

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Thursday 5 June 2014 at 10.00 am**

Present:

Councillor A Turner (Chairman)

Members of the Committee:

Councillors C Carr, M Davinson, S Forster, J Lethbridge and G Richardson

Pensioner Representative

D Ford

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 – PJ Williams

R Bowker – P-Solve

D Banks – P-Solve

1 Apologies for Absence

Apologies for absence were received from Councillors W Stelling, P Conway, N Martin, R Todd and Admitted Bodies Representative J Norton.

2 Minutes

The Minutes of the meeting held on 6 March 2014 were agreed as a correct record and 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).

Philip Williams advised that the charts showed that the markets had been stable. Equity markets had performed well over the year but had quietened in recent months. Performance of emerging markets had been poor in the second half of the year and the Durham Fund's transfer of assets to new global mandates was timely.

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).

Philip Williams advised that sterling had been extraordinarily strong with huge investments in London buildings in areas such as Belgravia.

Following a point raised by Councillor Lethbridge, a general discussion ensued about the cash investment boom in properties in London and the social problems this was creating.

In response to a question from Councillor Carr about the strength of sterling the Pension Fund Advisers advised against an active currency management fund.

Resolved:

That the information given be noted.

6 Performance Measurement of Pension Fund Investments to 31 March 2014

Consideration was given to the report of the Corporate Director, Resources which gave an overview of the performance of the Fund to 31 March 2014 (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 March 2014

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 March 2014, 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 informed Members that the results of the valuation showed a reduction in the deficit of about £40m. She was also pleased to advise that the Local Government Chronicle had reported that the Durham Fund was one of the top ten performers in reducing Pension Fund deficits.

Resolved:

That the information given be noted.

8 Short Term Investments for the Period Ended 31 March 2014

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 March 2014 (for copy see file of Minutes).

Resolved:

That the position at 31 March 2014 regarding the Pension Fund's short term investments be noted.

9 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 (FSS) and Statement of Investment Principles (SIP), and sought approval to consult all relevant interested parties on their contents (for copy see file of Minutes).

Councillor Carr referred to the proposals for collective Pension Funds as announced in the Queen's Speech. The Member was advised that this related to defined contribution pension schemes and did not affect the LGPS.

Resolved:

- (i) the contents of the revised Pension Fund's policy documents be approved;
- (ii) the documents be circulated to all relevant interested parties to consult on their contents, and a report be considered at the next meeting following the consultation.

10 Change in Pension Fund Investment Adviser - River and Mercantile Group

Consideration was given to the report of the Corporate Director, Resources which informed Members of a merger between one of the investment advisers P-Solve Ltd and River and Mercantile Asset Management LLP (for copy see file of Minutes).

At the request of Members, R Bowker, P-Solve provided the Committee with details of the merger and gave an assurance that there would be no change to the service provided to Durham's Pension Fund.

In response to a question from Councillor Carr about the timing of the merger, Robbie Bowker advised that the merger had been subject to approval by the FCA which had not been received in time to report to the March meeting of the Pension Fund Committee.

Resolved:

That the information given be noted.

11 Valuation Report

Consideration was given to the report of the Corporate Director, Resources which provided Members with information on the final outcomes from the actuarial valuation of the Pension Fund as at 31 March 2014 (for copy see file of Minutes).

The report gave details of the valuation results, changes in membership numbers and the main factors affecting the funding position since the previous valuation.

Don McLure, Corporate Director, Resources referred Members to the recovery period set out in Table 5 of the report. He advised that the recovery period had been reduced from 19 years to 18 years which was a positive step forward. The average recovery period of other Pension Funds was 19 to 20 years.

Councillor Davinson asked about the potential impact of future redundancies, and was advised that at the last valuation, the Actuary had changed the way in which employer contributions were expressed. Expressing deficit contributions as monetary values instead of percentages of pensionable payroll ensured that any shortfall would be met even if an employer's overall pensionable payroll reduced in size.

Resolved:

That the information given be noted.

The Chairman agreed that in order to keep Members informed the following item of business could be reported.

12 Durham County Council Pension Fund - Global Equity Manager Appointment

Consideration was given to the report of the Corporate Director, Resources which informed Members of the outcome of the contractual negotiations for the appointment of three new Investment Managers (for copy see file of Minutes).

In taking Members through the report, Hilary Appleton advised that during the negotiation period Aberdeen Asset Management had completed the purchase of Scottish Widows Investment Partnership from Lloyds Banking Group. There were no implications of this change that would have impeded the Pension Fund's appointment of Aberdeen Asset Management.

Fees had been agreed as part of the process and all Managers would be paid a flat fee based on the value of the investments.

Don McLure apologised for the length of time the process had taken to complete but this had been a huge and difficult procurement exercise which had taken longer than anticipated.

Resolved:

That the information given in relation to the conclusion of the contractual arrangements with the three Investment Managers, be noted.