

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in **Committee Room 1A/1B, County Hall, Durham** on **Thursday 12 September 2024** at **10.00 am**

Present:

Councillor D Sutton-Lloyd (Chair)

Members of the Committee:

Councillors M Stead (Vice-Chair), J Atkinson, K Earley, C Fletcher, D Freeman, M Porter and C Varty

Also Present:

Scheme Member Representatives

J Taylor

Council Advisers

Paul Cooper – Head of Pensions (LGPS)

Shareen Din – Lawyer (Employment)

Ashleigh Phillips – Pensions Team Leader

Investment Advisers

Milo Kerr – BCPP

Independent Advisers

Sandy Dickson – Mercer

Anthony Fletcher – MJ Hudson

Observers

Ian Pritchard (UNISON)

1 Apologies for Absence

Apologies for absence were received from Councillors B Kellett and J Shuttleworth, and A Broadbent and A Delandre.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

The minutes of the meeting held 24 June 2024 were agreed as correct record and signed by the Chair.

4 Overall Value of Pension Fund Investments to 30 June 2024

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 June 2024, the movement in cash balances during the last quarter (for copy see file of Minutes).

Councillor K Earley asked as regards the projections and what criteria are looked at in terms of actions, such as drawdowns. The Head of Pensions (LGPS) Paul Cooper explained as regards the broad focus on Listed Alternatives at BCPP, having been a proxy for Private Markets, reminding that the Committee had approved a strategy to run down the Listed Alternatives exposure, as deployment into Private Markets increased. He noted that if cash increased as significantly as projected and was not drawn down, then there would be further discussion with the Committee accordingly.

Councillor M Porter asked as regards pension transfers, including the current number. The Head of Pensions (LGPS) noted that there had recently been a number of regulation changes and that the numbers of members consequently transferring in and out of the Fund went through peaks and troughs. He noted that there had been a recent pause in terms of transfers, now released. He added that the numbers and performance were reported to the Local Pension Board where they were scrutinised and were included for information within agenda pack for Committee Members.

Resolved:

That the information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 30 June 2024

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 June 2024 (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 Feedback from Local Pension Board

The Head of Pensions (LGPS) noted a new appointment to the Local Pension Board, with Ian Pritchard representing Unison, who was in attendance at Committee to observe. He reminded the Committee that Councillor A Hopgood had attended the last meeting of the Committee to present the Annual Report of the Local Pension Board detailing work undertaken by the Board. He reiterated that the Board scrutinise performance in respect of services to scheme members and are receiving updates in respect of The Pensions Regulator Single Code of Practice, with 14 codes being brought into one; as well as their regular updates in relation to key performance indicators, regulatory matters and Pension Fund breaches. He noted the next meeting of the Board was scheduled for later today, 12 September 2024.

Councillor M Porter noted the performance figures looked very good and asked that thanks be passed to the Pensions Team for all their hard work. She noted that while still in the 90 percent range, the performance in relation to communications acknowledging the death of a scheme member. The Head of Pensions (LGPS) explained that the performance indicator in particular started as soon as the Team were made aware of a death, however, in some cases for reasons of sensitivity, communications were intentionally delayed such where a family requests that communication waited until after a funeral. Councillor M Porter appreciated the approach taken and reiterated her thanks to the Team for their very good performance. The Chair agreed, noting that the approach was sensible, and understood that the Local Pension Board did scrutinise performance very carefully.

The Fund's Advisor, Sandy Dickson of Mercer, noted that he attended a number of different Pension Funds as part of his work and that he would agree with Councillor M Porter in saying the performance figures for Durham were very strong, with scheme members experience being very important, with the figures suggesting excellent delivery locally.

Resolved:

That the verbal update be noted.

7 Internal Audit Plan 2024/25 - Progress Report to 30 June 2024

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager, presented by the Internal Audit Manager, Nicola Cooke, which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2024 to 30 June 2024 as part of the 2024/2024 Internal Audit Plan (for copy see file of minutes).

Councillor C Varty asked for clarity in respect of the 'in progress' status relating to Pension Fund bank reconciliations. The Internal Audit Manager noted that as at the cut off for reporting date to Committee, that was the position, however she reassured Members that the bulk of the work in respect of that audit was completed and that colleagues were close to being able to provide an assurance position on the matter.

Councillor J Atkinson noted the report was of the Chief Internal Auditor and Corporate Fraud Manager and asked as regards the link between Internal Audit and Corporate Fraud in looking at issues of potential fraud. The Internal Audit Manager noted that she worked under the Chief Internal Auditor in heading up the Internal Audit side, with the Corporate Fraud Manager working on the fraud side. She noted the teams referred work to each other accordingly and linked with each other in terms of any areas and actions as required. Councillor J Atkinson noted it was very important, highlighting the hack to Capita as an example. The Internal Audit Manager noted that the Corporate Fraud Team at DCC were very good and added that there could be assurance taken in respect of the 'protecting the public purse' element of reporting at the Council's Audit Committee.

Resolved:

That the work undertaken by Internal Audit during the period ending 30 June 2024 be noted.

8 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).

The Head of Pensions (LGPS) noted that the main issues to highlight related to the Review of the LGPS 2022 Fund Valuations - Section 13 Report, and the Pensions Review, which had accelerated following the election of a new Government in May, noting that 'Phase One' of the review was to include the LGPS. He reminded the Committee that issues within the review would include consideration of consolidation within the LGPS, and 'local investment', into regions of the UK. He noted that there was a Government call for evidence and that given the short timescales, he would liaise with the Chair and Vice-Chair in terms of a response, with Partner Funds working closely with BCPP so that responses from across the Pool were broadly aligned. He added the response could be shared with Members, however, it was not practical to finalise in time for Committee. The Chair noted that the work that had been undertaken over the last few years in terms of consolidation and pooling had meant that Durham was in a good position. The Head of Pensions (LGPS) noted that the previous Local Government Minister had already been looking at issues of consolidation and pooling, and that there had already been broad alignment between Conservative and Labour on those issues prior to the general election. He added that the new Labour Government had moved quickly, including the call for evidence, with the direction of travel remaining broadly consistent.

Councillor J Atkinson noted the push for greater investment within the UK, however, he emphasised that while that could be beneficial the main concern was to create a return upon investments. The Chair agreed and noted that the Committee had previously stated that any UK investment must be a good investment for the Fund. The Head of Pensions (LGPS) agreed, noting the fiduciary duty of the Committee and the primary responsibility in terms of ensuring sufficient funds to pay pensions and maintaining stability of contributions for scheme employers. He reminded the Committee of investments already made in terms of the UK, as well as the targets set by the Committee in that regard. Councillor J Atkinson asked if the Advisors could give their opinion in terms of the Government's push for Pension Funds to invest in the UK. The Independent Pension Fund Advisor reiterated the fiduciary duty and noted some advantages of UK investment, noting as pensions were paid in sterling there was some benefit in that respect. He reiterated the points made by the Head of Pensions (LGPS) in terms of UK investment already undertaken by the Committee, and that those investments had been taken by the Committee, without the intervention of Government, and he felt that the Committee could be confident in being able to justify their investment decisions in that regard.

Councillor K Earley noted a recent article in the Guardian newspaper which had referred to UK investment, which had a tone which appeared to be attempting to frame the debate.

The Head of Pensions (LGPS) noted he had read the article, noting quotes from Northern Gritstone, a private asset management firm. He reminded the Committee of the progress made with BCPP in terms of their £500million UK Opportunities Fund, in which Durham is an investor.

Councillor M Porter asked as regards the 'white flag' was part of the Section 13 Report from GAD. The Head of Pensions (LGPS) noted this related to deficit recovery and following discussions with GAD, they had given a white flag, adding there had been no red or amber ratings.

Resolved:

That the information contained in the report be noted.

9 Review of Pension Fund Risks

The Committee considered a report of the Corporate Director of Resources which updated Members on the revisions to the Local Government Pension Scheme (LGPS) Pension Fund Risk Register, following a review by the Risk and Governance Team in August 2024 (for copy see file of Minutes).

The Head of Pensions (LGPS) asked for any feedback on areas that Members may wish for a deep dive at a future meeting of the Committee. Members noted several issues, including recent cyberattacks that had impacted organisations within the UK. The Head of Pensions (LGPS) reminded Members of previous presentations in relation to cybersecurity. Members noted the importance of protecting data, with the Internal Audit Manager providing assurance that cybersecurity was taken very seriously and could come back with further information for Members. The Vice-Chair, Councillor M Stead noted he understood Members' thoughts were 'what if', and how we would respond. The Head of Pensions (LGPS) noted an update in terms of security of data and disaster recovery may therefore be useful to provide members further assurance.

Resolved:

That the information contained in the report be noted.

10 Update on Pension Fund Statement of Accounts

The Head of Pensions (LGPS) noted that the Statement of Accounts for the Pension Fund had been completed in line with statutory deadlines, and was with the External Auditors, Mazars and was on track for sign off by the 30 November deadline.

He reiterated the work required by the Team had been completed within deadlines. The Chair thanked the Head of Pensions (LGPS) and the Finance Team for their work in completing the accounts on time.

11 Pension Scheme Members and Border to Coast Pension Partnership Conference

J Taylor, Scheme Member representative explained that since retiring as a former Assistant Director, he had been drawing his pension over the last 27 years, noting contributions rates of around six percent when he was paying into the scheme. He noted that payments were always on time and always included the relevant uplifts over time. He noted the huge amount of work undertaken by the Pensions Team and thanked them for ensuring that pensioners were paid on time and that all were looked after in terms of any queries. The Chair noted it was always important to hear from scheme members and pensioners and to reflect on the reason why the Pension Fund existed, and for the Committee to always be mindful of this when making decisions.

Councillor C Varty explained that she had found it incredibly helpful and informative to attend the BCPP Conference and thanked the Chair for the opportunity to attend, and Officers for making the necessary arrangements. The Chair thanked Members who had attended the Conference, adding he felt the Durham Fund had been well represented with a strong delegation at the event.

12 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.

13 Minutes

The minutes of the meeting held 24 June 2024 were agreed as a correct record and signed by the Chair.

14 Report of the Independent 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.

15 Investment Strategy and Governance 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).

Councillor D Freeman left the meeting at 12.16pm

Resolved:

That the recommendations in the report be approved.

16 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.

17 Private Markets Performance Metrics

The Committee considered the report in respect of the Private Markets Performance Metrics, presented by M Kerr (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.

18 Independent Advisor Annual Review of Private Markets

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

Resolved:

That the information contained in the report be noted.

19 Global Equity Alpha Update and Responsible Investment Metrics

The Committee considered the report in respect of the Global Equity Alpha Update and Responsible Investment Metrics, presented by M Kerr (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.

20 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;
- d) Information on Global Real Estate Strategy.

Resolved:

That the information contained in the report 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 contained in the report be noted.

22 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.

23 Report of Foresight

Consideration was given to a report from Foresight 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.