



Pension Fund Committee

Date Thursday 14 June 2012
Time 10.00 am
Venue Committee Room 2 - County Hall, Durham

Business

Part A

1. Declarations of interest (if any)
2. The Minutes of the last Meeting held on 5 March 2012 (Pages 1 - 6)
3. Such other business as, in the opinion of the Chairman of the Meeting is of sufficient urgency to warrant consideration
4. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

5. The Minutes of the last Meeting held on 5 March 2012 (Pages 7 - 14)
6. Pension Fund Investment Strategy

A presentation will be given by the Pension Fund Advisors on the Pension Fund's Investment Strategy, its current suitability and advice on the recommended course of action. This will include:

- consideration of changes to the Pension Fund's Strategic Asset Allocation
- agreement to the investment parameters for each mandate
- review of existing Fund Managers
- consideration of the need for Manager selection exercises.

7. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
6 June 2012

To: The Members of the Pension Fund Committee

County Council Members:

Councillors Andy Turner, N Martin, C Carr, J Chaplow, A Hopgood, P Jopling, J Lethbridge, D Morgan, R Ord, G Richardson and R Todd

Darlington Borough Council Members

Councillor I G Haszeldine
(vacancy)

Scheduled Bodies Representative

Mr D Sanders

Admitted Bodies Representative:

Mr K Tallintire

Pensioner Representative

Mrs O Brown

Active Members Representative

(vacancy)

Further Education Colleges Representative

(vacancy)

Advisors:

County Council Officers

Chief Executive	G Garlick
Corporate Director, Resources	D McLure
Head of Legal and Democratic Services	C Longbottom
Strategic Finance Manager – Corporate Finance	H Appleton

Independent Advisors

P Williams - P J Williams

R Bowker - PSolve

Staff Observors

UNISON

N Hancock

GMB

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DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2 - County Hall, Durham on **Monday 5 March 2012 at 10.00 am**

Present:

Councillor N Martin (Chair)

Members of the Committee:

Councillors C Carr, J Chaplow, A Hopgood, P Jopling, J Lethbridge, R Ord, G Richardson and R Todd

Scheduled Bodies Representative;

D Sanders

Pensioner Representative:

O Brown

Apologies:

Apologies for absence were received from Councillor Andy Turner and K Tallintire

Also Present:

D McLure – Corporate Director, Finance
H Appleton – Strategy Finance Manager – Corporate Finance
B Smith – Litigation Manager
N Orton – Payroll and Pensions Manager
A Wallage – Internal Audit and Risk Manager
R Auty - PwC

Independent Advisers:

P Williams – P J Williams
R Bowker - PSolve

Staff Observer

N Hancock - UNISON

1 Declarations of interest

Councillor A Hopgood declared a personal but not prejudicial interest in item numbered 8 on the Agenda 'Academy Schools – Risks from Participation in the Fund'.

2 Minutes

The Minutes of the last meeting held on 6 December 2011 were agreed as a correct record and were signed by the Chair.

3 Graphs showing recent movements of the Stock and Share Indices

Consideration was given to graphs showing recent movements in the Stock and Share Indices (for copy see file of Minutes).

Resolved:

That the information given be noted.

4 Graphs showing recent movements of the major currencies against sterling

Consideration was given to graphs showing recent movement in the major currencies against sterling (for copy see file of Minutes).

Resolved:

That the information given be noted.

5 Performance Measurement Report

Consideration was given to the report of the Corporate Director, Resources which provided an overview of the Pension Fund to date (for copy see file of Minutes).

The report gave details of the performance of the six Investment Managers against benchmarks.

In response to a question from a Member concerning benchmark figures, P Williams, Adviser stated that all Pension Funds were experiencing difficulties in the current economic climate in terms of performance of assets. Whilst overall performance was below the benchmark for both the quarter ended 31 December 2011 and the last 12 months, Durham Pension Fund's specific benchmark strongly outperformed the Local Authority average over both these periods.

Resolved:

That the information given be noted.

6 Pension Fund Investments

Consideration was given to the report of the Corporate Director, Resources which gave details of the overall value of the Pension Fund as at 31 December 2011, of the additional sums available to the Managers for further investment, and of the latest Fund Rebalancing (for copy see file of Minutes).

Members were advised that as agreed at the last meeting a 'modelling exercise' had been undertaken in view of the deficit in cash flow. It had been agreed that for the reasons outlined in the report no money be added to the sums allocated to the Managers for investment in the quarter ended 31 March 2012. It had also been decided to suspend this quarter's rebalancing for examination at the end of the next quarter. The report also gave details of the forecasted cash flow for the Pension Fund for 2012/2013 and the assumptions used to calculate this. The position would be reviewed at the end of each quarter.

A Member referred to employer contributions and the potential effect on the Fund from any late payments. Nick Orton, Payroll and Pensions Manager stated that following the review of contributions undertaken as part of the Internal Audit Plan 2011/2012, processes would be put in place to improve how payments were monitored. However he added that there were currently no material issues which would affect the cash flow position of the Fund.

A Member also sought an assurance that any ER/VR costs as a result of Local Government Reorganisation (LGR) were met from LGR transition costs. Hilary Appleton, Strategy Finance Manager – Corporate Finance confirmed that this was the case but would examine the current position and report to Members direct.

Resolved:

That the information given, be noted and Members be provided with feedback in relation to Early Retirement/Voluntary Redundancies as a result of LGR.

7 Pension Fund Policy Documents - Funding Strategy Statement and Statement of Investment Principles

Consideration was given to the report of the Corporate Director, Resources which informed Members of the review of the Funding Strategy Statement and Statement of Investment Principles for the year ended March 2012 (for copy see file of Minutes).

Resolved:

That

- (i) the contents of the revised Funding Strategy Statement and Statement of Investment Principles be noted;
- (ii) the documents be circulated to all relevant interested parties to consult on their contents.

8 Academy Schools - Risks from Participation in the Pension Fund

Consideration was given to the report of the Corporate Director, Resources with regard to Academy Schools (for copy see file of Minutes).

The report provided Members with an explanation of the risks involved for Academy Schools and for other employers in the participation of Academy Schools within the

Pension Fund. Members were also advised of the Government's recent proposed method for dealing with Academy School participation in the Local Government Pension Scheme and sought approval to adopt this method where appropriate.

In discussing the report Members were advised of the current number of Academy Schools in Durham and Darlington and that junior schools could also apply for Academy status. Whilst it was acknowledged that Free Schools posed a greater risk than Academy schools they were allowed 'as of right' to participate in the Scheme.

Resolved:

That approval be granted to the potential for pooling arrangements to be established between the original Councils (either Durham County Council or Darlington Borough Council) and an Academy School, provided that both parties agreed to the arrangements.

The Chair agreed that in order to keep Members informed of action taken under delegated powers the next item of business could be reported.

9 Durham Valuation Service

N Orton, Payroll and Pensions Manager advised that Durham Valuation Service, a 'scheme employer' within the Fund had no active members and a small number of pensioners and deferred Members. Following a restructure and change to its delivery model, the Valuation Service would not be admitting any further employees into the Fund.

The Valuation Service had asked to pay a one-off settlement to cover all future liabilities within the Fund and following consultation with the Fund Actuary a figure was agreed for payment before the financial year end.

This represented a favourable outcome for the Fund as it provided certainty of income. The assumptions used by the Actuary in determining the final figure were prudent and so likely to mean that the amount paid in would cover all future payments due from the Fund to Valuation Tribunal Service members.

Resolved:

That the Corporate Director, Resources, acting under delegated powers, be authorised to accept the full and final settlement figure from the Valuation Tribunal Service.

The Chair agreed that to inform Members of the position with regard to the vacancies on the Committee the next item of business could be reported.

10 Vacancies on Pension Fund Committee

A Member asked for an update in relation to filling the vacant positions on Pension Fund Committee. With regard to the active member vacancy Members were

advised that two thirds of active members were employees within the Fund. This raised the issue of whether or not, as employees, they were able to participate in the work of the Committee. With regard to the other vacancies from Darlington Borough Council and Further Education Colleges, these organisations had been asked to nominate representatives but had not made any submissions to date.

Resolved:

That officers pursue the filling of the vacant positions and examine the legality of an employee of the Council sitting on the Committee as an active member representative.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 5

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