

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Thursday 5 December 2013 at 10.00 am**

Present:

Councillor A Turner (Chairman)

Members of the Committee:

Councillors C Carr, P Conway, M Davinson, N Martin, G Richardson and R Todd

Admitted Bodies Representative

J Norton

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 – PSolve

D Banks – PSolve

Observer

N Hancock - UNISON

1 Apologies for Absence

Apologies for absence were received from Councillors S Forster and I Geldard.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 5 September 2013 were agreed as a correct record and were signed by the Chairman.

Matter Arising from the Minutes

Call for Evidence on the Future Structure of the Local Government Pension Scheme (LGPS) (Minute No. 10 refers)

Members were informed by Philip Williams, Adviser and Nick Orton, Payroll and Pensions Manager that following the submission of the response to the call for evidence the Government had issued 3 options on the future of the LGPS; 1 Fund for the whole country, 5-10 Funds for the country or 5-10 pooled investment vehicles. The Government had advised that it would take on board responses to the original consultation and firm proposals would be issued for further consultation in the next few months.

Resolved:

That the information given be noted.

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 Asia had underperformed against other developed markets but Japan had performed exceptionally well which was a good indication that Durham Fund's entry into the global and emerging markets would be well-timed.

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).

In response to a question from Councillor Carr, Philip Williams advised that the dollar and yen were currently weak in comparison to all other major currencies, however the euro had improved over the year. Yields on Government Bonds in Europe had all come down, even in Greece, and as Europe was gradually coming out of recession the outlook was improving, although unemployment in Italy and Spain remained a huge problem.

Resolved:

That the information given be noted.

6 Performance Measurement Report of Pension Fund Investments to 30 September 2013

Consideration was given to the report of the Corporate Director, Resources which gave an overview of the performance of the Fund to 30 September 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.

Don McLure, Corporate Director, Resources updated Members in relation to the recent issues around the Fund's custodian and advised that JP Morgan had been invited to the next meeting of the Committee to provide an update on their role and to assure Members in relation to foreign currency hedging.

Resolved:

That the information given be noted.

7 Overall Value of Pension Fund Investments to 30 September 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 30 September 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).

In presenting the report Hilary Appleton, Strategic Finance Manager – Corporate Finance advised that the amount allocated to each Manager was subject to the need to retain money in the Durham County Council Pension Fund bank account to meet the Fund's net cash outflow. It was recommended that £15m be withdrawn from the sums allocated to the Managers for investment in the quarter. To reduce transaction costs pending a full re-balancing upon completion of the review, it was recommended that this amount be withdrawn from the BlackRock Pooled Fund.

Councillor Martin asked if the position had been reached where there should be no further investment of dividend income, in view of the cash flow position per quarter and the need to shift money between Managers. Robbie Bowker, Adviser responded that this could be explored given that new Managers were to be appointed.

In response to a question from Councillor Carr about the impact of a further reduction in the number of employees in the Scheme, Hilary Appleton explained that the Triennial Valuation would take into account the downward trend of contributing employees. It was also pointed out that an increase in the number of employees eligible to claim a pension would have a greater impact on the Pension Fund.

Don McLure added that the cautious and prudent approach taken in the last Triennial Review would have a positive impact this time around.

Resolved:

That the information given be noted and £15m be withdrawn from the BlackRock Pooled Fund for the reasons outlined in the report.

8 Short Term Investments for the Period Ended 30 September 2013

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 30 September 2013 (for copy see file of Minutes).

Resolved:

That the information given be noted.

9 Audit Completion Report for the Year Ended 31 March 2013

Consideration was given to the report of the Corporate Director, Resources which informed Members of the completion of the audit of the Pension Fund Accounts and presented the Audit Completion Report for the financial year ended 31 March 2013 (for copy see file of Minutes).

The Auditor had given an unqualified opinion that the financial statements gave a true and fair view of the financial position of the Fund as at 31 March 2013 and that the statements had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013.

The Director of Mazars LLP had spoken highly of the standard of accounts for the Durham Pension Fund.

Paragraph 9 in the report highlighted some areas for review in 2013/2014 which would be addressed during the closing of accounts process.

A general discussion ensued about the net amount of £0.81m allocated to loss on sale of investments which represented differences in trades caused by foreign exchanges and other sundry items. It had not been possible to agree this amount to the custodians report as it was spread over a number of accounts. Members were advised that it was not a 'material error' and was a relatively small amount in relation to the size of the Fund, however because of differences in the way figures were presented it would not be feasible to identify in which accounts the amount was located.

Resolved:

That the information given be noted.