

DURHAM COUNTY COUNCIL
PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2 - County Hall, Durham on **Tuesday 6 December 2011 at 10.00 am**

Present:

Councillor N Martin (Chair)

Members of the Committee:

Councillors C Carr, J Chaplow, A Hopgood, D Morgan, R Ord, G Richardson and R Todd

Admitted Bodies Representative:

K Tallintire

Apologies:

Apologies for absence were received from Councillors Andy Turner, P Jopling and J Lethbridge, and O Brown and D Sanders

Also Present:

Advisers:

Durham County Council Officers:

Principal Finance Officer – Strategic Finance:	H Appleton
Litigation Manager	B Smith
Payroll and Pensions Manager	N Orton

Independent Advisers:

P J Williams	P Williams
P Solve Asset Solutions	H Prior

A Wallage	Internal Audit and Risk Manager
S Newitt	PwC
R Auty	PwC

1 Declarations of interest (if any)

There were no declarations of interest received.

2 The Minutes of the Last Meeting held on 29 September 2011

The Minutes of the meeting held on 29 September 2011, were agreed as a correct record, subject to the following amendment to minute no.2 relating to the actuarial valuation as at 31 March 2010;-

‘N Orton stated that the latest proposal from the employer’s side suggested an increase in employee contributions. Employees could elect not to pay the additional

amount but would earn a lower accrual rate. Only FTE employees on an annual salary of less than £15k would be protected.'

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, copies of which had been circulated.

Additional graphs were provided showing recent movements in overseas equity markets and UK markets. With regard to UK markets P Williams pointed out that index linked UK government bond prices were rising yet bond yields were falling. This had a negative impact on the valuation of pension fund liabilities but he hoped that this was a temporary situation.

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, a copy of which had been circulated.

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, a copy of which had been circulated.

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

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 30 September 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 discussed the report and referred to the deficit cash flow at the quarter ended 30 September 2011 and estimated for the quarter ended 31 December 2011. Increased levels of retirements and a reduction in the number of staff across

the Authority as a result of savings identified in the MTFP, which meant fewer contributions to the scheme, had impacted on the cash flow situation. In addition government proposals were likely to have an impact in the longer term. Members felt that there was a need to understand the longer term impact on the Pension Fund and therefore asked Officers to undertake a 'modelling exercise'. This would help to ensure that the scheme was able to manage future issues.

RESOLVED

That the information given, be noted and Officers undertake a 'modelling exercise' to assess future issues for the Pension Fund.

7 Government Consultation on Changes to the Local Government Pension Scheme

Consideration was given to the report of the Corporate Director, Resources which provided information on the Government's consultation on changes to the Local Government Pension Scheme, including details of recently published plans for longer term reform (for copy see file of Minutes).

RESOLVED

That the information given, be noted.

8 Academy Schools in the Pension Fund

Consideration was given to the report of the Corporate Director, Resources which provided information on the way Pension Fund assets and liabilities were allocated and employer pension contribution rates were set for Academy Trusts when schools converted to academy status (for copy see file of Minutes).

Discussion ensued with regard to how academies were to be treated in the Scheme. Academy Schools were to be treated in the same way as scheduled body employers and the comment was made by K Tallintire, that in view of the minimal risk of insolvency that they be treated as an admitted body.

N Orton responded that under the Regulations Academy Trusts were scheduled body employers and as such did not have to apply to be members of the scheme. However there was some flexibility in how academies were admitted to the scheme and the summary in the report outlined the approach recommended which was considered to be fair to all parties.

Members considered that there was a need to understand the potential risks involved and asked Officers to submit a further report to the Committee.

With regard to a later query about free schools, N Orton advised that these would be treated as a scheduled body employer as they were entitled to be in the scheme as of right.

RESOLVED

That the information given, be noted and a report outlining the potential risks be submitted to the next meeting of the Committee.