

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Council Chamber, County Hall, Durham on **Monday 11 October 2021 at 10.00 am**

Present:

Councillor B Kellett (Chair)

Members of the Committee:

Councillors M Abley (Vice-Chair), J Atkinson, K Earley, C Fletcher, C Martin, J Shuttleworth, M Stead, D Sutton-Lloyd and C Varty

Darlington Borough Council Members:

Councillors Scott Durham and Mike Renton

Scheme Member Representative

John Taylor

Further Education Colleges Representative

Andrew Broadbent

Council Advisers/Officers

Paul Cooper – Pensions Manager
Beverley White – Finance Manager
Bryan Smith – Litigation Manager
Paul Monaghan – Audit Manager

Independent Advisers

Sandy Dickson – Mercer
Anthony Fletcher – MJ Hudson

BCPP

Andy Stone
George Kendall

Observers

Les Timbey - GMB

1 Apologies for Absence

An apology for absence was received from Scheme Member Representative Anne Delandre.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 26 July 2021 were agreed as a correct record and were signed by the Chair.

4 Overall Value of Pension Fund Investments to 30 June 2021

The Committee considered a report of the Corporate Director of Resources (Interim) which provided an update on the overall value of the Pension Fund investments to 30 June 2021, the movement in cash balances during the last four quarters and the cash flow forecast for the next five quarters, up to 30 September 2022 (for copy see file of Minutes).

Resolved:

That the information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 30 June 2021

The Committee considered a report of the Corporate Director of Resources (Interim) which provided an overview of the investment performance of the Pension Fund to 30 June 2021 (for copy see file of Minutes).

Resolved:

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

6 Internal Audit Plan 2021/2022 - Progress Report to 30 June 2021

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 2021 to 30 June 2021 as part of the 2021/2022 Internal Audit Plan (for copy see file of Minutes).

Following a question from Councillor Earley, Paul Monaghan confirmed that he anticipated that those Audits in progress should be completed by the end of the financial year. Those reflected in the report as 'Not Yet Started' had been scheduled to commence later in the financial year.

Resolved:

That the work undertaken by Internal Audit during the period ending 30 June 2021 be noted.

7 Regulatory and Administration Update

The Committee considered a report of the Corporate Director of Resources (Interim) which briefed the Committee on developments in matters that were both Local Government Pension Scheme (LGPS) specific, as well as providing an update on non-LGPS specific matters of interest (for copy see file of Minutes).

Councillor Atkinson asked a question about the Pensions Regulator. Paul Cooper advised that the Regulator's role was to oversee for example the services delivered to scheme members and how Funds worked with Scheme Employers. The investment requirements within the LGPS were set out in legislation, and the 2016 Regulations determined how Funds should invest.

Following questions from Councillor Fletcher regarding the cost control mechanism and the McCloud Judgement, Paul Cooper stated that the purpose of the cost control mechanism was to control overall scheme costs to ensure they did not increase above what was anticipated. Tramlines were introduced nationally of 2%, which meant that the scheme could become up to 2% more expensive, or 2% cheaper, without triggering the cost control mechanism. The proposed increase to 3% would be a positive change for Employers. In terms of the McCloud judgement, LGPS Regulations were expected in 2023 which would require all public sector pension schemes to apply the same protections afforded to older members to all scheme members.

Resolved:

That the information contained in the report be noted.

8 Feedback from Local Pension Board

Paul Cooper provided feedback from the Local Pension Board meeting of 26 July 2021.

The Board considered the following:

- Regulatory and Administration update
- Delivery of services to scheme members
- Pension Regulator Code of Practice update

Resolved:

That the information given be noted.

9 Verbal Update - Annual Report and Accounts

Beverley White provided an update on publication of the Annual Report and Accounts, and the requirement to approve the Council's Draft Statement of Accounts, which include the Pension Fund Accounts by 31 July, and the Final accounts by 30 September 2021.

The draft accounts were approved by the Corporate Director of Resources (Interim) on 18 June 2021 and were published on the Council's website that day. The accounts were then reviewed by Mazars, the External Auditor and presented to Audit Committee on 30 September 2021. An unqualified opinion was issued by the External Auditors, and Audit Committee Members approved the final set of accounts at their meeting on 30 September 2021, after first considering the views of the External Auditors. She was pleased to report that the statutory deadlines for approving and publishing the Statement of Accounts was met.

The Pension Fund accounts must be included in the Pension Fund Annual Report. The publication deadline for this was 1 December 2021, but had been approved by the Corporate Director of Resources (Interim) on 30 September 2021. The Pension Fund Annual Report and Accounts would be published on the Council's website before the deadline. Highlights from the Annual Report and Accounts would be presented to the Pension Fund's Annual meeting on 10 November 2021, and reported to the Pension Fund Committee's next meeting on 9 December 2021 when the External Auditor would present the Audit Completion Report.

The headline financial outturn position reported in the Statement of Accounts was that net assets had increased by £694m up to £3.84bn during the year.

Following a question from Councillor Renton, Beverley White stated that until recently legislation required the draft accounts to be published by 31 May 2021 and the final accounts by the end of July. Due to the pandemic the deadlines were extended and the Redmond Review recommended changes to the deadlines, initially to allow Auditors to complete audits on time and allow Councils to meet the deadlines to publish the final accounts. Durham

had the support of its External Auditors and with regular meetings and dialogue were able to publish on time. Many local authorities were not in this position. She was hopeful that the deadlines could be achieved again next year.

The Chair congratulated Officers on the achievement.

Resolved:

That the information given be noted.

10 Any Other Business - BCPP Annual Conference 30 September and 1 October 2021

The Chair requested feedback on the recent BCPP Annual Conference. Paul Cooper advised that eight representatives from the Pension Fund Committee had attended, and invited members to provide their comments.

Councillor Sutton-Lloyd stated that as a new member he found it very useful to meet representatives from BCPP and also other members in the Partnership.

Councillor Earley stated that a presentation at the Conference aimed at new members was very useful and suggested that it be circulated to all members.

Councillor Atkinson stated that he had attended the conference for a number of years, and he was always impressed with the level of knowledge. It was a good opportunity to ask questions and overall had been an excellent event.

Councillor Renton stated that it was important that Darlington Borough Council was represented at the event and echoed the views of members. He thanked Paul Cooper for organising their attendance.

The Chair stated that he found the virtual attendance of speakers from Hong Kong to be very useful.

Resolved:

That the information given be noted.

11 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.

12 Minutes

The Minutes of the meeting held on 26 July 2021 were agreed as a correct record and were signed by the Chair.

13 Investment Strategy Review Update

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

Resolved:

That the information contained in the report be noted.

14 Report of the Pension Fund Adviser

The Committee considered the quarterly monitoring report of the Independent Adviser, Sandy Dickson of Mercer (for copy see file of minutes).

Resolved:

That the information given be noted.

15 Report of the Independent Adviser

The Committee received a presentation from the Independent Investment Adviser, Anthony Fletcher of MJ Hudson which provided an update for the second quarter 2021 (for copy see file of minutes).

Resolved:

That the information given be noted.

16 Border to Coast Pensions Partnership Quarterly Investment Report

The Committee considered the quarterly investment report of the Border to Coast Pensions Partnership. Andrew Stone and George Kendall were in attendance to present the report which included an update on Responsible Investment (for copy see file of Minutes).

Resolved:

That the information given be noted.

17 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 contained in the report be noted.

18 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 contained in the report be noted.

19 Report of Mondrian Investment Partners

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 contained in the report be noted.

20 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 contained in the report be noted.

21 Border to Coast Pensions Partnership Private Monitor Report

The Committee considered a report of Northern Trust which provided an analysis of cash flow, portfolio funding, partnership performance and comparative analysis at December 2020 (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.