

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Thursday 14 September 2023** at **2.00 pm**

**Present:**

**Members of the Committee:**

Councillor A Hopgood and N Hancock

### **1 Apologies for Absence**

Apologies for absence were received from Councillors L Oliver, W Pattison and D Stoker.

In the absence of the Chair, it was agreed that Councillor A Hopgood would Chair the meeting.

**Councillor A Hopgood** in the Chair

### **2 Declarations of Interest**

There were no Declarations of Interest.

### **3 The Minutes of the Meeting held on 15 June 2023**

As no one was present from the last meeting to confirm the accuracy of the minutes, the minutes from the meeting held 15 June would be tabled for consideration at the next meeting of the Board.

### **4 Local Pension Board Membership - Verbal Update**

The Head of Pensions (LGPS), Paul Cooper, noted the context in terms of the issues previously raised as regards Board Membership, and recruitment that had culminated in the current arrangements. He explained that it was proposed, as per the terms of reference for the Board, to go out to open recruitment on the Scheme Member and Scheme Employer sides. He noted consideration of extending the Membership, which could assist in avoiding issues arising in terms of quorum at Board meetings.

N Hancock noted that it would be important to emphasise within the recruitment that there was a need for the capacity to represent Scheme Members, and added he felt Unions were those that had capacity and ability in this regard. The Head of Pensions (LGPS) noted that it would be a factor within the recruitment process, noting encouraging interest in positions so far.

**RESOLVED:**

That the verbal update be noted.

Members agreed to take Item 11 – Pension Fund Annual Report and Accounts - Verbal Update as Item 5 and to reorder the items accordingly.

**5 Pension Fund Annual Report and Accounts - Verbal Update**

The Finance Manager, Jo McMahon gave a verbal update on the Pension Fund Annual Report and Accounts. She explained that the Council had met their statutory deadline in having the accounts prepared and signed off by the Corporate Director of Resources by 31 May 2023, one of only three Local Authorities in the North-East.

She added that, however, External Audit had indicated that they would not be able to meet their deadline of the end of September in terms of signing off the accounts. She explained it had been a national issue, and the Council's External Auditor had noted they would report back to the Council's Audit Committee at a Special meeting scheduled for 30 October 2023. The Finance Manager reiterated that the Council had met its statutory deadlines and that the deadline to publish for the Pension Fund would be 1 December, with an item on the Annual Report to be considered at the Annual Pension Fund meeting in November.

The Chair noted it was the first time she had heard as regards the issue with Audit Committee, however, it was good to note the Council was one of the three Local Authorities within the North-East had met deadlines.

**RESOLVED:**

That the verbal update be noted.

## **5 Observations and Feedback from Pension Fund Committee**

The Head of Pensions (LGPS) noted no Members of the Board had attended Pension Fund Committee earlier in the day.

The Head of Pensions (LGPS) noted that, on one of the few occasions since asset pooling, there had been no asset management or decisions made regards pooling. He added that the pooling process was almost at the end of the first stage, in terms of all liquid assets having been pooled, and with property nearing pooling. He added that after property was pooled, the focus would change to other issues such as responsible investment, climate change and further enhancing training plans. He noted the most significant issue discussed at Committee had been the LGPS Consultation, as tabled later within the Board agenda.

The Chair asked as regards the implications of the decline of 'the High Street' as a shopping and office destination on investment opportunities. The Head of Pensions (LGPS) explained that the issue had been discussed by the Pension Fund Committee at their meeting in June and noted that property opportunities may exist in other areas reflecting changes in the economy, such as logistical hubs.

### **RESOLVED:**

That the information given be noted.

## **6 Local Pension Board Training - Verbal Update**

The Head of Pensions (LGPS) noted the issue had been touched upon when speaking as regards recruitment to the Board and had been an issue that the Board had supported at its June meeting, with training to mirror that for the Pension Fund Committee Members. He noted that there was an online system, similar to the Council's Durham Learning and Development System, called LOLA (LGPS Online Learning Academy). He noted that the system was considered the 'gold standard' for such training and noted that the Pension Fund Committee had agreed at its meeting earlier to proceed to sign up to the LOLA system. He added that it was a condition for Local Pension Board Members to undertake and demonstrate continued learning as part of their role on as Board Members. The Head of Pensions (LGPS) noted that the LOLA system enabled bite-sized learning, with reasonable timescales being able to be set for completion by Members. He explained an additional benefit was that the clear training record would prove useful in terms of proof of training completed as part of the Governance Compliance Statement within the Annual Accounts process.

**RESOLVED:**

- (i) That the verbal update be noted
- (ii) That the LOLA System be used for training of Local Pension Board Members.

**7 Pension Administration Report**

The Board considered a report from the Corporate Director of Resources regarding the Fund's pension administration and service provision to members, as well as providing an update on Key Performance information (for copy see file of Minutes).

The Head of Pensions (LGPS) noted that performance remained very good and noted that, as was best practise, the performance was shared with the Scheme Advisory Board (SAB) and the Department for Levelling Up, Housing and Communities (DLUHC). He explained the annual statements to scheme members were issued on time, by 31 August 2023, with the majority being issued online which amounted to a carbon saving of around 50 tonnes of CO<sub>2</sub>. He explained that there would be challenges over the next year or two following the McCloud judgement, adding draft regulations having been issued. He explained that work was ongoing with the Council's software supplier and reminded the Board of the Regulator's requirement to issue accurate annual statements, with any adjustments as a result of McCloud required to be made and statements issued within deadlines.

N Hancock explained he had a number of people contact him, through Unison, noting they had been unable to access their annual statements. He asked if someone had not logged on for a while, whether there was a requirement to reset a password. The Head of Pensions (LGPS) noted that it was not impossible that a wrong password being used would 'lock out' the system, however, there was an option to request a new password. He noted the Team's available support and an inbox specifically for those queries. N Hancock noted many of the queries were from schools and suggested it may be an issue linked to the extranet. The Head of Pensions (LGPS) noted he would speak to ICT as regards any issues and noted that should there be any queries to pass them on to him and the Team.

The Chair noted that the letter accompanying the annual statement was very friendly and very clear and thanked the Team for their work in that regard.

**RESOLVED:**

That the information given be noted.

## 8 Regulatory Update

The Board considered a report from the Corporate Director of Resources which provided details 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).

The Head of Pensions (LGPS) noted that the key changes were set out at Appendix 1 to the report. He reminded the Board that in terms of 'local investment' the Government were referring to UK investment. He reiterated that the McCloud judgement came into force from 1 October 2023, summarising that checks would be required to ensure no one would miss out in terms of the changes from final salary to career average for their pension. He noted that further guidance was expected in terms of prioritisation and the work would be a challenge, especially in terms of teachers' excess service.

The Head of Pensions (LGPS) noted the Annual Report's current format was somewhat cumbersome, with some other Pension Fund's documents being even larger, and the SAB recognised that fact and suggest work to try and rationalise and streamline the document. In relation to boycotts, he added that the Government had reiterated its position in that Pension Funds should not be setting foreign policy.

In respect of pensions scams, the Head of Pensions (LGPS) noted that warning letters were provided to scheme members. He noted the work of the Department for Work and Pensions (DWP) in creating a Pensions Dashboard, where all pensions information would be gathered in one spot, and that there were delays, back to 2026. He noted that he would keep the Board updated with information, though for the LGPS it was perhaps not as useful as our own local Pensions Portal, which was able to give bespoke requests for estimates amongst other online benefits.

The Chair asked, in relation to McCloud, what the likely liability would be for Durham. The Head of Pensions (LGPS) noted that it was nationally felt to be around 0.5 percent on average, however regardless of exact figures, the number of people impacted would be low. N Hancock noted some may be identified as gaining, with the Chair asking as regards the example of part-time worked. The Head of Pensions (LGPS) noted that in the CARE Scheme, those moving from part-time to full-time could see an increase in their CARE benefits in line with increases in real pay received. He reminded the Board that the CPI linkage for LGPS CARE benefits was very good and may further reduce McCloud beneficiaries.

## **RESOLVED:**

That the information given be noted.

### **9 LGPS Consultation - Next Steps on Investments**

The Board considered a report from the Corporate Director of Resources which provided details on the LGPS Consultation - Next Steps on Investments (for copy see file of Minutes).

The Head of Pensions (LGPS) reminded Members that Durham, along with 10 other Local Authorities, had come together to pool their Pension Funds within the Border to Coast Pension Partnership (BCPP). He noted that the Partnership have around £60 Billion worth of assets and pooling had helped in terms of savings of working at scale, as well as having provided capacity and opportunity for investment, noting it had been the right thing to do for the Durham Fund.

In respect of the rest of the UK, there were eight pension pools, with eight models of how to organise and invest. He noted that some pools, whilst having been set up, were very slow to pool, indeed with two Pension Funds having zero funds transferred to their pool, with one Fund threatening to leave their pool. The Head of Pensions (LGPS) noted that following those issues, Government had issued a consultation on pooling with a view to complete pooling by 31 March 2025. He explained that it was not an issue for Durham and BCPP as we had now moved most of the funds over to the pool. He noted that Government envisaged three stages, namely: 2025 deadline to pool; then greater collaboration between pools; and consolidation of pools, leading to fewer larger pools.

The Chair and N Hancock asked if there was anything that could be learned from the less progressed pools in terms of what not to do, or whether the issues they were experiencing were specific to those pools. The Head of Pensions (LGPS) noted that Government had seen the inertia elsewhere while many others, including Durham, have gotten on with the business of pooling, looking at 'local investment', and responsible investment. He noted that the 11 Local Authorities coming together in BCPP had been a challenge, and therefore could be an issue for consolidated pools, in terms of governance. He added that those Pension Funds that had not yet moved assets, may wait until the consolidation stage and whole pool merges or Funds moving to other pools may occur. He noted that BCPP may be looked at favourably by those Funds that had not yet pooled as a potential option.

The Head of Pensions (LGPS) reiterated that in respect of 'levelling up', Government meant UK investment when talking about 'local investment'. He added that Durham was one of four Funds being cited as best practice for local investment for its North-East Investment Fund.

The Head of Pensions (LGPS) noted that it may be that local investment would work best outside of the pool and therefore Government would be asked for clarity on that matter in the Fund's response. He noted another area where clarity would be sought was in reference to 10 percent 'private equity', which was thought to in fact mean 'private markets', noting Durham was already at that 10 percent level in private markets. He noted that the BCPP Joint Committee would respond to the consultation on behalf of the 11 Pension Funds.

N Hancock noted that within BCPP, we met some of the Government requirements already, whilst some were perhaps 'ambitions'. He asked if there would be clarity on what would be requirements as opposed to ambitions. The Head of Pensions (LGPS) noted that pooling was reiterated as a requirement and that actions associated with levelling up were ambitions. N Hancock asked the Head of Pensions as regards the move of sovereignty from Pension Fund Committees to BCPP. He noted that Pension Fund Committees determined asset allocation, not Fund Managers, with BCPP picking Managers to meet the needs of Pension Fund Committee's assets. The Head of Pensions (LGPS) noted the consultation ended on 2 October, with the Chancellor wanting to be able to report back within his Autumn Statement.

**RESOLVED:**

That the information given be noted.

**10 Scheme Advisory Board Report on 2022 Valuations**

The Head of Pensions (LGPS) noted two papers for Board Members' information in respect of the SAB Triennial Valuation 2022 in the LGPS, noting funding levels were up, and the Report on the actuarial valuation for Durham at 31 March 2022. He noted that Durham had improved its position, having been 81 percent in the recent past, to now being 98 percent funded currently. He noted that the conflict in Ukraine and subsequent inflation had impacted funding levels, and that an area for future focus within both Pension Fund Committee and Local Pension Board agendas would be climate risk.

**RESOLVED:**

That the information given be noted.

## **12 Date of Next Meeting**

The next meeting would be held on 7 December 2023 at 2.00 p.m.

## **13 Any Other Business**

N Hancock asked as regards any representations in terms of aggregations and timescales. The Head of Pensions (LGPS) noted he had, and as it had issues in terms of McCloud too, it would be considered as part of the McCloud project.