

North Yorkshire County Council

Pension Fund Committee

Minutes of the meeting held on 25 May 2017 at County Hall, Northallerton commencing at 10.00 am.

Present:-

County Councillors John Blackie, Michael Chambers, MBE, Patrick Mulligan, Andy Sollaway, Helen Swiers, Angus Thompson and John Weighell OBE

Councillor Jim Clark – North Yorkshire District Councils.

David Portlock – Chair of the Pension Board.

Apologies - County Councillor Richard Musgrave and Councillor David Carr, from City of York Council.

There were no members of the public present.

Copies of all documents considered are in the Minute Book

1. Appointment of Chairman

In nominating Councillor Weighell as Chairman, Councillor Blackie said that he had also nominated Councillor Weighell four years ago and he was delighted to nominate him once more for a further four year period.

Councillor Blackie stressed the crucial role played by this Committee in helping to protect the interests of some 90,000 members. He paid tribute to the leadership provided by Councillor Weighell.

On then being seconded, it was

Resolved –

That Councillor John Weighell be appointed Chairman of the Committee until the County Council elections in 2021.

Councillor Weighell in the Chair.

2. Chairman's Announcements

The Chairman said that he wished to place on record his thanks to former Members of the Committee - Margaret Ann De Courcey-Bayley, Bernard Bateman, Roger Harrison-Topham and Chris Steward - for the contribution that they had made to its work.

He also welcomed new Members, Councillors Michael Chambers, MBE, Andy Sollaway and Angus Thompson. The work of this Committee was challenging and he hoped they would enjoy being on the Committee. As part of the welcome to new Members, the Treasurer made a presentation. Please see Minute No. 5, below.

The Chairman advised that this would be the last meeting attended by Tom Morrison, Head of Commercial and Investments, who had obtained a role with South Tyneside Council. On behalf of the Committee, he thanked Tom for his excellent work over the last nine years with the County Council.

3. Minutes

Resolved -

That the Minutes of the meeting held on 23 February 2017 and the Special Meeting held on 31 March 2017, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record, subject to the Minutes of 23 February being amended to reflect the fact that David Portlock was present.

4. Appointment of Vice-Chairman

On being nominated and seconded, it was

Resolved –

That Councillor Helen Swiers be appointed Vice-Chairman of the Committee until the County Council elections in 2021.

5. Welcome to new Members.

The Chairman and Treasurer delivered a presentation which provided information about the following:-

- Key statistics of the North Yorkshire Pension Fund
- Fund Investments
- The role of the Committee
- Updated Myers Principles and how they apply to Asset Pooling
- Adapting Governance to Investment Pooling arrangements
- Section 151 Officer responsibilities
- Governance overview

The Treasurer advised that a two day Training Seminar for Members had been arranged for 6 and 7 July 2017. This Seminar would include training modules for new Members, provided by Aon Hewitt and also a session to consider the future Investment Strategy.

A Member commented that the Committee would lose the power to appoint Fund Managers when pooling arrangements came into effect. The Treasurer confirmed that this would be the case. However, the Fund would still be responsible for its Investment Strategy and would therefore still be able to determine the asset class in which it wished to invest.

The Chairman commented that the eight week period from the end of the quarter to when information was reported to the Committee seemed quite long. The Treasurer advised that officers were examining whether this could be shortened.

The Chairman also referred to the Schedule of Training available to Members and suggested that new Members discuss the courses available and which ones might be the most beneficial to attend with staff in the Treasurer's Team or other existing Members of the Pension Fund Committee.

A Member requested an update on the transitional arrangements with regard to pooling. When would the transition of funds be and what would happen exactly? The Chairman responded that this was not known as yet, although the timetable for transition had been put back to June 2018.

The Treasurer further advised that the Chairman had previously written to the Minister responsible, Brandon Lewis, to stress that the transition should be managed well and not be governed by an arbitrary date.

He added that there had to be an element of "business as usual" until the transition, to ensure the Fund was doing the right things for the right reasons for its Investment Strategy.

The transfer period could be three to five years, which was too long a period to put things on hold.

In terms of appointments, the Chairman shared with the Committee his understanding that the Chair of the new Company would be in place in June 2017, a Chief Executive by July 2017 and other key officers by September 2017.

A Member referred to the remuneration for the Chief Executive and wondered whether, given the size of the role, this would attract top calibre candidates. The Treasurer advised that this had been based on advice from a recruitment company.

A Member queried whether the Committee would still be able to challenge Fund Managers once the pooled arrangements were in place. The Treasurer advised that the Committee would still see Fund Managers.

Resolved –

That the presentation be noted and that a copy of it be sent to Members of the Committee.

NOTE: At this stage of the meeting (10.53 a.m.) the Chairman adjourned the meeting so that Members and officers could join in the Minute's silence being held at 11.00 a.m. in memory of those who had lost their lives as a result of the bomb attack at the Manchester Arena earlier this week.

6. Declarations of Interest

There were no declarations of interest made.

7. Public Questions or Statements

There were no public questions or statements.

8. 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 new Academies.
- (b) Membership Analysis.
- (c) Administration Performance.

- (d) Member Training.
- (e) Meetings Timetable.
- (f) Pensions Manager Recruitment

For the benefit of new Members, the Treasurer advised that this was a standing Item and took the form of exception reporting, primarily around administration.

A Member asked if the fact that the number of active Fund Members had reduced would impact on the cash available. The Treasurer confirmed that it would and this was monitored.

A Member commended the Pensions Team on their work and their low sickness rate which he felt was particularly noteworthy, given the pressure that they work under. He asked that this be passed on to the Team.

The Treasurer's Representative advised that, in addition to the two days training on 6 and 7 July, two days had been arranged on 11 and 12 September in York. There were 120 places available and 70 rooms, for those requiring an overnight stay. She asked Members to let her know if they were interested in attending, as places would be filled on a first come first served basis.

A Member referred to the separate entries for Yorkshire Housing and Craven Housing in the list of employers in the Fund. The Treasurer confirmed that they had merged but they were tracked separately for the purposes of the Fund.

Members also raised issues about the position if Academies got into financial difficulty. The Committee were advised that the situation was currently under review.

A Member queried whether North Yorkshire had a "one call system" and, if so, whether the Pension Fund was part of this. He was aware of a case where an individual had had to provide the same information several times. The Treasurer confirmed that the County Council was part of the one call system, but he would appreciate receiving the detail of this case and he would look into it.

The Treasurer advised that Anna Binks' replacement as Pensions Team Manager, Phillippa Cockerill, was currently having a handover with Anna.

The Chairman commented that the administration was not changing due to LGPS Pooling.

Resolved -

- a) That the contents of the report be noted.
- b) That the positive comments about the Pensions Team be passed on to them.

9. Budget/Statistics

Considered -

The report of the Treasurer concerning:-

- (a) The expenditure/income position to date for 2016/17.
- (b) The cash deployment of the Fund.

The Treasurer presented the report, highlighting the following:-

- The value of base fees payable to Fund Managers had increased during 2016/17, primarily due to the increase in value of overseas investments following Brexit.
- Performance related fees had reduced, in that Fund Managers had performed slightly less well than anticipated, relative to their benchmark. By the nature of things, this figure always had to be an estimate.
- The surplus for 2017/18 would increase to £31.4 million. Of this, £25.3 million related to deficit payments paid 3 years in advance. For cash flow purposes, pre-payments relating to future years are included when they are received. However, for accounting purposes, they will be included in the year to which they relate.

In response to questions from Members, the Treasurer confirmed that the transfer into Threadneedle had been due to the ability to access the secondary market. There are more investment opportunities with Threadneedle than with the other Property Managers.

A Member pointed out that the formula in the table on page 35 of the papers was incorrect. This would be corrected by the Finance Team.

The representatives of the Fund's Investment Advisors, AON Hewitt, advised that 90% of the Fund was liquid, which was higher than required. There would be no significant risk to reduce the level of liquidity.

Resolved -

That the contents of the report be noted.

10. Performance of the Fund's Portfolio

Considered -

The report of the Treasurer on the investment performance of the overall Fund, and of the individual Fund Managers, for the period to 31 March 2017.

The Fund Analysis and Performance Report had been produced by BNY Mellon Asset Servicing.

The representatives of the Fund's Investment Advisors, AON Hewitt, made the following points:-

- The reference in the report to a rebalancing having been undertaken was incorrect. There had not been any rebalancing, but there was a proposal to do so. The Treasurer advised Members that the proposal to rebalance down was being brought to Committee as it was felt to be significant.
- A milestone had been passed, in that the Fund was now over 100% funded.
- The twelve month performance had increased the value of the Fund by almost two-thirds of a billion pounds. This was exceptionally strong growth. However, in their view, the outlook for markets was uncertain.
- There was a need to think about measures to protect the super-normal gains (which were more than three times that what would normally be expected) by considering the rebalancing of equities to bring them to their target allocation.

- Absolute performance was excellent and was also good in relative terms – performing in advance of the benchmark.
- Some Fund Managers had performed strongly, whereas others had underperformed, relative to their benchmark. The point was that some Fund Managers will do better in certain market conditions than others, which is why it is key to diversify and separate out investment risks.
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- Members were advised of a merger between Standard Life and Aberdeen Asset Management and the consequential changes of this.

In response to questions from Members, it was confirmed that Fund Managers had added value by outperforming the Strategy - much of this was driven by Baillie Gifford - and that the fall in sterling had had an effect on relative currency movements of between one-fifth and one-third.

A Member commented that the relative under performance of Standard Life Global Absolute Return Strategy, referred to in the covering report, slightly contradicted information in the Fund Analysis and Performance Report. In response, the representative of the Fund's Investment Advisors, AON Hewitt, said he took the Member's point, but the most important assessment of a Fund Manager was the green "buy" ratings. These were short term figures and it was important to maintain focus on the longer term picture. Most Managers were performing well. Therefore, comments were relative.

Resolved -

- a) That the investment performance of the Fund for the period ending 31 March 2017 be noted.
- b) That £100 million (approximately 3.3% of the total of the Fund) be disinvested from Equity Managers and reinvested with the DFG Managers and M & G.

11. Pension Board

The Chair of the Pension Board provided a verbal update in respect of the meeting held on 20 April 2017.

For the particular benefit of new Members, the Chair of the Pension Board advised that he provides an update on the discussions of Pension Board meetings to each meeting of this Committee. This was usually accompanied by the draft Minutes.

He highlighted, in particular, the following aspects from the meeting on 20th April:-

- The Board's Terms of Reference had been reviewed.
- Three internal Audit reports had been reviewed and the assurance levels in respect of each were acceptable. The audits related to Pension Fund Income, Expenditure and Investment.
- The Investment Strategy Statement had been considered and confirmed as being prepared in accordance with the Regulations.
- The Triennial Valuation for 2106 was considered and it was confirmed that it had been carried out in accordance with the Regulations.
- An update on LGPS Pooling had been provided.

- Report on training had been considered. Members are statutorily required to receive training
- The Work Plan had been reviewed.

Resolved -

That the update be noted.

The meeting concluded at 12 noon.

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