

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Thursday 8 September 2016 at 10.00 am**

Present:

Councillor A Turner (Chairman)

Members of the Committee:

Councillors M Davinson, B Kellett, J Lindsay and J Maitland

Admitted Bodies Representative

J Norton

Pensioner Representative

D Ford

Also Present:

County Council Advisers

P Darby – Interim Corporate Director Resources

N Orton – Pensions Manager

B White - Finance Manager – Pensions and Technical

Independent Advisers

J Holden – Mercer

Observers

Local Pension Board

Councillor F Tinsley

1 Apologies for Absence

Apologies for absence were received from Councillors J Alvey, C Carr, N Martin, J Lethbridge and W Stelling, and Darlington Borough Councillor S Harker.

2 Declarations of interest

Councillor Lindsay advised of members of his family who were beneficiary/contributing members of the Local Government Pension Scheme.

Councillor Davinson advised that he was a Member of Audit Committee.

3 Minutes

The Minutes of the meeting held on 6 June 2016 and the Special meeting held on 6 July 2016 were agreed as a correct record and were signed by the Chairman.

4 Overall Value of Pension Fund Investments to 30 June 2016

Consideration was given to the report of the Interim Corporate Director Resources which informed Members of the overall value of the Pension Fund as at 30 June 2016, and of any sums available to the Managers for further investment or amounts to be withdrawn from Managers (for copy see file of Minutes).

Following questions from Councillor Davinson about negative cash flow, Nick Orton advised that cash flow was affected by factors such as the changing ratio of pensioners to active members and a fall in employee levels, but should not be of great concern as long as it was carefully managed. The Actuarial Valuation had identified a need for an increase in employer contributions from April 2017 and this would have a positive impact on the Fund's cash flow position.

Councillor Davinson also asked about the potential impact of a larger than forecasted number of retirements in the employing authorities. Nick Orton advised that this should not materially affect the forecasted position because the cash flow forecast was for the whole Fund.

Councillor Davinson referred to re-balancing and expressed concern that funds were withdrawn from Managers who were performing well and given to poorer performing Managers to support the working cash balance of the Fund. The Member was informed that the fixed percentage approach to asset allocation would be examined as part of the review of the Investment Strategy.

Resolved:

That the information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 30 June 2016

Consideration was given to the report of the Interim Corporate Director Resources which provided an overview of the performance of the Fund to 30 June 2016 (for copy see file of Minutes).

The report of JP Morgan, the Fund's custodian informed Members of the performance of the Fund Managers for the quarter, the year to date and since inception.

Resolved:

That the information contained in the report be noted.

6 Short Term Investments for the Period Ended 30 June 2016

Consideration was given to the report of the Interim Corporate Director Resources which provided the Committee with information on the performance of the Pension Fund's short term investments as at 30 June 2016 (for copy see file of Minutes).

Following a question from Councillor Davinson, Beverley White advised that Handelsbanken had been included in the report as the Fund had previously held surplus cash in the institution.

Resolved:

That the position at 30 June 2016 regarding the Pension Fund's short term investments where £19,395 net interest was earned in the three month period, be noted.

7 Statement of Accounts for the Year Ended 31 March 2016

Consideration was given to the report of the Interim Corporate Director Resources which presented the Pension Fund Statement of Accounts for the year ended 31 March 2016 and raised any significant issues (for copy see file of Minutes).

For information Beverley White advised of changes to the approval process with effect from 2018 which would require the Statement of Accounts to be signed off by Audit Committee before 31 July, instead of 30 September. In readiness for the changes Officers would aim to complete the process for the 2016/2017 Statement of Accounts in line with the revised deadlines.

Resolved:

That the contents of the report be noted.

8 Internal Audit Progress Report to 30 June 2016

Consideration was given to the report of the Chief Internal Auditor and Corporate Fraud Manager which outlined progress made in delivering the 2016/2017 internal audit plan relevant to the Pension Fund Committee (for copy see file of Minutes).

A summary of the approved audit plan, together with the status of each audit was set out in the report. The report also provided a summary of the final report issued in the first quarter for Payroll and Pensions, for which a substantial assurance opinion had been given.

Resolved:

That the work undertaken by Internal Audit during the period ending 30 June 2016 and the updated assurance on the control environment provided within the Pensions Service, be noted.

9 Feedback from Local Pension Board

Nick Orton advised that there was no written feedback or recommendations from Local Pension Board to report to the Committee. By way of information Members were advised that Councillor Hopgood had been elected chair of the Board for the ensuing year, the position being alternated annually between a scheme member and scheme employer representative.

Members were also informed of steps taken to fill the vacant position of scheme employer representative on the Board. All employers in the Fund had been invited to make application and it was hoped that the position would be filled within the next few weeks.

Resolved:

That the information given be noted.

10 Any Other Business

The Chairman agreed that in order to keep Members informed, consideration be given to the following items of business:-

a) Actuarial Valuation

Nick Orton advised that the draft results from the Actuarial Valuation were expected in the first week in October 2016. Employer contribution rates were expected to increase as returns on investments had not been as high as anticipated and the economic outlook at present was volatile. Employers would be notified of the amended contribution rates as soon as possible which would assist with their budget-setting processes.

Resolved:

That the information given be noted.

b) Pooling of LGPS Investments

Nick Orton reported that the Border to Coast Pensions Partnership had submitted its final submission to the Government by 15 July 2016 deadline,

but until formal confirmation had been received from the Government, and Investment Regulations had been published, the Partnership was reluctant to formalise pooling arrangements. However, regular meetings of the Partnership were continuing in preparation, and the Member Steering Group was due to meet on 30 September 2016. Councillor Turner thanked Councillor Davinson for attending the Steering Group meetings on his and the Vice-Chair's behalf.

David Ford made reference to the timescales for implementation and was informed that unless the Government confirmed its commitment to pooling in the very near future it was unlikely that the deadlines set by the Government to have a fully regulated entity operational and ready to start the transition of assets by April 2018 could be achieved.

Following a question from Councillor Tinsley about investment in infrastructure, Councillor Davinson advised that in the submission to the Government the Partnership had included a statement that sufficient resources would be allocated on the basis of serving a combined ambition of up to 10% of the Partner Funds' asset holdings.

Resolved:

That the information given be noted and further developments be awaited.