

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Thursday 12 March 2020 at 10.00 am**

Present:

Councillor M Davinson (Chair)

Members of the Committee:

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

Darlington Borough Council Members

Councillor C Johnson
Councillor S Durham

Also Present:

Scheme Member Representative

John Taylor

Council Advisers

Paul Cooper
Beverley White

Independent Advisers:

Sandy Dickson – Mercer
Anthony Fletcher – MJ Hudson

Observers

Les Timbey – GMB
Ian Densham, Councillors A Hopgood and F Tinsley – Local Pension Board

1 Apologies for Absence

Apologies for absence were received from Councillors S Hugill and J Shuttleworth, Further College Education Representative Andy Broadbent,

Scheme Member Representative A Delandre and N Hancock, UNISON and Local Pension Board Member.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 5 December 2019 were agreed as a correct record and were signed by the Chair.

4 Feedback from Local Pension Board

Ian Densham, scheme member representative of the Local Pension Board informed the Committee that the Board would be considering IDRPs cases and the Pension Fund Communications Strategy at its meeting, in accordance with the Work Programme.

5 Overall Value of Pension Fund Investments to 31 December 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 31 December 2019, the movement in the cash balance during the last four quarters, and the projected cash flow position up to 31 March 2021 (for copy see file of Minutes).

Councillor Kellett noted the estimated increase in net cash inflow in the next quarter, and was advised that the forecast included Durham County Council's pension deficit contribution to be paid in a single lump sum in April 2020.

Following a question from Councillor Atkinson, Officers clarified that the employer primary contribution rate was deducted monthly as a salary contribution. The deficit contribution rate was paid upfront by some employers, including Durham County Council. All employers had been issued with the expected contribution rates. Following a supplementary question from Councillor Carr, Members were informed that the FSS permitted employers to pay the deficit upfront but it was less likely that smaller employers would wish to do so. Academy deficits were expressed as a percentage because of the fluidity of membership.

Resolved:

That the information contained in the report be noted.

6 Performance Measurement of Pension Fund Investments to 31 December 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 to 31 December 2019 (for copy see file of Minutes).

Beverley White informed Members of the transition to a new custodian who would provide the quarterly performance of the Fund Managers against benchmarks in future.

Resolved:

That the performance information contained in the report be noted.

7 Short Term Investments for the Period Ended 31 December 2019

The Committee considered a report of the Corporate Director of Resources which provided information on the performance of the Pension Fund's short-term investments as at 31 December 2019 (for copy see file of Minutes).

Resolved:

That the position at 31 December 2019 regarding the Pension Fund's short-term investments where the Pension Fund's surplus cash holding was £39.426m and £70,530 net interest was earned in the three month period be noted.

8 Provision of Treasury Management Services to the Pension Fund for 2020/21

The Committee considered a report of the Corporate Director of Resources which updated Members of the Treasury Management Services provided to the Pension Fund and reviewed the charges for the services and the calculation of interest on short term investments administered by Durham County Council for 2020/2021 (for copy see file of Minutes).

Resolved:

That

- a) the Pension Fund continues to invest its cash balances with the Council in line with the Council's Treasury Management Strategy;

- b) interest be paid quarterly to the Pension Fund at a rate based on the daily cash balance and the three month rate of return earned by the Council on its own short term investments;
- c) an administration fee of £2715 per quarter be paid to the Council for Treasury Management services;
- d) in the event of the loss of an investment, the Pension Fund will bear the loss in proportion of the cash balances held at the time of the investment with Durham County Council.

9 Internal Audit Progress Report to 31 December 2019

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work carried out by Internal Audit during the period 1 April 2019 to 31 December 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 31 December 2019 be noted.

10 Draft Audit Plan 2020/2021

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the proposed Annual Audit Plan for 2020/2021 (for copy see file of Minutes).

Resolved:

That the proposed Audit Plan for 2020/2021 be approved.

11 Pension Administration Report

The Committee considered a report of the Corporate Director of Resources which briefed Members on development matters which were Local Government Pension Scheme (LGPS) specific and non-LGPS matters which were of interest (for copy see file of Minutes).

Members discussed the impact of the 12 principles under the new Code, and the requirement for reporting and disclosure on an 'apply and explain' basis. The earliest this could be submitted was April 2021.

Councillor Atkinson referred to the £95,000 cap on exit payments and was advised that this would impact upon long-serving scheme members on medium salaries with unreduced access to benefits.

Resolved:

That the report be noted.

12 Governance Compliance Statement

The Committee considered a report of the Corporate Director of Resources which updated Members on the revisions to the Pension Fund Committee Governance Compliance Statement following a review with MJ Hudson Allenbridge in February 2020 (for copy see file of Minutes).

The Committee having considered the Statement and Appendices

Resolved:

That

- a) the report be noted;
- b) the Corporate Director of Resources be authorised to publish details of training activity and attendance at Committee meetings, and to finalise the wording of the Compliance Statement taking into account where appropriate both professional advice and comments received from employers;
- c) a final version of the Statement be published by 31 March 2020.

13 Pension Fund Policy Documents - Funding Strategy Statement

The Committee considered a report of the Corporate Director of Resources which informed Members of the draft of the revised Funding Strategy Statement (FSS) which is currently out to consultation with Pension Fund employers (for copy see file of Minutes).

The Committee having considered the draft FSS and appendices **Resolved:**

That the report be noted and the Corporate Director of Resources be authorised to finalise the wording of the FSS, taking into account where appropriate both professional advice on the Local Government Pension Scheme (Amendment) Regulations 2020 as well as comments received from employers, with final versions published by 31 March 2020.

14 Review of Pension Fund Risks

The Committee considered a report of the Corporate Director of Resources which updated Members on the revisions to the LGPS Pension Fund Risk Register, following a review with the Principal Risk and Governance Officer in February 2020 (for copy see file of Minutes).

Resolved:

That the report provides assurance that the Pension Fund risks are being effectively managed within the risk management framework across the Council.

15 Agreement of Accounting Policies for Application in the 2019/20 Financial Statements of the Pension Fund

The Committee considered a report of the Corporate Director of Resources which updated the Committee on the accounting policies to be applied in the preparation of the 2019/20 financial statements of the Pension Fund and sought confirmation from the Committee that appropriate policies were being applied (for copy see file of Minutes).

The Committee having reviewed the accounting policies **Resolved:**

That

- a) they be used in the preparation of the 2019/2020 financial statements for the Pension Fund;
- b) the Corporate Director of Resources be authorised to revise the accounting policies as necessary, and report any significant changes to the Committee.

16 Exclusion of the Public

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.

17 Minutes

The Minutes of the meeting held on 5 December 2019 were agreed as a correct record and were signed by the Chair.

18 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 recommendations in the report be approved.

19 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.

20 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.

21 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.

22 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.

23 Report of Border to Coast Pensions Partnership

Andrew Stone provided an update to Members on progress with the Border to Coast Pensions Partnership which included the following (for copy see file of Minutes).

- 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 CBRE Global Investment Partners

Consideration was given to a report 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.

Resolved:

That the information given be noted.

25 Report of Mondrian Investment Partners

Consideration was given to a report of the Managers in attendance 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

d) Portfolio Transition Proposal

Resolved:

That the information given be noted.

26 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.