

DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in Committee Room 2 - County Hall, Durham on **Thursday 6 December 2018 at 2.00 pm**

Present:

Councillor A Hopgood (Chair)

Scheme Member Representatives:

I R Densham and N Hancock

Officers:

Beverly White – Finance Manager – Strategic Finance

Bryan Smith – Legal Manager - Litigation

Observer:

Paul Cooper – newly appointed Pensions Manager

1 Apologies for Absence

Apologies for absence were received from scheme employer representative Councillor F Tinsley and scheme member representative Mr G Sykes.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 6 September 2018 were agreed as a correct record and were signed by the Chair.

Matters Arising from the Minutes

Local Government Pension Scheme Administering Authority and Employer Discretions

In respect of contribution rates Members were informed of non-pensionable elements which included pay in lieu of holidays, and compensation payments. The information was included on the Council's website.

Work Plan - Key Performance Indicators

Members were informed that due to budgetary constraints many Pension Funds were not taking part in benchmarking. This would be pursued by the new Pensions Manager Paul Cooper following his appointment early in 2019.

AGREED that the information given be noted.

4 Observations from Pension Fund Committee held on 6 December 2018

Ian Densham, Neville Hancock and Councillor Hopgood were in attendance at the Pension Fund Committee and provided observations from the meeting.

Councillor Hopgood advised that in the move towards pooling there would be a need to make decisions which may not fit with the Committee's cycle of meetings. It had been suggested that the Committee delegates decisions to the Corporate Director in consultation with the Chair and Vice-Chair of the Committee, but both the Chair and Vice-Chair did not feel that this would be appropriate. Councillor Hopgood suggested that a small Sub-Committee be set up by the Committee who would be authorised to make decisions between meetings of the full Committee.

Ian Densham concurred with Councillor Hopgood and stressed the importance of the Committee process keeping pace with the decisions required as pooling progressed, and to ensure that the Fund was not rushed into decisions regarding asset allocation. The establishment of a Sub-Committee was proposed by the Board. Beverley White stated that there may be a Special meeting of the Pension Fund Committee called in January 2019 to discuss the asset allocation to the BCPP which could also consider setting up a Sub-Committee.

Board members again raised the matter of the length of Pension Fund Committee meetings and the length of time available for Fund Manager presentations. It was noted that the meeting that day had been particularly long due in part to a lengthy presentation from BCPP representatives regarding asset allocation. The Board had written to the Chair of the Committee previously on the matter of the management of meetings, and therefore decided at this point to monitor the situation, as pooling progressed.

Board members also noted that there had been no challenge by the Committee of the Fund Managers, despite Members being provided with suggested questions by Mercer. The Board suggested that to ensure that the questions were asked, the Chair be asked to remind Members to do so before the Managers entered the meeting.

Neville Hancock reported that agreement had been reached for a scheme member to be represented on the BCPP Joint Committee, and information on the appointment process was now awaited.

AGREED that

- a) the information given be noted;
- b) Beverley White and Bryan Smith discuss with the Corporate Director of Resources the feasibility of a Sub-Committee of the Pension Fund Committee which would be authorised to make decisions relating to pooling between Committee meetings;

- c) the Chair of Pension Fund Committee be asked to remind Members at each meeting to put the questions suggested by Mercer to the Fund Managers in attendance.

5 Local Pension Board Work Plan

The Board considered the report of the Corporate Director of Resources which provided Members with a work plan which would help frame the work of the Board over the next two years (for copy see file of Minutes).

Members were advised that Paul Cooper would consider if there were any other matters that should be included in the Work Plan.

Board members considered that the Local Pension Board should publish an Annual Report for report to Pension Fund Committee which reviewed the work it had undertaken in the year, and discussed when it should be produced.

AGREED that

- a) the Work Plan be agreed, subject to the inclusion of any additional work proposed by the new Pensions Manager;
- b) Annual Reports be produced in future with the first to be considered by the Board in March 2019, for presentation to the June meeting of Pension Fund Committee.

6 Pensions Regulator – Code of Practice for Public Service Pension Schemes – Gap Analysis

The Committee considered a report of the Corporate Director of Resources which provided Board members with an assessment of the Council's level of compliance with the Pensions Regulator's Code of Practice on the governance and administration of public service pension schemes (for copy see file of Minutes).

The Board thanked the officers for what had been achieved to date, and noted that in the last year Members had concentrated on those areas that were non-compliant. The Board decided that their focus would be on those areas identified as partially compliant over the next year, with a target to achieve 50% full compliance of those areas by the end of 2019.

Councillor Hopgood noted that the Code of Practice required Board Members to be conversant with relevant scheme documents, and that easier access to documents was identified as an action. The Member asked if it would be possible to have a single link to all relevant documents which members could access on their devices.

AGREED that

- a) the report be noted;

- b) the Board focus on achieving 50% full compliance of those areas identified as partially compliant by the end of next year;
- c) the provision of easier access to relevant documents for Board members be explored.

7 Training

Beverley White reported that training had been held on 26 September 2018 for Members of the Pension Fund Committee and Local Pension Board following the self-assessment forms completed by Members. The forms would now be re-circulated to Members and a further gap analysis carried out.

Councillor Hopgood suggested that Paul Cooper be asked to review the forms and consider if there were other training requirements not already identified. Paul Cooper confirmed that self-assessment was a key tool for examining training needs.

AGREED that the information given be noted.

8 Date of Next Meeting

AGREED that the next meeting be held at 2.00pm on Thursday 14 March 2018, following the Pension Fund Committee.

9 Any Other Business

Cost Management Process

Neville Hancock reported that the Scheme Advisory Board had issued an update on the cost management process which set out that the SAB part had revealed that improvements equal to 0.5% of pay was required. The outcome was expected to lead to improvements in member benefits but could potentially impact on employer contributions. Benefit changes were being considered to return the scheme to its total target costs without affecting contribution rates.

Beverley White confirmed that the Actuary was aware of the situation and as a decision would be made before the end of March 2019, there may be an impact upon the actuarial valuation.

AGREED that the information given be noted.

BCPP Matters

The Chair advised that Geoff Sykes had made a request for the following questions to be asked in his absence. Beverley White responded to each of the queries but advised that a full response would be circulated to Board members following the meeting:

1. The section 151 Officer has a statutory duty to ensure that there is an effective internal audit of the council's operations. Has Internal Audit reviewed the governance arrangements of the proposed pool and particularly in relation to internal controls, monitoring and reporting? Reporting has been cited as a problematic area in the financial press.

Members were informed that Internal Audit had not carried out any specific reviews of the governance arrangements for reporting to the Committee. She expected monitoring and reporting for Fund Managers to be similar to existing arrangements.

2. Does Internal Audit have the right to visit and inspect the records of the new company?

Members were informed that Internal Audit would not have a right but external audit would have access to relevant information.

3. Is there a Remuneration Committee and what is the policy re bonuses?

Beverley White confirmed that there was a separate Sub-Group of staff not paid by the BCPP who reviewed salary and bonus payments. At present no bonuses were being paid.

4. What is the progress on the new Private Equity investment?

BCPP were expecting to launch their private equity fund early in 2019, and a Special meeting of the Committee was likely to be called in January 2019 to finalise the Fund's strategic asset allocation.

5. An article in the financial press had stated that authorities were having recruitment issues because staff are defecting to the new pools. Is this an issue? The Council had recently lost the Pensions Manager and who would replace him?

Members were informed that Durham would have a full complement of staff once the new Pensions Manager commenced his role on 2 January 2019.

Terms of Office – Board Members

Members were informed that the terms of office for Board members ended in 2019, and a recruitment exercise would be required for the appointment/re-appointment of members.

AGREED that Officers establish from the Terms of Reference what actions were required for appointments to the Board at the end of the terms of office for existing Members in 2019.