



## **Pension Fund Committee**

**Date** Thursday 12 September 2024  
**Time** 10.00 am  
**Venue** Committee Room 1A/1B, County Hall, Durham

---

### **Business**

#### **Part A**

#### **Items which are open to the Public and Press**

1. Apologies for Absence
2. Declarations of interest (if any)
3. The Minutes of the Meeting held on 24 June 2024 (Pages 23 - 34)
4. Overall Value of Pension Fund Investments to 30 June 2024 (Pages 35 - 44)
5. Performance Measurement of Pension Fund Investments to 30 June 2024 (Pages 45 - 54)
6. Feedback from Local Pension Board - Verbal Update and KPIs (Pages 55 - 64)
7. Internal Audit Plan 2024/25 - Progress Report to 30 June 2024 (Pages 65 - 70)
8. Regulatory Update (Pages 71 - 96)
9. Review of Pension Fund Risks (Pages 97 - 112)
10. Update on Pension Fund Statement of Accounts - Verbal Update
11. Such other business as, in the opinion of the Chairman of the Meeting is of sufficient urgency to warrant consideration

12. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

## **Part B**

### **Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)**

13. The Minutes of the Meeting held on 24 June 2024  
(Pages 113 - 120)
14. Report of the Independent Adviser (Pages 121 - 148)
15. Investment Strategy and Governance Update  
(Pages 149 - 194)
16. Report of the Pension Fund Adviser (Pages 195 - 232)
17. Private Markets Performance Metrics (Pages 233 - 242)
18. Independent Advisor Annual Review of Private Markets  
(Pages 243 - 272)
19. Global Equity Alpha Update and Responsible Investment  
Metrics (Pages 273 - 292)
20. Border to Coast Pensions Partnership Quarterly  
Performance Report (Pages 293 - 354)
21. Report of Alliance Bernstein (Pages 355 - 364)
22. Report of CBRE Global Investment Partners  
(Pages 365 - 394)
23. Report of Foresight (Pages 395 - 424)
24. Such other business as, in the opinion of the Chairman of  
the meeting, is of sufficient urgency to warrant  
consideration

**Helen Bradley**

Director of Legal and Democratic Services

County Hall  
Durham  
4 September 2024

To: The Members of the Pension Fund Committee

**County Council Members:**

Councillors D Sutton-Lloyd, M Stead, J Atkinson, K Earley, C Fletcher, D Freeman, B Kellett, J Quinn, J Shuttleworth, W Stelling and C Varty

**Darlington Borough Council Members**

Councillors R Baker and M Porter

**Scheme Member Representatives**

A Delandre and J Taylor

**Further Education Colleges Representative**

A Broadbent

**Scheduled Bodies Representative**

(vacant)

**Admitted Bodies Representative**

(vacant)

**Advisers**

**County Council Officers**

J Hewitt – Chief Executive

P Darby – Corporate Director of Resources

H Bradley – Director of Legal and Democratic Services

P Cooper – Head of Pensions (LGPS)

J McMahon – Finance Manager

**Independent Advisers**

S Dickson – Mercer

A Fletcher – MJ Hudson Allenbridge

**Investment Managers**

Alliance Bernstein

CBRE

Foresight

BCPP

**Observers**

L Timbey – GMB

Councillor A Hopgood – Local Pension Board

L Oliver – Local Pension Board

W Pattison – Local Pension Board

---

**Contact: Martin Tindle**

**Tel: 03000 269 713**

---

This page is intentionally left blank

Pension Fund Committee



Abbreviations

List of commonly used abbreviations

<b>AB</b>	Alliance Bernstein, the Fund's Bonds manager
<b>ACS</b>	Authorised Contractual Scheme, the collective investment scheme used by BCPP for asset pooling
<b>AUM</b>	Assets Under Management
<b>BCPP</b>	Border to Coast Pensions Partnership, the Fund's asset pool
<b>CBRE</b>	Coldwell Banker Richard Ellis, the Fund's Real Estate manager
<b>CEO</b>	Chief Executive Officer
<b>CIO</b>	Chief Investment Officer
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy
<b>CLG</b>	Communities and Local Government (former name of MHCLG)
<b>COO</b>	Chief Operating Officer
<b>COP</b>	Conference of Parties, a UN conference on climate change
<b>CPI</b>	Consumer Price Index
<b>CSR</b>	Corporate Social Responsibility, a term under which companies report their social, environmental and ethical performance
<b>DAA</b>	Dynamic Asset Allocation
<b>DGF</b>	Diversified Growth Fund

<b>EM</b>	Emerging Markets
<b>EMEA</b>	Europe, Middle East & Africa
<b>ESG</b>	Environmental, Social, and Governance – factors in assessing an investment’s sustainability
<b>FCA</b>	Financial Conduct Authority
<b>FRC</b>	Financial Reporting Council
<b>FSS</b>	Funding Strategy Statement
<b>FTA</b>	FTSE Actuaries UK Gilts Index Series
<b>FTSE</b>	Financial Times Stock Exchange
<b>GEM</b>	Global Emerging Markets
<b>GRESB</b>	Global ESG Benchmark for Real Assets
<b>HMT</b>	Her Majesty’s Treasury
<b>Infra</b>	Infrastructure
<b>IRR</b>	Internal Rate of Return
<b>ISS</b>	Investment Strategy Statement
<b>JC</b>	Joint Committee
<b>LGA</b>	Local Government Association
<b>LGPS</b>	Local Government Pension Scheme
<b>LAPFF</b>	Local Authority Pension Fund Forum
<b>LIBOR</b>	London Inter Bank Offered Rate, a benchmark interest rate at which global banks lend to one another
<b>LPB</b>	Local Pension Board
<b>MAC</b>	Multi Asset Credit
<b>MHCLG</b>	Ministry of Housing, Communities and Local Government
<b>MSCI</b>	formerly Morgan Stanley Capital International, publisher of global indexes

<b>NED</b>	Non-Executive Director
<b>NT</b>	Northern Trust, the Fund's Custodian
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PF</b>	Pension Fund
<b>PFC</b>	Pension Fund Committee
<b>PLSA</b>	Pensions and Lifetime Savings Association
<b>PRI</b>	The UN-supported Principles for RI
<b>RI</b>	Responsible Investment
<b>RPI</b>	Retail Price Index
<b>S&amp;P</b>	Standard & Poor's, ratings agency and provider of equity indices
<b>S151</b>	An officer with responsibilities under s151 of the Local Government Act 1972
<b>SAB</b>	Scheme Advisory Board
<b>SDG</b>	the UN's Sustainable Development Goals
<b>SILB</b>	Sterling Index Linked Bonds
<b>SONIA</b>	Sterling Over Night Index Average, the overnight interest rate paid by banks
<b>TCFD</b>	Taskforce on Climate Related Financial Disclosures
<b>TER</b>	Total Expense Ratio
<b>TPR</b>	The Pensions Regulator

**Author(s)**

Paul Cooper

Tel: 03000 269798

This page is intentionally left blank



## Glossary of commonly used terms

### A

#### **Active Management**

Appointing investment professionals to track the performance of the Fund's mandates, making buy, hold and sell decisions about the assets with a view to outperforming the market.

#### **Active Member**

A current employee who is contributing to the pension scheme.

#### **Actuary**

An independent professional who advises the Council in its capacity as Administering Authority on the financial position of the Fund.

#### **Actuarial Valuation**

The Fund's actuary carries out a valuation every three years and recommends an appropriate rate of contributions for each of the Fund's participating employers for the following three years. The valuation measures the Fund's assets and liabilities, with contribution rates set according to the Fund's deficit or surplus.

## **Additional Voluntary Contributions (AVCs)**

An option available to active members to build up a pot of money which is then used to provide additional pension benefits. The money is invested separately with one of the Fund's external AVC providers.

## **Administering Authority**

The LGPS is run by local Administering Authorities. An Administering Authority is responsible for maintaining and investing its own Fund for the LGPS.

## **Admission/Admitted Body**

An organisation whose employees can become members of the Fund by virtue of an admission agreement made between the council in its capacity as Administering Authority and the organisation. It enables contractors who take on council services to offer staff transferred to the organisation continued membership of the LGPS.

## **Asset Allocation**

The apportionment of the Fund's assets between different types of investment (or asset classes). The long-term strategic asset allocation of the Fund will reflect the Fund's investment objectives and is set out in the Investment Strategy Statement.

## **Authorised Contractual Scheme (ACS)**

A collective investment scheme used by BCPP. An ACS is a form of investment fund that enables a number of investors to 'pool' their assets and invest in a professionally managed portfolio of investments, typically gilts, bonds, and quoted equities. Regulated by the Financial Conduct Authority, it is "tax transparent"; making it particularly useful for pooling pension assets.

## **B**

### **Benchmark**

A measure against which the investment policy or performance of an investment manager can be compared.

### **Border to Coast Pension Partnership (BCPP)**

The Fund's chosen asset pool. BCPP has 11 Partner Funds who collectively have around £45bn of assets. The Partner Funds have appointed a Board of Directors, chaired by Chris Hitchen, which is responsible for ensuring that Border to Coast is run effectively and in line with the guiding principles set by the shareholders. The Chief Executive Officer, Rachel Elwell, is responsible for the day to day running of Border to Coast along with her team.

### **Border to Coast Joint Committee**

As part of their oversight, BCPP Partner Funds formed a Joint Committee which consists of the Chairs of each of the Partner Fund Pension Committees together with other non-voting representatives.

## **C**

### **CARE (Career Average Revalued Earnings)**

From 1 April, 2014, the LGPS changed from a final salary scheme to a Career Average (CARE) scheme. The LGPS remains a defined benefit scheme but benefits built up from 2014 are now worked out using a member's pay each scheme year rather than the final salary at leaving.

### **Cash Equivalent Value (CEV)**

This is the cash value of a member's pensions rights for the purposes of divorce or dissolution of a civil partnership.

## **Consumer Price Index (CPI)**

A method of measuring the changes in the cost of living, similar to the Retail Price Index. Since April 2011 LGPS pensions are increased annually in line with movement in the Consumer Price Index during the 12 months to the previous September.

## **Commutation**

A scheme member may give up part or all of the pension payable from retirement in exchange for an immediate lump sum.

## **Convertible Shares**

Shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

## **Custodian**

A financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange. Custody is currently provided to the Fund by Northern Trust.

## **D**

### **Death Grant**

A lump sum paid by the Fund to the dependents or nominated representatives of a member who dies.

### **Deferred Member/Pensioner**

A scheme member who has left employment or otherwise ceased to be an active member of the scheme who retains an entitlement to a pension from the Fund.

## **Defined Benefit Scheme**

A pension scheme like the LGPS where the benefits that will ultimately be paid to the employee are fixed in advance and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the future pension promise.

## **Denomination**

The face value of a bank note, coin or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction or the currency a financial asset is quoted in.

## **Designating Body**

Organisations that can designate employees for access to the LGPS. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, among others, can be designated for membership of the scheme.

## **Discretion**

The power given by the LGPS to enable a participating employer or Administering Authority to choose how they will apply the scheme in respect of several its provisions. For some of these discretions it is mandatory to pass resolutions to form a policy as to how the provision will apply. For the remaining discretionary provisions, a policy is advised.

## **Direct Property**

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

## **Diversified Growth Funds (DGF)**

An alternative way of investing in shares, bonds, property and other asset classes; DGFs are funds that invest in a wide variety of asset classes in

order to deliver a real return over the medium to long-term. The Fund's DGF is managed by BlackRock.

## **E**

### **Employer Contribution Rates**

The percentage of an employee's salary participating employers pay as a contribution towards that employee's LGPS pension.

### **Employer Covenant**

The covenant is an employer's legal obligation and financial ability to support their defined benefit (DB) obligation now and in the future.

### **Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

## **ESG**

ESG is the consideration of environmental, social and governance factors alongside financial ones in the investment decision-making process. E, S, and G are the three key factors in assessing an investment's sustainability

## **F**

### **Fiduciary Duty**

Fiduciary duties exist to ensure that those who manage other people's money act in beneficiaries' interests rather than their own.

## **Financial Instruments**

Tradable assets of any kind, which can be cash, evidence of an ownership interest in an entity or a contractual right to receive or deliver cash or another financial instrument.

## **Fixed Interest Securities**

Investments, mainly in Government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date that can be traded on a recognised stock exchange in the meantime.

## **Fund of Funds (FoF)**

A fund that holds a portfolio of other investment funds.

## **G**

### **Guaranteed Minimum Pension (GMP)**

The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

## **I**

### **Index**

A calculation of the average price of shares, bonds or other assets in a specified market to provide an indication of the average performance and general trends in the market.

## **Internal Rates of Return (IRR)**

The internal rate of return (IRR) is a metric used to estimate the profitability of potential investments. Generally, the higher an IRR, the more desirable an investment is to undertake.

## **L**

### **Local Government Pension Scheme (LGPS)**

The LGPS is collectively the largest public sector pension scheme in the UK, which provides DB benefits to employees of local government employers and other organisations that have chosen to participate.

### **Local Pension Board (LBP)**

Since April 2015, each Administering Authority is required to establish and operate a Local Pension Board. The Pension Board is responsible for assisting the Administering Authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator. The Board is made up of equal representation from employer and scheme member representatives.

## **M**

### **Myners Principles**

A set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom. The Myners' principles for defined benefit schemes cover:

Effective decision-making

Clear objectives

Risk liabilities

Performance assessment



Responsible ownership

Transparency and reporting.

## O

### **Ordinary Shares**

An ordinary share represents equity ownership in a company and entitles the owner to vote at the general meetings of that company and receive dividends on those shares if a dividend is payable.

## P

### **Partner Funds**

The Fund's chosen asset pool, BCPP, has 11 Partner Funds - Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear, Warwickshire.

### **Pension Liberation Fraud**

Members with deferred benefits may be approached by companies offering to release funds early from these benefits. The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

### **Pensions Online**

The Fund's online portal where scheme members may view their pensions records, complete retirement calculations, and update personal details.

### **Pensions Regulator**

The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. TPR make sure that employers put their staff into a pension

scheme and pay money into it. TPR also make sure that workplace pension schemes are run properly so that people can save safely for their later years.

## **Pooled Funds**

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

## **Pooling in the LGPS**

Central government requires local authorities to pool their pension assets, to achieve four principles:

1. Cost savings through economies of scale
2. Improved governance
3. Improved approach to responsible investment
4. Improved ability to invest in infrastructure

## **Proxy Voting**

Proxy voting allows shareholders to exercise their right to vote without needing to attend AGMs. This can involve shareholders with voting rights delegating their votes to others who vote on their behalf.

## **Q**

## **Quantitative Easing**

Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like Government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

## **R**

### **Related Party Transactions**

This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

### **Responsible Investment (RI)**

Responsible investment involves incorporating environmental, social and governance (ESG) considerations into investment decision-making while practising active ownership. RI can help deliver sustainable, long-term returns for investors.

### **Retail Price Index**

A method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which LGPS pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011, the Government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index (CPI).

### **Return**

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

### **Rule of 85**

Under previous LGPS regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. If the sum of the member's age and the number of whole years of their scheme membership was 85 or more, benefits were paid in full. If the total was less than 85, the benefits were reduced. The Rule of 85 was abolished on 1 October, 2006 - however, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

## **S**

### **Scheduled Body**

An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

### **Spot Rate**

The price quoted for immediate settlement on a commodity, security or currency. It is based on the value of an asset at the moment of the quote, which in turn is based on how much buyers are willing to pay and how much sellers are willing to accept depending on factors such as current market value and expected future market value.

### **State Pension Age (SPA)**

The earliest age at which State Pension can be paid, which different to the earliest age LGPS may be claimed. Under the current law, the State Pension age is due to increase to 68.

### **Stock Lending**

This is loaning a stock, derivative or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower and title is returned at the end of the loan period.

## **T**

### **TCFD**

The Taskforce on Climate Related Financial Disclosures was set up to develop voluntary, consistent, climate related financial risk disclosures to guide companies in providing information to investors, lenders, insurers and other stakeholders. It is expected that MHCLG will consult on mandatory TCFD disclosures in the LGPS by the end of 2021.

## **The Pension Advisory Service (TPAS)**

The Pensions Advisory Service (TPAS) gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangement. TPAS is an executive non-departmental public body, sponsored by the Department for Work and Pensions.

## **Transfer Value**

A transfer value is a cash sum representing the value of a member's pension rights.

## **Transferred Service**

Any pension that members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

## **U**

## **UK Stewardship Code**

A code first published by the FRC in 2010 to enhance the quality of engagement between asset managers and companies in the UK. Its principal aim is to make asset managers more active and engaged in corporate governance matters in the interests of their beneficiaries. The Code was revised in 2020.

## **Unrealised gains/losses**

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

## **Author(s)**

Paul Cooper

Tel: 03000 269798

This page is intentionally left blank

**DURHAM COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in **Committee Room 2, County Hall, Durham** on **Monday 24 June 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, B Kellett and J Shuttleworth

**Also Present:**

**Scheme Member Representatives**

J Taylor

**Further Education Colleges Representative**

A Broadbent

**Council Advisers**

Paul Cooper – Head of Pensions (LGPS)

Paul Darby – Corporate Director of Resources

Jo McMahon – Finance Manager

**Investment Advisers**

Milo Kerr – BCPP

Graham Long – BCPP

Sharmila Sikdar – BCPP

**Independent Advisers**

Sandy Dickson – Mercer

Anthony Fletcher – MJ Hudson

**1 Apologies for Absence**

Apologies for absence were received from Councillors M Porter, J Quinn and C Varty and A Delandre.

## **2 Declarations of Interest**

There we no Declarations of Interest.

## **3 Minutes**

The minutes of the meeting held 14 March 2024 were agreed as a correct record and signed by the Chair.

## **4 Local Pension Board Annual Report and Pension Administration Performance 2023/24**

The Committee considered a report of the Corporate Director of Resources which set out the Local Pension Board Annual Report (for copy see file of Minutes).

The Head of Pensions (LGPS), Paul Cooper explained the report set out the work of the Board over the last year, covering a broad range of areas in assisting the Administering Authority to secure compliance with regulations, and ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

Councillor A Hopgood, a member of the Board, was in attendance to explain the work of the Board, giving information on the process by which the Board operated, noting the same training requirements for Board Members as for Committee Members.

The Chair thanked Councillor A Hopgood and the Board for their work, and agreed as regards importance of the training carried out, especially prior to investment decisions being made.

Councillor A Hopgood noted that where issues stood out within key performance indicators (KPIs), these were questioned by the Board to understand any underlying issues. The Head of Pensions (LGPS) noted the KPIs were referred to within Appendix 2 of the report and highlighted the main issues.

### **Resolved:**

That the report be noted.

*Councillor A Hopgood left the meeting at 10.11am*



## **5 Review of Pension Fund Committee Terms of Reference**

The Committee considered a report of the Corporate Director of Resources which updated Members on a review of the Pension Fund Committee Terms of Reference (for copy see file of Minutes).

The Head of Pensions (LGPS) reminded Members that Pension Fund Committee Terms of Reference clearly defined the responsibilities of the Committee, setting out its Objectives, Authority and Composition and were reviewed annually. He added that whilst the Terms of Reference remain relevant and fit for purpose, it was good governance to evaluate the Terms periodically. He noted no significant changes this year, other than in terms of reporting frequency as previously discussed by the Committee.

### **Resolved:**

- a) That the Corporate Director of Resources be authorised to publish the Terms of Reference, subject to any comments of the Committee;
- b) That the Terms of Reference continue to be reviewed at least annually.

## **6 Overall Value of Pension Fund Investments to 31 March 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 31 March 2024, the movement in cash balances during the last quarter (for copy see file of Minutes).

Councillor J Atkinson asked as regards the £38 million listed as cash held. The Finance Manager (Revenue, Pensions and Technical Services), Jo McMahon explained this was cash that Fund Managers held on our behalf to be reallocated as required.

### **Resolved:**

That the information contained in the report be noted.

## **7 Performance Measurement of Pension Fund Investments to 31 March 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 31 March 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.

## **8 Internal Audit Plan 2023/24 - Progress Report to 31 March 2024**

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 2023 to 31 March 2024 as part of the 2023/2024 Internal Audit Plan (for copy see file of minutes).

Councillor B Kellett asked as regards the governance arrangements audit deferred at the service's request. The Head of Pensions (LGPS) noted the changes and the new training policy, with the audit having been deferred to so that the audit could take place after those changes were in place.

### **Resolved:**

That the work undertaken by Internal Audit during the period ending 31 March 2024 be noted.

## **9 Update on Pension Fund Statement of Accounts and External Audit Strategy Memorandum**

The Chair noted Items 9 and 10 would be taken together. The Finance Manager explained that the Statement of Accounts was published by the Corporate Director of Resources on 31 May 2024 and published on the Council's website the same day. She noted a 30-day public inspection period 3 June to 12 July. She added that Auditors has started their process 8 July, to be completed mid-November. She noted this was subsequent to the 30 September deadline, however, reiterated previous information in this regard, namely the national backlog in terms of audit work.

The Finance Manager noted that representatives from Mazars were unfortunately not able to attend, however, noted the report set out the terms of reference for External Audit for the year ending 31 March 2024. She noted the report contained sections on the audit opinion, internal controls, fraud, risk, and audit fees.

Councillor J Atkinson noted the audit backlog, post-COVID, and asked whether audit companies were hiring enough staff, and whether we were getting what we needed. The Corporate Director of Resources, Paul Darby noted that Durham County Council (DCC) was largely unaffected, with its

accounts having been completed within the requisite timescales and was classed a 'low risk'. He reminded Members that DCC was one of a very few Local Authorities last year that had their accounts signed off by External Audit by 30 November.

The Corporate Director of Resources explained that Government had said Local Authorities should put in place arrangements to show that the work would be done, and a qualified opinion could be given. He added that DCC was not at that point, and that it was anticipated that the audit would be completed by 30 November as the local audit market had not been as impacted as much as other areas in the country. He added that Mazars were subject to robust questioning at the Council's Audit Committee, and it was noted that Mazars were also engaged in carrying out audits of other public sector bodies within the region.

Councillor J Atkinson asked as any fees would be incurred as a result of the delay. The Corporate Director of Resources noted there would be resources used in recalculating figures, adding it was best to carry out any audit as soon as possible after the year end. He reminded Members of the good working relationship between Mazars, DCC and the Pension Fund Committee and reiterated that the Audit Committee, as well as the Pension Fund Committee, rightly scrutinised the process as they were paying for a service.

The Chair noted the mitigating factors as previously discussed in terms of the estimated date for completion of the audit. The Corporate Director of Resources noted the issues in terms of resourcing and staffing was an issue with audit companies, noting that Statements of Accounts were now hugely complex and a lot of work for those companies.

A Broadbent asked as regards the Council being 'low risk'. The Corporate Director of Resources noted DCC being low risk as a Local Authority, given its history and the quality of the work of the Finance Manager and her team over many years. He added that, following the Redmond Review, fees had increased, although the Council had received some additional Government funding in this regard.

Councillor C Fletcher noted the position was that of 'catch-up' nationally in terms of audit completion and that if Mazars was not as badly impacted and they could only aim for November, it seemed the deadline of the end of September was not realistic. The Corporate Director of Resources noted that if deadlines were relaxed, then there was the possibility that audits could slip further behind. He reiterated that DCC had hit all of its deadlines and very few Local Authorities of similar size and complexity had managed to do so. He thanked the Finance Manager and her Team for their excellent work

and reiterated that a number of other public sector audits were being carried out, including the NHS, which was impacting upon auditors.

**Resolved:**

That the update on Pension Fund Statement of Accounts and External Audit - Audit Strategy Memorandum 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).

The Head of Pensions (LGPS) noted that the main issues were set out within the appendices, with Appendix 1 referring to the new suite of KPIs, Appendix 2 referring to gender pay gap, and Appendix 3 referring to a letter from the Local Government Minister to all Chief Executives and s151 Officers asking whether the current number of Pension Funds was right, or whether they could consolidate further.

The Head of Pensions (LGPS) noted continued cross-party support in respect of greater LGPS support for "UK Plc", however, he would note that the first duty was a fiduciary one to make sufficient returns in order to pay pensions. He added that the Committee had already committed to supporting the UK in terms of the UK Opportunities Fund with BCPP to try and help benefit the UK and our region.

Councillor K Earley asked whether there were further advantages of scale in further consolidation of Pension Funds, noting he felt 87 Pension Funds seemed about right. He added he would support other Funds catching up in respect of pooling and noted that if further consideration was to create something 'too large to fail', then perhaps it would also be too large for local influence. The Head of Pensions (LGPS) noted that there were fee savings in terms of larger pools, however, there was a concentration of risk. He added that perhaps if there was focus on consolidation of existing pools, that may generate greater inertia in those yet to pool.

The Chair noted Durham had been clearly ahead of the game in this regard, working with others in terms of BCPP. He noted there needed to be balance between local control and working at a scale to bring about the associated benefits, such as in respect of fees and investment opportunities.

Councillor K Early noted that post-national elections seemed a good time to lobby in respect of our position working with BCPP. The Head of Pensions (LGPS) noted that the letter to Chief Executives and s151 Officers would be responded to by Officers, providing an opportunity to set out our position and progress to Civil Servants.

Councillor J Atkinson asked if it would be helpful to ask 'what has pooling done for us' in order to set out the progress we had made working with BCPP, to then be able to see what we needed to do next. The Head of Pensions (LGPS) noted that objectives that had been achieved included: fee savings; investment in infrastructure; internal management capabilities and approach to Responsible Investment. He noted the significant value added by Border to Coast in respect of Private Markets, with Climate Opportunities and UK Opportunities, as well as UK Real Estate.

Councillor B Kellett noted it appeared the Minister was stating 'there was room for improvement' and that Government were looking for further economies of scale with larger pools. He noted he felt Government wanted further control, and he felt that should be a matter for Pension Fund Committees. The Head of Pensions (LGPS) noted that there was a school of thought that larger was better in terms of pooling. However, he noted we would be able to point to the success of BCPP and our pooling progress, though that would not mean we would be immune to further pressure from Government. Councillor B Kellett noted the 'five percent to local investment', with still no definition of 'local'. The Head of Pensions (LGPS) noted there was a lot of work in the background in this regard, and in terms of defining 'local', adding that the UK Opportunities Fund would be part of that five percent 'local' investment. The Chair noted he agreed with Councillor B Kellett in terms of having the control at local level with local accountability in terms of investment.

*Councillor J Shuttleworth entered the meeting at 11.00am*

**Resolved:**

That the information contained in the report be noted.

**11 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.

## **12 Minutes**

The minutes of the meeting held 14 March 2024 were agreed as a correct record and signed by the Chair.

## **13 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.

## **14 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.

## **15 Border to Coast 2030 Strategy**

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 information contained in the report be noted.

## **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 Independent Advisor Annual Review of External Equities**

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

### **Resolved:**

That the information contained in the report be noted.

## **18 Border to Coast Pensions Partnership Joint Committee Annual Review of Global Equity Alpha**

The Committee considered the report in respect of the Border to Coast Pensions Partnership Joint Committee Annual Review of Global Equity Alpha, presented by Graham Long, Border to Coast Partnership (for copy see file of minutes).

### **Resolved:**

That the information contained in the report be noted.

## **19 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.

## **20 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.

## **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 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.

## **23 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 December 2023.

### **Resolved:**



That the information contained in the report be noted

This page is intentionally left blank

**Pension Fund Committee**

**12 September 2024**

**Overall Value of Pension Fund  
Investments to 30 June 2024**



---

**Report of Paul Darby, Corporate Director of Resources**

**Purpose of the Report**

1. To provide an update to Members on the:
  - (a) overall value of the Pension Fund's investments at 30 June 2024;
  - (b) movement in the cash balance during the quarter, and;
  - (c) actual cash flows for the period 1 January 2024 to 30 June 2024 along with a cash flow forecast to 30 June 2025.
  - (d) rebalancing activity undertaken during the Quarter 1 April – 30 June 2024.

**Executive Summary**

2. The overall value of the Fund as at 30 June 2024 was £3.655 billion and the cash balance held in the Durham County Council Pension Fund bank account was £33.237 million. Fund managers also held cash of £44.506 million at that date.
3. Working cash balance levels and rebalancing reviews continue to be undertaken. No asset classes hit the trigger point for rebalancing requirements during the quarter to 30 June 2024.
4. Appendix 1 summarises the actual cash flows for the periods 1 January 2024 to 30 June 2024 and the working cash balance position of the pension fund at the end of each quarter.
5. Appendix 2 summarises the quarterly cash flow forecasts to 30 June 2025.

## **Recommendation**

6. Members are asked to note and agree the information relating to the Fund value as at 30 June 2024 and cash flows contained within the report.

## **Value of the Pension Fund**

7. Reports from the four listed fund managers, namely:

- AB
- BCPP
- CB Richard Ellis
- Foresight

are included in Part B of today's agenda.

8. The value of the Fund at 30 June 2024 was £3.655 billion compared to £3.665 billion at 31 March 2024. This is a decrease of £10 million (or 0.27%) in the first quarter of 2024/25. Details of the fund's performance are provided later in the meeting.

## **Allocation of New Investment Money/ Withdrawal of Investment Money to Deal with Estimated Shortfall**

9. New investment money is allocated to fund managers when the Pension Fund has cash which is not required to be available as a working cash balance, for example to pay pensioners or fees.
10. When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from fund managers. The working cash balance requirement has been calculated as between £33 million and £35 million.

## **Fund Rebalancing**

11. Fund rebalancing is the mechanism by which the Pension Fund ensures that the asset allocation to fund managers is maintained at the target levels previously agreed by the Pension Fund Committee and as set out in the Investment Strategy Statement. It is also the means by which cash is moved to or from managers as a consequence of the cash flow forecasts.

12. In line with decisions taken by the Committee, periodic rebalancing is undertaken. The revised rebalancing approach reflects the change in the composition of the liquid assets held by the Fund.
13. No rebalancing has been undertaken during the first quarter.
14. The table below highlights the fund balance by fund manager and asset class as at 30 June 2024:

<b>Fund Manager and Asset Class</b>	<b>As of 30 June 2024 Market Value £000's</b>	<b>Actual Weight</b>	<b>Current Target Weight</b>	<b>Rebalancing Range – Trigger Points</b>
ALLIANCE BERNSTEIN *	187.49	5.13%	5.00%	n/a
CBRE 1 *	214.64	5.87%	8.66%	n/a
CBRE 2 *	49.40	1.35%	1.34%	n/a
BCPP GLOBAL EQUITY ALPHA FUND	1,581.01	43.25%	40.00%	36%-44%
BCPP STERLING INDEX LINKED BOND	356.16	9.74%	10.00%	10%-12%
BCPP PRIVATE MARKETS*	270.31	7.40%	6.10%	n/a
BCPP MULTI ASSET CREDIT FUND	563.42	15.41%	15.00%	13%-17%
BCPP LISTED ALT FD	62.73	1.72%	3.86%	1%-3%
FORESIGHT REGIONAL INVESTMENT*	4.25	0.12%	0.04%	n/a
BCPP EMERGING MARKET ALPHA FUND	190.12	5.2%	5.00%	4%-6%
BCPP INVESTMENT GRADE CREDIT	175.79	4.81%	5.00%	4%-6%
<b>TOTAL</b>	<b>3,665.32</b>	<b>100.00%</b>	<b>100.00%</b>	

*\*Not within scope of rebalancing*

## **Cash Flow**

15. In March 2024, Members considered a revised cash flow reporting model. Feedback received from members has been incorporated into the cash flows presented at Appendix 1 and Appendix 2
16. Appendix 1 highlights the cashflow for the periods 1 January 2024 to 30 June 2024 and details the original forecasts, actuals and variances against the original forecasts.
17. Appendix 2 highlights the quarterly forecasted cash flows of the pension fund from the 1 July 2024 to 30 June 2025.

18. The model continues to reflect the implementation of the new strategic asset allocations and positive income generated from Investment Grade Credit along with the commitments agreed by Committee, to BCPP Alternatives.
19. The following table summarise the cash flow movement from 1 January 2024 to 30 June 2024:

	<b>Original Forecast</b> <b>£000's</b>	<b>Actual</b> <b>£000's</b>	<b>Variance</b> <b>£000's</b>	<b>Variance %</b> <b>£000's</b>
<b>Opening Cash flow</b>	<b>31,083</b>	<b>31,084</b>	<b>1</b>	<b>0.00%</b>
Total Inflows	99,835	94,859	<b>-4,976</b>	-4.98%
Total Outflows	-112,771	-107,010	<b>5,761</b>	-5.11%
Total BCPP	8,827	8,304	<b>-523</b>	-5.93%
Cash withdrawal	6,000	6,000	<b>0</b>	0.00%
<b>Closing Cash Flows</b>	<b>32,974</b>	<b>33,237</b>	<b>263</b>	<b>0.80%</b>

20. The main reasons across Inflows, outflows and BCPP categories for the actual variance to original forecast is as follows:
- (a) The original forecasts within the January 2024 – June 2024 cash flow reported to members at the March Committee were based on an assumed equal profiling over 12 months. Actual receipts reflect the nature of the programme. Further information received from the Private Markets Manager supports this. The pattern / behaviour is detailed further in Part B of today's meeting.
21. The Cash Flow forecasts in Appendix 2 include the following assumptions :-
- (a) Pension Contributions have taken into consideration the MTFP employee pay award assumption amount of 4%, from December 2024 (including arrears);
- (b) Deficit payments are in line with the AON Triennial Valuation Rates and Adjustments figures, with the schools' figure adjusted for academy conversions;

- (c) Unfunded pension recharges – based on an average of actuals relative to the 12 month rolling cash flow period to 30 June 2024;
- (d) Investment Grade Credit income – based on an average of actuals relative to the 12 month rolling cash flow period to 30 June 2024;
- (e) Pension transfers – based on an average of actuals relative to the 12 month rolling cash flow period to 30 June 2024;
- (f) Interest earned – based on the Treasury Management team’s forecast of the interest DCC will pay to the Pension Fund;
- (g) Fees and overpayment - based on an average of actuals relative to the 12 month rolling cash flow period to 30 June 2024;
- (h) Misc. inflows - based on an average of actuals relative to the 12 month rolling cash flow period to 30 June;
- (i) BCPP – Distributions/rebates based on revised BCPP commitments forecast (July 2024);
- (j) Pension Benefits paid – increased by the agreed increase in pensions of 6.7% from April 2025;
- (k) HMRC – Pension Tax - based on an average of actuals relative to the 12 month rolling cash flow period to 30 June 2024, this also includes payments to HMRC for the Lifetime Allowance tax;
- (l) Fund manager payments - are made as capital calls into Foresight Group. Data has been provided from Foresight in regard to future planned capital calls on a quarterly basis which has enabled the accurate forecasting of these payments into the model;
- (m) Misc. outflows - based on an average of actuals relative to the 12 month rolling cash flow period to 30 June 2024;
- (n) BCPP – capital calls – based on revised BCPP commitments forecast (July 2024);
- (o) BCPP – Listed Alts returns – Listed Alts is primarily held as a proxy for the BCPP Private Markets commitments. The

cashflow assumes that the amounts paid out for Private Market drawdowns will be drawdown as cash from Listed Alts, with a two month lag.

22. The actual and forecasted cash flows highlight an increase in BCPP distribution / rebates. As noted above in the assumptions paragraph of the report, the projections have been provided by the Private Markets Manager and reflect the nature of the relatively immature programme. The Private Market Performance Metrics considered in Part B of the meeting provide greater detail of the cash flow pattern / behaviour in relation to this element.
23. Members will note that the forecasted closing cash balances from quarter three onwards exceed the working cash balance requirement. On the basis of prudence, whilst we continue to review the assumptions and detailed information provision, projections are not being acted upon at this stage.
24. The monthly drawdown from the MAC (£2 million per month) therefore remains as a cash inflow assumption, this will however be reviewed in line with all cash flow assumptions and rebalancing exercises.

### **Background Papers**

25. Investment Strategy Statement:  
<https://www.durham.gov.uk/media/44693/Pension-Fund-Investment-Strategy-Statement/pdf/PensionFundInvestmentStrategyStatement.pdf?m=1716909339213>

---

**Contact:**  
**Jo McMahon 03000 261968**

---



## Appendix 1

### Actual Cash Flow – For the period 1 January 2024 to 30 June 2024

DCC Pension Fund - Quarter 4 to 31/03/24	Forecast	Actuals	Variance	Variance
<b>Cash Flow - Opening Balance</b>	<b>31,083,251.36</b>	<b>31,084,390.03</b>	<b>1,138.67</b>	0.00%
Period	Q4 2023	Q4 2023	Q4 2023	Q4 2023
<b>Cash Inflows</b>	£	£	£	%
<i>Pension Contribution - Employers</i>	26,837,120.99	26,572,279.10	-264,841.89	-0.99%
<i>Pension Contribution - Employees</i>	8,978,360.21	8,892,935.28	-85,424.93	-0.95%
<i>Pension Contribution - Deficit Payments</i>	353,699.03	406,144.48	52,445.45	14.83%
<i>Unfunded Pension Recharges</i>	715,183.32	428,921.63	-286,261.69	-40.03%
<i>Investment Grade Credit (est Jul-23)</i>	1,914,268.06	1,887,100.93	-27,167.13	-1.42%
<i>Pension Transfers</i>	1,741,154.06	2,392,044.28	650,890.22	37.38%
<i>Fund Manager Payments</i>	1,900,000.00	1,884,373.35	-15,626.65	-0.82%
<i>Interest Earned</i>	283,393.40	283,393.40	0.00	0.00%
<i>Fees &amp; Overpayment</i>	1,052,719.77	1,262,315.41	209,595.64	19.91%
<i>Misc Inflows*</i>	680,831.16	472,851.56	-207,979.60	-30.55%
<i>BCPP - Distributions/Rebates</i>	3,885,517.27	2,256,898.83	-1,628,618.44	-41.92%
<b>Total Inflows</b>	<b>48,342,247.26</b>	<b>46,739,258.24</b>	<b>-1,602,989.02</b>	<b>-3.32%</b>
<b>Cash Outflows</b>				
<i>Pension Benefits Paid</i>	-45,912,967.16	-39,408,830.84	6,504,136.32	-14.17%
<i>HMRC - Pension Tax</i>	-5,224,452.40	-5,092,423.76	132,028.64	-2.53%
<i>Fund Manager Payments</i>	-1,578,018.54	-797,118.41	780,900.13	-49.49%
<i>Misc Outflows*</i>	-1,596,960.40	-4,021,979.45	-2,425,019.05	151.85%
<b>Total Outflows</b>	<b>-54,312,398.51</b>	<b>-49,320,352.46</b>	<b>4,992,046.05</b>	<b>-9.19%</b>
<b>Border To Coast</b>				
<i>BCPP - Capital Calls</i>	-25,173,089.08	-24,077,118.45	1,095,970.63	-4.35%
<i>BCPP - Listed Alts Returns</i>	25,000,000.00	25,000,000.00	0.00	0.00%
<b>Total BCPP</b>	<b>-173,089.08</b>	<b>922,881.55</b>	<b>1,095,970.63</b>	<b>-633.18%</b>
<i>Balancing Cash Withdrawal</i>				
<b>Cash Flow - Closing Balance</b>	<b>24,940,011.04</b>	<b>29,426,177.36</b>	<b>4,486,166.32</b>	<b>17.99%</b>

DCC Pension Fund - Quarter 1 to 30/06/24	Forecast	Actuals	Variance	Variance
<b>Cash Flow - Opening Balance</b>	<b>24,940,011.04</b>	<b>29,426,177.36</b>	<b>4,486,166.32</b>	17.99%
Period	Q1 2024	Q1 2024	Q1 2024	Q1 2024
<b>Cash Inflows</b>	£	£	£	£
<i>Pension Contribution - Employers</i>	26,950,404.69	26,319,730.84	-630,673.85	-2.34%
<i>Pension Contribution - Employees</i>	9,065,066.43	8,854,391.23	-210,675.20	-2.32%
<i>Pension Contribution - Deficit Payments</i>	602,138.50	573,175.76	-28,962.74	-4.81%
<i>Unfunded Pension Recharges</i>	1,066,445.34	1,480,144.80	413,699.46	38.79%
<i>Investment Grade Credit (est Jul-23)</i>	1,897,140.38	1,956,033.24	58,892.86	3.10%
<i>Pension Transfers</i>	2,959,358.71	2,447,241.64	-512,117.07	-17.31%
<i>Fund Manager Payments</i>	0.00	12,053.32	12,053.32	100.00%
<i>Interest Earned</i>	367,500.00	437,084.72	69,584.72	18.93%
<i>Fees &amp; Overpayment</i>	619,245.20	66,411.42	-552,833.78	-89.28%
<i>Misc Inflows*</i>	772,186.94	903,198.49	131,011.55	16.97%
<i>BCPP - Distributions/Rebates</i>	7,192,500.00	5,070,274.43	-2,122,225.57	-29.51%
<b>Total Inflows</b>	<b>51,491,986.19</b>	<b>48,119,739.89</b>	<b>-3,372,246.30</b>	<b>-6.55%</b>
<b>Cash Outflows</b>				
<i>Pension Benefits Paid</i>	-52,277,516.96	-51,542,412.48	735,104.48	-1.41%
<i>HMRC - Pension Tax</i>	-4,908,470.90	-5,063,157.91	-154,687.01	3.15%
<i>Fund Manager Payments</i>	-1,200,419.84	-994,818.43	205,601.41	-17.13%
<i>Misc Outflows*</i>	-71,811.52	-89,868.29	-18,056.77	25.14%
<b>Total Outflows</b>	<b>-58,458,219.23</b>	<b>-57,690,257.11</b>	<b>767,962.12</b>	<b>-1.31%</b>
<b>Border To Coast</b>				
<i>BCPP - Capital Calls</i>	-28,275,000.00	-22,419,038.41	5,855,961.59	-20.71%
<i>BCPP - Listed Alts Returns</i>	37,275,000.00	29,800,000.00	-7,475,000.00	-20.05%
<b>Total BCPP</b>	<b>9,000,000.00</b>	<b>7,380,961.59</b>	<b>-1,619,038.41</b>	<b>-17.99%</b>
<i>Balancing Cash Withdrawal</i>	6,000,000.00	6,000,000.00	0.00	0.00%
<b>Cash Flow - Closing Balance</b>	<b>32,973,778.00</b>	<b>33,236,621.73</b>	<b>262,843.73</b>	<b>0.80%</b>

Please note that a positive inflow variance represents a increase in receipts, whereas a positive outflow represents a reduction in expenditure and vice versa.

## Forecast Cash Flow – For the period 1 July 2024 to 30 June 2024

DCC Pension Fund - Quarterly Forecast				
Cash Flow - Opening Balance	33,236,621.73	33,637,816.44	37,311,326.32	45,011,318.86
Period	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Cash Inflows	£	£	£	£
<i>Pension Contribution - Employers</i>	26,950,404.69	30,184,453.25	28,028,420.88	28,028,420.88
<i>Pension Contribution - Employees</i>	9,065,066.43	10,152,874.40	9,427,669.09	9,427,669.09
<i>Pension Contribution - Deficit Payments</i>	602,138.50	602,138.50	602,138.50	602,138.50
<i>Unfunded Pension Recharges</i>	1,018,961.17	1,018,961.17	1,018,961.17	1,018,961.17
<i>Investment Grade Credit (from Jul-23)</i>	1,905,071.82	1,905,071.82	1,905,071.82	1,905,071.82
<i>Pension Transfers</i>	2,953,176.17	2,953,176.17	2,953,176.17	2,953,176.17
<i>Fund Manager Payments</i>	-	-	-	-
<i>Interest Earned</i>	367,500.00	367,500.00	367,500.00	367,500.00
<i>Fees &amp; Overpayment</i>	475,390.19	475,390.19	475,390.19	475,390.19
<i>Misc Inflows*</i>	626,847.04	626,847.04	626,847.04	626,847.04
<i>MAC Withdrawal (from Apr-24)</i>	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00
<i>BCPP - Distributions/Rebates</i>	4,777,500.00	4,777,500.00	12,267,500.00	12,267,500.00
<b>Total Inflows</b>	<b>54,742,056.00</b>	<b>59,063,912.54</b>	<b>63,672,674.85</b>	<b>63,672,674.85</b>
<b>Cash Outflows</b>				
<i>Pension Benefits Paid</i>	- 49,142,412.48	- 49,142,412.48	- 49,142,412.48	- 52,434,954.12
<i>HMRC - Pension Tax</i>	- 4,740,114.31	- 4,740,114.31	- 4,740,114.31	- 4,740,114.31
<i>Fund Manager Payments</i>	-	- 1,049,541.37	- 26,821.02	-
<i>Misc Outflows*</i>	- 458,334.50	- 458,334.50	- 458,334.50	- 458,334.50
<b>Total Outflows</b>	<b>- 54,340,861.29</b>	<b>- 55,390,402.66</b>	<b>- 54,367,682.31</b>	<b>- 57,633,402.93</b>
<b>Border To Coast</b>				
<i>BCPP - Capital Calls</i>	- 23,655,000.00	- 23,655,000.00	- 25,050,000.00	- 25,050,000.00
<i>BCPP - Listed Alts Returns</i>	23,655,000.00	23,655,000.00	23,445,000.00	25,050,000.00
<b>Total BCPP</b>	<b>-</b>	<b>-</b>	<b>- 1,605,000.00</b>	<b>-</b>
<i>Balancing Cash Withdrawal</i>				-
<b>Cash Flow - Closing Balance</b>	<b>33,637,816.44</b>	<b>37,311,326.32</b>	<b>45,011,318.86</b>	<b>51,050,590.78</b>

This page is intentionally left blank

**Pension Fund Committee**

**12 September 2024**

**Performance Measurement of Pension  
Fund Investments to 30 June 2024**



---

**Report of Paul Darby, Corporate Director of Resources**

**Purpose of the Report**

- 1 To provide an overview of the investment performance of the Pension Fund to 30 June 2024.

**Recommendation**

- 2 Members to note the information contained within the attached report produced by Northern Trust, the Fund's custodian.

**Background**

- 3 The performance of the four fund managers is measured against personalised benchmarks chosen at the inception of the fund. The attached performance report from Northern Trust shows:
  - (a) The fund managers' benchmarks;
  - (b) The total fund performance for the quarter to 30 June 2024, plus the last 1, 3, 5 and 10 years and since inception;
  - (c) Individual fund managers' performance in absolute and relative terms against the relevant benchmarks, for the quarter 30 June 2024, plus the last 1, 3, 5 and 10 years and since inception.

---

**Contact:**

Jo McMahon

Tel: 03000 261968

---

This page is intentionally left blank

# Durham CC Pension Fund

---

## Investment Risk & Analytical Services

June 30, 2024

# Table of Contents

---

<b>Section 1. Durham CC Pension Fund</b>	3
1.1. <u>Investment Hierarchy (Arithmetic Excess)</u>	4
1.2. <u>Market Value Summary - One Month</u>	6
<b>Section 2. Appendix</b>	7
2.1. <u>Disclaimer(s)</u>	8



SECTION 1

# Durham CC Pension Fund

---

Investment Risk & Analytical Services

June 30, 2024

## Investment Hierarchy (Arithmetic Excess)

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return								Inception to Date	Inception Date
			One Month	Three Months	One Year	Three Years	Five Years	Ten Years				
<b>Durham CC Pension Fund</b>	<b>3,655,210,392</b>	<b>100.00</b>	<b>1.55</b>	<b>0.30</b>	<b>8.82</b>	<b>1.19</b>	<b>4.34</b>	<b>6.17</b>	<b>6.33</b>	<b>02/29/2008</b>		
<i>Durc Total Plan Benchmark</i>			2.03	2.03	13.44	4.76	6.77	8.15	8.09	02/29/2008		
<i>Excess Return</i>			-0.48	-1.73	-4.63	-3.57	-2.43	-1.98	-1.76	02/29/2008		
<b>Alliance Bernstein</b>	<b>187,494,260</b>	<b>5.13</b>	<b>0.58</b>	<b>0.83</b>	<b>8.28</b>	<b>1.16</b>	<b>1.48</b>	<b>2.03</b>	<b>2.97</b>	<b>02/29/2008</b>		
<b>Alliance Bernstein</b>	<b>187,494,260</b>	<b>5.13</b>	<b>0.58</b>	<b>0.83</b>	<b>8.28</b>	<b>1.16</b>	<b>1.48</b>	<b>2.03</b>	<b>2.97</b>	<b>02/29/2008</b>		
<i>SONIA + 3%</i>			0.67	2.04	8.40	5.97	4.98	4.27	4.34	02/29/2008		
<i>Excess Return</i>			-0.09	-1.22	-0.12	-4.80	-3.51	-2.25	-1.36	02/29/2008		
<b>CBRE 1</b>	<b>214,511,137</b>	<b>5.87</b>	<b>0.45</b>	<b>-0.45</b>	<b>-0.98</b>	<b>1.70</b>	<b>3.05</b>	<b>5.81</b>	<b>3.88</b>	<b>02/29/2008</b>		
<b>CBRE 1</b>	<b>214,511,137</b>	<b>5.87</b>	<b>0.45</b>	<b>-0.45</b>	<b>-0.98</b>	<b>1.70</b>	<b>3.05</b>	<b>5.81</b>	<b>3.88</b>	<b>02/29/2008</b>		
<i>RPI + 5%</i>			0.63	2.32	7.84	13.13	10.84	9.21	8.83	02/29/2008		
<i>Excess Return</i>			-0.18	-2.78	-8.83	-11.43	-7.80	-3.40	-4.95	02/29/2008		
<b>CBRE 2</b>	<b>49,367,589</b>	<b>1.35</b>	<b>0.74</b>	<b>-2.77</b>	<b>7.55</b>	<b>1.58</b>	<b>3.22</b>	<b>6.34</b>	<b>5.62</b>	<b>02/29/2008</b>		
<b>CBRE 2</b>	<b>49,367,589</b>	<b>1.35</b>	<b>0.74</b>	<b>-2.77</b>	<b>7.55</b>	<b>1.58</b>	<b>3.22</b>	<b>6.34</b>	<b>5.62</b>	<b>02/29/2008</b>		
<i>RPI + 5%</i>			0.63	2.32	7.86	13.13	10.85	9.21	8.83	02/29/2008		
<i>Excess Return</i>			0.12	-5.09	-0.30	-11.56	-7.62	-2.87	-3.21	02/29/2008		
<b>Mondrian</b>	<b>60,509</b>	<b>0.00</b>	-	-	-	-	-	-	<b>14.60</b>	<b>10/31/2014</b>		
<b>Mondrian</b>	<b>60,509</b>	<b>0.00</b>	-	-	-	-	-	-	<b>14.60</b>	<b>10/31/2014</b>		
<b>BCPP</b>	<b>2,929,216,449</b>	<b>80.14</b>	<b>1.55</b>	<b>0.13</b>	<b>11.02</b>	<b>1.34</b>	-	-	<b>5.56</b>	<b>09/30/2019</b>		
<b>BCPP Emerging Mkt Alpha Fund</b>	<b>190,116,370</b>	<b>5.20</b>	<b>4.22</b>	<b>4.06</b>	-	-	-	-	<b>11.55</b>	<b>07/10/2023</b>		
<i>MSCI Emerging Markets ND</i>			4.69	4.93	-	-	-	-	14.68	07/10/2023		
<i>Excess Return</i>			-0.47	-0.87	-	-	-	-	-3.13	07/10/2023		
<b>BCPP Global Equity Alpha Fund</b>	<b>1,581,012,088</b>	<b>43.25</b>	<b>2.07</b>	<b>0.33</b>	<b>15.91</b>	<b>7.34</b>	-	-	<b>10.95</b>	<b>10/24/2019</b>		
<i>MSCI ACWI ND + 2%</i>			3.09	3.24	22.18	10.65	-	-	13.55	10/24/2019		
<i>Excess Return</i>			-1.02	-2.91	-6.27	-3.31	-	-	-2.60	10/24/2019		
<b>BCPP Investment Grade Credit F</b>	<b>175,787,920</b>	<b>4.81</b>	<b>0.81</b>	<b>-0.02</b>	<b>10.60</b>	-	-	-	<b>9.70</b>	<b>06/23/2023</b>		
<i>DURC14 iBoxx £ Non-Gilts+%0.6</i>			0.93	0.02	10.35	-	-	-	9.61	06/23/2023		
<i>Excess Return</i>			-0.12	-0.04	0.25	-	-	-	0.10	06/23/2023		
<b>BCPP Listed ALT FD</b>	<b>62,726,878</b>	<b>1.72</b>	<b>-0.35</b>	<b>1.56</b>	<b>12.91</b>	-	-	-	<b>1.72</b>	<b>01/31/2022</b>		
<i>MSCI ACWI</i>			3.00	2.94	20.61	-	-	-	9.84	01/31/2022		
<i>Excess Return</i>			-3.35	-1.39	-7.70	-	-	-	-8.12	01/31/2022		
<b>BCPP Multi Asset Credit Fund</b>	<b>563,417,368</b>	<b>15.41</b>	<b>0.51</b>	<b>0.88</b>	<b>8.85</b>	-	-	-	<b>0.49</b>	<b>10/14/2021</b>		
<i>SONIA + 3%</i>			0.67	2.04	8.40	-	-	-	6.28	10/14/2021		
<i>Excess Return</i>			-0.16	-1.16	0.45	-	-	-	-5.79	10/14/2021		

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return							
			One Month	Three Months	One Year	Three Years	Five Years	Ten Years	Inception to Date	Inception Date
<b>BCPP Sterling Index Linked Bd</b>	<b>356,155,825</b>	<b>9.74</b>	<b>0.27</b>	<b>-4.00</b>	<b>-5.61</b>	<b>-19.88</b>	-	-	<b>-16.20</b>	<b>10/08/2020</b>
<i>FTSE Index Linked 15+Yrs+0.02%</i>			0.26	-4.01	-5.77	-20.01	-	-	-16.41	10/08/2020
<i>Excess Return</i>			0.01	0.00	0.17	0.13	-	-	0.20	10/08/2020
<b>BCPP Private Market</b>	<b>270,310,868</b>	<b>7.40</b>	<b>3.29</b>	<b>3.12</b>	<b>-3.83</b>	<b>18.64</b>	-	-	<b>12.09</b>	<b>11/30/2020</b>
<b>BCPP Private Markets</b>	<b>270,310,868</b>	<b>7.40</b>	<b>3.29</b>	<b>3.12</b>	<b>-3.83</b>	<b>18.64</b>	-	-	<b>12.09</b>	<b>11/30/2020</b>
<b>Foresight Regional Investments</b>	<b>4,249,581</b>	<b>0.12</b>	<b>1.66</b>	<b>-1.28</b>	<b>-25.62</b>	-	-	-	<b>-29.51</b>	<b>08/31/2022</b>
<b>Foresight Regional Investment</b>	<b>4,249,581</b>	<b>0.12</b>	<b>1.66</b>	<b>-1.28</b>	<b>-25.62</b>	-	-	-	<b>-29.51</b>	<b>08/31/2022</b>
<i>15% Absolute Return</i>			1.17	3.56	15.00	-	-	-	15.00	08/31/2022
<i>Excess Return</i>			0.49	-4.84	-40.62	-	-	-	-44.51	08/31/2022

## Market Value Summary - One Month

Account/Group	05/31/2024 Market Value	Net Contribution*	Income	Fees	Appreciation	06/30/2024 Market Value
<b>Durham CC Pension Fund</b>	<b>3,602,273,848</b>	<b>-2,835,306</b>	<b>2,919,688</b>	<b>0</b>	<b>52,852,162</b>	<b>3,655,210,392</b>
<b>Alliance Bernstein</b>	<b>186,414,936</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,079,324</b>	<b>187,494,260</b>
Alliance Bernstein	186,414,936	0	0	0	1,079,324	187,494,260
<b>CBRE 1</b>	<b>213,544,708</b>	<b>0</b>	<b>1,368,063</b>	<b>0</b>	<b>-401,634</b>	<b>214,511,137</b>
CBRE 1	213,544,708	0	1,368,063	0	-401,634	214,511,137
<b>CBRE 2</b>	<b>49,003,127</b>	<b>0</b>	<b>209,097</b>	<b>0</b>	<b>155,365</b>	<b>49,367,589</b>
CBRE 2	49,003,127	0	209,097	0	155,365	49,367,589
<b>Mondrian</b>	<b>38,451</b>	<b>0</b>	<b>21,773</b>	<b>0</b>	<b>286</b>	<b>60,509</b>
Mondrian	38,451	0	21,773	0	286	60,509
<b>BCPP</b>	<b>2,895,115,811</b>	<b>-10,656,016</b>	<b>656,016</b>	<b>0</b>	<b>44,100,638</b>	<b>2,929,216,449</b>
BCPP Emerging Mkt Alpha Fund	182,414,027	0	0	0	7,702,343	190,116,370
BCPP Global Equity Alpha Fund	1,548,899,655	0	0	0	32,112,432	1,581,012,088
BCPP Investment Grade Credit F	175,029,033	-656,016	656,016	0	758,888	175,787,920
BCPP Listed ALT FD	71,008,500	-8,000,000	0	0	-281,622	62,726,878
BCPP Multi Asset Credit Fund	562,571,169	-2,000,000	0	0	2,846,199	563,417,368
BCPP Sterling Index Linked Bd	355,193,428	0	0	0	962,398	356,155,825
<b>BCPP Private Market</b>	<b>254,335,995</b>	<b>7,461,199</b>	<b>646,217</b>	<b>0</b>	<b>7,867,456</b>	<b>270,310,868</b>
BCPP Private Markets	254,335,995	7,461,199	646,217	0	7,867,456	270,310,868
<b>Foresight Regional Investments</b>	<b>3,820,820</b>	<b>359,511</b>	<b>18,523</b>	<b>0</b>	<b>50,728</b>	<b>4,249,581</b>
Foresight Regional Investment	3,820,820	359,511	18,523	0	50,728	4,249,581

\*Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments. Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.

SECTION 2

# Appendix

---

## Investment Risk & Analytical Services

June 30, 2024

## Disclaimer(s)

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by The Northern Trust Corporation and its wholly owned subsidiaries. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The Dow Jones Wilshire Indexes are calculated, distributed and marketed by Dow Jones & Company, Inc. pursuant to an agreement between Dow Jones and Wilshire and have been licensed for use. All content of the Dow Jones Wilshire Indexes © 2005 Dow Jones & Company, Inc. & Wilshire Associates Incorporated.

Standard and Poor's including its subsidiary corporations ("S&P") is a division of the McGraw-Hill Companies, Inc. Reproduction of S&P Index Alerts in any form is prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P sources, S&P or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P gives not express or implied warranties, including, but not limited to, any warranties or merchantability or fitness for a particular purpose or use. In no event shall S&P be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of S&P Index Alerts.

All MSCI equity characteristic results except for Dividend Yield, Price to Book Value, Price to Cash Earnings and Price Earnings Ratio were calculated by The Northern Trust Company.

FTSE © is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data.

The Merrill Lynch Indices are used with permission. Copyright 2007, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval.

The Citi Index data is provided to you on an "AS IS" basis and you agree that use of the index data is at your sole risk. Citi Index makes no representations or warranties, express or implied, to you or any other person or entity, including without limitation any warranty of merchantability, originality, suitability or fitness for a particular purpose of the index data or any other matter and no warranty is given that the index data will conform to any description thereof or be free of omissions, errors, interruptions or defects. 4. In no event shall Citi Index be liable to you or any other person or entity for any direct, incidental, indirect, special or consequential damages (including, without limitation,

lost profits or revenues, loss of data, loss of use or claims of third parties), arising out of or in any manner in connection with your use of (or inability to use) the index data, whether or not you have been advised of, or otherwise might have anticipated the possibility of, such damages. Without limitation on the foregoing, you acknowledge that the index data may be incomplete or condensed, is for information purposes only and is not intended as, and shall not be construed to be, an offer or solicitation with respect to the purchase or sale of any security. All opinions and estimates provided constitute judgments as of their respective dates and are subject to change without notice. Such data, information, opinions and estimates are furnished as part of a general service, without regard to your particular circumstances, and Citi Index shall not be liable for any damages in connection therewith. Citi Index is not undertaking to manage money or act as a fiduciary with respect to your accounts or any of your managed or fiduciary accounts and you acknowledge and agree that the index data does not and shall not serve as the primary basis for any investment decisions made with respect to such accounts.

iShares® and BlackRock® are registered trademarks of BlackRock, Inc. and its affiliates ("BlackRock") and are used under license. BlackRock has licensed certain trademarks and trade names of BlackRock to The Northern Trust Company. The Northern Trust Company's products and services are not sponsored, endorsed, sold, or promoted by BlackRock, and BlackRock makes no representations or warranties related to such products or services either to The Northern Trust Company or any other person or entity, including but not limited to the advisability of investing in the products of The Northern Trust Company. BlackRock has no obligation or liability in connection with the operation, marketing, trading or sale of the products or services from The Northern Trust Company.

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

**INVESTMENT ADVICE NOTICE:** The data and analysis contained in this report is for informational purposes only. In providing the information contained herein, The Northern Trust Company is not undertaking to provide "investment advice" or to give advice in a fiduciary capacity for purposes of the Employee Retirement Income Security Act of 1974, as amended. Nothing in this report is intended as, or should be understood as, a recommendation to hire, retain, or terminate an investment manager or engage in any purchase or sale transaction with such a manager or any fund that it manages. The Northern Trust Company and/or its affiliates may have business relationships with one or more investment managers or funds for included in this report, and may receive compensation for providing custody, administration, banking, brokerage, foreign exchange or other services to such investment managers or funds. The Northern Trust Company and its affiliates shall have no responsibility for the consequences of investment decisions made in reliance on information contained in this report.

# *Pension Administration Performance Indicators 2024/25 – Quarter 1*



# Durham County Council Pension Fund Administration 2024/25 Q1



**Pensions Online Portal**  
**17,429** log ins Q1



**Pensions Helpline**  
**4,083** Calls in Q1



**Retirements 2024/25**  
**286** in Q1



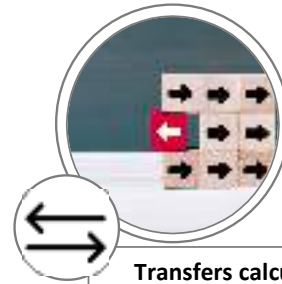
**Funding Level**  
**98%**



**Processing Performance**  
**96.13%**



**Member Online Calcs**  
**55,872** in total



**Transfers calculated**  
**33** in Q1



**Monthly Pensions**  
**£12m** payroll

\*

\*Measures in Fund's control, excluding self-service (ie. weighted average of local KPIs A2, A3, A5)



# *Local Performance Indicators*



# 2024/25 Service Key Performance Indicators

## Local KPI monitoring: A – Casework Processing

Key Performance Indicators		Performance Target	Total Cases Q1 2024/25	Performance Q1 2024/25	Performance 2023/24	Performance 2022/23	Performance 2021/22
A1	<b>Retirements Disclosure</b> - Within two months of retirement provide a statement containing retirement benefit information.	100%	286	82.87%	81.94%	82.61%	86.65%
A2	<b>Retirements in Fund's Control</b> - Within 10 days of receiving all required information provide a statement containing retirement benefit information.	100%	286	95.10%	98.23%	98.47%	98.99%
A3	<b>Deferment Disclosure</b> - Within one month of being notified of a leaver, provide that member information as to the rights and options available.	100%	263	97.34%	96.07%	95.91%	86.70%
A4	<b>Transfers out Disclosure</b> - Within one month of a request, provide that member information as to the transfer rights and options available.	100%	33	100%	100%	99.22%	-
A5	<b>Transfers out Quotation</b> - Within three months of a request, provide a quotation of the cash equivalent transfer value to which a member is entitled.	100%	21	95.24%	93.00%	99.22%	-
A6	<b>Estimates</b> - Within two months of a request, provide a statement* of estimated pension entitlement online or in writing.	100%	3,933	100%	100%	100%	-

# 2024/25 Service Key Performance Indicators

## Local KPI monitoring: B – Communications & Engagement

Key Performance Indicators		Total Cases Q1 2024/25	Performance Target	Performance 2024/25	Performance 2023/24	Performance 2022/23	Performance 2021/22
<b>B1</b>	<b>Pensions Helpline</b> - Calls from Scheme Members answered first time	<b>4,083</b>	<b>100%</b>	<b>99.10%</b>	99.30%	99.40%	98.47%
Key Performance Indicators			Total Registrations to date	Total Online Calculations Completed	Total Self-Service Online Changes	Secure messages sent Through Portal	
<b>B2</b>	<b>Online Portal Since Launch</b> - Total Registrations & Activity through Pensions Online portal ( <a href="https://pensionsonline.durham.gov.uk/">https://pensionsonline.durham.gov.uk/</a> )		<b>26,116</b>	<b>55,872</b>	<b>21,872</b>	<b>4,398</b>	
Key Performance Indicators			Total Log ins 2024/25 Q1	Individuals logging in 2024/25 Q1	Total Log ins during 2023/24	Individuals logging in 2023/24	
<b>B3</b>	<b>Online Portal in Year</b> - Total logins through Pensions Online portal during year ( <a href="https://pensionsonline.durham.gov.uk/">https://pensionsonline.durham.gov.uk/</a> )		<b>17,429</b>	<b>5,808</b>	52,931	9,142	
Key Performance Indicators			Performance Target	Performance 2023/24	Performance 2022/23	Performance 2021/22	
<b>B4</b>	<b>Annual Benefit Statements</b> – Statements made available online* by 31 <sup>st</sup> August for active members known to the Fund		<b>100%</b>	<b>100%</b>	100%	100%	

\*paper copies made available to those opting out of online services

# ***LGPS Scheme-Standard Performance Indicators***



# Service Performance Indicators 2024/25

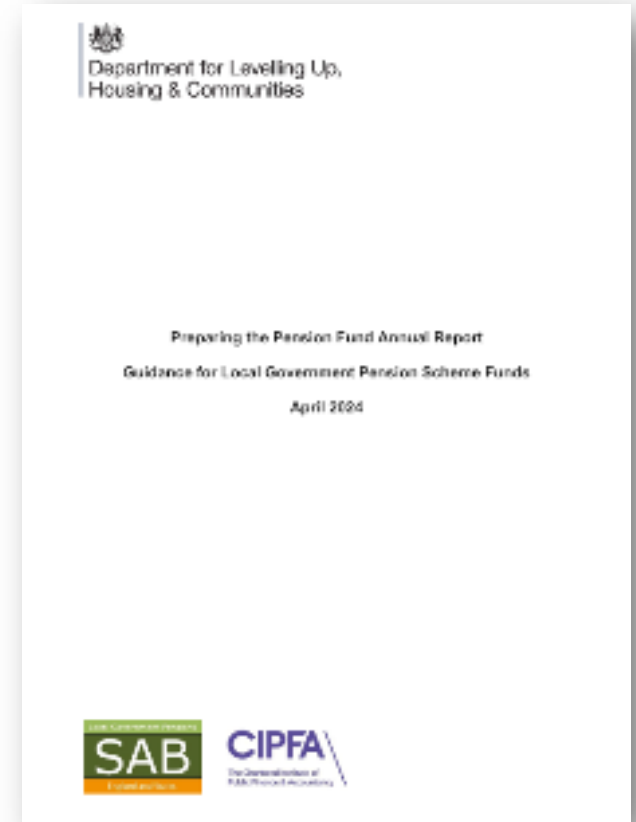
## Performance Requirements based on:

The updated guidance for preparing the LGPS Fund Annual Report contains provisions for standardised performance indicators to be used across the LGPS in England and Wales. This guidance is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (DLUHC). It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.

The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance says that funds should use their *best endeavours* to comply with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The guidance will be kept under regular review.

The guidance is available online at:

<https://lgpsboard.org/images/Guidance/Annual%20Report%20Guidance%202024.pdf>



Page 02

# Service Performance Indicators

## 2024/25 Scheme-Standard KPI monitoring

### B – Casework Processing Time – Q1

Key Performance Indicators		Proposed Target Days	% completed within fund target in year	% completed in previous year
<b>B1</b>	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	<b>90.76%</b>	-
<b>B4</b>	Communication issued to active member with pension and lump sum options (quotation)	15 days	<b>98.23%</b>	-
<b>B5</b>	Communication issued to deferred member with confirmation of pension and lump sum options	15 days	<b>97.28%</b>	-
<b>B6</b>	Communication issued to active member with confirmation of pension and lump sum options	15 days	<b>99.52%</b>	-
<b>B7</b>	Payment of lump sum (both actives and deferreds)	15 days	<b>98.47%</b>	-
<b>B8</b>	Communication issued with deferred benefit options	30 days	<b>97.34%</b>	-

# Service Performance Indicators

## 2024/25 Scheme-Standard KPI monitoring

### B – Casework Processing Time – Q1

Key Performance Indicators		Proposed Target Days	% completed within fund target in year	% completed in previous year
<b>B9</b>	Communication issued to scheme member with completion of transfer in	15 days	<b>100%</b>	-
<b>B10</b>	Communication issued to scheme member with completion of transfer out	15 days	<b>100%</b>	-
<b>B11</b>	Payment of refund	10 days	<b>87.50%</b>	-
<b>B12</b>	Divorce quotation	45 days	<b>100%</b>	-
<b>B15</b>	Member estimates requested by scheme member and employer	15 days	<b>100%</b>	-

This page is intentionally left blank



**Pension Fund Committee**

**12 September 2024**



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

---

**Report of Tracy Henderson, Chief Internal Auditor and Corporate  
Fraud Manager**

**Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To inform Members of the work that has been carried out by Internal Audit during the period 1 April 2024 to 30 June 2024 as part of the 2024/25 Internal Audit Plan.

**Executive Summary**

- 2 The report provides Members with the progress that has been made in delivering the Pension Fund Internal Audit Plan for 2024/25 up to 30 June 2024 and aims to:
  - (a) Provide a high level of assurance, or otherwise, on internal control systems operated in the areas that have been subject to audit;
  - (b) Advise on any significant issues where controls need to improve in order to effectively manage risks;
  - (c) Advising of any other types of audit work carried out, such as consultancy reviews where an assurance opinion on the control environment may not be applicable;
  - (d) Advise of any unplanned work carried out or due to be carried out and any changes to the audit process.

**Recommendation**

- 3 Members are asked to note the work undertaken by Internal Audit during the period ending 30 June 2024 and that the next update will relate to progress achieved to 31 December 2024.

## Background

- 4 As an independent consultancy service, the Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Pension Fund Committee.
- 5 The Annual Internal Audit Plan 2024/25, covering the period 1 April 2024 to 31 March 2025, was approved by the Pension Fund Committee on 14 March 2024.

### Progress against 2024/25 planned work:

- 6 A summary of the approved audit plan, with the status of each audit, is shown below:

Audit Title	Audit Type	Status	Opinion
<b>Audits brought forward from 2023/24</b>			
Additional Voluntary Contributions	Assurance	Final Report	Substantial
Pensions Contributions	Assurance	Final Report	Substantial
Pension Fund Debt Management	Assurance	Final Report	Moderate
<b>2024/25 audits</b>			
Pension Fund Investments	Assurance	Scheduled Q3	
Pension Fund Benefit Contributions	Assurance	Scheduled Q3	
Pension Fund Governance Arrangements (including pool)	Assurance	Scheduled Q3	
Pension Fund Bank Reconciliation	Assurance	In Progress	
Pension Fund Cyber Security	Assurance	Scheduled Q4	

- 7 Of the eight assurance audits planned for 2024/25, three of which relate to audits brought forward from the 2023/24 audit year, final reports were issued in the period for three of these. The scope of these reviews and the assurance opinion issued following the conclusion of the audits is shown in the table below:

<b>Audit Area</b>	<b>Brief Scope</b>	<b>Assurance Opinion</b>
Additional Voluntary Contributions	To evaluate the control environment of the Additional Voluntary Contributions (AVCs) and provide an independent opinion on whether or not controls are adequate, appropriate and effective in providing reasonable assurance that are being managed effectively.	Substantial
Pensions Contributions	To evaluate the control environment of Pension Fund Contributions and provide an independent opinion on whether or not controls are adequate, appropriate and effective in providing reasonable assurance that risks to the achievement of service/system/process objectives are being managed effectively.	Substantial
Pension Fund Debt Management	To evaluate the control environment of the Pension Fund – Debt Management and provide an independent opinion on whether controls are adequate, appropriate, and effective in providing reasonable assurance that risks to the achievement of the service/system/process objectives are being managed effectively.	Moderate

- 8 One audit is in progress but given that four of the remaining five audits are scheduled for quarter three and four, it is proposed that the next update to the Committee will relate to progress achieved to the end of quarter three. The scheduling of the five remaining reviews was agreed with the Head of Pensions.

### **Background papers**

- Specific Internal Audit reports issued and working papers.

### **Other useful documents**

- None

---

**Contact:** Nicola Cooke

**Tel:** 03000 269665

---

---

## **Appendix 1: Implications**

---

### **Legal Implications**

The Accounts and Audit Regulation 2015 (Part 2, Section 5) states a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Furthermore, Internal Audit assists the Corporate Director of Resources in fulfilling their duties under Section 151 of the Local Government Act 1972 which requires each Local Authority to make arrangements for the proper administration of their financial affairs.

### **Finance**

There are no direct financial implications associated with this report.

Internal Audit work has clear and direct effects, through recommendations made, to assist in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

### **Consultation**

Head of Pensions, Finance Manager and Corporate Director of Resources.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

There are no direct implications on climate change as a result of this report, however the Internal Audit Service ensures that it considers climate change and sustainability in the recommendations that are made.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

**Accommodation**

None.

**Risk**

The key risk is that actions agreed in audit reports to improve the control environment and assist the Pension Fund in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Pension Fund Committee.

**Procurement**

None.

This page is intentionally left blank

**Pension Fund Committee**

**12 September 2024**

**Regulatory Update**



---

**Report of Paul Darby, Corporate Director of Resources**

**Purpose of the Report**

- 1 This report briefs the Committee on developments in matters that are both Local Government Pension Scheme (LGPS) specific, as well as providing an update on non-LGPS specific matters which are of interest.

**Executive summary**

- 2 There are a number of developments that will potentially impact the requirements placed upon the Fund, both specific to the LGPS and more generally. This report seeks to keep the Committee updated with those developments.

**Recommendation(s)**

- 3 The Pension Fund Committee is asked to note the report.

## **Background**

- 4 This report provides an update to Committee on important pensions administration and governance matters that are currently relevant. The report is split into 2 main sections:
  - (a) LGPS specific matters, and;
  - (b) Non-LGPS specific matters that are of interest to the Committee.

## **LGPS Specific Matters**

### **Levelling Up White Paper – LGPS Local Investment Plans**

- 5 In February 2022 the government published its Levelling Up whitepaper which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. The whitepaper indicates government intention to “work with Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas”.
- 6 The Fund committed the necessary capital to enable an impact investment in the North-East which will support SME finance in the region, which is understood to meet the definitions set out in the whitepaper. The Fund’s initial £18m cornerstone commitment enabled the launch of the fund in region, which has subsequently attracted additional capital. The regional fund now has £98m of committed capital in the North-East.
- 7 The LGPS Scheme Advisory Board have indicated that in the context of ‘local’ the whitepaper refers to UK rather than local to a particular LGPS fund. The Board have also advised that their understanding is that there will be no mandatory requirement beyond the requirement to have a plan.
- 8 Separately, On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms (which were previously shared with the Committee) intended to drive growth and competitiveness in the financial services sector. It was also expected that there would be a consultation on new guidance on Local Government Pension Scheme asset pooling.

### **MHCLG Consultation – LGPS: Next Steps on Investments**

- 9 A detailed briefing was considered by both the Pension Fund Committee and Local Pension Board in September 2023, following



the launch of DLHC's consultation 'LGPS: Next Steps on Investments'.

- 10 Since 2015, the Pension Fund has worked in collaboration with 10 local authority partners to pool its c£3.5bn assets through its chosen pooling company, Border to Coast Pension Partnership. As of summer 2023, the Fund has pooled all of the liquid assets in its investment strategy. The Fund has benefitted from the availability of a Private Markets programme through the pool, extensive Responsible Investment resource, and has generated cost savings which are reported annually in the Fund's Annual Report and Accounts.
- 11 More widely however, progress on pooling has stalled across much of England and Wales. Despite a clear policy intention to deliver pooling, in the absence of guidance or regulation, many Administering Authorities have chosen to retain their assets outside of their respective pool.
- 12 In light of the lack of progress, MHCLG consulted on pooling consolidation, setting Administering Authorities a deadline of 2025 to pool liquid assets and introducing enhanced reporting requirements on pooling progress. The consultation proposed that a smaller number of larger pools would provide greater economies of scale, and that greater collaboration should be pursued. In a wide-ranging consultation, the government also proposed directing LGPS Funds in the way in which they invest. In particular, targets were proposed for allocations to investments which support UK Levelling Up and allocations to Private Markets more generally.
- 13 Following consultation with the Committee and Board, the Fund responded to the consultation and separately, worked with its pooling partners to formulate a collective response.
- 14 Subsequently, on 22 November, MHCLG responded to the consultation. The Fund is considering the consultation response individually, and collectively with its pooling Partners. The SAB is continuing to read and absorb the response, and a SAB update will follow soon. On January 16 SAB representatives met the minister for local government, Simon Hoare MP, in person. Topics discussed included McCloud; the next steps on investments consultation; as well as government progress on the Good Governance recommendations and on the climate risk reporting consultation response.
- 15 The Minister later went on record at the LGA conference in February expressing that he was giving "serious thoughts to the prudence of retaining 87 LGPS funds"; and subsequently in discussion with the

All-Party Parliamentary Group (APPG) for Local Authority Pension Funds on 22 February, the Minister outlined the intention to explore the pros and cons of 87 Administering Authorities in England and Wales, recognising that it “may well be that 87 is the right number”. The APPG discussion is available online at the following link <https://www.youtube.com/watch?v=p8fPHqVUYN8>.

- 16 On 15 May, the Minister wrote to all Administering Authorities in England asking that they respond by July 19 setting out their responses to a number of questions. The questions relate to the completion of pension asset pooling by the March 2025 deadline, as well as to how funds ensure that they are run efficiently, with appropriate governance structures in place.
- 17 Subsequently, Officers of the Fund were invited in person to a roundtable with the Minister, to discuss related matters.
- 18 In the Ministerial letter, Funds were specifically asked whether they could achieve long-term savings and efficiencies if they were to become part of a larger fund through merger or creation of a larger pensions authority. The council responded in its capacity as Administering Authority of the Pension Fund.

#### **HM Treasury – Pensions Review – Terms of Reference: Phase One**

- 19 On 16 February HM Treasury published the Terms of Reference the Chancellor’s review of the pensions system, with the Chancellor appointing the Minister for Pensions to lead the review. The review will focus on both defined contribution workplace schemes and the LGPS.
- 20 It is proposed that the review will work closely with the Minister of State at MHCLG, Jim McMahon MP, and will look at “how tackling fragmentation and inefficiency can unlock the investment potential of the £360 billion LGPS in England and Wales”.
- 21 The Policy remit for the first phase of the review will focus on:
  - (a) Driving scale and consolidation of defined contribution workplace schemes;
  - (b) Tackling fragmentation and inefficiency in the Local Government Pension Scheme through consolidation and improved governance;
  - (c) The structure of the pensions ecosystem and achieving a greater focus on value to deliver better outcomes for future pensioners, rather than cost; and

- (d) Encouraging further pension investment into UK assets to boost growth across the country.

22 In developing its recommendations, the review will have regard to “improving the affordability and sustainability of the LGPS in the interest of members, employers and local taxpayers”, the “role of pension funds in capital and financial markets to boost returns and UK growth” and a “wide range of external viewpoints” including local government.

23 The terms of reference note that co-creation with the LGPS will be an essential part of the process, with the initial findings from the first phase expected to report later this year, ahead of the introduction of the Pension Schemes Bill. The terms of reference are published online at the following link:

<https://www.gov.uk/government/publications/pensions-review-terms-of-reference-phase-one/terms-of-reference>.

### **Review of the LGPS 2022 Fund Valuations - Section 13 Report**

24 The Government Actuary's Department (GAD) has published its report to the Ministry of Housing, Communities and Local Government on the 2022 fund valuations, which is required by section 13 of the Public Service Pensions Act 2013.

25 The purpose of the report is to examine whether the separate 87 fund valuations have achieved the 4 aims set out in the Act – they are compliance, consistency, solvency and long-term cost efficiency.

26 As part of the process, GAD also analysed other data provided by the funds and their actuaries and undertook engagement exercises with relevant funds. GAD assess all funds against a number of measures, each of which is RAG rated:

- Red: A material issue that may result in the aims of section 13 not being met. In such circumstances remedial action to ensure solvency and/or long-term cost efficiency may be considered.
- Amber: A potential issue that we would expect funds to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency and/or long-term cost efficiency.
- White: An advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if we had broader concerns.

- Green: There are no material issues that may contribute to a recommendation for remedial action in order to ensure solvency or long-term cost efficiency.
- 27 GAD engaged with the Fund on their 'Deficit Reconciliation' measure – having noted that the Fund's deficit recovery end point had increased. In the engagement, it was noted that the Fund is close to being fully funded and the end point for deficit recovery increased by only one year. This was part of a package of changes which included an increase in prudence within the funding basis; and an increase in the surplus buffer for those employers in surplus.
- 28 The Fund's actuary, Aon, provided evidence that total contributions payable following the valuation are greater than those which would have been required had the 2019 valuation basis been retained, with a three-year reduction in the deficit recovery end point. GAD noted that in effect, the one-year increase in end point reflected the new deficit arising due to the Fund's increase in prudence.
- 29 Following engagement, GAD adopted a white flag for the Fund against this measure. A detailed update on the current funding position and the Fund's valuation approach will be provided to the Committee and Board, as well as participating employers, in November.

### **Mandatory TCFD Reporting**

- 30 The Committee have previously been informed that, using powers granted under the Pension Schemes Bill, the Department for Works and Pensions (DWP) consulted on draft regulations requiring occupational pension schemes to meet climate governance requirements, publish a Taskforce on Climate-related Financial Disclosures (TCFD) report and include a link to the report in their annual report and accounts.
- 31 Whilst the regulations will not apply to the LGPS it was always expected that MHCLG would bring forward similar proposals requiring TCFD disclosures in the LGPS.
- 32 The Fund's pooling partner, Border to Coast Pensions Partnership (BCPP) are supporters of the Task Force on Climate-related Financial Disclosures (TCFD) and have just published their second TCFD report aligned with the recommendations. This covers the approach to climate change across the four thematic areas of Governance, Strategy, Risk Management, and Metrics and Targets. The report demonstrates the improvements and developments made across the four key areas. The report can be found online at the following link <https://www.bordertocoast.org.uk/sustainability/>.

- 33 BCPP will support Partner Funds ahead of any mandatory reporting requirements through the Officers Operation Group RI workshops, delivering training, and by providing reporting. BCPP have held discussions to understand all Partner Funds' requirements on carbon reporting on assets, including those that are currently not held in the pool.
- 34 A BCPP procurement for carbon data, including forward-looking metrics (scenario analysis), will take into account the reporting requirements of Partner Funds for equity and fixed income portfolios. Obtaining carbon data for Private Markets is more challenging and BCPP are looking into solutions for these portfolios held in the pool. Additionally, Officers are working with the Fund actuary to consider how to reflect climate scenario analysis in 2022 valuation reporting.
- 35 On 1 September 2022 MHCLG launched its consultation regarding governance and reporting of climate change risks. The consultation seeks views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).
- 36 The consultation proposes that LGPS administering authorities would calculate the 'carbon footprint' of their assets and assess how the value of each fund's assets or liabilities would be affected by different temperature rise scenarios, including the ambition to limit the global average temperature rise to below 2 degrees set out in the Paris Agreement. The consultation (previously shared with the Committee) closed on 24 November 2022. As discussed with the Committee previously, Officers prepared a response in consultation with the Chair and Vice Chair of the Committee. A copy of the response is has previously been shared with the Committee and Board.
- 37 An overview of TCFD was included in training for members previously, as well as a dedicated training session with the Fund's Actuary focused on scenario analysis. Further training will be provided to the Committee on the details of the TCFD expectations, as well as the availability of data through BCPP. It has been anticipated that the first LGPS TCFD reporting may become due in late 2025.

### **Cost Control Mechanism & Review**

- 38 The Committee has been informed previously of the Cost Control Mechanism in the LGPS and other public sector schemes which sets both a cost 'ceiling' and 'floor' in respect of the ongoing affordability of

- public sector pensions. This creates a “cost corridor” designed to keep schemes within target costs.
- 39 Before the impact of McCloud, provisional cost management assessments indicated floor breaches in most public sector schemes, that may have resulted in an improvement to benefits or reduction in member contributions. At the request of HMT, GAD carried out a review of the Cost Control Mechanism across the public sector.
- 40 Members were informed previously that it had not previously been possible to assess the value of the public service pensions arrangements with any certainty due to the anticipated implications of the Court of Appeal judgements in McCloud and Sargeant.
- 41 The Fund’s own position on McCloud has also been discussed previously, with the Actuary outlining in detail how the issue was to be reflected in the Fund’s own valuation, which added an additional 0.9% to the employer contribution rate for all employers back at the 2019 valuation.
- 42 In July 2021 however, it was confirmed that the impact of McCloud would be classed as “member costs” for the purpose of the 2016 cost control review, with the pause on the review lifted. This was confirmed by HMT Directions in October 2021. Subsequently, SAB found that the LGPS showed only a slight reduction in costs. Despite this slight reduction, SAB confirmed that they are no longer recommending any LGPS benefit structure changes.
- 43 Whilst it appears that the 2016 Cost Review is coming to a conclusion, it should be noted that the Fire Brigade Union has been granted permission to appeal against the High Court’s judgement to allow the inclusion of the McCloud remedy as a “member cost”. Whilst the High Court previously dismissed the case, the Court of Appeal granted permission to appeal the ruling.
- 44 The full judgment in the Fire Brigades Union and British Medical Association vs HM Treasury Cost Control Mechanism appeal has now been published. The Court of Appeal agreed with the earlier ruling from the High Court (published in March 2023) which ruled in favour of HM Treasury on all grounds. The Court of Appeal’s judgment can be read online at <https://www.bailii.org/ew/cases/EWCA/Civ/2024/355.html>.
- 45 When the Cost Cap Mechanism was first introduced in 2016 across the public sector it was anticipated that the mechanism would be triggered only by “extraordinary” event. As noted above however, the initial assessment of public sector schemes showed cost floor breaches leading to HMT’s request for a review of the mechanism.

- 46 The Government Actuary's Department (GAD) completed the valuation of the Scheme in England and Wales as at 31 March 2020. This was the first scheme valuation undertaken since revisions were made to the cost control mechanism, which the Government consulted on in 2021. The methodology by which this is undertaken was revised, widening the cost corridor (the amount by which the scheme costs could vary from the target cost before action was taken to address it) from 2% to 3%.
- 47 The process was also revised to include consideration of the wider economic situation through a new “economic check” that was introduced alongside the previously established core cost control mechanism. The valuation found that the cost control mechanism, as a whole, is not breached and there is no proposal to make any changes to scheme benefits.
- 48 Subsequently, SAB announced on 19 April that it would shortly be publishing the final report of the separate scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013, in which different actuarial assumptions are used.
- 49 GAD has now completed the scheme cost assessment required under Regulation 116. The final report was completed using methodology and assumptions determined by the Board, following discussion at the Cost Management, Benefit Design and Administration Committee. Scheme costs were assessed as being 20.5 per cent of pensionable pay - 1 per cent above the 19.5 per cent target overall cost.
- 50 This is within the range where the Board may make recommendations to amend benefits to bring scheme costs back towards the target cost but is not obliged to. Following discussion, the Board agreed not to recommend any changes in its letter informing the Secretary of State of the outcome.

## **McCloud**

- 51 The Committee has been kept up to date with the impact and issues surrounding the McCloud judgement itself. To recap briefly, when the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination.

- 52 In July 2021, the Public Service Pensions and Judicial Offices Bill was laid before Parliament. This Bill seeks to amend the Public Service Pensions Act 2013 by making provision to rectify the unlawful discrimination by the 2014 Scheme. Now made law, the Bill established the overarching framework for the retrospective changes required for the McCloud. The estimated cost across the whole of the LGPS is £1.8bn. As discussed with the Committee in the past, the Fund made an estimated provision for the impact at local level back at the 2019 Valuation.
- 53 Following its 2020 consultation, on 30 May 2023 MHCLG launched a consultation seeking views on issues relating to the McCloud remedy, and the draft scheme regulations which would implement the remedy. A summary has previously been shared with the Board and Committee.
- 54 Officers of the Fund are actively working with Participating Employers to ensure all of the necessary data is collected to be able to properly implement the anticipated remedy. Additionally, Officers continue to work with the Fund's software suppliers to ensure solutions are as effective as possible. The LGA's Communications Working Group meanwhile, is working on member communications, and the Fund's software supplier have established a McCloud Project Board – the Durham Fund is represented on both groups.
- 55 Additionally, as part of the McCloud remedy for the Teachers' Pensions Scheme (TPS), Chapter 1 Part 1 of the Public Service Pensions and Judicial Offices Act 2022 means that some teachers may be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. This exercise will be administratively challenging for both the TPS and individual LGPS Funds.
- 56 Whilst software solutions are in place to ensure that the 'underpin' is correctly provided for some categories of members, manual intervention will be required for others. The Fund continues to work with its software supplier in consideration of future Annual Benefit Statements, with the Pensions Regulator outlining that whilst accurate Benefit Statements are still expected to be issued accurately and on time and that failure to do so would be a reportable breach, a risk-based approach will be taken in response to any such breach.
- 57 MHCLG launched a limited technical consultation on potential changes to the LGPS regulations concerning McCloud protection and annual benefit statements (ABS); and in particular on whether underpin information is included in ABSs for Scheme years 2023/24 and 2024/25. The consultation contains draft regulations that would



mean administering authorities do not need to include estimated underpin information in the 2023/24 ABSs.

- 58 This would implement the approach set out in the Ministry's response to the 2020 McCloud consultation, which set out that "the inclusion of an underpin estimate within a member's total pension on their ABS will not be required until the ABSs for the 2024/25 scheme year are issued". The amendment would be backdated to 1 October 2023, so that it captures 2023/24 ABS that were sent before the regulations are made. The Ministry is also considering a further change which would extend this to the 2024/25 ABS, giving Funds discretion not to include the estimated underpin information for certain members or classes of members if they consider it reasonable to do so.
- 59 Officers of the Fund continue to work closely with its software supplier with imminent updates to support the upload of data from employers, as well as delivery of a module to allow for the calculating of service for missing data. A dedicated McCloud project team is now in place. Once all data has been successfully uploaded, the McCloud remedy will be applied to all 'new' leavers. A module is expected to become available from our software supplier in the New Year, to allow a bulk recalculation of all historical cases. Detailed reporting will be provided to the Local Pensions Board.

### **MHCLG Consultation – LGPS: Fair Deal – Strengthening Pension Protection**

- 60 In January 2019, the Ministry of Housing, Communities, and Local Government (MHCLG), formerly DLUHC, launched a consultation that would strengthen the pensions protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provider. If the proposed amendments are introduced, the option for staff to be granted access to a Government Actuary's Department (GAD) certified broadly comparable scheme will be removed.
- 61 MHCLG are currently considering the responses received, with a consultation response expected in due course. The Chair of the LGPS Scheme Advisory Board (SAB), has written to MHCLG to request an update on the Fair Deal policy. The Ministry was asked whether the policy was under active consideration and how the SAB could contribute to the process. On 17 October 2023, the SAB Chair wrote to MHCLG for an update with progress with the implementation of New Fair Deal in LGPS. Officers will continue to monitor the position.

## **MHCLG consultation – LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk**

- 62 In May 2019 MHCLG consulted on a number of changes to the LGPS, encompassing the following areas:
- amendments to the local fund valuations from the current 3-year (triennial) to a 4-year (quadrennial) cycle
  - a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
  - proposals for flexibility on exit payments
  - proposals for further policy changes to exit credits
  - proposals for changes to the employers required to offer local government pension scheme membership
- 63 On 27 February MHCLG published a partial response to the consultation, covering proposals on exit credits only. MHCLG confirmed their intention to amend the Regulations providing greater discretion to Administering Authorities over the amount of any exit credit. The Local Government Pension Scheme (Amendment) Regulations 2020 were subsequently laid before parliament, coming into force on 20 March 2020 with backdated effect to 18 May 2018.
- 64 MHCLG has also published a partial response in respect of employer contributions and flexibility on exit payments. The Fund has finalised its policy approach to Employer Flexibilities following consultation with participating employers, which was considered and approved by the Committee.

### **Ongoing Consultation – Guaranteed Minimum Pensions (GMP)**

- 65 In February 2017 the Treasury consulted on options for how the Guaranteed Minimum Pension (GMP) element of pensions paid to those members who will reach state pension age on or after 6<sup>th</sup> December 2018 should be indexed.
- 66 In January 2018 the Treasury published its response to this consultation, acknowledging that it is a complex area with more time required to identify a long-term solution. As a result, the existing interim solution was extended, covering those members of public service schemes reaching state pension age between 6<sup>th</sup> April 2016 and 5<sup>th</sup> December 2018 to those that reach state pension age on or before 5<sup>th</sup> April 2021.

- 67 On 23 March 2021 Her Majesty's Treasury (HMT) discounted conversion (of GMP into main scheme benefits) as their long-term policy solution and instead will make full GMP indexation the permanent solution for public service pension schemes. Currently members covered by the interim solution have their GMP pensions fully uprated by their scheme in line with CPI. The new policy will extend this to members whose State Pension Age (SPA) is on or after 6 April 2021.
- 68 Additionally, the Fund has gone through a significant exercise to reconcile the GMP data it holds. Individual GMP values can often misalign with the values held by HMRC with discrepancies occurring both in terms of membership periods for which GMP accrued, and the GMP value itself. Following the conclusion of the reconciliation exercise, the Fund has commenced implementation of its approach to GMP Rectification, with a separate report previously presented to the Committee.
- 69 This work was brought to a conclusion in October 2023, with the Fund communicating with affected pensioners ahead of October pensions payroll. As previously highlighted to the Board and Committee in March 2023, individual overpayments would be exacerbated by the April 2023 pensions increase of 10.10%. However, around 550 pensions in payment were adjusted and despite this higher than usual rate of inflationary increase, 83% of pensions changed by no more than £10 per month.
- 70 The total amount of arrears paid to underpaid pensioners was c£41k whilst the total amount of overpayments written-off by the Fund was c£171k. Both the value of arrears and value of write offs compare favourably with initial modelling. The number of pensions in payment requiring rectification were lower than initially anticipated at the beginning of the project, and less than amounts experienced by similarly sized LGPS Funds who have completed their rectification. This is at least in part, due to accurate historic record keeping.

### **Changes to the LGPS Revaluation Date and Lifetime Allowance**

- 71 Following a short consultation, MHCLG has implemented changes to the in-scheme revaluation date from 1 to 6 April, with effect from 1 April 2023. The change has the effect of removing the impact of high inflation (10.10% for 2023 revaluation) on the Annual Allowance and will reduce the number of members incurring a consequent tax charge. The Fund in conjunction with its software supplier ensures that processes are in place to maintain the accuracy of Annual Statements and Pension Savings Statements.

- 72 On 12 March 2024, the Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024 were laid before Parliament. The Regulations came into force on 6 April 2024, along with the related provisions of the Finance Act 2024. The Regulations make a large number of mostly minor changes to legislation relating to the abolition of the lifetime allowance.
- 73 Subsequently, on 22 March, the LGA issued guidance for administering authorities which sets out how funds should approach all the different types of calculations affected by the changes, and the updates that LGPS Funds will need to put in place. The Fund has worked closely with the LGA to ensure that the small number of cases which are affected by the change, are processed correctly.

## **LGPS Scheme Advisory Board (SAB)**

### **SAB Review – Academies**

- 74 In 2017 SAB instigated a review of the participation of existing academies and commissioned Price Waterhouse Coopers to investigate issues of academy participation in the LGPS and prepare a report for the Board. The report made no recommendations but set out three broad types of approach or mechanisms to try and resolve these issues. These are:
- non-regulatory measures within the LGPS
  - regulatory measures within the scheme, and
  - measures outside of the LGPS, including through primary legislation.
- 75 The SAB review had been split between a funding working group and an administration working group. Work on the administration working group was put on hold due to competing work pressures and the project is no longer part of SAB's current projects. In the meantime, SAB has produced guidance for converting Academies intended to provide information and common nomenclature for common actuarial approaches adopted by LGPS funds on a local authority (LA) school's conversion to academy status. The Fund will consider how best to utilise the guide to support converting schools.
- 76 Separately, the DfE guarantee for Academy participation in the LGPS has been increased to £20m. A copy of the Secretary of State's statement has previously been shared with the Committee.

### **SAB Annual Report**

- 77 On 12 June, the Scheme Advisory Board published its LGPS Scheme Annual Report. The aim of the Scheme Annual Report is to provide a

single source of information about the status of the Local Government Pension Scheme for its members, employers, and other stakeholders. The report aggregates information supplied in the 86 fund annual reports, as of 31 March 2023, for the reporting year 2022/23 and can be found online at <https://lgpsboard.org/index.php/foreword-2023>.

### **SAB Review – Tier 3 Employers**

- 78 In addition to the review of Academy participation, above, SAB also commissioned work in respect of ‘Tier 3’ employers participating in the LGPS. Broadly, Tier 3 employers are those employers which:
- (i) have no tax raising powers,
  - (ii) are not backed by an employer with tax raising powers;
  - (iii) are not an academy.
- 79 Examples of Tier 3 employers include universities, further education colleges, housing associations and charities.
- 80 SAB had established a small working group to review concerns expressed by Tier 3 employers and the ways in which they may be resolved. The working group had been tasked with reporting back to the SAB with a set of recommendations for further consideration.
- 81 Whilst the third Tier Employer review is no longer part of SAB’s current projects, an Office for National Statistics (ONS) review of the Further Education sector may change the classification of Colleges within the LGPS.
- 82 It is proposed that Colleges are reclassified as ‘public sector’, with the possibility of tighter restrictions on debt / borrowing. Additionally, the Department for Education (DfE) is considering putting in place a guarantee, similar to the one already provided for academies which would provide greater protection to LGPS Funds.
- 83 The DfE is collating relevant data directly from LGPS actuaries to better understand Colleges’ funding requirements and consider the merits of providing the additional covenant assurances. Officers will continue to monitor the position, to ensure that the correct level of prudence is taken in finalising rates for Colleges in the Fund’s triennial valuation. The Fund will initially maintain the rates for Colleges in line with the 2019 valuation, but will reconsider the position after the outcome of the College reclassification.

## **SAB Review – Good Governance in the LGPS**

- 84 SAB is currently examining the effectiveness of current LGPS governance models with a focus on standards, consistency, representation, conflict management, clarity of roles and cost. SAB's work will likely result in new statutory guidance on Governance Compliance, with consideration in particular likely to be given to:
- (a) changes to the scheme's regulatory provisions on Governance Compliance Statements,
  - (b) revised statutory guidance on Governance Compliance Statements,
  - (c) independent assessment of Governance Compliance Statements, and;
  - (d) establishing a set of Key Performance Indicators (KPIs)
- 85 SAB have completed their report on Good Governance and submitted an Action Plan to MHCLG to take the recommendations of the project forward. It is expected that the next stage is for MHCLG to take the recommendations forward for implementation through legislation and / or Statutory Guidance.
- 86 A further update to both the Committee and Local Pension Board will be provided at such time as there is progress on the implementation of the Good Governance recommendations.

## **SAB Review – Responsible Investment Guidance**

- 87 In November 2019, SAB drafted guidance for Responsible Investment in the LGPS, to clarify the parameters within which investment decisions can be made with regard to the integration of ESG factors. Following feedback, SAB has decided to take stock until more is known about the government's position on the proposed climate change provisions in the Pension Schemes Bill and the implications of the Supreme Court's judgement involving the Palestine Solidarity Campaign. Committee will be updated as the matter progresses.
- 88 Notwithstanding this decision, SAB have progressed with further work in respect of Responsible Investment (RI), including the production of an RI A-Z Guide. It is intended that the A-Z Guide will provide LGPS stakeholders a "one stop shop for information, links and case studies in this fast growing and complex arena". The guide will evolve over time, as new entries are added. The A-Z Guide can be found online at the following link <https://ri.lgpsboard.org/items>.

- 89 The Board has also established an RI Advisory Group (RIAG). The main role of the group will be to advise SAB on all matters relating to RI. It will also be responsible for assisting the Board in maintaining the online A-Z Guide. The Group will also assist SAB in developing recommendations to MHCLG on how the Taskforce on Climate-Related Financial Disclosures (TCFD) reporting should be applied to the LGPS.

### **SAB Correspondence – LGPS Audit**

- 90 In August 2022 the SAB Chair, Cllr Roger Phillips, wrote to MHCLG proposing a separation of pension fund accounts from main local authority accounts, due to each having the potential to delay the other. On 15 February the Minister for Local Government, Lee Rowley MP, responded to the SAB welcoming the Board's advice and recommendation to consider the separation of main authority accounts and the pension fund accounts. A copy of the correspondence was previously shared with the Committee. The Minister has asked his officials to consider the scope for developing this further. The Committee will be kept informed as the matter progresses.
- 91 The SAB issued a short response to the MHCLG consultation on "Addressing the local audit backlog in England". The consultation was discussed at the Compliance and Reporting Committee when it met on 12th February. The Committee agreed that the Board should express concern that if there were wide-spread disclaiming of LGPS administering authority accounts in order to meet the new deadlines, then there would be knock-on consequences for the 18,000 scheme employers that rely on information from the pension fund audit in order to complete their own audits.
- 92 Essentially, the scheme employer auditor will need to do further work to gain assurance on the information provided to it by the LGPS actuary on its assets and liabilities under the scheme, which will may be material, depending on a range of factors. The Board's response also took the opportunity to re-emphasise the representations it made in its earlier letter asking that pension fund audit should be separated out from the host authority audit.

### **SAB – Preparing the Annual Report**

- 93 The SAB Compliance and Reporting Committee (CRC) has convened a working group to review the 2019 CIPFA 'Preparing the Annual Report' guidance and has identified several areas within the current guidance which now require updating and clarification. A priority has been to streamline the guidance and reduce duplication wherever

possible with other reporting obligations – SAB reported that this direction was supported by MHCLG.

- 94 The updated guidance has now been published. The guidance is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (MHCLG). It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.
- 95 The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance sets out that funds should use their best endeavours to comply fully with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The new reporting requirements have been set out in detail for both the Committee and Board. Officers are consulting with the Local Pension Board over ongoing monitoring of compliance.
- 96 Following completion of the Annual Report guidance, the CRC has agreed its next priority will be to revise the Funding Strategy Statement (FSS) guidance. This was last updated in 2016 and the aim is to create content in relation to:
- setting up of academies on conversion
  - use of employer flexibilities and deferred debt arrangements
  - employer representations around asset strategies and partial terminations
  - treatment of exit debts and credits
  - consultation with employers.

### **SAB – Sharia Compliance**

- 97 Committee members have previously been briefed on the issue of LGPS members opting out of the scheme on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination on behalf of the scheme. The SAB had received legal advice suggesting that it should instruct an expert in Islamic finance to provide evidence on Sharia Compliance in the LGPS. Consequently, the Board commissioned an expert in the field of Sharia finance seeking advice on whether the LGPS is Sharia compliant, and the range of views that Muslim members and potential



members might have on that question. The Board commissioned Mufti Faraz Adam of Amanah Advisors to produce a report.

- 98 This report has now been received by SAB and examines the issue primarily from the starting point that a statutory defined benefit pension scheme, like the LGPS, is an extension of the employer/employee contract. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS.
- 99 The SAB hopes that the report will offer comfort to Muslim members of the LGPS in the knowledge that they can continue to participate in the scheme. Indeed, SAB hopes that the report may encourage some who had opted out of the LGPS to opt back in and ensure that they benefit from the employer contribution to their pension, as well as the valuable benefits that the LGPS offers. A copy of the report was previously shared with the Committee.

### **SAB - Gender Pay Gap**

- 100 The Scheme Advisory Board has written to Treasury, suggesting that a consistent and active approach to the gender pensions gap is taken across public sector pension schemes. The Board set out that a gender pensions gap analysis, like that commissioned by the Board, would give a dynamic picture of how scheme members' salaries change over time and illustrates the different trajectory of men and women's careers. A copy of SAB's letter was previously shared with the Committee.

## **Non- LGPS Specific Matters**

### **Public Sector Exit Payments Caps**

- 101 The Small Business, Enterprise and Employment Act 2015 introduced the concept of a 'public sector exit payments cap'. The legislation provides that exit payments to be paid to a person are not to exceed £95,000. The 2015 Act provided the overarching principles of how the exit cap was to operate, but the detail was to be prescribed in regulations that were expected to soon follow.
- 102 After a period of delay the Treasury launched a new consultation on this matter in April 2019. Included in the consultation were draft regulations called 'The Restriction of Public Sector Exit Payment Regulations 2019' which provided detail on how the exit cap should operate from an employer's perspective.

- 103 Under the Regulations, the cap was to remain at £95,000 and include:
- redundancy payment(s);
  - any payment to offset an actuarial reduction to a pension arising by virtue of early retirement (known as 'strain on the fund' or 'early release' cost);
  - any payment made pursuant to an award of compensation under the ACAS arbitration scheme or a settlement or conciliation agreement;
  - any severance payment or ex gratia payment;
  - any payment in the form of shares or share options;
  - any payment on voluntary exit;
  - any payment in lieu of notice due under a contract of employment;
  - any payment made to extinguish any liability under a fixed term contract;
  - any other payment made, whether under a contract of employment or otherwise, in consequence of termination of employment or loss of office.
- 104 Most significantly for the LGPS, was the inclusion of the 'strain on the fund' costs being included towards the cap. These costs of allowing unreduced access to pension benefits for members over 55 can exceed £95,000 for scheme members with long periods of membership.
- 105 Separately to the Exit Payment Regulations, MHCLG consulted on further reforms to the LGPS Regulations that would accommodate the Exit Cap within the Scheme. As MHCLG's proposed changes were not implemented concurrently with the Exit Payment Regulations, there was legal uncertainty for both LGPS Administering Authorities and participating employers due to the conflicting legislation.
- 106 On 12 February however the Exit Cap was unexpectedly disapplied, after the Treasury issued the 'Exit Payment Cap Directions 2021'. The Treasury intended to bring forward at pace revised proposals in respect of public sector exits. The Committee will be updated as further details emerge.

## **UK Stewardship Code 2020**

- 107 The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. The Fund has previously signed up the Code, and BCPP also publish a UK Stewardship Code compliance statement.
- 108 Due to the significant changes in the Investment Market since the introduction of the first Code, The UK Stewardship Code 2020 is now being introduced. This new Code expands on the previous requirements and comprises a set of 12 Principles which require reporting and disclosure on an 'apply and explain' basis.
- 109 The LGPS (Management and Investment of Funds) 2016 Regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship, day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed a Responsible Investment Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds.
- 110 Together with peers at BCPP Partner Funds, Officers are working to consider the new Code and how to ensure compliance. A more detailed report will be provided to the Committee in due course.

## **Increasing the UK Minimum Pension Age**

- 111 The Committee have previously been informed of the intention to raise the Normal Minimum Pension Age (NMPA) in the UK and members will recall that a consultation entitled 'Increasing the normal minimum pension age: consultation on implementation' was launched on 11th February and ran until 22nd April 2021.
- 112 The consultation proposed that, due to increases in longevity and changing expectations of how long individuals will remain in work and in retirement, the minimum pension age would increase from 55 to 57 in 2028. When the policy was first announced, it was intended that the NMPA would be 10 years earlier than the State Pension Age. The minimum age a scheme member can currently retire voluntarily in the LGPS is 55.
- 113 The Finance Act gained Royal Assent on 24 February, which will increase the minimum retirement age in the UK from 55 to 57 from

April 2028. The Act provides for protected pension ages for members who meet entitlement conditions. The government will need to change the LGPS rules to align with the NMPA at some point on or before 6 April 2028. It will also need to consider whether LGPS members who qualify for protection will be allowed to receive payment before 57.

- 114 The LGA have advised that the change is not material, such that scheme members must be immediately informed of the change. Nonetheless, the Fund informed its active and deferred members of the proposed change within Annual Benefit Statements.

### **TPR Code of Practice**

- 115 The Pensions Regulator (TPR) has consulted on a single Code of Practice to cover all regulated schemes. Previously, the Regulator had a specific Code for Public Service Pensions (Code of Practice 14). Whilst the new Code does not extend TPR's powers in the LGPS beyond its existing remit on governance and administration, there had been some concerns over how the provisions of the Code fit with the LGPS. SAB subsequently responded on behalf of the LGPS.
- 116 The Regulator carried out a full review of the comments received through the consultation, and subsequently published its General Code of Practice ('the Code') which has been laid in Parliament and which is expected to come into force on 27th March 2024. It replaces Code of Practice 14 for Public Sector Pension Schemes and brings together 10 previous TPR Codes into one single Code.
- 117 The Regulator's research on governance and administration shows that the LGPS already has high standards of governance in place, but the Code provides an opportunity for Funds to review current practices, but also presents challenges during what is an already busy time within the LGPS. Clarity is required on which parts of the Code specifically apply to the LGPS and what these mean for funds and how they should be applied in practice. The SAB is working to support funds in understanding any new requirements in the Code and where needed, will produce new or update existing guidance to assist funds with their responsibilities.
- 118 Officers will continue to consult with the Local Pension Board, whose work plan will be informed by the General Code of Practice. A copy of the Code has previously been shared with the Committee and Board; and a detailed overview of the Code, its applicability to the LGPS, and main provisions, was considered by the Board in June. An external review of the extent of the Fund's compliance with the Code is proposed before the end of the Municipal Year.

## **Boycotts, Divestment and Sanctions**

- 119 The legislative programme was laid out in May 2021, included a Boycotts, Divestment and Sanctions (BDS) Bill - the purpose of which was to be to stop public bodies from taking a different approach to UK Government sanctions and foreign relations covering purchasing, procurement, and investment decisions.
- 120 In advance of the BDS Bill an amendment to the Public Services Pensions Bill passed, which proposed conferring powers to the Secretary of State to make guidance in respect of BDS. The clause would enable the Secretary of State to issue guidance to LGPS administering authorities that they may not make investment decisions that conflict with the UK's foreign and defence policy. The Public Services Pensions Bill gained royal assent, but this does not place any immediate duty on Funds.
- 121 It was intended however to implement the commitment to prevent public bodies pursuing boycotts, divestments and sanctions campaigns (BDS) against foreign countries or territories, unless in line with the UK's official foreign policy, through the Foreign Affairs (Economic Activity of Public Bodies) Bill. For the position to change for the LGPS, a full 12 week consultation would be required. SAB Guidance on the matter was previously shared with the Board and Committee.
- 122 It was previously reported to members that the dissolution of Parliament before the 2024 General Election meant that the Bill falls, as it has not proceeded through all stages and therefore cannot be given Royal Assent prior to dissolution. Officers will check whether the government commits to bringing the Bill back to Parliament in future.

## **Pension Scams and new Restrictions on Transfers**

- 123 From 30 November 2021 new regulations ('the Occupational and Personal Pension Schemes Conditions for Transfers Regulations 2021') place greater restrictions on transferring out of the Pension Fund. The new Regulations require the Fund to carry out greater due diligence to protect scheme members from falling foul of Pension Scams.
- 124 The Fund will be required to notify members seeking to transfer out, that the transfer can only proceed if there are no due diligence red flags, or, if the transfer is to a public service scheme, master trust or collective money purchase scheme.

- 125 The Fund already provides warnings to its scheme members of the risks of pension scams through the Pensions Regulator’s ‘Scams warning’ – a copy of which has previously been provided to the Local Pension Board. The Fund has also worked with the Regulator to provide a bespoke warning through the Online Portal. In light of the new Regulations however, Officers have amended the Fund’s transfer process to reflect the new requirements. Scheme Members were again warned against scams in 2022 Annual Benefit Statements.
- 126 Following a major data breach at third-party pensions administrator, Capita, the Pensions Regulator has reminded pension funds of the importance of warning members about scams. A reminder will be provided to all active and deferred scheme members in their Annual Benefit Statements. The Committee have previously been informed of the Pensions Regulator’s statement on the Capita Breach.
- 127 On 10 August 2023, the Money and Pensions Service (MaPS) published its evidence review into pension scams in the U K. The key findings are:
- there remain significant challenges to estimate the scale of the problem
  - the types of scams and tactics are very similar to investment scams
  - the financial and emotional cost to individuals is high, going beyond financial loss and impacting on health and relationships
  - scams can happen to anyone
  - once an individual has been targeted, there is a high risk of retargeting
  - government bodies, administrators and other organisations have at their disposal a range of touchpoints to provide strong protection against scams.

### **Stronger Nudge**

- 128 The government has introduced legislation to ensure that individuals are made aware of ‘Pension Wise’ guidance as part of the process for taking or transferring Defined Contribution (DC) pension savings. Whilst the LGPS is not a DC Scheme, the legislation is applicable to the Scheme’s AVC provision.
- 129 The ‘Stronger Nudge’ requirement is introduced by the Occupational and Personal Pension Schemes (Disclosure of Information)

(Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30). These 'Nudge' Regulations require the Fund to refer scheme members who are seeking to take or transfer their AVCs to the Pension Wise service.

- 130 The requirement applies to all applications received on or after 1 June 2022 in respect of retirees taking payment of their AVCs, and those aged over 50 seeking to transfer their AVCs to another DC Scheme. The Fund has amended its processes and paperwork to ensure compliance with the Nudge Regulations. The Fund will offer to book a Pension Wise appointment at a date and time suitable for the scheme member where required. It should be noted that scheme members retain the right to opt out of receiving Pension Wise guidance. Further detail of the Fund's compliance has been provided to the Local Pension Board.

## **Dashboard**

- 131 Pensions dashboards are digital services — apps, websites or other tools — which savers will be able to use to see their pension information in one place. It is the government's intention to create a national Pensions Dashboard that will enable savers to see all their pensions information in one place online, including on their State Pension. It is hoped that through the Dashboard savers will be able to make better informed decisions about their retirement, as well as find lost and forgotten pots.
- 132 Like all large pension schemes, the LGPS will be required to connect and supply data to the government's national Pensions Dashboard. It was expected that pensions schemes would start to connect to the Dashboard from August 2023, with the LGPS expected to connect in Autumn 2024. However, the Pensions Minister, Laura Trott MP, made a statement on 2 March announcing the intention to amend the staging timetable to allow more time for the technological system enabling dashboards to be delivered. As a result all schemes' deadlines will be changing.
- 133 Subsequently, DWP confirmed that The Pensions Dashboards Programme (PDP) is currently in reset, as part of refreshing its delivery plan for a new connection deadline of 31 October 2026. The process aims to allow DWP the opportunity to review the programme and reset the plan. It also provides the time to ensure required resources are in place to complete the delivery of the technical solution and documentation to support connection. The Committee will be kept informed and progress will be reported to the Pension Board.

## **Changes to Pension Taxation**

- 134 In the 2023 Spring Budget, the Chancellor announced changes to pension taxation. The Annual Allowance (which is the maximum amount of pensions savings an individual can make each year before incurring a tax charge) was increased from £40,000 to £60,000 from 6 April 2023. Changes were also made to the Lifetime Allowance, which reduced to zero from 6 April 2023, before being fully abolishing entirely in a subsequent Finance Bill.
- 135 Officers will continue to ensure that scheme members are appropriately advised of the implications through Annual Statements, and Pensions Savings Statements. All participating employers were made aware of the changes, enabling them to alert their employees who are most likely to be affected.

### **Author(s)**

Paul Cooper

Tel: 03000 269798



**Pension Fund Committee**

**12 September 2024**

**Review of Pension Fund Risks**



---

**Report of Paul Darby, Corporate Director of Resources**

**Purpose of the Report**

- 1 To update members on the revisions to the LGPS Pension Fund risk register, following a review with the council's Risk and Governance Team in August 2024.

**Executive summary**

- 2 The review of the risk register was undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s 2018 guidance on Managing Risk in the Local Government Pension Scheme, an extract from which is attached as Appendix 1. There are 14 risks on the Pension Fund risk register, which is attached as Appendix 3. There are seven medium risks and seven low risks.

**Recommendation(s)**

- 3 The Committee are asked to:-
  - (a) Confirm that this report provides assurance that the Pension Fund risks are being effectively managed within the council's risk management framework,
  - (b) Agree to receive an update in six months, and
  - (c) Advise any areas of risk for which the Committee would seek additional information as part of a deeper dive.

## Background

- 4 The introduction of new governance requirements in the LGPS in 2015, specifically the Pensions Regulator's new role and the establishment of local pension boards, reflects the increasing importance of risk management. It also reinforces the need for administering authorities to focus their risk management activities on all areas of scheme management and not just investment, noting of course that management of investment risk is rightly a fundamental concern.
- 5 The Chartered Institute of Public Finance and Accountancy (CIPFA) publication, *Managing Risk in the Local Government Pension Scheme 2018*, includes guidance on managing risks in LGPS financial management and administration. It states that, as part of their governance processes, funds should regularly report risks to committee and local pension boards, embedding robust risk management. An extract from the CIPFA guidance is attached as Appendix 1.
- 6 The Pension Fund risk register uses the council's corporate risk assessment methodology and is reviewed in detail by officers twice each year. In accordance with its terms of reference, the Pension Fund Committee will also review and monitor the Pension Fund risk register at least annually.

## Risk Update

- 7 There are 14 risks on the Pension Fund risk register, with the profile of those risks summarised in Appendix 2. There are seven medium risks, whilst the remaining seven risks are within the corporate appetite and are therefore deemed to be at an acceptable level. The areas assessed as medium risk are:
  - a) *The **pension fund assets** may fail to grow in line with the developing cost of pension fund liabilities, leading to an adverse financial impact on the pension fund [Risk 1]*
  - b) *Inappropriate investment in breach of the Fund's **environmental, social or governance principles**, leading to reputational damage [Risk 3]*
  - c) *Risk that the amount of money needed to meet the fund's **liabilities** turns out to be greater than expected, leading to an adverse financial impact on the pension fund [Risk 4]*
  - d) *Risks associated with **asset pooling** through Border to Coast [Risk 8]*

- e) *Poor standards of **data quality**, leading to disruption to the discharge of administering authority functions [Risk 10]*
- f) ***Serious breach** of law regarding management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions [Risk 11]*
- g) *A successful **cyberattack**, leading to disruption to the discharge of administering authority functions [Risk 12]*

- 8 Since the Committee last reviewed the register, it has been assessed that the gross risk of a breach of the Fund's ESG principles [Risk 3] has increased, owing to heightened geo-political tensions. Whilst part of the Fund's ESG considerations, it is proposed that going forward Climate Change is considered as a standalone risk.
- 9 In light of previous inflationary pressures affecting the economy, and current elevated interest rates, it is considered that without the mitigations summarised, the gross risk of employer contribution delinquency [Risk 5] has increased. Similarly, the gross risk of inadequate employer administration [Risk 7] is also deemed to have increased without the Fund's mitigations, due to the increasing number of short-term Fund participants.
- 10 The risk of inadequate data [Risk 10] and a data breach [Risk 11] are considered to have increased. This is due to the increasing complexity of the scheme's data requirements, as well as the significant data exchange required to enable Pension Dashboards. Data Quality will be a key consideration of the Fund's approach to Dashboard implementation, and it is anticipated that these risks will reduce as the project progresses and mitigations are further enhanced.

## Sources of Assurance

- 11 Appendix 4 summarises the sources of assurance in managing the Fund's 14 Risks. Each of the 14 Risks are mapped to a source of assurance, detailing when that assurance was provided and, where appropriate, the level of assurance provided. This includes sources of assurance which reflect the way risks are managed and controlled day-to-day, the organisational control framework, objective and independent assurance, and; assurance from external independent bodies.
- 12 Members of the Committee had previously asked for more detail on the Cybersecurity controls [Risk 12]. A presentation from the council's ICT Strategic Manager, intended to provide assurance to the Committee on the management of this Risk, was subsequently provided for the

Committee, outlining the role undertaken by the Council's ICT function in managing the Pension Fund's cyber security risk.

- 13 It is proposed that a further update on Risk is provided to the Committee in six months, with a deep dive on one or two areas of risk. The Committee is asked to outline areas to be considered for consideration, for Officers to agree with the Chair for inclusion on future agendas.

**Author(s)**

Paul Cooper

Tel: 03000 269 798

---

## **Appendix 1: Extract from Managing Risk in the LGPS (CIPFA, 2018)**

---

Effective risk management stands at the heart of sound corporate governance across all organisations and functions and the Local Government Pension Scheme (LGPS) is no exception. Using established risk management techniques, risks can be identified, analysed and managed effectively.

As part of their governance processes funds should be regularly reporting all risks to committee and the local pension board, embedding a robust risk management approach and processes which link to all key strategic documents as well as recording risks and progress on an active risk register. Effective risk management will lead to substantial financial and non-financial benefits and should be an integral part of both committee and local pension board meetings. The need for effective risk management is reflected throughout LGPS regulation and guidance, including:

- Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016.
- The Pensions Regulator's Code of Practice 14, which includes a section on internal controls and managing risks.
- The CIPFA Publication Delivering Good Governance in Local Government: Framework (2016 Edition).
- Statutory guidance under Regulation 58 of the LGPS Regulations 2013.
- Preparing and Maintaining a Funding Strategy Statement in the LGPS, 2016 Edition.
- CIPFA's guidance on Investment Pooling and Governance Principles, published in 2016.

Overall responsibility for risk management falls to the body with delegated responsibility for managing the fund, and the legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. However, the local pension board and officers advising the committee and assisting in the running of the fund should also have a role in relation to risk management.

The Pensions Regulator's Code of Practice 14 states that scheme managers must establish and operate internal controls. The risk management process should use a risk-based approach and ensure that sufficient time and attention is spent in:

- identifying, evaluating and managing risks
- developing and monitoring appropriate controls

## Appendix 2: Pension Fund Risk Profile

The table below profiles the pension fund risks by net risk evaluation. The full risk register is shown in the subsequent pages of this appendix.

Net Impact					
<b>Critical</b> Over £15m	2 Counterparty	1 Assets 3 ESG 4 Liabilities 8 Pooling			
<b>Major</b> £5m - £15m		12 Cyberattack 11 Serious Data Breach			
<b>Moderate</b> £1m - £5m	13 Fraud	5 Employer Contributions			
<b>Minor</b> £0.5m - £1m		7 Resources 9 ICT Failure 14 Non-compliance		10 Data Quality	
<b>Insignificant</b> £0.5m			6 Employer Administration		
<b>Net Likelihood</b>	<b>Remote</b> over 5 years	<b>Unlikely</b> every 3-5 years	<b>Possible</b> every 1-3 years	<b>Probable</b> once a year	<b>Highly Probable</b> more than once a year

Notes on the Risk Register
<ol style="list-style-type: none"> <li>1. The full Pension Fund Risk Register is set out in the table below.</li> <li>2. Risk assessment criteria are shown in the table on the right.</li> <li>3. Significant changes to the risk register are highlighted in the column on the far right along with any outstanding actions to mitigate the risk.</li> </ol>

Factor & Description		Financial impact	Likelihood
5	Critical	Over £15m	Highly Probable – more than once a year
4	Major	£5m - £15m	Probable – once a year
3	Moderate	£1m - £5m	Possible – every 1-3 years
2	Minor	£0.5m - £1m	Unlikely – every 3-5 years
1	Insignificant	£0.5m	Remote – over 5 years

Ref	Risk (and type)	Potential Impact	Gross			Mitigating Controls	Net		
			Total Impact Score	Likelihood Score	Risk Score		Total Impact Score	Likelihood Score	Risk Score
1	The <b>pension fund assets</b> may fail to grow in line with the developing cost of pension fund liabilities, leading to an adverse financial impact on the pension fund (Asset & Investment Risk).	Financial	5	5	25	<ol style="list-style-type: none"> <li>1. Investment Strategy Statement (ISS) Approach to Risk.</li> <li>2. ISS Counterparty Risk Acceptability.</li> <li>3. Adoption of Myners Principles of Investment Decision Making and Disclosure.</li> <li>4. Local Pension Board reviews activity of the Pension Committee.</li> <li>5. Professional advice from Investment Consultants &amp; Independent Advisor.</li> <li>6. Extensive due diligence before any investment manager appointment.</li> <li>7. Range of underlying investment managers to spread risk.</li> <li>8. Diversified allocation of assets.</li> <li>9. Investment in both public and private markets.</li> <li>10. Investment advisor reviews the portfolios of the investment managers on a regular basis.</li> <li>11. Performance monitoring.</li> <li>12. Regular cashflow monitoring.</li> <li>13. Regular monitoring to ensure that funding objectives are achieved.</li> <li>14. Investment Advisors reports to Pension Fund Committee quarterly.</li> <li>15. Quarterly performance figures of the investment managers are reported and challenged at the Pension Fund Committee.</li> <li>16. Investing in assets which produce cashflows or withdrawing cash from fund managers.</li> <li>17. Triennial assessment of liabilities by Fund Actuary.</li> </ol>	5	2	10



2	A <b>counterparty may default</b> in meeting its obligations, leading to an adverse financial impact on the pension fund (Asset & Investment Risk).	Financial	5	3	15	<ol style="list-style-type: none"> <li>1. Spreading of investments across different counter parties reduces risk of defaults being material.</li> <li>2. Investments made through Treasury Management (TM) Team are done in line with TM strategy and policy.</li> <li>3. Due diligence before appointing counterparty.</li> <li>4. Appointment of pension fund custodian.</li> <li>5. Cash balances are invested in line with the Council's Treasury Management Strategy. This sets out the maximum principal sums which can be invested and the maximum time limits which can be placed with each financial institution.</li> <li>6. The TM team reviews and monitors the Council's TM Strategy and updates counterparties in line with information supplied by the Council's TM Advisers.</li> <li>7. Uninvested cash held by custodian retained in segregated account. Tier 1 capital requirements for custodian.</li> </ol>	5	1	5
3	Inappropriate investment in breach of the Fund's <b>environmental, social or governance (ESG) principles</b> , leading to reputational damage (Asset & Investment Risk).	Financial and reputational	5	5	25	<ol style="list-style-type: none"> <li>1. Environmental, Social &amp; Governance Policy through the fund's Investment Strategy Statement.</li> <li>2. Environmental, Social &amp; Governance factors form part of asset manager selection rationale.</li> <li>3. Reporting from current investment managers includes details of voting activity. BCPP Ltd publish voting activity quarterly.</li> <li>4. Responsible Investment Policy agreed with BCPP Ltd and jointly owned with partner funds.</li> </ol>	5	2	10

4	Risk that the amount of money needed to meet the fund's <b>liabilities</b> turns out to be greater than expected, leading to an adverse financial impact on the pension fund (Liability Risk).	Financial	5	4	20	<ol style="list-style-type: none"> <li>1. Investment in a range of assets.</li> <li>2. Inflation linked income, subject to a tolerable level of volatility.</li> <li>3. Actuary takes a long -term view.</li> <li>4. Ongoing liaison with the actuary.</li> <li>5. Regular liaison with affected employers.</li> <li>6. Investing in assets which produce cashflows or withdrawing cash from fund managers.</li> <li>7. Regular cashflow monitoring.</li> <li>8. Quarterly reporting to Pension Fund Committee.</li> <li>9. Targeting returns in excess of the discount rate.</li> </ol>	5	2	10
5	<b>Scheme employers</b> may not meet their contribution requirements as they fall due, leading to an adverse financial impact on the pension fund (Employer Risk).	Financial	3	4	12	<ol style="list-style-type: none"> <li>1. Annual returns reconciled to monthly payments.</li> <li>2. As part of the process for the actuary's triennial valuation, bodies have opportunity to discuss funding.</li> <li>3. Use of bonds and guarantees.</li> <li>4. The Fund considers admittance of admitted bodies, following process to manage risk of each admission.</li> <li>5. Actuary calculation of the bond options (with DCC making final choice).</li> <li>6. DfE guarantee regards Academy participation</li> <li>7. Subsumption guarantee from biggest participating employer for a number of smaller participants.</li> </ol>	3	2	6

6	Scheme employers may fail to <b>administer the scheme efficiently</b> , leading to disruption to the discharge of administering authority functions (Employer Risk).	Service delivery	1	5	5	<ol style="list-style-type: none"> <li>1. Clear communication of requirements to scheme employers.</li> <li>2. Electronic processing offered to all employers improving efficiency and ease of administration.</li> <li>3. As part of the process for the actuary's triennial valuation, bodies have opportunity to discuss funding.</li> <li>4. The Fund considers admittance of admitted bodies, following process to manage risk of each admission.</li> </ol>	1	3	3
7	Potential lack of <b>resources / skills</b> , leading to disruption to the discharge of administering authority functions (Resource and Skill Risk).	Service delivery	2	4	8	<ol style="list-style-type: none"> <li>1. Training for Pension Fund Committee and Local Pension Board.</li> <li>2. Appropriately qualified staff in key roles.</li> <li>3. Segregation of duties among pensions staff.</li> <li>4. Fit for purpose staffing structure in place.</li> <li>5. Training budget in place.</li> <li>6. Greater collaboration with Border to Coast Partner Funds and pool's 2030 strategy</li> </ol>	2	2	4
8	Risks associated with <b>asset pooling</b> through Border to Coast	Financial	5	3	15	<ol style="list-style-type: none"> <li>1. BCPP Ltd is a Financial-Conduct Authority regulated operator and alternative investment fund manager.</li> <li>2. Delay transition of assets during set up period, until necessary conditions for investment are met.</li> <li>3. PF Committee consider risks of investment and approve transitions into BCPP Ltd.</li> <li>4. Due diligence on sub-funds in conjunction with investment consultants.</li> <li>5. Part owners/control – fund represented on BCPP Joint Committee by Pension Fund Committee Chair, statutory officer groups, senior pension officer groups and AGM.</li> <li>6. Transitions managed by externally appointed Transitions Manager.</li> <li>7. Continued availability of external management within BCPP investment offerings (linked to control 5).</li> </ol>	5	2	10

9	A serious <b>ICT failure</b> , leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery	4	4	16	<ol style="list-style-type: none"> <li>1. Universal Pensions Management computer database system and ResourceLink system (pension payments) are supported by DCC ICT service for systems security.</li> <li>2. UPM computer database system and ResourceLink system (pension payments) are covered by the Resources BCP.</li> <li>3. Back up data centre is in place.</li> <li>4. Extensive Corporate controls.</li> <li>5. Business Continuity Plans in place for pension fund's administration and accounting functions.</li> </ol>	2	2	4
10	Poor standards of <b>data quality</b> , leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery	3	5	12	<ol style="list-style-type: none"> <li>1. Actuary gets annual reports and checks the figures against these.</li> <li>2. Collection of member data through automated monthly process for large employers.</li> <li>3. Internal checking and validation procedures.</li> <li>4. Checking and validation by the Actuary.</li> <li>5. Annual data quality report to regulator</li> </ol>	2	4	8
11	Serious breach of law regarding management of <b>data/information</b> , including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery and reputational	5	5	25	<ol style="list-style-type: none"> <li>1. Corporate Information Governance Group oversees policies, procedures &amp; activities.</li> <li>2. Comprehensive training to officers and members.</li> <li>3. Data breach procedure in place.</li> <li>4. Formal appointment of Senior Information Risk Owner to provide senior authority on information governance.</li> <li>5. Assurance obtained from third party suppliers &amp; contractors on compliance with relevant legislation.</li> <li>6. Data Protection Officer appointed as required by the GDPR legislation.</li> <li>7. Access levels in system set up for individual users.</li> <li>8. Secure data exchange for transmission of data with actuary.</li> </ol>	4	2	8

12	A successful <b>cyberattack</b> , leading to disruption to the discharge of administering authority functions (Administrative Risk).	Service delivery	4	4	16	<ol style="list-style-type: none"> <li>1. The LGPS application is hosted on premise at the Council's Data Centre and is covered by corporate cyber security measures.</li> <li>2. Strategic co-ordination of IT - business continuity incident management ensures clear system recovery priorities and staff redeployment.</li> <li>3. User awareness of social engineering and telephone -based cybercrime.</li> <li>4. Staff training and awareness.</li> <li>5. Software support agreements in place.</li> <li>6. Anti-Virus, Anti-spam, Spyware software protection in place.</li> <li>7. Regular Intrusion Detection test.</li> <li>8. Firewalls.</li> <li>9. Password protection.</li> <li>10. Email scanning for known phishing exploits and staged phishing exercises.</li> <li>11. Cyber Security Steering Group.</li> </ol>	4	2	8
13	Serious incident of <b>fraud / corruption</b> in the administration function, leading to an adverse financial impact on the pension fund (Administrative Risk).	Financial	3	3	9	<ol style="list-style-type: none"> <li>1. Segregation of duties among administering authority staff.</li> <li>2. Monthly reconciliations.</li> <li>3. Fraud awareness training.</li> <li>4. Participate in National Fraud Initiative data matching exercises.</li> <li>5. Rigorous checks of supporting documentation (e.g., death certificate).</li> <li>6. Pre-employment checks.</li> </ol>	3	1	3

14	<b>Material non-compliance</b> with some elements of pensions legislation may result in specific penalties or sanctions, leading to an adverse financial impact on the pension fund (Regulatory and Compliance).	Financial and reputational	3	4	12	<ol style="list-style-type: none"> <li>1. Participation in regional Pension Officer forums.</li> <li>2. Subscription to Local Government Association circulars.</li> <li>3. Professional advice taken from the Fund's Actuary and investment consultants, as well as the admin authority's Legal team.</li> <li>4. Staff training.</li> <li>5. Subscription to providers' legislative updates.</li> </ol>	2	2	4
----	--	----------------------------	---	---	----	---	---	---	---

A	B	C	D	E	F	G	H	
1	<b>Pension Fund - Risks Mapped to Assurance</b>							
2								
3	#	Risk	Assurance Source	Title	Last Audit reported to PFC	Audit Committee	Assurance Level	Note
4	1	Pension Fund Assets	BCPP AAF	AAF Type II Assurance Report	Annual		n/a*	*provided by BCPP
5			Pension Fund Audit Assurance	Bank Reconciliation	2022/23		Substantial	
6			Pension Fund Audit Assurance	Contributions	2024/25		Substantial	
7			Pension Fund Audit Assurance	Debt Recovery	2024/25		Moderate	
8			External Audit	External Audit Report 2022/23	2023/24	2023/24	n/a	
9			Pension Fund Audit Assurance	Governance Arrangements	2020/21		Substantial	
10			Pension Fund Audit Assurance	Investments	2021/22		Substantial	
11			External Monitoring	Quarterly Independent Advice to Pension Fund Committee	Quarterly		n/a	
12			External Monitoring	Quarterly Investment Consultant Reporting to Pension Fund Committee	Quarterly		n/a	
13	2	Counterparty	Pension Fund Audit Assurance	Investments	2021/22		Substantial	
14			DCC Corporate Controls	Treasury Management		2023/24	Substantial	
15	3	ESG	BCPP RI Reporting	BCPP: Annual RI Report, Annual TCFD Report, UK Stewardship Code Compliance	2021/22		n/a	
16			Pension Fund Audit Assurance	Investments	2021/22		Substantial	
17			External Monitoring	Quarterly ESG Reporting to Pension Fund Committee	Quarterly		n/a	
18	4	Liabilities	External Monitoring	Annual Review of individual Investment Mandates	Annual		n/a	
19			Annual Report	Annual Statement of the Fund Actuary 2022/23	2023/24		n/a	
20			External Monitoring	GAD Section 13 Review	Triennial		n/a	
21			External Monitoring	Quarterly Independent Advice to Pension Fund Committee	Quarterly		n/a	
22			External Monitoring	Quarterly Investment Consultant Reporting to Pension Fund Committee	Quarterly		n/a	
23			Valuation Report	Triennial Valuation	2022/23		n/a	
24	5	Employers	Pension Fund Audit Assurance	Admission Bodies / Funding Risks	2022/23		Substantial	
25			Pension Fund Audit Assurance	Contributions	2024/25		Substantial	
26	6	Administration	Pension Fund Audit Assurance	Additional Voluntary Contributions	2024/25		Substantial	
27			Pension Fund Audit Assurance	Benefit Calculations	2022/23		Substantial	
28			Pension Fund Annual Report	Governance Compliance Statement	2020/21		n/a	
29			Annual Monitoring	Local Pension Board Annual Report to Committee	Annual		n/a	
30			Quarterly Monitoring	Local Pension Board KPI monitoring	Quarterly		n/a	
31			Pension Fund Audit Assurance	Pensions Payroll	2023/24		Substantial	
32			Pension Fund Audit Assurance	Transfer In/Out	2023/24		Substantial	
33	7	Skills	Pension Fund Annual Report	Governance Compliance Statement	2020/21		n/a	
34	8	Pooling	BCPP AAF	AAF Type II Assurance Report	Annual		n/a*	*provided by BCPP
35			Pension Fund Audit Assurance	Governance Arrangements	2020/21		Substantial	
36			Pension Fund Audit Assurance	Investments	2021/22		Substantial	
37			Annual Monitoring	BCPP Joint Committee Annual Investment Reviews	Annual		n/a	
38			Annual Monitoring	BCPP AGM receipt of company's financial statements	Annual		n/a	
39	9	ICT	DCC Corporate Controls	IT Asset Management (Advice)		2023/24	n/a	
40			DCC Corporate Controls	Business Continuity for ICT		2022/23	Moderate	
41			DCC Corporate Controls	Corporate Controls Presented to PF Committee June 2022	2022/23		n/a	
42			DCC Corporate Controls	Incident Management		2023/24	Moderate	
43			DCC Corporate Controls	Mobile Computing (Advice)		2022/23	n/a	
44			Pension Fund Audit Assurance	Pension System ICT Controls, Data Quality and Performance	2022/23		Substantial	
45			DCC Corporate Controls	Vulnerability Management		2023/24	Substantial	
46			DCC Corporate Controls	Windows Operating System		2017/18	Substantial	
47			DCC Corporate Controls	Change Management		2024/25	Moderate	
48			DCC Corporate Controls	Platform Security		2024/25	Moderate	
49			DCC Corporate Controls	IT Governance		2020/21	Moderate	
50			DCC Corporate Controls	Software Licences (Advice)		2020/21	n/a	
51	10	Data Quality	Pension Fund Audit Assurance	Pension System ICT Controls, Data Quality and Performance	2022/23		Substantial	
52	11	Data Breach	Pension Fund Audit Assurance	Compliance With Breach Policy	2023/24		Substantial	
53			DCC Corporate Controls	Corporate Controls Presented to PF Committee June 2022	2022/23		n/a	
54			Pension Fund Audit Assurance	Pension System ICT Controls, Data Quality and Performance	2022/23		Substantial	
55	12	Cyber	DCC Corporate Controls	IT Asset Management (Advice)		2023/24	n/a	
56			DCC Corporate Controls	Business Continuity for ICT		2022/23	Moderate	
57			DCC Corporate Controls	Corporate Controls Presented to PF Committee June 2022	2022/23		n/a	
58			DCC Corporate Controls	Incident Management		2023/24	Moderate	
59			DCC Corporate Controls	Mobile Computing (Advice)		2022/23	n/a	
60			Pension Fund Audit Assurance	Pension System ICT Controls, Data Quality and Performance	2022/23		Substantial	
61			DCC Corporate Controls	Vulnerability Management		2023/24	Substantial	
62			DCC Corporate Controls	Windows Operating System		2017/18	Substantial	
63			DCC Corporate Controls	Change Management		2024/25	Moderate	
64			DCC Corporate Controls	Platform Security		2024/25	Moderate	
65			DCC Corporate Controls	IT Governance		2020/21	Moderate	
66			DCC Corporate Controls	Software Licences (Advice)		2020/21	n/a	
67	13	Fraud	Pension Fund Audit Counter Fraud	National Fraud Initiative – Data matching to identify potential error/fraud	2023/24		n/a	
68	14	Regulatory Compliance	Pension Fund Audit Assurance	Additional Voluntary Contributions	2024/25		Substantial	
69			Pension Fund Audit Assurance	Benefit Calculations	2022/23		Substantial	
70			Pension Fund Audit Assurance	Contributions	2024/25		Substantial	
71			Pension Fund Audit Assurance	Governance Arrangements	2020/21		Substantial	
72			Pension Fund Annual Report	Independent Review of Governance Arrangements	2020/21		n/a	
73			Pension Fund Audit Assurance	Pensions Payroll	2023/24		Substantial	
74			Pension Fund Audit Assurance	Transfer In/Out	2023/24		Substantial	

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank