

## DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in Committee Room 1A - County Hall, Durham on **Tuesday 17 September 2019 at 10.00 am**

### **Present:**

**Ian Densham (Chair)**

### **Scheme Employer Representatives**

Councillors F Tinsley and A Hopgood

### **Officers:**

Paul Cooper – Pensions Manager

Beverley White – Finance Manager

Bryan Smith – Legal Manager - Litigation

### **1 Apologies for Absence**

There were no apologies for absence.

### **2 Declarations of Interest**

There were no declarations of interest.

### **3 Minutes**

The Minutes of the meeting held on 6 June 2019 were agreed as a correct record, subject to Beverley White being removed from the list of attendees and to paragraph 1 of minute numbered 5 being amended to read as follows:

'Ian Densham said that one good feature was that between presentations members had asked questions, had commented on what had been reported and it would be useful to include this at each meeting.'

### **4 Observations from Pension Fund Committee held on 12 September 2019**

Neville Hancock was in attendance at the Committee, and as he was not present at the Board meeting, Officers highlighted the following key points:

#### **McCloud Judgement**

Paul Cooper advised that a verbal update was provided for Pension Fund Committee Members on the McCloud Judgement. The judgement ruled that

changes made by the Government to public sector pension schemes were unlawful on the grounds of age discrimination. Members were informed that there was a national expectation that employer contributions would increase by up to 0.9% as a result of the judgement and would affect all public sector schemes. The impact on pension fund liabilities would be addressed as part of the triennial valuation and the Actuary would be present at the Pension Fund Annual meeting on 14 November 2019 to discuss.

Following questions from Councillor Tinsley the Board was informed that a potential increase in employer contributions had been included in the Medium Term Financial Plan (MTFP) but any impact as a result of the McCloud judgement on the MTFP would be addressed following the Actuary's update which was expected mid-October.

### **Private Credit**

Beverley White informed Board Members that the Committee had agreed in principle in March 2019 to invest in private credit with BCPP, but at that time there were no specific details about the product.

Pension Fund Committee Members discussed the proposals and felt that they did not have the knowledge base to make a decision and requested training in the asset class. The deadline for an investment decision was 4 October 2019 and BCPP had been asked for an extension to this date, however this was too difficult to achieve. If a decision was not made by the deadline it would be a further 18 months before Durham was able to invest in the asset class. To meet the timescales training had been arranged for 30 September 2019, and this would be followed by a Special meeting of the Pension Fund Committee on 4 October 2019 to make a formal decision.

Ian Densham was pleased to note that the Committee had been cautious and had felt that they needed a greater understanding of private credit before making a decision.

Board members noted that the principle of investment had been agreed earlier in the year and queried the tight timescales required of the Committee to make a decision. Councillor Hopgood suggested that it would be useful for a Sub-Committee of the Pension Fund Committee to be established which could consider matters requiring decisions between the cycle of Committee meetings. Members were informed that BCPP was aware of the meetings cycle and in March 2019 was informed that Durham was a potential investor. The private credit product had been designed on that basis. The product was new and more complex than other investment products such as the Global Equity Fund, and Members had felt that they needed more information before reaching a decision. This was not expected to be an issue in future, and key investment decisions should fall in line with the meetings cycle.

**AGREED** that the information given be noted.

## 5 Training

Paul Cooper reported that Members of the Pension Fund Committee had been asked to complete and return a self-assessment training needs questionnaire. Local Pension Board members were also asked to complete the questionnaire, and training would be arranged focussed on the needs identified by both the Board and the Committee.

Councillor Tinsley suggested that it would be useful for joint training between partner funds in the BCPP. Paul Cooper advised that the BCPP Annual Conference to be held on 10/11 October 2019 would provide useful training for members across the 12 funds. Councillor Jim Atkinson and John Taylor were attending this year.

The Conference also facilitated a Local Pension Board Chairs meeting, to which Ian Densham was invited to attend, subject to his availability.

**AGREED** that the information given be noted, and Local Pension Board members complete and return the self-assessment training needs questionnaire. Details of the Local Pension Board Chairs meeting at the BCPP Conference be forwarded to Ian Densham.

## 6 Work Plan

The Committee considered the Board's Work Plan for September 2019 (for copy see file of Minutes).

### **Review Pension Fund Annual Report and Accounts**

Beverley White informed the Board that the Pension Fund Accounts for 2018/2019 had been considered by the Pension Fund Committee at its meeting on 12 September 2019, and that the Pension Fund Annual Report and Accounts was now available to view on the Council's website. The document would be presented to the Pension Fund Committee Annual Meeting on 14 November 2019.

Beverley White took members through the report and advised that the auditor had issued an unqualified opinion on the Pension Fund accounts. In accordance with accounting requirements next year's Annual Report and Accounts must be published by 1 December 2020, and therefore the Work Plan would be amended to reflect this.

Following a number of questions it was **AGREED** that the Pension Fund Annual Report and Accounts be noted, and the Work Plan be amended to review the Annual Report and Accounts in December in future.

### **Assist in Development and Review of Asset Voting and Engagement Processes**

Paul Cooper explained that voting and engagement rights would be managed by BCPP in future, and he would forward BCPP's compliance statement to Board

members together with a link to their voting activity which was published quarterly. The Work Plan would be amended to reflect this.

**AGREED** that the information given be noted and the Work Plan be amended to include a periodic review of BCPP's voting and engagement processes.

## **7 Date of Next Meeting**

**AGREED** that the next meeting be held on Thursday 5 December 2019 at 2.00pm.

## **8 Any Other Business**

### **Scheme Member Representative and Scheme Employer Representative – Vacant Positions**

Following a request for an update on the filling of the vacant positions on the Board, Paul Cooper advised that interviews were expected to take place for the scheme member position in the next couple of weeks, with the appointed member trained and in post for the December meeting.

Members discussed the filling of the scheme employer position which was previously filled by a Councillor. Employers in the scheme had been approached in the past but there had been no expressions of interest. Board members asked that Officers explore filling the position from the Council membership again, and suggested that Councillors who were previously a member of the Pension Fund Committee may be interested.

**AGREED** that the information given be noted and Officers seek to appoint to the vacant position of scheme employer representative as soon as possible.