

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in **Committee Room 2, County Hall, Durham** on **Thursday 8 December 2022** at **10.00 am**

Present:

Councillor M Abley (Chair)

Members of the Committee:

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

Scheme Member Representatives

A Delandre and J Taylor

Council Advisers

Paul Cooper – Head of Pensions (LGPS)

Paul Darby – Corporate Director of Resources

Jennifer Rogers – Senior Lawyer Commercial and Corporate Governance

Investment Advisers

Milo Kerr – BCPP

Independent Advisers

Sandy Dickson – Mercer

Anthony Fletcher – MJ Hudson

Also in attendance:

N Hancock – Unison Representative and Local Pension Board Member

1 Apologies for Absence

Apologies for absence were received from Councillors C Martin, J Shuttleworth and H Scott and A Broadbent.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

The minutes of the meeting held on 15 September 2022 were agreed as a correct record and signed by the Chair.

4 Overall Value of Pension Fund Investments to 30 September 2022

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

The Head of Pensions (LGPS), Paul Cooper explained as regards the value of the fund and the ongoing impact of the war in Ukraine, rebalancing of fund in relation to Index Linked Gilts and Multi-Asset Credit (MAC)

Councillor B Kellett asked as regards the differences between the estimates and actual figures. The Head of Pensions (LGPS) noted that there was a higher level held in cash, to account for increasing interest rates. He added in relation to the specific item referred to, there had been more money than expected from a Fund Manager in respect of listed alternatives, with more analysis later in the agenda.

Resolved:

That the information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 30 September 2022

The Committee considered a report of the Corporate Director of Resources which provided an overview of the investment performance of the Pension Fund to 30 September 2022 (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 2022/23 - Progress Report to 30 September 2022

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2022 to 30 September 2022 as part of the 2022/2023 Internal Audit Plan (for copy see file of minutes).

Councillor C Fletcher asked whether there were any concerns for Members to be aware of. The Audit Manager, Paul Monaghan noted no areas of concern, with the Chair noting that there had been the highest level of assurance.

Resolved:

That the work undertaken by Internal Audit during the period ending 30 September 2022 be noted.

7 Feedback from Local Pension Board

The Head of Pensions (LGPS) noted the standing item in the agenda, noting that the last meeting of the Local Board had not met, and no further feedback had been received from the Board.

8 Audit Completion Report

The Committee considered a report of the Council's External Auditors (Mazars) as a result of their audit of the Pension Fund's accounts for the year ended 31 March 2021 (for copy see file of minutes). Sharon Liddle, Audit and Technical Manager from Mazars presented the Audit Completion Report and provided an update of the report

Councillor K Earley entered the meeting at 10.13am

In response to question from Councillor J Atkinson relating whether BCPP were asked for information. The Audit and Technical Manager noted information included statements from BCPP, the Pension Fund Committee and investment managers. She added that the difference in three months from the draft statement to the final draft statement accounted for the difference in the valuation between Officers and Auditors.

Councillor C Fletcher noted the change in the report style from BCPP which she felt was now easier to understand. The Audit and Technical noted it may

be BCPP had amended the format as they report to a number Pension Funds. The Head of Pensions (LGPS) noted that he had spoken to the Finance Team at BCPP in terms of fully aligning with all items and would feed into any queries from External Audit.

Resolved:

- a) That the External Auditor's report following the audit of the Statement of Accounts for the year ended 31 March 2022, including the summary of misstatements detailed in section 6 of the report, be noted;
- b) That the content of the Management Representation letter (Appendix A), Auditors report on the Council's Statement of Accounts (Appendix B) and the Consistency report to be included in the Pension Fund Annual report (Appendix C), be noted.

9 Pension Fund Accounts for the year ended 31 March 2022

The Committee considered a report of the Corporate Director of Resources which presented the audited Pension Fund Accounts for the year ended 31 March 2022 which had been approved in accordance with the statutory deadlines and the Council's Constitution (for copy see file of minutes).

The Finance Manager was pleased to report that the accounts received a clean bill of health from the external auditors, Mazars who provided an unqualified opinion on the Pension Fund accounts for 2021/22 and that all the deadlines relating to this year's accounts and the Pension Fund Annual Report have been met and that they represented a true and fair view of the financial position and were prepared in line with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting.

Resolved:

That the contents of the Pension Fund's financial statements for the financial year ended 31 March 2022 at Appendix 1 of the report be noted.

10 Regulatory Update

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

In relation to the position with colleges, Councillor J Atkinson asked if they would be treated less favourably in terms of the LGPS. The Head of Pensions (LGPS) noted that they would be less favourably than academies and mainstream schools as they were backed by the Department for Education (DfE), therefore those Further Education colleges not backed by the DfE had a specific risk. He added that should Government add a contingency for colleges, then they could be revisited on the same basis as academies.

Councillor C Varty noted she was delighted to hear as regards the updates in relation to Climate Change. Councillor B Kellett asked for further information in relation to the McCloud judgement. The Head of Pensions (LGPS) noted that following the judgement in the High Court relating to the LGPS protecting older members from 2014 that was found to be age discriminatory against younger members. He added Pension Funds were still awaiting final regulations in 2023 noting the amount of work involved for the Pensions Team in terms of data collection, that work being ongoing. He explained that the Team was working with employers and the software provider to go through over 200,000 lines of data to be able to rectify as efficiently as possible. He emphasised that the position would be corrected and that there would only be 'winners' in terms of benefit to scheme members, no 'losers'.

Resolved:

That the information contained in the report be noted.

11 Border to Coast Pensions Partnership Responsible Investment Policy

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

M Kerr from BCPP explained as regards the three key policies, the Responsible Investment Policy, Climate Change Policy and Voting Guidelines. It was explained that they were subject to annual review against market practice, other organisations, other competition and their voting and engagement partner Robeco.

Councillor J Atkinson asked as regards the makeup of the Joint Committee. M Kerr explained each of the 11 Local Authorities had a representative, usually the Chair of their Pension Fund Committee, or a representative put forward by them. He added that BCPP representatives were also on the Joint Committee as regards joint oversight.

Councillor J Atkinson asked how information flowed between the Joint Committee and Pension Fund Committees. M Kerr noted that the key format was the quarterly Joint Committee meetings, with the Head of Pensions (LGPS) noting they were similarly formal meetings to that of the Pension Fund Committee.

Resolved:

That the Committee

- a) Provide any comments on the Policies and the key changes highlighted in Appendix 1;
- b) Notes and approves the Responsible Investment Policy and Corporate Governance and Voting Guidelines Policy included in Appendices 2 and 3 that BCPP will operate on behalf of the Pension Fund for assets transferred into the pool;
- c) Approves the adoption of the BCPP Voting Guidelines for the Fund's asset managers outside of the pool, and;
- d) Authorises the Corporate Director of Resources to amend the Fund's Investment Strategy Statement (ISS) in line with the principles of BCPP's Responsible Investment Policy.

12 Triennial Valuation Update

The Head of Pensions (LGPS) reminded Members of the update in terms of valuation rates and new employer rates as discussed at the Annual Meeting, coming into effect from 1 April 2023. He noted the next step would be for the Committee to receive a report at its meeting in March 2023 in terms of its Funding Strategy Statement. He added that once agreed that would be published and kept up-to-date.

Resolved:

That the verbal update be noted.

13 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.

14 Minutes of the meeting held on 15 September 2022

The minutes of the meeting held on 15 September 2022 were agreed as a correct record and signed by the Chair.

15 Report of the Independent Investment Adviser

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

Resolved:

That the information contained in the report be noted.

16 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.

17 Report of the Pension Fund Adviser

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

Resolved:

That the information contained in the report be noted.

18 Border to Coast Pensions Partnership Quarterly Performance Report

M Kerr provided an update to Members on progress with the Border to Coast Pensions Partnership 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 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.

20 Report of Mondrian Investment Partners

Consideration was given to a report from Mondrian Investment Partners 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 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.

22 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 to June 2022.

Resolved:

That the information contained in the report be noted