

## **DURHAM COUNTY COUNCIL**

### **PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in Main Hall, Town Hall, Durham on **Thursday 5 December 2019 at 10.00 am**

#### **Present:**

**Councillor M Davinson (Chair)**

#### **Members of the Committee:**

Councillors O Temple (Vice-Chair), C Carr, J Carr, J Lethbridge, B Kellett, J Shuttleworth and M Wilson

#### **Scheme Member Representatives**

Anne Delandre and John Taylor

#### **Also Present:**

##### **Council Advisers:**

Paul Cooper – Pensions Manager  
Beverley White – Finance Manager

##### **Independent Advisers:**

Sandy Dickson – Mercer  
Anthony Fletcher – MJ Hudson

##### **Observers**

Les Timbey – GMB  
Ian Densham – Local Pension Board

## **1 Apologies for Absence**

Apologies for absence were received from Councillors J Atkinson and S Hugill, Darlington Borough Councillor C Johnson, Further Education Colleges Representative A Broadbent, and Local Pension Board Members N Hancock and Councillor A Hopgood.

## **2 Declarations of interest (if any)**

There were no declarations of interest.

### **3 Minutes**

The Minutes of the meeting held on 12 September 2019, and the Special meeting held on 4 October 2019 were agreed as a correct record and were signed by the Chair.

### **4 Feedback from Local Pension Board**

There was no feedback from the Local Pension Board.

### **5 Overall Value of Pension Fund Investments to 30 September 2019**

The Committee considered a report of the Corporate Director of Resources which provided an update on the overall value of the Pension Fund's investments at 30 September 2019, the movement in the cash balance during the last four quarters and the projected cash flow position up to 31 December 2020 (for copy see file of Minutes).

#### **Resolved:**

That the information contained in the report be noted.

### **6 Performance Measurement of Pension Fund Investments to 30 September 2019**

The Committee considered a report of the Corporate Director of Resources which provided an overview of the performance of the Pension Fund's assets, which were being held outside of Border to Coast Pensions Partnership to 30 September 2019 (for copy see file of Minutes).

Members were informed that the value of assets included in the Custodian's report did not include investment in private markets and assets transferred from BNY Mellon to BCPP.

#### **Resolved:**

That the information contained in the report produced by the Fund's custodian, JP Morgan be noted.

### **7 Short Term Investments for the Period Ended 30 September 2019**

The Committee considered a report of the Corporate Director of Resources which provided the Committee with information on the performance of the Pension Fund's short-term investments as at 30 September 2019 (for copy see file of Minutes).

**Resolved:**

That the position at 30 September 2019 regarding the Pension Fund's short-term investments where the Pension Fund's surplus cash holding was £29.883m and £84,864 net interest was earned in the three month period, be noted.

**8 Border to Coast Pensions Partnership Responsible Investment Policy**

The Committee considered a report of the Corporate Director of Resources which provided an update on the approach to Responsible Investment (RI) at Border to Coast Pensions Partnership (BCPP) (for copy see file of Minutes).

Rachel Elwell, the Chief Executive of BCPP emphasised the importance the Partnership attached to Responsible Investment. BCPP was able to create specialist expertise to ensure it fulfilled its responsibility to hold to account the companies it invested in on behalf of the Partner Funds.

Councillor Temple referred to private markets and distressed debts, and expressed concern at the potential risk that ESG was not given due prominence. The Member asked how this would be addressed.

Rachel Elwell assured the Member that this was taken very seriously, and Responsible Investment was particularly important for private markets which were liquid, ensuring that Managers and companies were aware of the potential risks and were mitigating against those risks. A robust approach included the development of a detailed questionnaire which challenged the Managers' understanding of the RI Policy, and to ensure that they had a process in place to respond to future hot topics. The Managers were required to report quarterly to BCPP.

**Resolved:**

That the Responsible Investment Policy and Corporate Governance and Voting Guidelines Policy that BCPP would operate on behalf of the Pension Fund for assets transferred into the pool, be noted and approved.

**9 Any Other Business**

**Member Training**

**Self-Assessment Questionnaires**

Paul Cooper reported that the majority of training needs self-assessment questionnaires had now been returned, and he would ask those Members

who had not yet completed the forms to do so following the meeting. The questionnaires would be evaluated to focus training in the areas identified by Members.

### **Multi- Asset Credit**

A training session had been held for the Committee on 2 December 2019 focusing on Multi-Asset Credit in advance of Members making an investment decision in March 2020. A further session for those Members who had been unable to attend would be arranged in advance of the March Committee.

### **BCPP Annual Conference 2019**

John Taylor provided feedback from the BCPP Annual Conference held on 10 and 11 October 2019. He advised that although the venue was disappointing the content of the Conference was excellent and was a worthwhile event.

Rachel Elwell agreed with the views of the Member in respect of the venue and advised that the Conference would return to York for 2020, and she hoped to see more Members attending.

#### **Resolved:**

That the information be noted.

## **10 Exclusion of the Public**

#### **Resolved:**

That under Section 100 (A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

With the agreement of the Committee, the Chair advised of a change to the order of business to consider the presentation of attending Managers CBRE, before the update from BCPP.

## **11 Minutes**

The Minutes of the meeting held on 12 September 2019, and the Special meeting held on 4 October 2019 were agreed as a correct record and were signed by the Chair.

## **12 Internal Audit Progress Report to 30 September 2019**

The Committee considered a report of the Corporate Director of Resources which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2019 to 30 September 2019 as part of the 2019/2020 Internal Audit Plan (for copy see file of Minutes).

### **Resolved:**

That the work undertaken by Internal Audit during the period ending 30 September 2019, be noted.

## **13 Competition and Markets Authority Consultant Objectives**

The Committee considered a report of the Corporate Director of Resources which provided Members with information regarding The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 which took effect from 10 December 2019 (for copy see file of Minutes).

### **Resolved:**

That the Corporate Director of Resources, in consultation with the Chair and Vice-Chair of the Committee, be authorised to agree formal Strategic Objectives with the Fund's Investment Consultants and to review performance against these Objectives within 12 months (for copy see file of Minutes).

## **14 Investment Strategy Review Update**

The Committee considered a report of the Corporate Director of Resources which provided an update on progress made towards implementing asset allocation decisions (for copy see file of Minutes).

### **Resolved:**

That the information be noted and investment in the MAC sub fund be supported in principle, subject to the final details of the offer.

## **15 Report of the Pension Fund Adviser**

The Committee considered a report of the Investment Adviser, Sandy Dickson of Mercer (for copy see file of Minutes).

### **Resolved:**

That the information given be noted.

## **16 Report of the Pension Fund Independent Investment Adviser**

The Committee considered a report of Anthony Fletcher, the Independent Investment Adviser of MJ Hudson (for copy see file of Minutes).

### **Resolved:**

That the information given be noted.

## **17 Report of CBRE**

Consideration was given to a report of the Managers in attendance from CBRE which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings
- d) Portfolio Transition Proposal

### **Resolved:**

That the information given be noted.

## **18 Border to Coast Pensions Partnership Update**

Rachel Elwell, the Chief Executive of BCPP provided an update to Members on progress with the Boarder to Coast Pensions Partnership (for copy see file of Minutes).

### **Resolved:**

That the information given be noted.

## **19 Report of Aberdeen Standard**

Consideration was given to a report from Aberdeen Standard which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

### **Resolved:**

That the information given be noted.

## **20 Report of Alliance Bernstein**

Consideration was given to a report from Alliance Bernstein which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

### **Resolved:**

That the information given be noted.

## **21 Report of BlackRock**

Consideration was given to a report from BlackRock which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

### **Resolved:**

That the information given be noted.

## **22 Report of BNY Mellon (Walter Scott)**

Consideration was given to a report from Walter Scott(BNY Mellon) which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

### **Resolved:**

That the information given be noted.

## **23 Report of Mondrian**

Consideration was given to a report from Mondrian which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

**Resolved:**

That the information given be noted.

**24 Report of Royal London**

Consideration was given to a report from Royal London which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

**Resolved:**

That the information given be noted.