



Pension Fund Committee

Date Thursday 6 June 2013
Time 10.00 am
Venue Committee Room 2, County Hall, Durham

Business

Part A

1. Apologies for Absence
2. The Minutes of the Meeting held on 7 March 2013 (Pages 1 - 6)
3. Declarations of interest (if any)
4. Appointment of New Committee Members (Pages 7 - 8)
5. Such other business as, in the opinion of the Chairman of the Meeting is of sufficient urgency to warrant consideration
6. 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)

7. The Minutes of the Meetings held on 7 March and 1 May 2013 (Pages 9 - 18)
8. 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

Durham
29 May 2013

To: The Members of the Pension Fund Committee

County Council Members:

Councillors A Turner, W Stelling, C Carr, P Conway, M Davinson, S Forster,
J Lethbridge, N Martin, T Pemberton, G Richardson and C Wilson

Darlington Borough Council Members

Councillor I G Haszeldine
Councillor S Harker

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)

Advisers:

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 Advisers

P Williams – P J Williams
R Bowker – P-Solve
D Banks – P-Solve

Staff Observers

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 **Thursday 7 March 2013 at 10.00 am**

Present:

Councillor A Turner (Chair)

Members of the Committee:

Councillors N Martin (Vice-Chair), C Carr, A Hopgood, P Jopling, J Lethbridge, D Morgan, R Ord, G Richardson and R Todd

Admitted Bodies Representative

K Tallintire

Also Present:

County Council Advisers

D McLure – Corporate Director, Resources

H Appleton – Strategic Finance Manager – Corporate Finance

N Orton – Payroll and Pensions Manager

Independent Advisers

P Williams – P J Williams

R Bowker – P-Solve

D Banks – P-Solve

1 Apologies for Absence

Apologies for absence were received from Councillor J Chaplow, Pensioner Representative O Brown and Scheduled Bodies Representative D Sanders.

2 Minutes

The Minutes of the meeting held on 4 December 2012 were agreed as a correct record and were signed by the Chair.

Matter Arising from the Minutes

Local Government Pension Scheme: Investment in Partnerships – CLG Consultation (Minute no. 9 refers)

Hilary Appleton, Strategic Finance Manager – Corporate Finance reported that notification had been received that with effect from 1 April 2013 the current 15% limit on investment in partnerships would be increased to 30%.

This was in line with the Council's response to the CLG consultation agreed at the last meeting.

Resolved:

That the information given be noted.

3 Declarations of interest

There were no declarations of interest.

4 Graphs showing recent movements of the Stock and Share Indices

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

Robbie Bowker, P-Solve stated that equity markets had performed well towards the end of 2012 and as at the end of February 2013 UK performance was up 8.8% with overseas equity markets also seeing an increase of 12.3%.

Philip Williams, Adviser added that index-linked gilt yields had performed well particularly over the last 4-5 months but over the year real yields had declined. 30 year gilts had increased which reflected concerns about inflation.

Resolved:

That the information given be noted.

5 Graphs showing recent movements of the major currencies against sterling

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

Robbie Bowker stated that the downgrade of the UK's Triple AAA rating had affected currency in the fourth quarter.

Resolved:

That the information given be noted.

6 Performance Measurement Report

Consideration was given to the report of the Corporate Director, Resources which provided an overview of the performance of the Fund up to 31 December 2012 (for copy see file of Minutes).

The report gave details of the Managers' performance against their benchmarks for the fourth quarter, the year to date and since inception.

Hilary Appleton advised that the Plan had outperformed the total benchmark by 0.09%.

Philip Williams added that the PPIP portfolio of AllianceBernstein had started to wind down before the end of the quarter and had now closed. Over 3 years of investment the Fund had returned 11% over target.

In response to a question from Councillor Hopgood, Hilary Appleton advised that former Managers Edinburgh Partners had been included in the report as the figures related to dividends from earlier investments.

With regard to BlackRock's performance in the fourth quarter Philip Williams advised that their target was to outperform FTSE by 3% which had been achieved.

Resolved:

That the information given be noted.

7 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 2012 and of any additional sums available to the Managers for further investment, or amounts to be withdrawn from Managers (for copy see file of Minutes).

Hilary Appleton advised that the allocation of new money to the Managers had been suspended until the outcome of the current review of management arrangements. As Table 1 showed £10m was recovered at the end of the fourth quarter because of the transition from BlackRock to Barings, as reported previously.

Councillor Hopgood asked about the Government Workplace Pension Scheme. Nick Orton, Payroll and Pensions Manager stated that the Scheme had been introduced by larger organisations in the first instance, with the applicable date for the Council being 1 January 2013. However the Authority already brought new employees into the Scheme automatically which was known as 'auto-enrolment'.

Those employees who had opted out would be brought back into the scheme and Don McLure, Corporate Director, Resources advised that the Council had agreed to postpone this process until 2017.

Councillor Carr asked if information had been sought from other employers in the Fund about projected retirements. Hilary Appleton responded that this information could be obtained from Darlington Borough Council on completion of their budget setting process. Other employers in the Fund should be able to provide details on request.

Resolved:

That the information given be noted and no further allocation of cash be made to the Managers.

8 Short Term Investments for the Period Ended 31 December 2012

Consideration was given to the report of the Corporate Director, Resources which gave details of the Pension Fund's short term investments for the quarter ended 31 December 2012 (for copy see file of Minutes).

Hilary Appleton advised that the Pension Fund's surplus cash holding as at 31 December 2012 was £24.538m.

Councillor Hopgood sought clarification about the Administration Fee of £15,436. Hilary Appleton stated that this was the fee charged by the Council for the Treasury Management function and was 0.1% of the interest made.

Resolved:

That the position at 31 December 2012 regarding the Pension Fund's short term investments be noted.

9 Investment of the Pension Fund's Cash Balances

Consideration was given to the report of the Corporate Director, Resources which informed Members of the Treasury Management Service provided to the Pension Fund, and of changes to the calculation of interest on short term investments administered by the County Council (for copy see file of Minutes).

Councillor Richardson referred to investment of the Pension Fund's cash balances in financial institutions and asked what action would be taken in the event that any of those banks were downgraded. Don McLure responded that the deposit would remain with the financial institution until the termination date, at which time the Treasury Management Team would review the institution's position as an approved counterparty.

Keith Tallintire, Admitted Bodies Representative referred to the table in the previous report and noted that none of the institutions were AAA rated. He also asked how often the decision to pay interest on either the LIBOR or LIBID rate would be reviewed. Hilary Appleton responded that this would be reviewed quarterly by the Treasury Management Team, based on an appropriate published three month rate.

In response to a comment from Councillor Hopgood, Philip Williams advised that rating agencies applied different ratings for long-term and short-term investments. Generally ratings were higher for short-term investments and this could be clarified in future reports to the Committee.

It was also suggested that in view of the discussion in the previous report about the Administration Fee, recommendation (c) should be amended to reflect that it was 0.1% of the interest made.

Resolved:

That

- (a) the Pension Fund continues to invest its cash balances with the County Council in line with the County Council's Treasury Management Strategy;
- (b) interest be paid quarterly to the Pension Fund at a rate based on the daily cash balance and a published 3 month interest rate;
- (c) an administration fee of 0.1% of interest made be paid to the County Council for the Treasury Management function being carried out on behalf of the Pension Fund;
- (d) in the event of the loss of an investment, the Pension Fund will bear the loss in proportion of the value of cash balances held at the time of the investment with Durham County Council.

10 Agreement of Accounting Policies for Application in the 2012/2013 Financial Statements of the Pension Fund

Consideration was given to the report of the Corporate Director, Resources which informed Members of the accounting policies to be applied in the preparation of the 2012/2013 Accounts, and to seek confirmation from the Committee that appropriate policies were being applied (for copy see file of Minutes).

Councillor Martin noted that reference had been made to the PPIP account in Appendix 1 of the report which had now closed, and commented that this emphasised the need to review the policies as and when required.

Resolved:

That

- (a) the accounting policies be approved and used in the preparation of the 2012/2013 financial statements for the Pension Fund;
- (b) the Corporate Director, Resources be authorised to review the accounting policies as necessary, and report changes to the Committee.

At this point Councillor Turner left the meeting and Councillor Martin took the Chair.

11 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 31 March 2013 (for copy see file of Minutes).

Hilary Appleton advised that Edinburgh Partners were included in the Statement of Investment Principles but that this would be amended during 2013-2014 to reflect the new Managers appointed following the tender process.

Resolved:

That the information given and the review of the Pension Fund's policy documents be noted.

Councillor Turner returned to the meeting.

12 Terms of Reference

Consideration was given to the report of the Corporate Director, Resources which informed Members of progress in determining the Terms of Reference for the Pension Fund Committee (for copy see file of Minutes).

The report highlighted proposed changes which reflected discussions at the Pension Fund Committee workshop session held on 6 February 2013. Once agreed the Terms of Reference would be reviewed on an annual basis.

Councillor Hopgood thanked Officers for the workshop which had been a helpful session for the Committee in formulating the Terms of Reference.

Resolved:

That

- (a) the Terms of Reference in Appendix 2 of the report be agreed for adoption by the Council;
- (b) the Terms of Reference be reviewed at least on an annual basis.

At this point Councillor Morgan left the meeting.

Pension Fund Committee

6 June 2013



Appointment of new Committee members

Don McLure, Corporate Director Resources

Purpose of the Report

- 1 The purpose of this report is to ask Members to participate in the appointment process for new non-Councillor members of the Pension Fund Committee

Background

- 2 The current structure of the Pension Fund Committee was agreed by the Council in April 2009 and the membership is as follows:

<i>Body / category of bodies represented</i>	<i>Number of Committee Members</i>
Durham County Council	11
Darlington Borough Council	2
Further Education Colleges	1
Other Statutory Bodies – Police / Fire / Academy	1
Schools / Town & Parish Councils etc.	
Admitted Bodies	1
Member representatives	2
<i>Total</i>	<i>18</i>
<i>(plus 2 non-voting union observers)</i>	

- 3 The representatives from Durham County Council and Darlington Borough Council are appointed by their respective Councils. The five remaining Committee members need to be appointed every four years. Employers within the scheme will be contacted to ask whether they would like to be represented on the Committee. Pensioners will be written to as part of their next scheduled communication (the December newsletter) and asked to express an interest in joining the Committee. There are unresolved legal issues around appointing an active member representative – around two thirds of active scheme members are Council employees but legally Council employees are barred from being voting members of Council committees - so for the time being this post will remain vacant.
- 4 Members are asked to agree to participate in the selection process. It is important that a flexible approach is agreed to ensure the new

Committee members can, where possible, be brought onto the Committee in time for the next meeting (Thursday 5 September 2013).

Recommendation

- 5 Members are asked to agree to put their names forward to provide a pool of at least five Members from which the Head of Legal and Democratic Services can draw an interview panel of three to select from the candidates that put themselves forwards for Committee membership (officers will also be present on the panel to advise and assist in the selection process).

Contact: Nick Orton Tel: 03000 269798

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