option 2 - to re-balance the equity allocation to neutral 62% position, including a slight amendment to the Fund's asset allocation target ranges to accommodate this, was agreed.

The meeting concluded at 1 pm.

SL/JR