

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Monday 24 June 2024** at **2.00 pm**

**Present:**

**W Pattison in the Chair**

**Members of the Committee:**

Councillor A Hopgood

### **1 Apologies for Absence**

Apologies for absence were received from L Oliver.

### **2 Declarations of Interest**

There were no Declarations of Interest.

### **3 Minutes**

The minutes of the meeting held 22 March 2024 were agreed as a correct record and signed by the Chair.

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

The Head of Pensions (LGPS), Paul Cooper noted Councillor A Hopgood had attended the meeting of the Pension Fund Committee held 24 June 2024 and presented the Annual report of the Local Pension Board to the Committee.

The Head of Pensions (LGPS) noted that the Committee had received a number of reports, including in Part A: review of the Committee's Terms of Reference; Internal Audit update; External Audit Strategy; and a Regulatory update. He noted that under Part B, Members of the Committee received reports in respect of Global Equity Alpha investment performance, as well as regular performance reporting on the Fund's mandates.

Councillor A Hopgood asked as regards performance of Global Equity Alpha and the Funda Managers and structure. The Head of Pensions (LGPS) noted the current position and explained as regards fees.

**RESOLVED:**

That the verbal update be noted.

**5 Pension Administration Report**

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

The Head of Pensions (LGPS) noted the new format and gave details in respect of performance of the Pension's Portal and transfers.

A Hopgood asked as regards performance of those areas outside of control of the Pensions Team. The Head of Pensions (LGPS) explained that whilst not in the Fund's control these processes were not always the Employer's fault either - he noted an example where an employee may retire on ill health, and where that may elongate the process. A Hopgood asked whether it was worth feeding back to Government that such indicators could never be realistically at 100 percent. The Head of Pensions (LGPS) noted that a raft of new KPIs from Government would look to focus more on elements that were under the control of Pensions Teams.

The Chair asked as regards measures A1 and A2 both stating 188 cases, and whether they were the same. The Head of Pensions (LGPS) noted that A1 referred to all cases, and A2 referred to the 10-day target for the element within control of the Pensions Team.

**RESOLVED:**

That the report be noted.

## **6 Regulatory Update**

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

The Head of Pensions (LGPS) noted that the 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.

Councillor A Hopgood asked whether there was any consequence for those Funds that had not yet demonstrated pooling progress. The Head of Pensions (LGPS) explained that there may be issues for those Funds, reminding the Board of the progress that Durham had made with Border to Coast Pensions Partnership (BCPP) in respect of pooling, with a looming 2025 deadline against which Fund may be assessed. He added it appeared that there appeared to be a desire for fewer pools, of larger scale, noting the current largest pool being around £60 billion, with Government referring to economies of scale of up to and beyond £100 billion. The Head of Pensions (LGPS) noted that there is an argument that consolidation should follow pooling, to first realise the benefits in terms of pooling, such as increased resilience and professionalism, as well as savings in terms of fees. He noted continued cross-party desire for 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.

A Hopgood noted she felt that the near-term focus should be on what was broken - namely those Funds that had yet to demonstrate pooling progress, noting the risks associated with consolidation.

### **RESOLVED:**

That the report be noted.

## **7 Pensions Regulator Single Code of Practice Update**

The Board considered an update on the Pensions Regulator Single Code of Practice (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the Pensions Team Leader, Ashleigh Phillips would cover the update, reminding the Board that the new Single Code of Practice (COP) would consolidate 14 COPs into one, reiterating that it was important to understand which elements applied to the whole pensions industry, which applied to the LGPS, and which did not. He noted the agenda paper set out the progress being made in terms of compliance.

The Pensions Team Leader noted that the new code covered five main areas: Governing Bodies; Funding and Investment; Administration; Communications and Disclosure; and Reporting to the Pensions Regulator.

The Head of Pensions (LGPS) explained that in respect of the UK Stewardship Code, a lot of work had been undertaken via BCPP and that Pension Fund Officers were working together. He noted in respect of Mandatory TCFD Reporting, it was likely to be no earlier than Christmas 2025 in terms of requirements to report.

Councillor A Hopgood noted caution regards changing positions in respect of climate change, and the risk of investing too much resource at this early stage.

The Pensions Team Leader gave further details in respect of Administration and reporting to the Regulator. The Head of Pensions (LGPS) noted a report to come back to the Board in March 2025, following the end of an external review. The Pensions Team Leader noted that one of the larger areas of work was that of cybersecurity, with a big push within the LGPS to address. The Chair noted her experience with cybersecurity, adding that being proactive was cheaper and noted the importance of insurance. The Chair and Councillor A Hopgood reiterated the importance of cybersecurity and impact and reputational damage that could result from a successful cyber-attack. The Chair noted she would share further information with Officers, as required.

**RESOLVED:**

That the update be noted.

**8 Internal Dispute Resolution Procedure**

The Board considered a report from the Corporate Director of Resources regarding a summary of the outcomes of any internal dispute cases or Pensions Ombudsman cases in which the Pension Fund has been involved in during 2023/24 (for copy see file of Minutes).

The Head of Pensions (LGPS) noted it was a right for scheme members to be allowed to appeal any decisions made and explained there had been 17 appeals within the period, a relatively low number. He added that 13 of the 17 appeals upheld the original decision, with three having progressed to Stage 2, one having been turned down, two ongoing. He explained that after Stage 2, a final stage would be consideration by the Pensions' Ombudsman. He explained that the Ombudsman could issue an interim finding, where it could be to note no issue, or to suggest a remedy with the scheme member. He added should any matter progress to a full decision, then this would be published, and the Local Authority named.

Councillor A Hopgood asked as regards compensatory payments, set out at paragraph seven of the report. The Head of Pensions (LGPS) noted that this can be a small amount when compared to reputational risk, however, some cases related to old transfer cases. The Pensions Team Leader reminded the Board that scheme members were allowed to transfer, however, it was important to not only give those individuals sufficient information but also to evidence that information had been given, so that the scheme member could make an informed decision.

Councillor A Hopgood made an analogy to mortgage payment protection payments, and the high number of claims following high profile advertising as regards claims of being mis-sold those policies. The Head of Pensions (LGPS) noted that there were a number of companies that would canvass scheme members in terms of making a complaint, however, he reiterated that the number we received were relatively small, with none currently sufficient to refer to the Ombudsman.

**RESOLVED:**

That the report be noted.

**9 Pension Fund Breach Monitoring 2023/24**

The Board considered a report from the Corporate Director of Resources in relation to Pension Fund Breach Monitoring for 2023/24 which also gave an overview of the operation of the Durham County Council Pension Fund's policy on management of breaches (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the report contained appendices that set out the policy in respect of reporting breaches, The Pensions Regulator's code of practice in respect of breaches. He added the final appendix set out the breach log and details of the actions taken.

The Pensions Team Leader noted that any issues on the log would be monitored, to ensure it can be evidenced going forward. The Head of Pensions (LGPS) noted that the Pension Fund Committee had agreed that the Local Pension Board would have oversight in respect of breaches, to be reported annually in June. He added should there be a major issue, then this would be brought to the attention of the Board sooner. The Pensions Team Leader noted that the guidance from The Pensions Regulator was very clear in terms of what issues to report.

**RESOLVED:**

That the report be noted.

**10 Date of Next Meeting - 12 September 2024**

The next meeting would be held on 12 September 2024 at 2.00pm.