

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Thursday 6 March 2014 at 10.00 am**

Present:

Councillor A Turner (Chairman)

Members of the Committee:

Councillors C Carr, P Conway, M Davinson, S Forster, J Lethbridge, N Martin and G Richardson

Also Present:

County Council Advisers

H Appleton – Strategic Finance Manger – Corporate Finance
N Orton – Payroll and Pensions Manager

Independent Advisers

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

Observer

N Hancock - UNISON

1 Apologies for Absence

Apologies for absence were received from Councillors I Geldard, W Stelling and R Todd, John Norton, Admitted Bodies Representative and Don McLure, Corporate Director, Resources.

2 Minutes

The Minutes of the meeting held on 5 December 2013 were agreed as a correct record, subject to Councillor Lethbridge's apologies for absence being recorded.

The Minutes were signed by the Chairman.

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 recent movements in the Stock and Share Indices (for copy see file of Minutes).

P Williams advised that gilt yields had risen over the period and that the Bank of England had given an indication that Interest Rates would remain low for some time. Emerging markets had performed poorly and since the graphs were prepared the markets had become more uncertain because of the situation in the Ukraine.

In response to a question Members were advised that whilst Advisers recommended that the Fund should not invest passively in emerging markets the current situation did offer opportunities, subject to a cautious approach. The proposal to appoint an active Manager would help the Durham Fund to seize opportunities arising from the downturn in emerging markets.

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).

Resolved:

That the information given be noted.

6 Performance Measurement Report of Pension Fund Investments to 31 December 2013

Consideration was given to the report of the Corporate Director, Resources which gave an overview of the performance of the Fund to 31 December 2013 (for copy see file of Minutes).

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

Resolved:

That the information given be noted.

7 Overall Value of Pension Fund Investments to 31 December 2013

Consideration was given to the report of the Corporate Director, Resources which informed Members of the overall value of the Pension Fund as at 31 December 2013, 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, Strategic Finance Manager – Corporate Finance advised that in view of the proposed appointment of new Fund Managers no money would be added to the sums to be allocated for investment in the quarter, and Fund re-balancing had been suspended until the results of the Strategy Review were put into operation.

At the request of the Committee, Hilary Appleton advised that details of the current deficit in the Fund would be provided in the Actuary's report.

Resolved:

That the information given be noted and Members of the Committee be provided with details of the current deficit in the Pension Fund.

8 Short Term Investments for the Period Ended 31 December 2013

Consideration was given to the report of the Corporate Director, Resources which gave details of the performance of the Pension Fund's short term investments for the 3 month period ended 31 December 2013 (for copy see file of Minutes).

Resolved:

That the information given be noted.

9 Investment of the Pension Fund's Cash Balances

Consideration was given to the report of the Corporate Director, Resources which gave an update of the Treasury Management Service provided to the Pension Fund, reviewed the charges for the services and the calculation of interest on short term investments administered by the County Council for 2014/2015 (for copy see file of Minutes).

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 the 3 month LIBID interest rate;
- (c) an administration fee of £2500 per quarter 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 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 copy see file of Minutes).

Members were informed that the triennial review was completed as at March 2013 and not 2014 as stated in the report. Final versions of the Policies would be reported to Members at the June meeting for approval before consultation was carried out.

Resolved:

That

- (a) the contents of the revised Pension Fund's policy documents be approved;
- (b) consultation be delayed until the policy documents are updated fully.

11 Terms of Reference - Annual Review

Consideration was given to the report of the Corporate Director, Resources which reviewed the Terms of Reference of the Pension Fund, a copy of which were attached to the report at Appendix 1 (for copy see file of Minutes).

Resolved:

That

- (a) the Terms of Reference as detailed in Appendix 1 of the report be accepted;
- (b) the Terms of Reference be reviewed at least on an annual basis.

12 Agreement of Accounting Policies for Application in the 2013/2014 Financial Statements of the Pension Fund

Consideration was given to the report of the Corporate Director, Resources which informed the Committee of the accounting policies to be applied in the preparation of the 2013/2014 Accounts and sought confirmation that appropriate policies were being applied (for copy see file of Minutes).

Having reviewed the accounting policies the Committee **Resolved:**

That

- (a) the policies be used in the preparation of the 2013/2014 financial statements for the Pension Fund;
- (b) the Corporate Director, Resources be authorised to revise the accounting policies as necessary, and report any significant changes to the Committee.

13 Confirmation of Local Government Pension Scheme 2014

Consideration was given to the report of the Corporate Director, Resources which provided Members with confirmation of the known changes that were being made to the Local Government Pension Scheme (LGPS) from 1 April 2014 (for copy see file of Minutes).

Nick Orton, Payroll and Pensions Manager responded to questions from Members. Reference was made to Government proposals on the future structure of the LGPS, as reported at the last meeting of the Committee, and the potential impact if Funds were merged. Nick Orton advised that a decision on the proposed options had not been made and details of further consultation were awaited.

Resolved:

That the information given be noted.

In order to progress the appointment to the vacant position of Pensioner Representative on the Pension Fund Committee the Chairman agreed that the following item of business could be reported.

14 Membership of the Pension Fund Committee - Pensioner Representative

Nick Orton advised that a number of applications had been received for the position of Pensioner Representative on the Committee and Members were asked to give consideration to a selection process.

Resolved:

That a Panel of 3 Members be set up to interview applicants for the position of Pensioner Representative, comprising of Councillors A Turner, C Carr and N Martin.