



Pension Fund Committee

Date **Wednesday 4 March 2015**
Time **10.00 am**
Venue **Committee Room 2, County Hall, Durham**

Business

Part A

1. Apologies for Absence
2. The Minutes of the last Meeting held on 10 December 2014 (Pages 1 - 4)
3. Declarations of interest (if any)
4. Graphs showing recent movements of the Stock and Share Indices (Pages 5 - 24)
5. Graphs showing recent movements of the major currencies against sterling (Pages 25 - 30)
6. Performance Measurement of Pension Fund Investments to 31 December 2014 (Pages 31 - 40)
7. Overall Value of Pension Fund Investments to 31 December 2014 (Pages 41 - 46)
8. Short Term Investments for the Period Ended 31 December 2014 (Pages 47 - 48)
9. Pension Fund Policy Documents - Funding Strategy Statement and Statement of Investment Principles (Pages 49 - 80)
10. Agreement of Accounting Policies for Application in the 2014/2015 Financial Statements of the Pension Fund (Pages 81 - 88)
11. The Requirement to set up a Local Pension Board (Pages 89 - 116)
12. Terms of Reference - Annual Review (Pages 117 - 124)

13. Investment of the Pension Fund's Cash Balances (Pages 125 - 128)
14. Such other business as, in the opinion of the Chairman of the Meeting is of sufficient urgency to warrant consideration
15. 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)

16. The Minutes of the last Meeting held on 10 December 2014 (Pages 129 - 136)
17. Report of the Pension Fund Adviser (Pages 137 - 144)
18. Report of BNY Mellon Investment Management (Pages 145 - 160)
19. Report of Aberdeen Asset Management (Pages 161 - 190)
20. Report of Mondrian Investment Partners (Pages 191 - 222)
21. Report of Alliance Bernstein (Pages 223 - 240)
22. Report of CBRE Global Investors (Pages 241 - 248)
23. Report of Royal London Asset Management (Pages 249 - 310)
24. Report of Barings Asset Management (Pages 311 - 316)
25. Internal Audit Progress Report to 31 January 2015 (Pages 317 - 320)
26. Internal Audit Plan 2015/16 (Pages 321 - 328)
27. Transition Manager Post Trade Report (Pages 329 - 344)
28. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

Colette Longbottom

Head of Legal and Democratic Services

County Hall
Durham
24 February 2015

To: The Members of the Pension Fund Committee

County Council Members:

Councillors A Turner, W Stelling, C Carr, P Conway, M Davinson, S Forster, I Geldard, J Lethbridge, N Martin, G Richardson and R Todd

Darlington Borough Council Members

Councillor I G Haszeldine
Councillor S Harker

Scheduled Bodies Representative

(vacancy)

Admitted Bodies Representative:

J Norton

Pensioner Representative

D Ford

Active Members Representative

(vacancy)

Further Education Colleges Representative

(vacancy)

Advisers: County Council Officers

Chief Executive	G Garlick
Corporate Director, Resources	D McLure
Head of Legal and Democratic Services	C Longbottom
Strategic Finance Manager – Corporate Finance	H Appleton

Independent Advisers

P J Williams
R Bowker
D Banks

Investment Managers

AllianceBernstein
CBRE Global Investors
Royal London Asset Management
Mondrian Investment Partners
Aberdeen Asset Management
BNY Mellon Investment Management

Staff Observers

UNISON	N Hancock
GMB	

Contact: Jill Errington

Tel: 03000 269703

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DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Wednesday 10 December 2014 at 10.00 am**

Present:

Members of the Committee:

Councillors C Carr, P Conway, J Lethbridge, N Martin and G Richardson

Also Present:

County Council Advisers

D McLure – Corporate Director, Resources

H Appleton – Strategic Finance Manager – Corporate Finance

N Orton – Team Leader Operations and Pensions/Data

Independent Advisers

P Williams – P J Williams

R Bowker – P-Solve

J Wall – P-Solve

Admitted Bodies Representative

John Norton

Pensioner Representative

D Ford

Staff Observer

N Hancock - UNISON

In the absence of Councillors Turner and Stelling nominations were sought for a Chairman for the meeting.

Councillor C Carr in the Chair.

1 Apologies for Absence

Apologies for absence were received from Councillors A Turner, W Stelling, M Davinson, S Forster and R Todd.

2 Minutes

The Minutes of the meeting held on 10 December 2014 were agreed as a correct record and were signed by the Chairman.

3 Declarations of interest

There were no declarations of interest.

4 Graphs showing recent movements of the Stock and Share Indices

Consideration was given to graphs showing recent movements in the Stock and Share Indices (for copy see file of Minutes).

Philip Williams advised that the last 12 months had seen a big trend in index-linked gilts driven by private sector funds.

Resolved:

That the information given be noted.

5 Graphs showing recent movements of the major currencies against sterling

Consideration was given to graphs showing recent movements of the major currencies against sterling (for copy see file of Minutes).

The graphs showed that sterling was very strong against the euro and the yen. The dollar was also very strong at present and there was some concern that this may have an impact on the ability of emerging markets to service debts.

Resolved:

That the information given be noted.

6 Performance Measurement of Pension Fund Investments to 30 September 2014

Consideration was given to the report of the Corporate Director, Resources which gave an overview of the performance of the Fund to 30 September 2014 (for copy see file of Minutes).

The report gave details of the Managers' performance against their benchmarks for the quarter, the year to date and since inception of the Fund.

Hilary Appleton, Strategic Finance Manager – Corporate Finance advised that during the current quarter since 30 September 2014 transition of assets from BlackRock to the new Global Equity Managers had occurred.

Resolved:

That the information contained in the report produced by J P Morgan be noted.

7 Overall Value of Pension Fund Investments to 30 September 2014

Consideration was given to the report of the Corporate Director, Resources which informed Members of the overall value of the Pension Fund as at 30 September 2014, and of any additional sums available to the Managers for further investment, or amounts to be withdrawn from Managers (for copy see file of Minutes).

Hilary Appleton, Strategic Finance Manager – Corporate Finance advised that no cash had been allocated because of the transition to the new Managers and normal fund re-balancing would resume in March 2015.

Resolved:

That the information given be noted.

8 Short Term Investments for the Period Ended 30 September 2014

Consideration was given to the report of the Corporate Director, Resources which gave details of the performance of the Pension Fund's short term investments for the three month period ended 30 September 2014 (for copy see file of Minutes).

Don McLure, Corporate Director, Resources referred Members to a new deposit placed with the financial institution Handelsbanken. This was a highly respected institution used by a number of local authorities.

In response to a question from Councillor Carr about fixed term deposits with UK Local Authorities, Don McLure assured the Member that deposits would only be made following due diligence checks on their accounts.

Resolved:

That the information given be noted.

9 Audit Completion Report for the Year Ended 31 March 2014

Consideration was given to the report of the Corporate Director, Resources which informed Members of the completion of the audit of the Pension Fund Accounts and presented the Audit Completion Report for the financial year ended 31 March 2014 (for copy see file of Minutes).

Hilary Appleton advised that the external Auditor, Mazars LLP had given an unqualified opinion that the financial statements gave a true and fair view of the transactions of the pension fund and had been properly prepared. There were no adjustments identified which impacted on the core financial statements and where the Auditor had noted that there was scope to improve in the areas set out in the report, Officers would endeavour to make these improvements during the year.

Catherine Banks of Mazars LLP stated that the audit had gone well and thanked Officers for their assistance.

Resolved:

That the information given be noted and Officers involved be thanked for their work during the Audit.

10 Pension Boards Update

Nick Orton, HR Team Leader Operations and Data/Pensions provided an update in relation to the creation of a local Pension Board which would oversee and assist DCC as scheme manager in its administration of the Pension Fund.

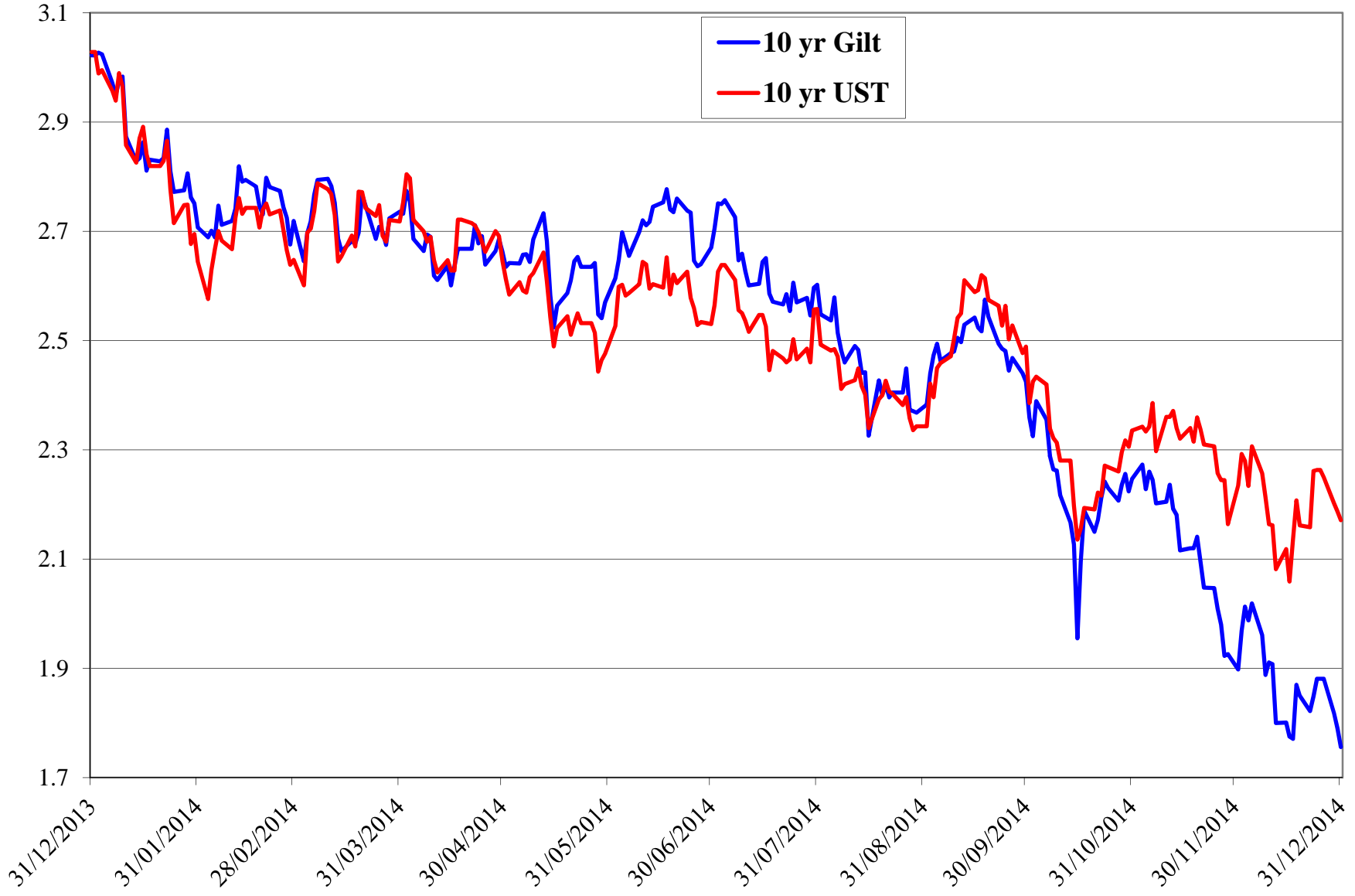
The Officer advised that the Board must comprise of a minimum of four members split equally between representatives from employers in the scheme and scheme members. A report to Council in January 2015 would seek approval to establish the Board with effect from 1 April 2015 when the appointment process would commence.

Members discussed the remit of the Board and Councillor Martin made the comment that the Board may explore the role of Pension Fund Committee in terms of its involvement in the management of the Fund. He suggested that a small Sub-Committee of Pension Fund Committee be established with a view to involving Members in how the Fund was managed.

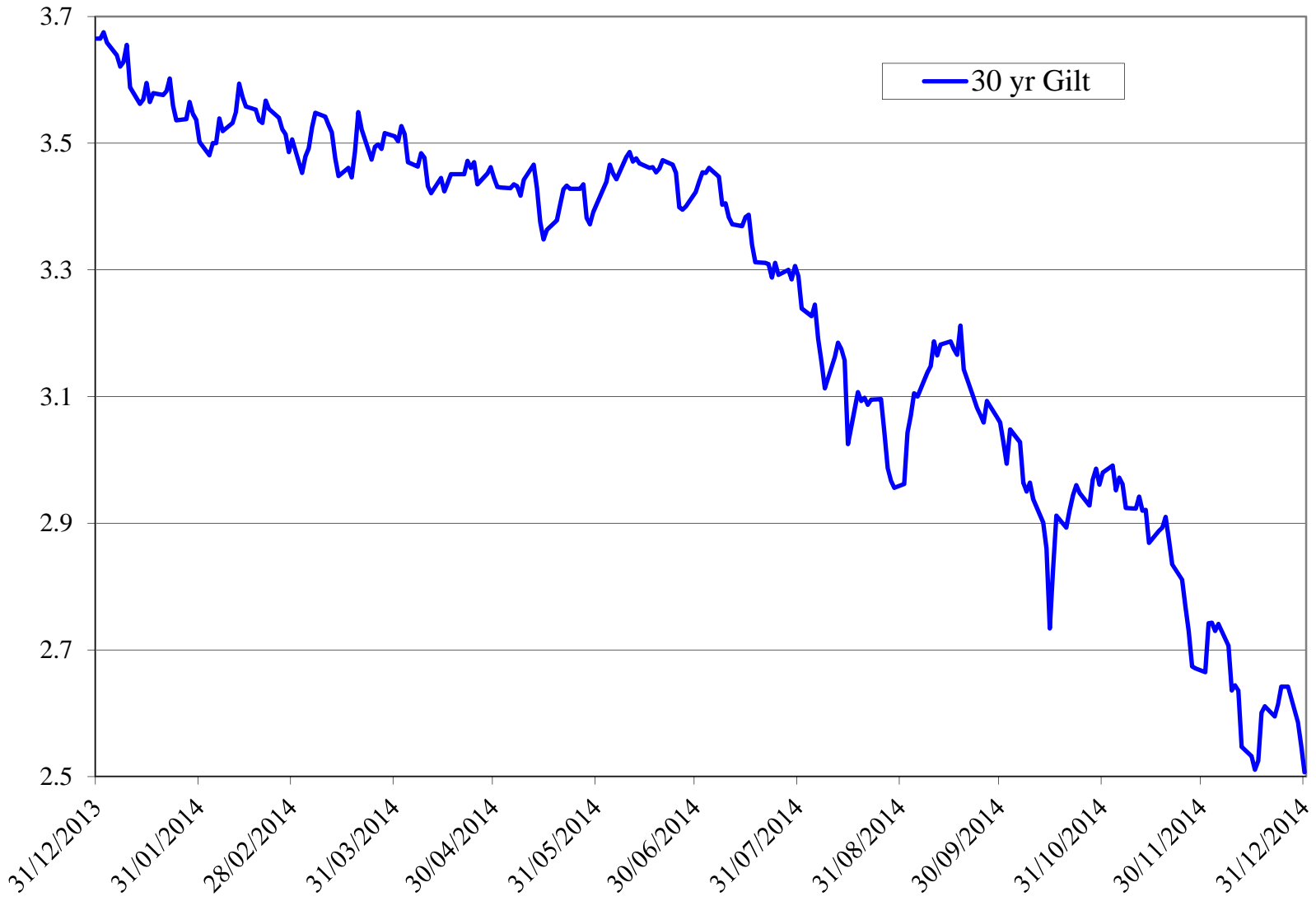
Councillor Conway concurred with these views and added that as part of the Committee's governance role he considered that a good understanding of how Fund management decisions were made was necessary.

Resolved:

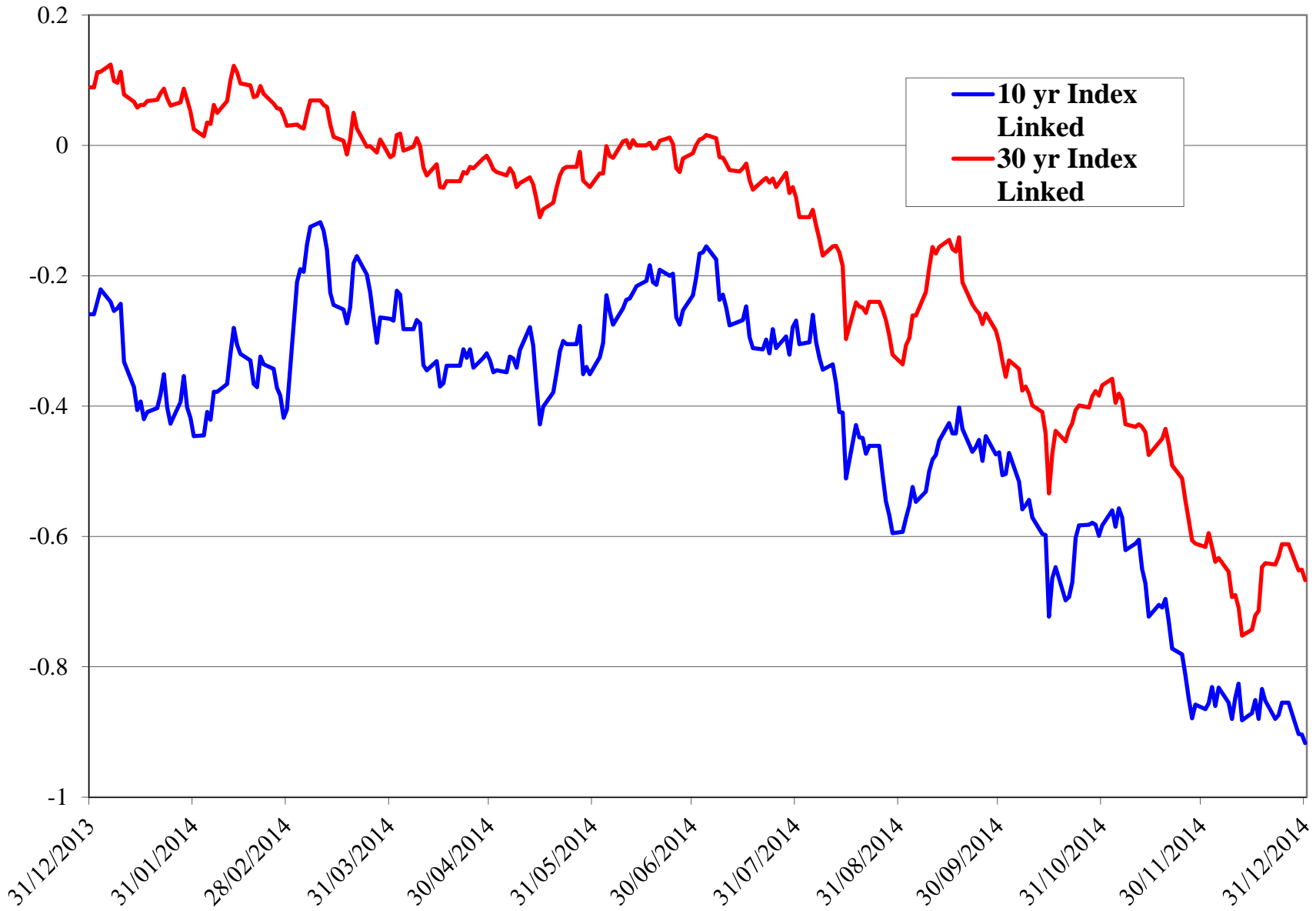
That the information given be noted and Members' comments be taken on board.



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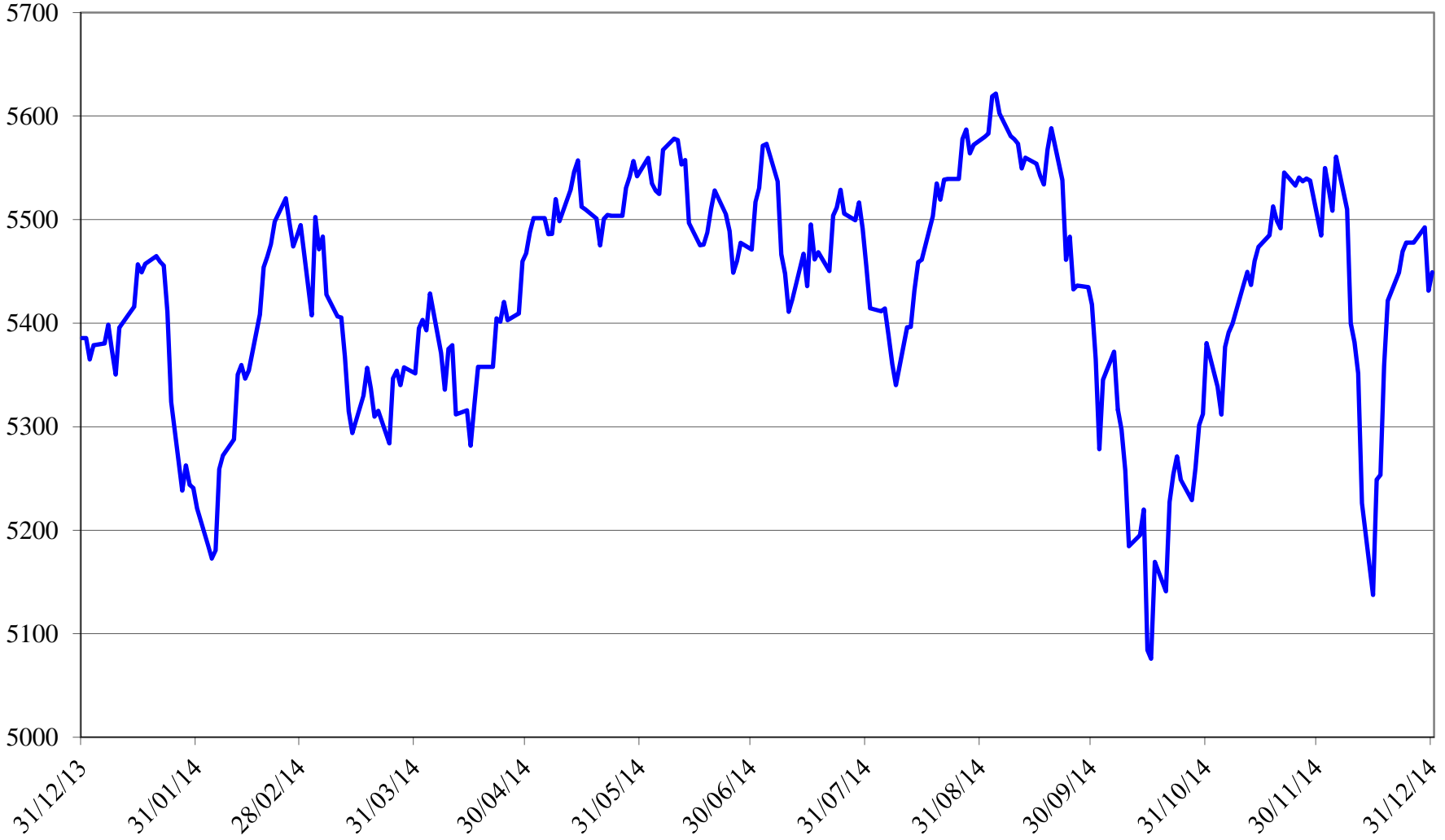


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— FTSE All share



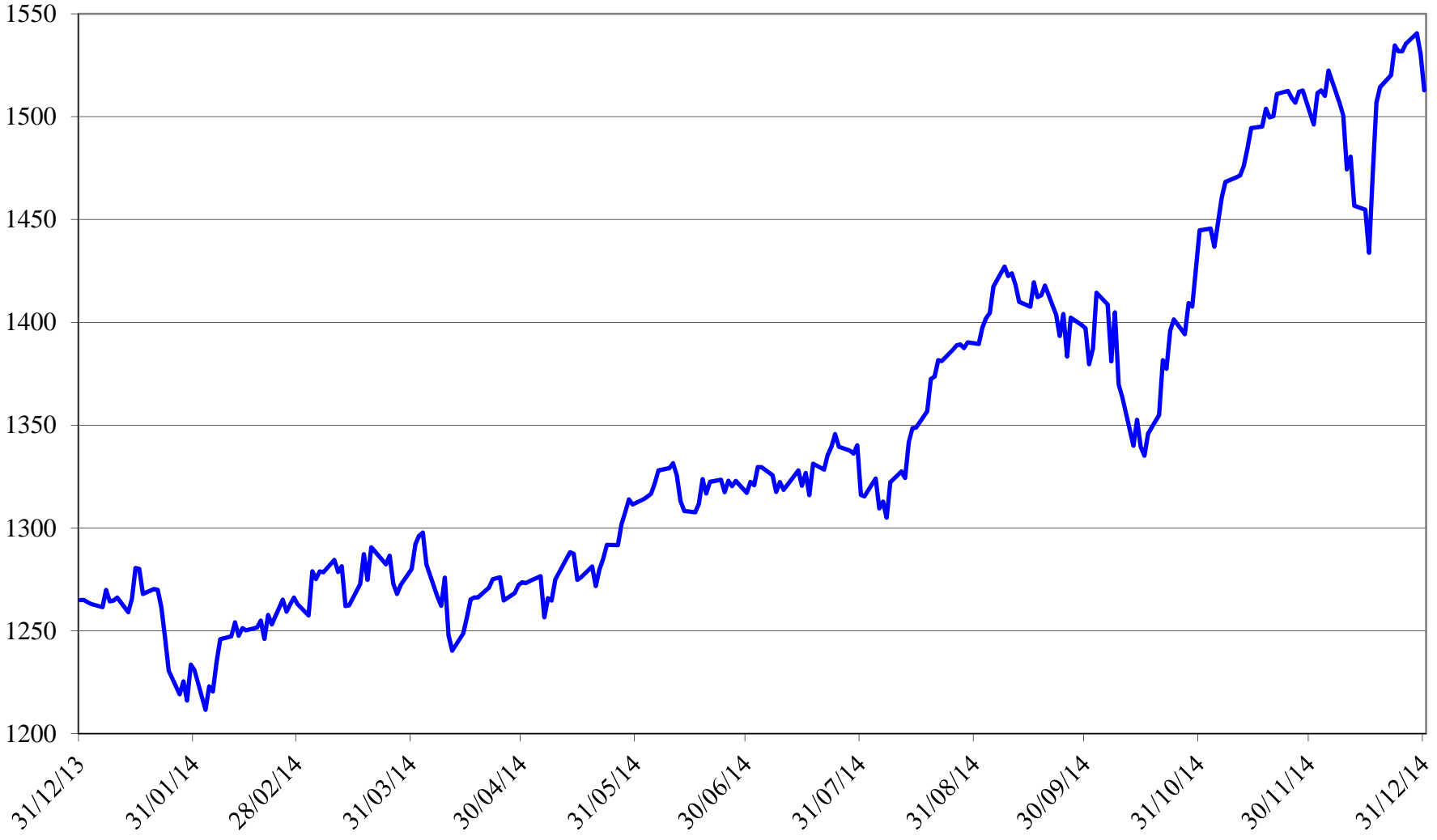
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— FTSE World ex-UK



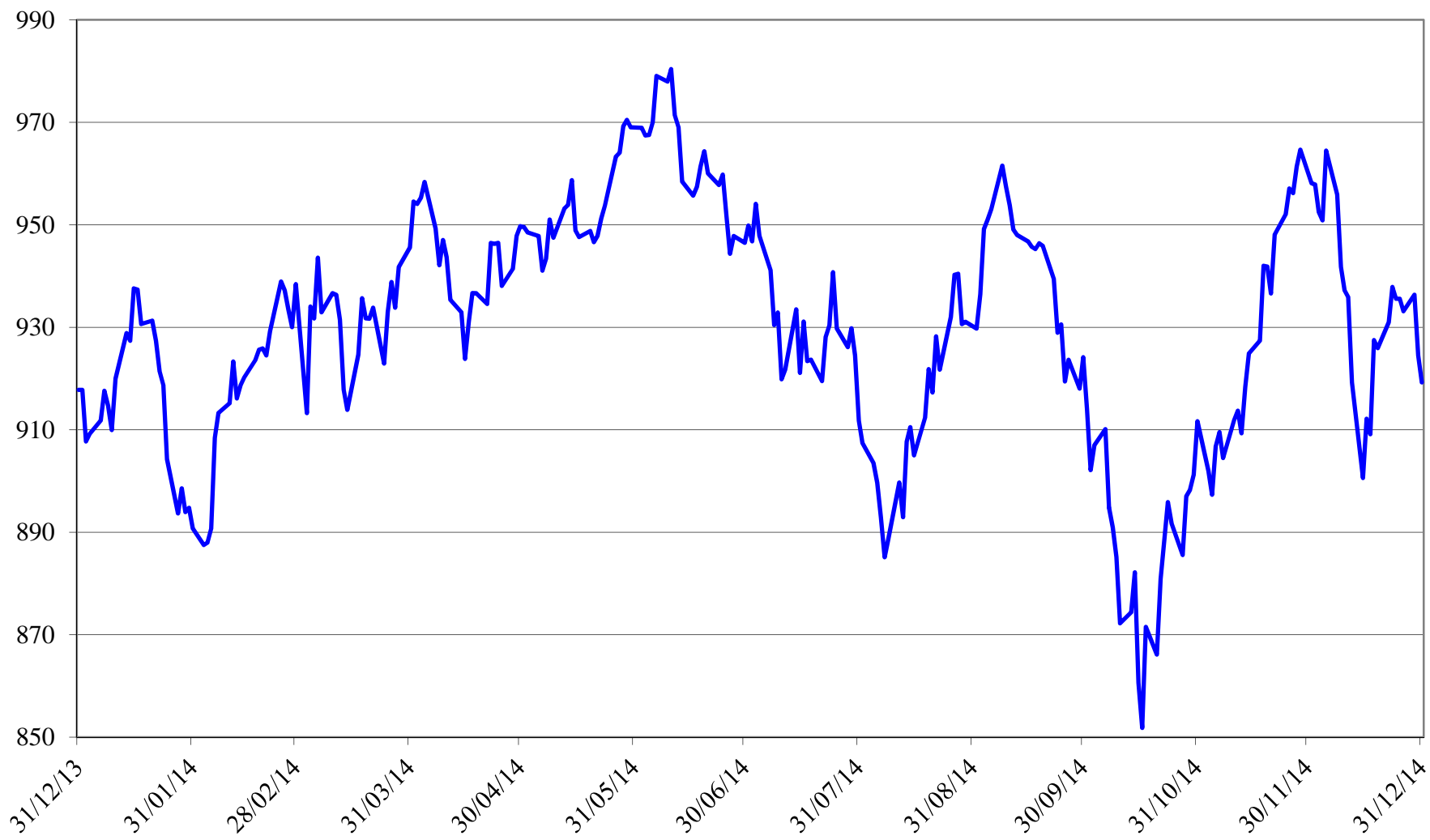
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— FTSE N. America



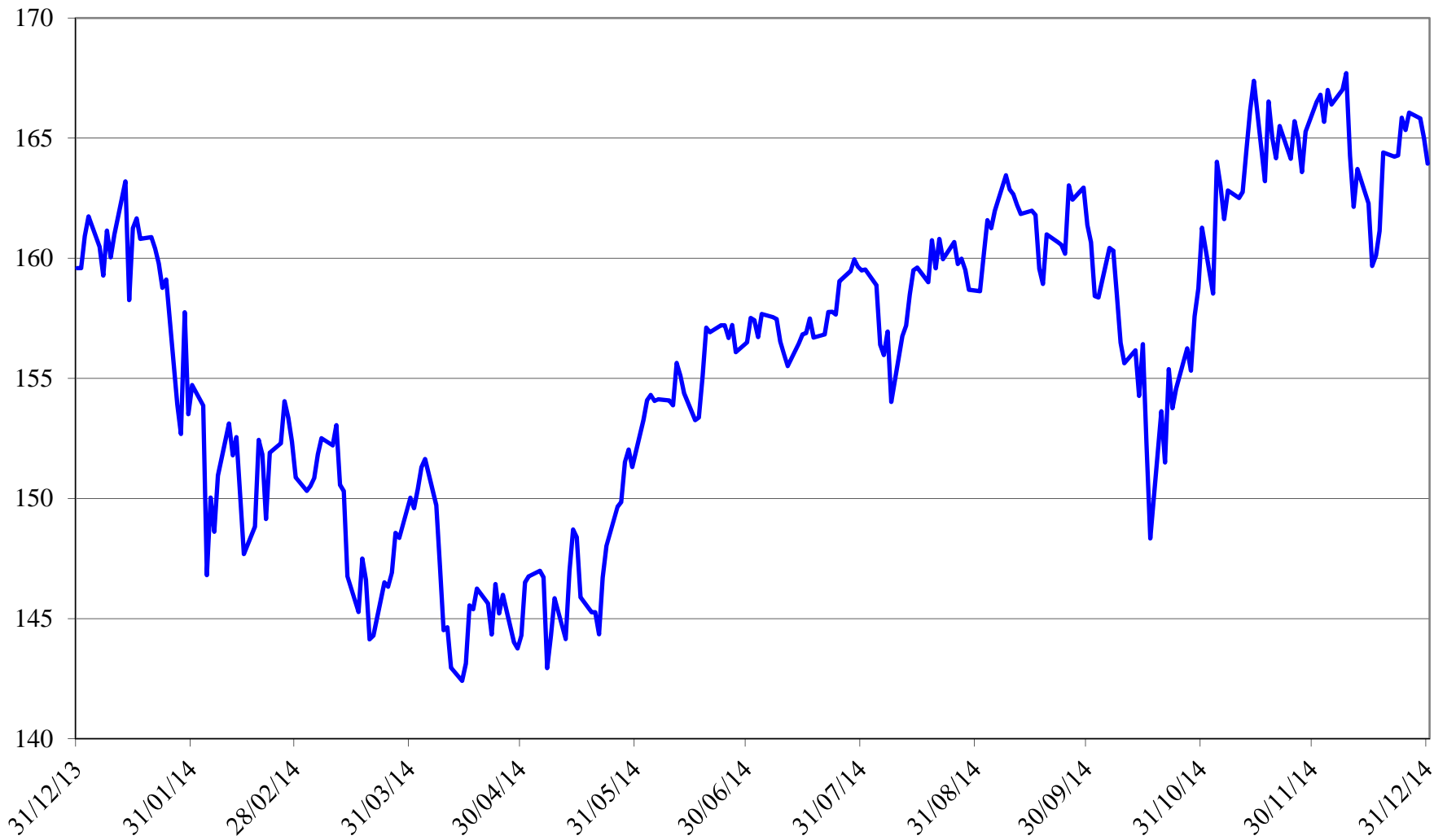
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— FTSE Europe ex-UK

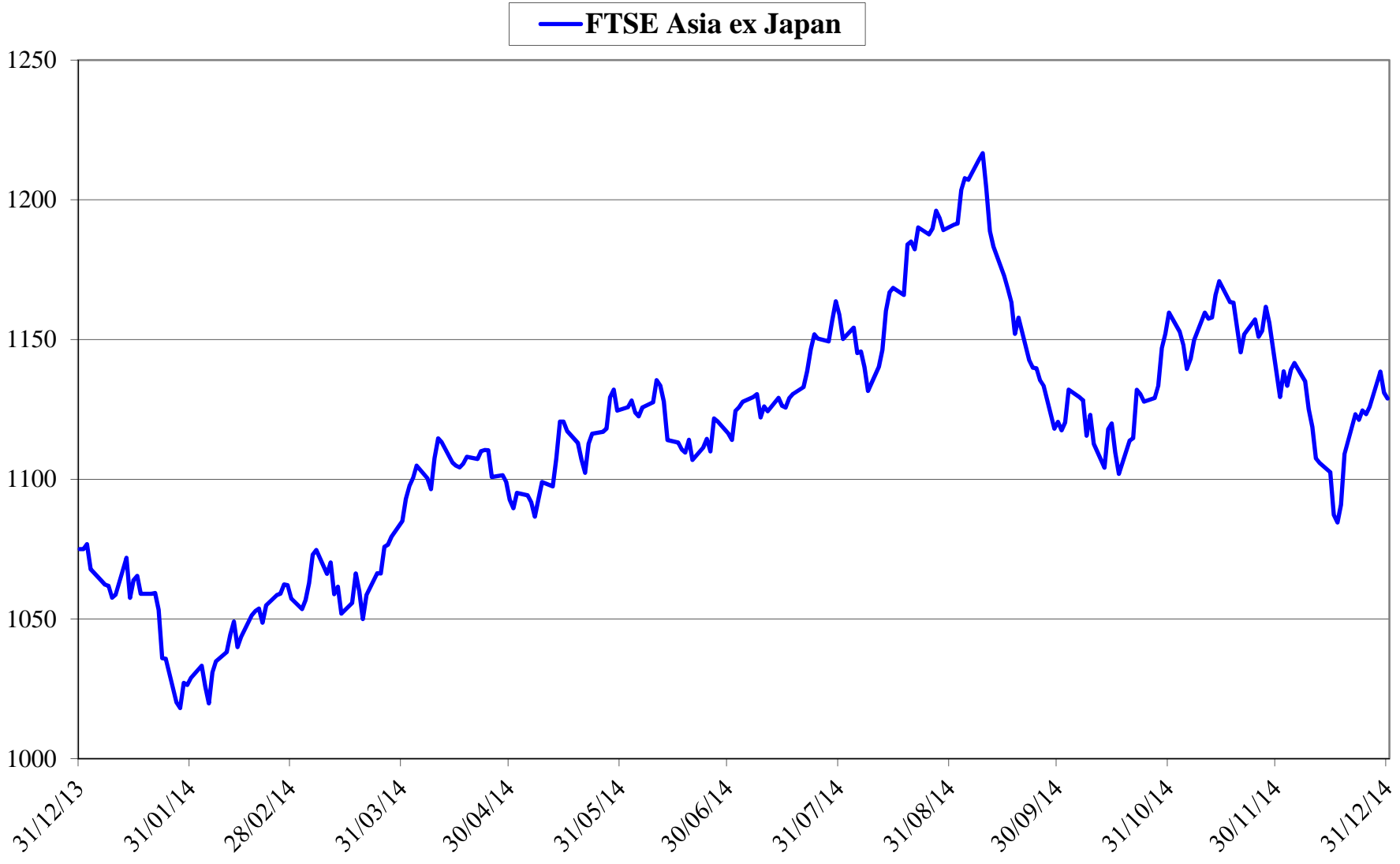


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— FTSE Japan



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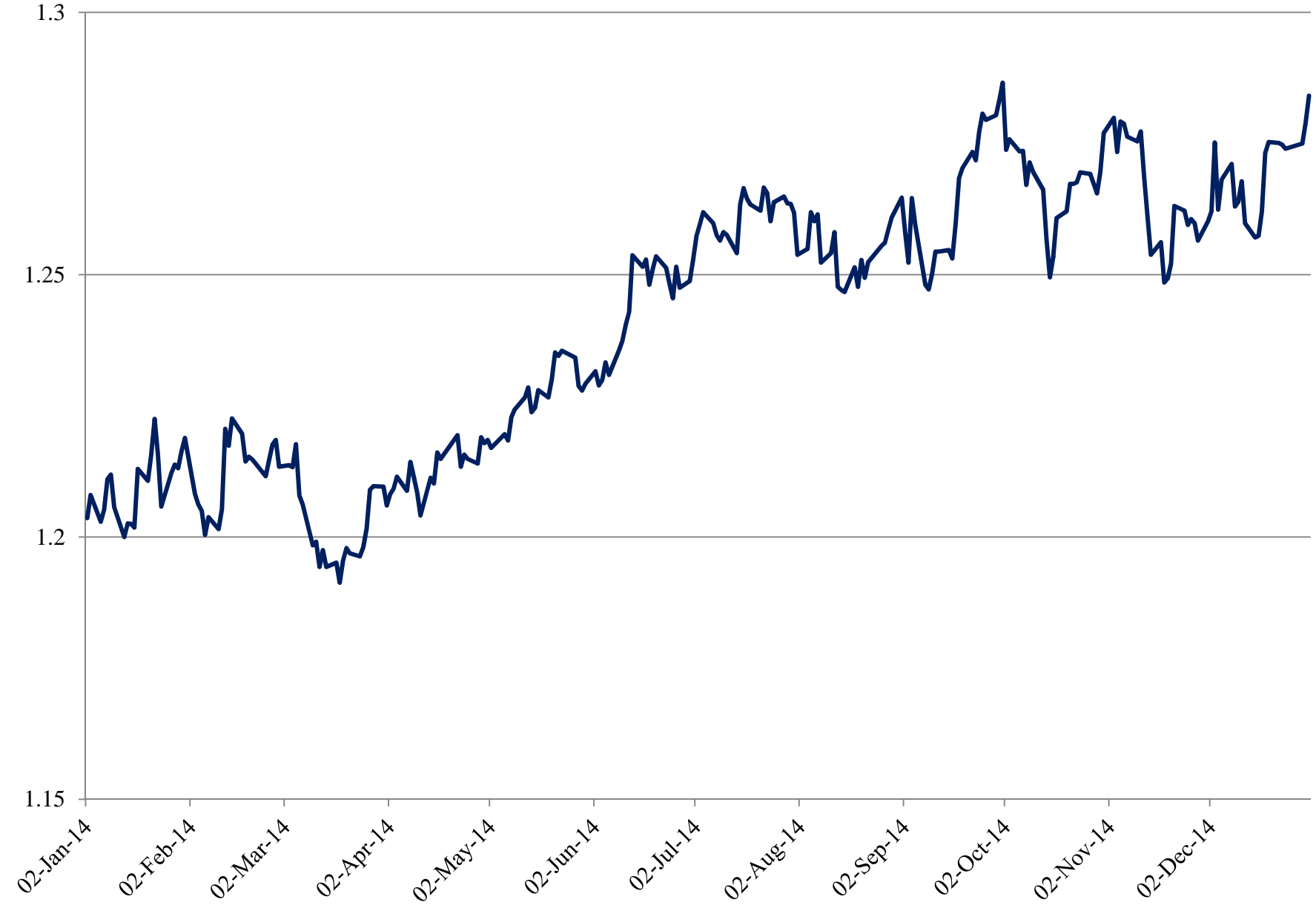
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— FTSE Emerging markets



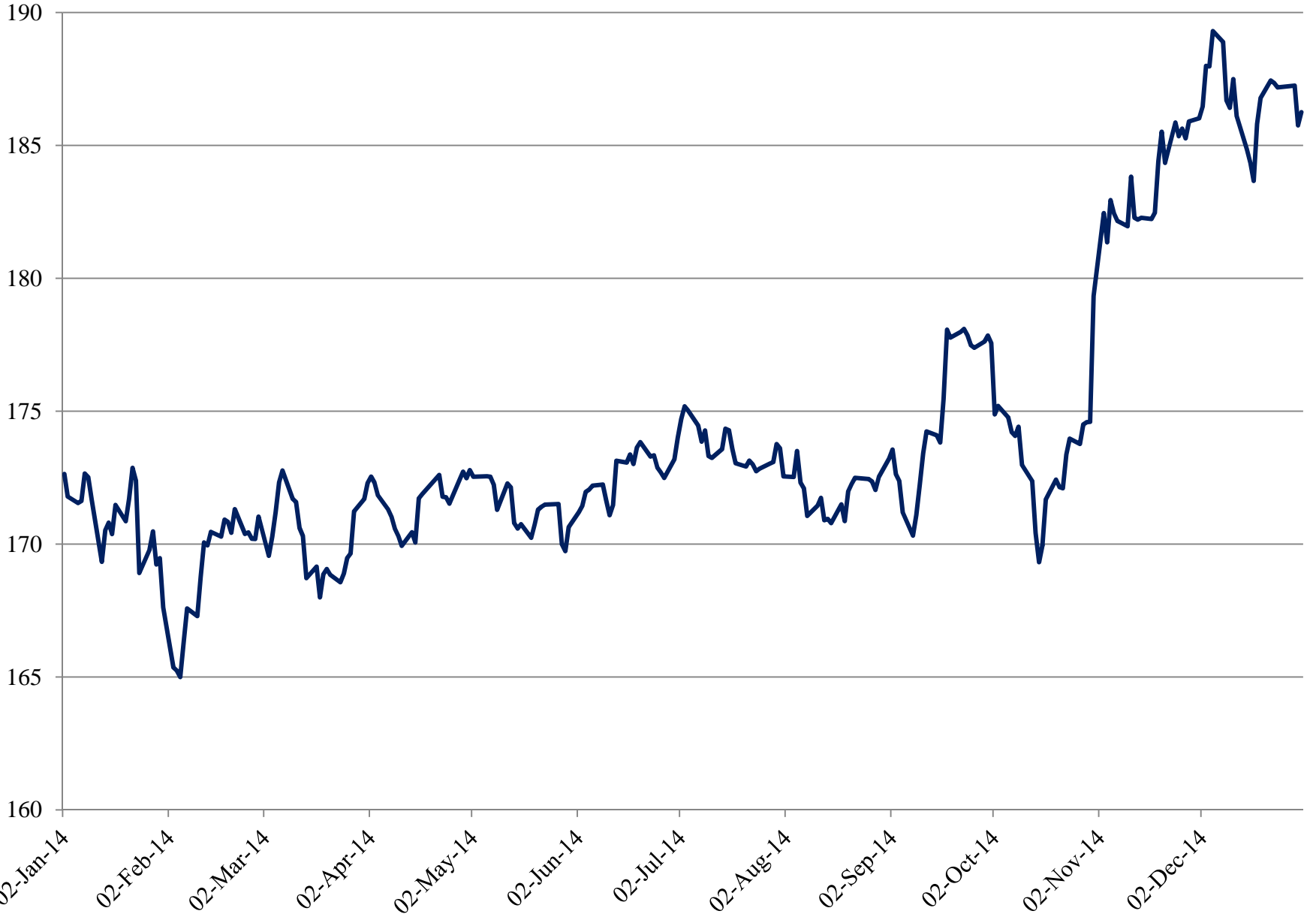
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£ vs. €



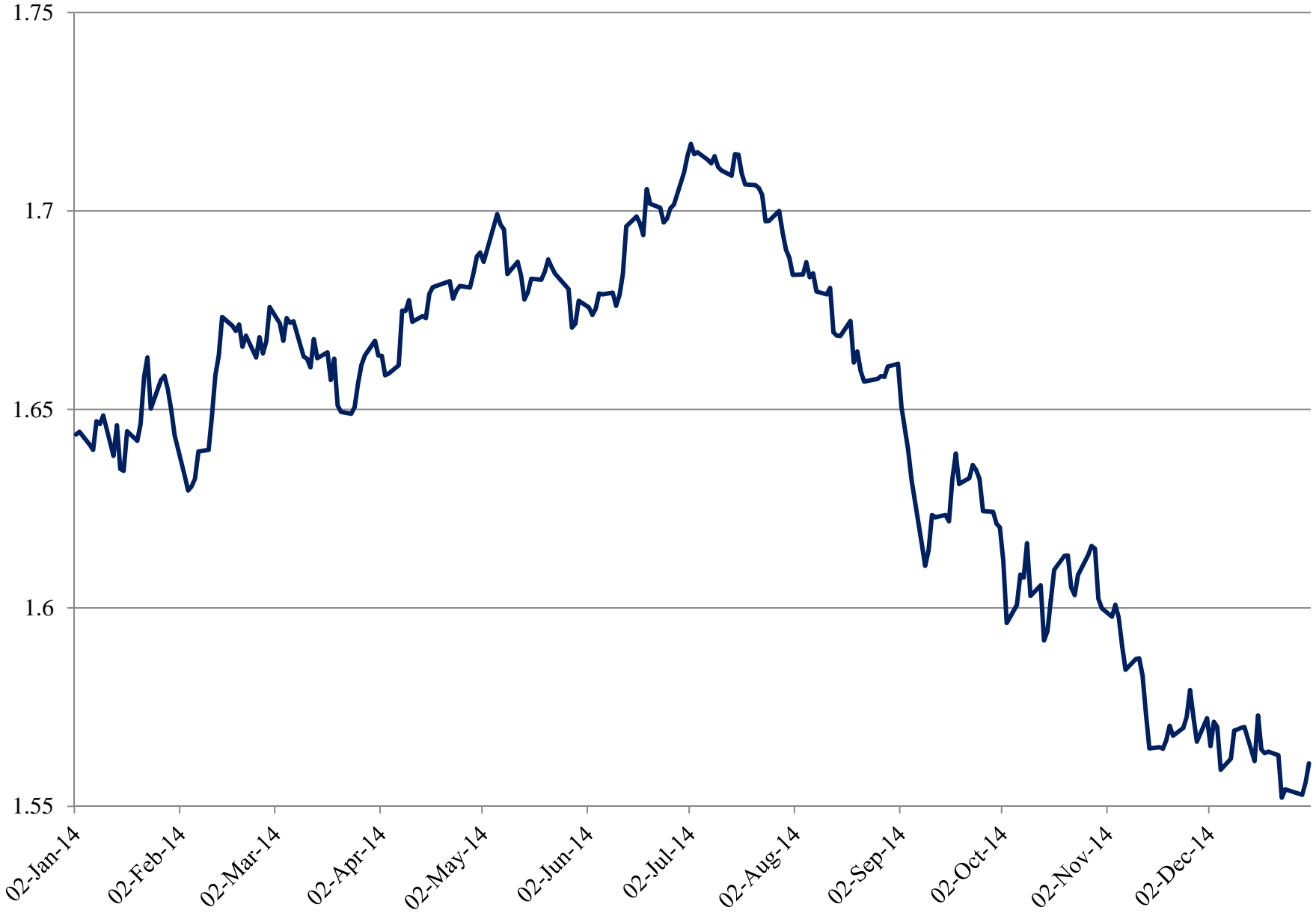
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£ vs. Yen



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£ vs. \$



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Pension Fund Committee

04 March 2015



**Performance Measurement of
Pension Fund investments to 31
December 2014**

Don McLure, Corporate Director, Resources

Purpose of the Report

- 1 To provide an overview for Members of the performance of the Fund to 31 December 2014.

Background

- 2 The performance of the seven Managers is measured against personalised benchmarks chosen at the inception of the Fund. The attached report from JPMorgan, the Fund's custodian, shows:-
 - (a) The Managers' benchmarks.
 - (b) The total Fund performance, for the quarter to 31 December 2014, year to date and since inception.
 - (c) The Managers' performance in absolute and relative terms against the relevant benchmarks, for the quarter to 31 December 2014, year to date and since inception.
 - (d) A portfolio comparison for the quarter ended 31 December 2014 and for the period since inception.

Recommendation

- 3 Members note the information contained in the attached report produced by JP Morgan.

Contact: Hilary Appleton Tel: 03000 266239

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J.P.Morgan

Worldwide Securities Services

**Performance Measurement Report
for
Durham County Council Pension Fund**

*for period ending
December 31, 2014*

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Benchmark Association Table

PORTFOLIO	INDEX	TARGET	WEIGHT %
Edinburgh Partners	Zero Return - Historically MSCI AC World Index (Gross)	+3% pa	100.00
Blackrock	Zero Return - Historically FTSE All Share (Gross)	+3% pa	100.00
Blackrock Passive Equity	Zero Return - Historically FTSE-Ftse Aw Developed (Gross)	Not Applicable	100.00
Alliance Berstein	GBP Libor (3 month)	+3% pa	100.00
Royal London	FTSE index Linked >5 years	+0.5% pa	100.00
Barings	GBP Libor (3 month)	+4% pa	100.00
CBRE 1	Headline RPI	+5% pa	100.00
CBRE 2	Headline RPI	+5% pa	100.00
Mondrian	MSCI EM (Emerging Markets) (Net)	+2.5% pa	100.00
Aberdeen	MSCI-Acwi (Gross)	+3% pa	100.00
BNY	MSCI AC World Index (Gross)	+2.5% pa	100.00
Total Plan Composite	Manager Weighted Benchmark	Not Applicable	100.00

Executive Summary of Total Plan as at 31/12/2014

Overview

During the quarter the total market value of the Durham County Council Pension Plan increased by +£19.73m to £2,198.32m. There was a total outflow from the plan of -£35.05m during the quarter meaning the plan experienced net gains of +£54.78m.

The performance return for the Plan over the fourth quarter of 2014 was +2.51%, compared to the Plan benchmark return of +2.73. The Plan therefore underperformed the benchmark by 22 bps.

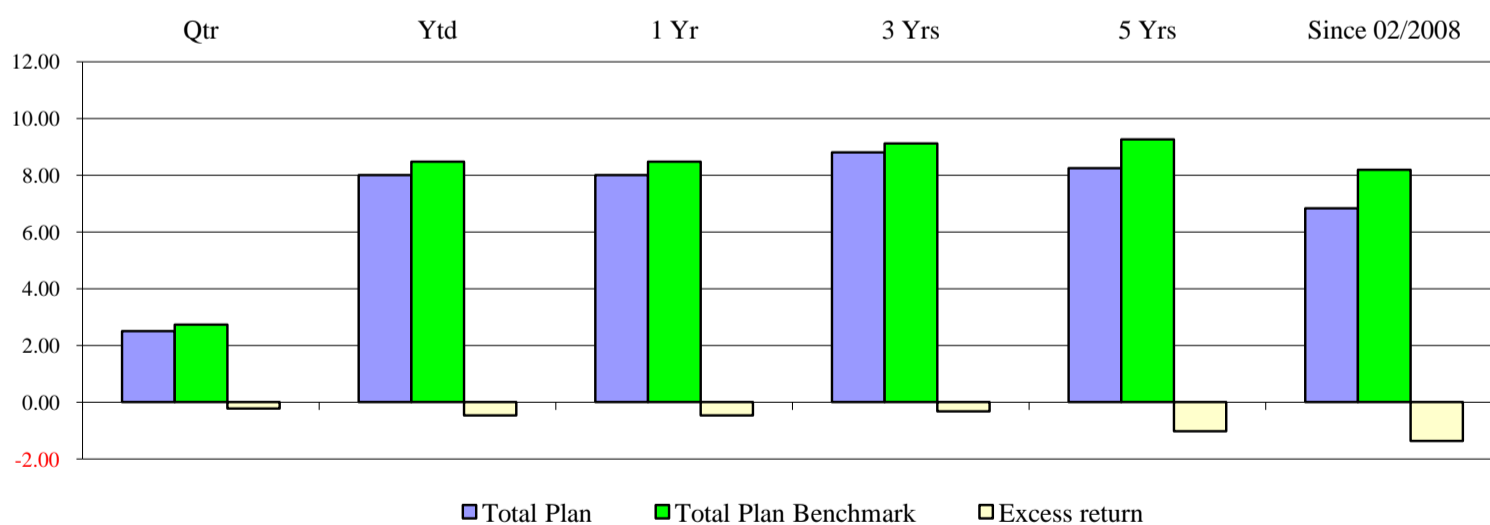
Market Values

	In GBP mil's			
	Qtr 4 - 14	Qtr 3 - 14	Qtr 2 - 14	Qtr 1 - 14
Total Plan	2,198.32	2,178.58	2,163.08	2,128.55

Performance

	Performance (%) *					
	Qtr	Ytd	1 Yr	3 Yrs	5 Yrs	Since 02/2008
Total Plan	2.51	8.01	8.01	8.8	8.2	6.83
Total Plan Benchmark	2.73	8.48	8.48	9.1	9.3	8.19
<i>Excess return</i>	<i>-0.22</i>	<i>-0.47</i>	<i>-0.47</i>	<i>-0.32</i>	<i>-1.02</i>	<i>-1.36</i>

Total Plan Performance



Total Plan Performance Returns as at 30/09/14

Currency GBP	Mkt. Val. in Mil's	Performance (%) *					
		Qtr	Ytd	1 Year	2 Years	3 Years	Since inception
Total Plan	2198.3	2.51	8.01	8.01	9.60	8.80	6.83
Total Plan Benchmark		2.73	8.48	8.48	9.91	9.12	8.19
Excess return		-0.22	-0.47	-0.47	-0.31	-0.32	-1.36

	Mkt. Val. in Mil's	Qtr	Ytd	1 Year	2 Years	3 Years	Since inception
Edinburgh Partners	0.1	0.00	0.00	0.00	0.00	0.30	1.43
Zero Return - Historically MSCI AC World Index (Gross) +3% pa		0.00	0.00	0.00	0.00	2.03	4.75
Excess return		0.00	0.00	0.00	0.00	-1.74	-3.32
Blackrock	0.3	-1.72	0.53	0.53	9.67	10.20	6.58
Zero Return - Historically FTSE All Share (Gross) +3% pa *		-2.89	0.14	0.14	11.62	13.05	8.78
Excess return		1.17	0.40	0.40	-1.96	-2.85	-2.20
Blackrock (Passive Equity)	0.0	-1.07	5.17	5.17	14.52	-	11.38
Zero Return - Historically FTSE-Ftse Aw Developed (Gross) *		-1.07	5.26	5.26	14.44	-	11.42
Excess return		0.00	-0.10	-0.10	0.08	-	-0.04
Alliance Bernstein	325.8	0.61	3.78	3.78	2.43	4.64	4.30
GBP Libor +3% pa		0.88	3.55	3.55	3.54	3.65	4.38
Excess return		-0.27	0.23	0.23	-1.11	0.99	-0.08
Royal London	464.2	8.83	21.08	21.08	10.42	7.24	9.24
FTSE index Linked >5 years +0.5% pa		9.56	21.99	21.99	11.04	7.59	9.28
Excess return		-0.73	-0.91	-0.91	-0.62	-0.35	-0.03
Barings	430.7	2.22	4.60	4.60	6.79	6.51	7.01
GBP Libor +4% pa		1.13	4.55	4.55	4.55	4.65	5.39
Excess return		1.09	0.05	0.05	2.24	1.86	1.63
CBRE1	116.4	3.53	11.18	11.18	10.38	8.92	1.79
Headline RPI +5% pa		1.20	6.70	6.70	7.25	7.57	8.06
Excess return		2.34	4.48	4.48	3.13	1.35	-6.28
CBRE2	29.4	10.62	19.08	19.08	11.95	13.95	5.65
Headline RPI +5% pa		1.20	6.70	6.70	7.25	7.57	8.06
Excess return		9.43	12.38	12.38	4.71	6.38	-2.41
Mondrian	151.2	-	-	-	-	-	-3.55
MSCI EM (Emerging Markets) (Net) + 2.5%		-	-	-	-	-	-2.76
Excess return		-	-	-	-	-	-0.79
Aberdeen	329.2	-	-	-	-	-	0.24
MSCI-Acwi (Gross) + 3%		-	-	-	-	-	2.90
Excess return		-	-	-	-	-	-2.66
BNY	334.4	-	-	-	-	-	3.17
MSCI AC World Index (Gross) + 2.5%		-	-	-	-	-	3.21
Excess return		-	-	-	-	-	-0.04

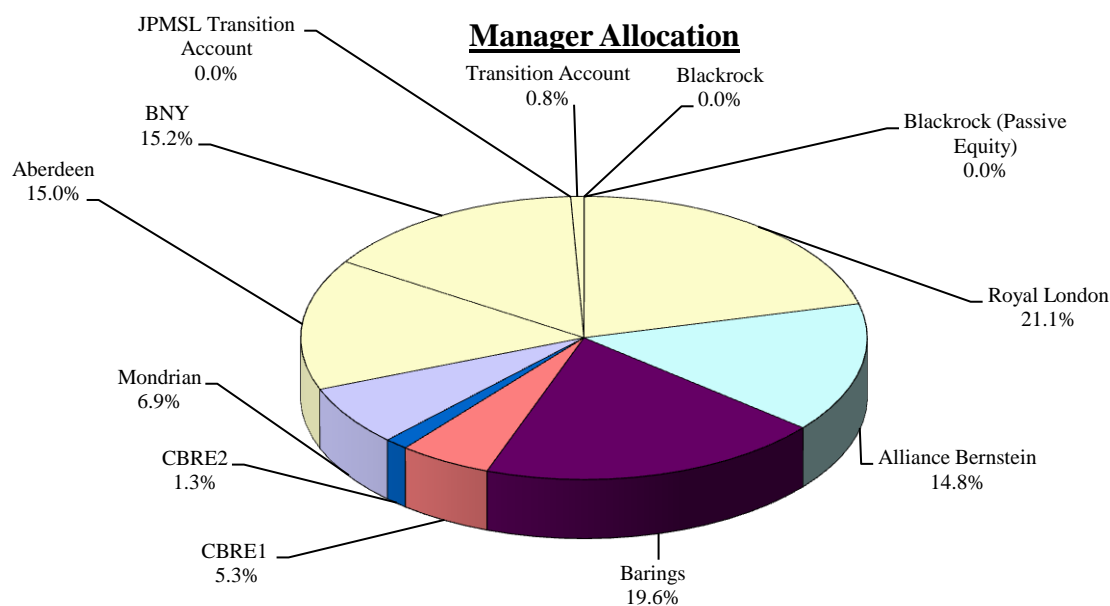
Manager Quarterly Returns



*All Portfolio and Composite returns are Gross of Fees. For time periods in excess of 1 year the performance returns are annualised.

Portfolio Comparison for Quarter 4, 2014

Portfolio Name	Current Market Value	Portfolio Weight	Portfolio Return (%)	Benchmark Return (%)	Excess Return (%)	Current Contribution to Return
Total Plan	2,198,315,583	100.00%	2.51	2.73	(0.22)	2.51
Edinburgh Partners	117,373	0.01%	0.00	0.00	0.00	(0.00)
Blackrock	348,715	0.02%	(1.72)	(2.89)	1.17	(0.28)
Blackrock (Passive Equity)	89	0.00%	(1.07)	(1.07)	0.00	(0.26)
Royal London	464,244,911	21.12%	8.83	9.56	(0.73)	1.73
Alliance Bernstein	325,792,500	14.82%	0.61	1.13	(0.51)	0.09
Barings	430,732,642	19.59%	2.22	1.13	1.09	0.43
CBRE1	116,369,533	5.29%	3.53	1.20	2.34	0.18
CBRE2	29,393,887	1.34%	10.62	1.20	9.43	0.13
Mondrian	151,202,842	6.88%	-	-	-	(0.77)
Aberdeen	329,187,502	14.97%	-	-	-	0.23
BNY	334,363,694	15.21%	-	-	-	0.47
JPMSL Transition Account	242	0.00%	0.00	-	-	(0.00)
Transition Account	16,561,653	0.75%	0.00	-	-	0.57



Portfolio Comparison for Year to Date, 2014

Portfolio Name	Current Market Value	Portfolio Weight	Portfolio Return (%)	Benchmark Return (%)	Excess Return (%)	Current Contribution to Return
Total Plan	2,198,315,583	100.00%	8.01	8.48	(0.47)	8.01
Edinburgh Partners	117,373	0.01%	0.00	0.00	0.00	(0.00)
Blackrock	348,715	0.02%	0.53	0.14	0.40	0.06
Blackrock (Passive Equity)	89	0.00%	5.17	5.26	5.17	0.75
Royal London	464,244,911	21.12%	21.08	21.99	(0.91)	2.32
Alliance Bernstein	325,792,500	14.82%	3.78	4.55	(0.77)	0.33
Barings	430,732,642	19.59%	4.60	4.55	0.05	0.54
CBRE1	116,369,533	5.29%	11.18	6.70	4.48	0.35
CBRE2	29,393,887	1.34%	19.08	6.70	12.38	0.13
Mondrian	151,202,842	6.88%	-	-	-	2.74
Aberdeen	329,187,502	14.97%	-	-	-	0.15
BNY	334,363,694	15.21%	-	-	-	0.29
JPMSL Transition Account	242	0.00%	0.00	-	-	0.00
Transition Account	16,561,653	0.75%	0.00	-	-	0.35

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Pension Fund Committee

4 March 2015

Overall Value of Pension Fund Investments to 31 December 2014



Don McLure, Corporate Director Resources

Purpose of the Report

1. To inform Members of the overall value of the Pension Fund as at 31 December 2014 and of any additional sums available to the Managers for further investment or amounts to be withdrawn from Managers.

Value of the Pension Fund

2. Reports from the seven appointed Managers:

- Aberdeen
- AllianceBernstein
- Barings
- Bank of New York (Walter Scott)
- CB Richard Ellis
- Mondrian
- Royal London

are included in other papers within this agenda. The Value of the Fund at 31 December 2014 was £2 billion, 198.32 million.

It should be noted that although the Pension Fund gave their assent to the transfer of assets from Baring Asset Management to BlackRock in September 2014, this was not actioned until January 2015, due to the legal processes necessary and the scheduling of the physical transfer of assets.

3. The Value of the Fund as at 30 September 2014 was £2 billion, 178.58 million. The value of the fund therefore increased by £19.74m in the fourth quarter of 2014/15.

Allocation of New Investment Money

4. New investment money is allocated to Investment Managers when the Pension Fund has cash which is not needed to be available as a working cash balance, for example for the payment of pensioners or fees.
5. When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from Investment Managers.

6. Appendix 1 details the working cash balance position of the Pension Fund and cash flow for the last four quarters, and an estimated cash flow for the quarter ending 31 March 2015. This table includes only cash held by Durham County Council Pension Fund Bank Account. It does not include cash balances of £76.388m held by the Managers as at 31 December 2014.
7. In determining the amount of cash to be allocated to Managers at the quarter ended 31 December 2014, the un-invested cash balance at the end of the previous quarter, together with interest received in that quarter, is considered. This does not include cash currently held by Fund Managers.
8. The amount allocated to each Manager is subject to the need to retain enough money in the Durham County Council Pension Fund Bank account to meet the Fund's estimated net cash outflow. After taking these issues into account, it is recommended that no money be added to the sums to be allocated to the Managers for investment in the quarter.

Cash Flow Forecast 2014/15

9. Appendix 2 shows the projected cash flow for the Pension Fund for the period March 2015 to March 2016.
10. This table shows that the Pension Fund is estimated to be in deficit in each quarter of the year. However, it should be noted that this is only in respect of the bank account held by the Pension Fund; income received from investments is currently held by Managers. When this is taken into account, the Pension Fund is forecasted to have a positive cash flow.
11. The quarterly rebalancing exercise will be the mechanism by which cash can be moved from Managers to the Pension Fund if the assumptions that have been used in calculating the forecasted cash flow are realised.
12. The following assumptions have been used to calculate the cash flow forecast:
 - Dividend income receivable in 2015/16 is estimated to be £31m, which is based on last year's actual figures to 31 March 2014. This income is profiled to be received in the same pattern as last year, that is:

○ Quarter ended 31 March	21%
○ Quarter ended 30 June	34%
○ Quarter ended 30 September	27%
○ Quarter ended 31 December	18%
 - Increases in contributions in line with the Actuarial Valuation are included.

- 'Transfer values in' are estimated at £0.500m per quarter. It is anticipated that transfers in will continue as LGPS will remain relatively attractive to employees.
 - Pension increases will be at broadly the same level as 2014/15.
 - Payroll Paysheets (payments to pensioners) are forecast to increase by £0.100m per quarter. This figure will alter if there are large numbers of retirements in the employing authorities. It is anticipated, however, that the actual figure will not be materially different to the forecast since the position of the County Council, being the largest employer in the Fund, has been taken into account.
 - Payable Paysheets are forecast on the basis of the last year's profile, adjusted for known one-offs, although this can be the most volatile figure as it includes payments of lump sums and fees to Managers. This assumption errs on the side of prudence, in that this is an average figure taken from previous quarterly payments.
13. This is an early indication of the likely impact on the Pension Fund's cash flow forecast over the next year. It will continue to be reviewed each quarter and refined to take into account new information as it becomes available.

Fund Rebalancing

14. Fund rebalancing is the mechanism by which the Pension Fund ensures that the asset allocation to Investment Managers is maintained at the levels agreed by the Pension Fund Committee and set out in the Statement of Investment Principles.
15. Normally 'fund rebalancing' takes place on a quarterly basis, but it has been suspended for some time pending the results of the Strategy Review which has now been completed.
16. The transition of assets to the new Investment Managers was completed on 4 November 2014; this exercise incorporated a rebalancing of the Fund's assets. Normal quarterly rebalancing is therefore resumed with effect from March 2015.
17. Appendix 3 shows the cash rebalancing matrix. The rebalancing will reflect the figures shown in the 'Rebalanced' column and will take place 1 month after the Committee meeting.

Recommendation

18. Members are asked to note the information contained in this report.

Contact: Hilary Appleton Tel: 03000 266239

Cash Flow – Estimated and Actual for the period 31 March 2014 to 31 March 2015

Quarter Ended (1)	31.03.14		30.06.14		30.09.14		31.12.14		31.03.15
	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	Estimate (10)
	£	£	£	£	£	£	£	£	£
Contributions - DCC	16,500,000	16,416,374	16,400,000	16,204,146	16,500,000	16,459,409	16,500,000	16,350,731	16,400,000
- Other	7,400,000	7,622,806	7,400,000	7,377,362	7,400,000	7,164,058	7,400,000	7,616,148	7,400,000
Pensions Increase	1,100,000	1,230,397	1,200,000	1,206,808	1,200,000	1,201,297	1,200,000	1,273,523	1,200,000
Transfer Values	500,000	617,401	500,000	515,403	500,000	491,294	500,000	487,359	500,000
Month end uncleared items	1,000,000	430,924	500,000	0	500,000	497,701	500,000	2,000	10,000
Gross Dividend & Interest	11,000	35,354	20,000	33,019	35,000	10,539	11,000	29,773	30,000
Total Income	26,511,000	26,353,256	26,020,000	25,336,738	26,135,000	25,824,298	26,111,000	25,759,534	25,540,000
Payroll Paysheets	21,300,000	21,158,961	21,300,000	21,722,746	21,500,000	21,967,128	22,000,000	22,150,713	22,200,000
Payables Paysheets (incl. Managers' fees)	7,000,000	5,520,648	7,000,000	9,255,551	8,000,000	34,339,979	7,000,000	7,134,963	7,000,000
Total Expenditure	28,300,000	26,679,609	28,300,000	30,978,297	29,500,000	56,307,107	29,000,000	29,285,676	29,200,000
Surplus / (Deficit)	(1,789,000)	(326,353)	(2,280,000)	(5,641,551)	(3,365,000)	(30,482,809)	(2,889,000)	(3,526,142)	(3,660,000)
Net Capital payments/(receipts)	0		0		0		0		
Balance at Bank (opening)	12,377,657,		27,017,268		20,697,641		24,421,753		
Balance at Bank (closing)	27,017,268		20,697,641		24,421,753		56,167,417		
Money paid/(recovered) to/(from Manager)	(15,000,000)		0		(34,100,000)		(35,000,000)		

Projected Cash Flow – including forecasted dividends receivable by Fund Managers for the period 31 March 2015 to 31 March 2016

Quarter Ended	31.03.15	30.06.15	30.09.15	31.12.15	31.03.16
	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
Contributions - DCC	16,400,000	16,500,000	16,500,000	16,500,000	16,500,000
- Other	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000
Pensions Increase	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Transfer Values	500,000	500,000	500,000	500,000	500,000
Month end uncleared items	10,000	500,000	500,000	500,000	500,000
Gross Dividend & Interest	30,000	30,000	20,000	20,000	20,000
Total Income	25,540,000	26,130,000	26,120,000	26,120,000	26,120,000
Payroll Paysheets	22,200,000	22,300,000	22,400,000	22,500,000	22,600,000
Payables Paysheets (incl. Managers' fees)	7,000,000	10,000,000	8,000,000	8,000,000	8,000,000
Total Expenditure	29,200,000	32,300,000	30,400,000	30,500,000	30,600,000
Surplus / (Deficit)	(3,660,000)	(6,170,000)	(4,280,000)	(4,380,000)	(4,480,000)
Dividends Received by Managers	6,510,000	10,540,000	8,370,000	5,580,000	6,510,000
Net Cash Flow Position	2,850,000	4,370,000	4,090,000	1,200,000	2,030,000

Cash Rebalancing Matrix – for the period to 31 December 2014

REBALANCING OF Durham P/F ASSETS

Strategic Fund	Benchmark Proportion	Mandate Type
Matching Fund	20%	Government Bonds
Investment Fund	80%	Various

After Rebalancing	
20.0%	439.66
80.0%	1758.64
100.0%	2198.30

	31-Dec-14			+/-			5% Tolerance				Outside Limit	
	Value £m	%	Target	Allocation £m	Rebalanced £m	%	Min %	Min £m	Max %	Max £m		
Matching Bond Manager												
RLAM	464.20	21.1%	20.0%	-18.0	446.20	20.3%	19.0%	417.68	21.0%	461.64	0.00	-2.56
Matching Fund sub-total	464.20	21.1%	20.0%	-18.0	446.20	20.3%	19.0%	417.68	21.0%	461.64	0.00	-2.56
Global Equity Manager												
Aberdeen	329.20	15.0%	15.0%	5.4	334.65	15.2%	14.3%	313.26	15.8%	346.23	0.00	0.00
Global Equity Manager												
BNY (Walter Scott)	334.40	15.2%	15.0%	0.2	334.65	15.2%	14.3%	313.26	15.8%	346.23	0.00	0.00
Emerging Markets Equity Manager												
Mondrian	151.20	6.9%	7.0%	5.0	156.17	7.1%	6.7%	146.19	7.4%	161.58	0.00	0.00
Broad Bond Manager												
AllianceBernstein	325.80	14.8%	15.0%	8.8	334.65	15.2%	14.3%	313.26	15.8%	346.23	0.00	0.00
DAA Manager												
Blackrock	430.70	19.6%	20.0%	15.5	446.20	20.3%	19.0%	417.68	21.0%	461.64	0.00	0.00
Global Property Manager												
CBRE 1		0.0%										
CBRE 2		0.0%										
Allocated undrawn cash					30.1							
Sub-Total	145.80	6.6%	8.0%	0.0	145.80	6.6%	7.6%	167.07	8.4%	184.66	21.27	0.00
Investment Fund sub-total	1717.10	78.1%	80.0%	30.04	1595.94	72.6%	76.0%	1670.71	84.0%	1846.57	0.00	0.00
Investments sub-total	2181.30	99.2%	100.0%	12.03	810.91	100.0%	95.0%	730.93	95.2%	2093.62	0.00	-87.68
Cash												
Internal Cash	0.00			0.0	0.0							
Cash at Custodian	17.00			0.0	0.0							
Cash sub-total	17.00	0.8%	0.0%	17.0	0.00	0.0%	0.0%	0.00	0.0%	0.00	0.00	-17.00
Fund Total	2198.30	100.0%	100.0%	29.03	2042.13	92.9%					21.27	-104.68

Pension Fund Committee

4 March 2015



Short Term Investments for the period ended 31 December 2014

Don McLure, Corporate Director Resources

Purpose of Report

- To provide the Committee with information on the performance of the Pension Fund's short term investments as at 31 December 2014.

Short Term Investments

- Durham County Council (DCC) invests the short term cash balances on behalf of the Pension Fund; this is done in line with DCC's Treasury Management Policy and Annual Investment Strategy. This investment strategy sets out the maximum amounts and time limits in respect of deposits which can be placed with each financial institution.
- The Pension Fund's surplus cash holding as at 31 December 2014 was £56.205m which was held in the institutions listed in the table below alongside their credit rating at 31 December 2014.

Financial Institution	Short-term Rating	Amount Invested £m
Bank Deposit Accounts		
Handelsbanken	F1+	1.700
Santander UK Plc	F1	7.203
Barclays	F1	8.593
Fixed Term Deposits		
Royal Bank of Scotland	F1	5.055
Bank of Scotland	F1	15.165
Nationwide Building Society	F1	8.846
UK Local Authorities	N/A	5.548
National Savings & Investments	N/A	0.253
Money Market Funds	N/A	3.842
Total		56.205

4. The following table provides information on the interest earned during the three month period to 31 December 2014, the average daily investment balance and the average return earned in comparison to the average bank base rate:

	Total
Net Interest Earned	£31,293
Average Return Earned	0.43%
Average Bank of England base rate	0.50%
Average Daily Balance of Investments	£30.937m

Recommendation

5. Members are asked to note the position at 31 December 2014 regarding the Pension Fund's short term investments where £31,293 net interest was earned in the three month period.

Contact: Hilary Appleton Tel: 03000 266239

Pension Fund Committee

4 March 2015



**Pension Fund Policy Documents –
Funding Strategy Statement and
Statement of Investment Principles**

Report of Don McLure, Corporate Director Resources

Purpose of the Report

- 1 To inform Members of the review of the policy documents for the year ended 31 March 2015.

Background

- 2 The Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 provide the statutory framework from which Local Government Pension Schemes (LGPS) administering authorities are required to have prepared a Funding Strategy Statement (FSS).
- 3 The key requirements for preparing the FSS can be summarised as follows:
 - After consultation with all relevant interested parties involved with the Fund the Administering Authority will prepare and publish their funding strategy;
 - In preparing the FSS, the Authority must have regard to :
 - i. the guidance issued by CIPFA for this purpose; and
 - ii. their own Statement of Investment Principles (SIP) for the Fund.
 - iii. The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- 4 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare and review a written statement recording the investment policy of the Pension Fund – the 'Statement of Investment Principles' (SIP).
- 5 The 2009 regulations also require pension fund administering authorities to state the extent to which they comply with guidance given by the Secretary

of State for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom.

Review of the FSS and SIP

- 6 The FSS should be reviewed regularly and when there is a material change to the SIP. The FSS is the framework within which the Fund's actuary carries out triennial valuations to set contribution rates for individual scheme employer contribution rates.
- 7 As the triennial valuation was completed as at 31 March 2013, the FSS was reviewed by the Pension Fund's Actuary and changes to the FSS reported to Committee in March 2014.
- 8 At that time, changes due to the Local Government Pension Scheme Regulations 2013 that came into force on 1 April 2014 were awaited and were to be included in the FSS when the final Regulations were received.
- 9 The Fund's Actuary was in discussion with CLG about whether it is necessary to update the FSS for the new regulations and no decision was reached by June 2014. The FSS was therefore consulted upon along with the SIP pending the decision of CLG.
- 10 The FSS was published with no changes in September 2014.
- 11 The Actuary has been commissioned to update the current FSS for the impact of the new Regulations and the updated version will be reported to the next possible Pension Fund Committee.
- 12 The 2009 Regulations also required that the SIP containing the compliance statement was published by 1 July 2010 in line with the Regulations, and that it is reviewed and if necessary, revised from time to time, and in the case of any material change in the administering authority's policy on investments or their management.
- 13 The SIP was reviewed in March 2014 and changes made to reflect the introduction of the three global equity and emerging market managers. This revised SIP was approved for publication by the Committee in September 2014, following consultation with stakeholders.
- 14 As the Pension Fund has appointed a new Investment Manager for the Dynamic Asset Allocation part of the Fund, the SIP has been updated to reflect this change.
- 15 The SIP has been updated from the 2014 version to reflect the current situation and the revised version is attached at Appendix 1.

Consultation

- 16 The Administration Regulations require the Administering Authority to consult with such persons that it considers appropriate, and the 'have regard' to the 2004 CIPFA guidance.

- 17 Although not mandatory, the 2012 CIPFA Guidance requires consultation with the employers, on both the process to revise the FSS and on the revision to the FSS.
- 18 In line with Regulations, the FSS and SIP must be the subject of consultation with the Fund's employers before publication. However, as the FSS document is currently being updated, it is proposed that consultation on both documents be delayed until the final amendments have been made.
- 19 The final version will be brought to the next possible Pension Fund Committee for the agreement of the Committee prior to these documents being circulated to all relevant interested parties for comment.

Recommendations

- 20 It is recommended that:
- Members approve the contents of the revised Statement of Investment Principles.
 - Consultation to be delayed until the FSS is updated fully.

Background papers

- (a) Pension Fund Committee - 25 October 2004 – Funding Strategy Statement
- (b) Pension Fund Committee – 21 June 2010 – The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
- (c) Pension Fund Committee – 5 March 2012 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles
- (d) Pension Fund Committee – 4 September 2012 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles
- (e) Pension Fund Committee – 7 March 2013 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles
- (f) Pension Fund Committee – 6 March 2014 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles
- (g) Pension Fund Committee – 5 June 2014 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles
- (h) Pension Fund Committee – 11 September 2014 - Pension Fund Policy Documents – Funding Strategy Statement and Statement of Investment Principles



Durham County Council Pension Fund

Statement of Investment Principles

Version Updated February 2015

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Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 consolidate the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (the “Regulations”) which require administering authorities to prepare and review a written statement recording the investment policy of the Pension Fund. The 2009 regulations also require pension fund administering authorities to state the extent to which they comply with guidance given by the Secretary of State, previously the Chartered Institute of Public Finance (CIPFA) Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom. The compliance statement is attached at Appendix A.

Durham County Council is the administering authority (the “Authority”) for the Durham County Council Pension Fund (the “Pension Fund”) and the purpose of this document is to outline the broad investment principles governing the investment policy of the Pension Fund, thereby satisfying the requirements of the Regulations.

Investment Responsibilities

The County Council, as Administering Authority, has delegated the investment arrangements of the Pension Fund to the Pension Fund Committee (the “Pension Fund Committee”) who decide on the investment policy most suitable to meet the liabilities of the Pension Fund and the ultimate responsibility for the investment policy lies with it. The Committee is made up of elected representatives of the County Council, Darlington Borough Council, Further Education Colleges, Other Statutory Bodies, Admitted Bodies and Member Representatives.

The Pension Fund Committee has full delegated authority to make investment decisions.

The Pension Fund Committee has responsibility for:

- Determining overall investment strategy and strategic asset allocation and ensuring that investments are sufficiently diversified, are not over concentrated in any one type of investment, and that the Pension Fund is invested in suitable types of investments;
- Preparing policy documents including the Statement of Investment Principles. Monitoring compliance with the Statement and reviewing its contents following any strategic changes and at least every three years;
- Appointing the investment managers, custodian, the Pension Fund actuary and any independent external advisers felt to be necessary for the good stewardship of the Pension Fund;
- Reviewing on a regular basis the investment managers’ performance against established benchmarks, and satisfying themselves as to the investment managers’ expertise and the quality of their internal systems and controls;
- Reviewing on a regular basis the performance of the independent external advisers;
- In cases of unsatisfactory performance of the investment managers and independent external advisers, taking appropriate action;

- Reviewing policy on social, environmental and ethical matters and on the exercise of rights, including voting rights; and
- Reviewing the funds allocated to investment managers on a regular basis to ensure that the strategic asset allocation is maintained (rebalancing).

The investment managers are responsible for:

- The investment of the Pension Fund assets in respect of which they are appointed in compliance with applicable rules and legislation, the constraints imposed by this document and the detailed Investment Management Agreement covering their portion of the Pension Fund's assets;
- Stock selection within asset classes;
- Preparation of quarterly reports, including a review of investment performance;
- Attending meetings of the Pension Fund Committee as requested;
- Assisting the Corporate Director Resources and Pension Fund Committee in the preparation and review of this document; and
- Where specifically instructed, voting in accordance with the Pension Fund's policy.

The Global Custodian is responsible for:

- Its own compliance with prevailing legislation;
- Providing the administering authority with quarterly valuations of the Pension Fund's assets and details of all transactions during the quarter;
- Collection of income, tax reclaims, exercising corporate administration and cash management;
- Such other services as the Pension Fund shall procure, for example, in connection with performance measurement and reporting or fund accounting.

The Independent Advisers are responsible for:

- Assisting the Corporate Director Resources and Pension Fund Committee in determining the overall investment strategy, the strategic asset allocation and that the Pension Fund is invested in suitable types of investment, and ensuring that investments are sufficiently diversified.
- Assisting the Corporate Director Resources and Pension Fund Committee in the preparation and review of Policy documents;
- Assisting the Corporate Director Resources and Pension Fund Committee in their regular monitoring of the investment managers' performance;
- Assisting the Corporate Director Resources and Pension Fund Committee in the selection and appointment of investment managers, custodians and Pension Fund Actuary;
- Advising and assisting the Corporate Director Resources and the Pension Fund Committee on other investment related issues, which may arise from time to time; and
- Providing continuing education and training to the Pension Fund Committee.

The Actuary is responsible for:

- Providing advice as to the structure of the Pension Fund's liabilities, the maturity of the Pension Fund and its funding level in order to aid the Pension Fund Committee in balancing the short term and long-term objectives of the Pension Fund.
- Undertaking the statutory triennial valuation of the Fund's assets and liabilities.

The Corporate Director Resources is responsible for:

- Ensuring compliance with this document and bringing breaches thereof to the attention of the Pension Fund Committee;

- Ensuring that this document is regularly reviewed and updated in accordance with the Regulations;
- Exercising delegated powers granted by the County Council to:
 - Administer the financial affairs in relation to the County Council's functions as a pension fund administering authority;
 - Exercise those discretions under the Local Government Pension Scheme Regulations 1997 as appear from time to time in Pension Fund Statements of Policy; and
 - Authorise, in cases of urgency, the taking of any action by an investment manager of the Pension Fund which is necessary to protect the interests of the Pension Fund.
- Managing the cash balances of the Pension Fund which the Investment Managers have not invested.

Authorised Investments

The powers and duties of the Authority to invest monies are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended from time to time and updated in 2009. The Authority is required to invest any money which is not required immediately to pay pensions and any other benefits and, in so doing, take account of the need for a suitable diversified portfolio of investments and the advice of persons properly qualified on investment matters.

Types of Investment

Investment can be made in accordance with the regulations in a broad spectrum of investments such as equities, fixed interest and other bonds, collective investment schemes, deposits, money market instruments, unquoted equities and property, both in the UK and overseas. The regulations also specify other investment instruments that may be used such as stock lending, financial futures, traded options, insurance contracts, sub underwriting contracts and a contribution to an unquoted limited liability securities investment partnership.

The limits on the amount of money that can be invested in each individual type of investment are specified in schedule 1 of the Regulations. We do not participate in stock lending or underwriting.

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003 amended the regulations so as to give Authorities the option to increase some of the limits on certain types of investments provided that the Authority complies with the requirements of the Regulations. These requirements include taking proper advice, the suitability of particular investments and types of investments, the limit on the amount of such investment, the reason for such investment and the period for which the increase in the limit of the type of investment will apply. Any increase in the limit must be kept under review.

The 2009 Regulations now prevent the administering authority from investing the Pension Fund's cash that is not required immediately along with its own cash. The Pension Fund Committee has agreed that as part of its investment

strategy it will allow the administering authority to invest, in the short term, on its behalf in line with the administering authority's Treasury Management Strategy.

Investment Managers are instructed to comply with the regulations in respect of the relevant portfolio subject to any specific instructions. The Authority is responsible for oversight of how compliance affects the compliance of the Pension Fund as a whole.

Investment Risk

The investment policy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Pension Fund while achieving a good return on investment.

By dividing the management of the assets between seven investment managers, further controls risk. Asset allocation benchmarks have been set and performance is monitored relative to the benchmarks. This is to ensure the investment manager does not deviate from the Pension Fund Committee's investment strategy.

The setting of specific control ranges and other investment guidelines within which the investment managers must operate also controls risk.

The 2009 Regulations require the Pension Fund to describe how it measures and manages risk.

Risk is measured, in part, by the administering authority's risk management section as part of its assessment of the County Council's risks, and is reviewed as part of the independent Governance review undertaken by the Pension Fund.

Realisation of Investments

The vast majority of the Pension Fund's investments are readily marketable and may be easily realised if required. Some investments may be less easy to realise in a timely manner but the total value of these types of investments is not considered to have any adverse consequences for the Pension Fund.

Approval has been given to investment as follows:

In-house Management

i. Midland Enterprise Fund for the North East Exempt Unit Trust

- Small, private and growing companies in the North East of England
- £200,000 invested.

ii. Capital North East

- Start up and development capital for businesses in the North East:
- £400,000 invested, up to £500,000 may be invested.

External Investment Management

The Pension Fund Committee has appointed seven investment managers to manage the remainder of the Pension Fund's assets. They have been appointed under the terms of the Regulations and their roles are described in the Investment Policy in Appendix B.

Allocation Strategy

Having considered advice from the Independent Advisers, and also having due regard for the objectives, the liabilities of the Pension Fund and the risks facing the Pension Fund, the Pension Fund Committee have decided upon the following strategic target asset allocation:

Asset Class	Permitted Assets	Benchmark & Performance Target	Proportion of Total Fund *
Conventional Bonds	Investment grade sterling bonds	FTSE Over 5 Year Index-Linked Gilt Index +0.5%	20%
Broad Bonds	Global bonds	UK 3-month LIBOR +3.0%	15%
Global Equities	Global Equities	MSCI All Country World Index (unhedged) in GBP terms +3% MSCI World index +2.5%	30%
Emerging Market Equities	Emerging Market Equities	MSCI Emerging Markets Net Index +2.5%	7%
Dynamic Asset Allocation	All major asset classes with the ability to take derivative positions	UK 3-month LIBOR +3.0%	20%
Global Property	Global property	UK Retail Price Inflation +5.0%	8%

* Excluding in-house managed funds

More detailed definitions of the mandates are given at Appendix B.

The Pension Fund Committee and the Corporate Director Resources, in conjunction with the Independent Advisers, will formally monitor the actual asset allocation of the Pension Fund on a quarterly basis.

Stock Selection

Individual investments are chosen by the Investment Managers with the Pension Fund Committee, Corporate Director Resources and independent external advisers able to question the investment managers on their actions at each quarterly meeting.

Cash Management

The administering authority will invest the short term cash balances on behalf of the Pension Fund. This will be done in line with the administering authority's Treasury Management Policy and interest will be paid quarterly to the Pension Fund.

Investments Requiring Prior Approval

Subject to changes and agreements with Investment Managers, as included at Appendix B, a detailed report must be submitted to and approved by the Pension Fund Committee prior to making investments in the following:

- Private equity/ Venture capital funds and enterprises
- Commodities
- Stock lending
- Currency Hedging - agreed in principle, subject to prior consultation with the Corporate Director Resources.

Socially Responsible Investing

The Pension Fund Committee must act with the best financial interests of the beneficiaries, present and future, in mind. The Pension Fund Committee believes that companies should be aware of the potential risks associated with adopting practices that are socially, environmentally or ethically unacceptable. As part of the investment decision-making process, Investment Managers are required to consider such practices and assess the extent to which this will detract from company performance and returns to shareholders.

Corporate Governance

Investment Managers are required to exercise voting rights on behalf of the Pension Fund when it is in the best interests of the Pension Fund. The quarterly report from investment managers should include details of voting activity.

Fee Structure

The Investment Managers' fees are based on the value of assets under management. In the case of two investment managers, a performance related fee structure is in place based on a base fee plus a percentage of out-performance. In the case of the remaining investment managers an ad-valorem fee is payable.

Independent Advisers' fees are based on a retainer for attendance at Pension Fund Committee and Annual Meetings and the provision of advice to the Pension Fund Committee. Fees for any additional work are based on a daily or hourly rate, as provided for by agreement or by separate arrangement.

Any additional work will be subject to a suitable fee arrangement or subject to separate tendering exercises.

The administering authority fee for Treasury Management will be based upon a flat fee for the service provided to the Pension Fund.

Reporting Requirements

The investment managers must report quarterly on matters covered in their individual agreements, but should include common items such as:

- Investment Managers' views on the UK or other relevant economies and the proposed asset allocation for the past, present and future quarter.
- Reports on any new investment policy issues requiring the approval of the Pension Fund Committee.
- Performance during the previous quarter, previous twelve months, three years and five years.
- A Portfolio valuation, including details of individual holdings.
- Investment transactions schedule for the previous quarter.
- Portfolio distribution and the changes in the markets - summarised by:
 - type of investment;
 - sector
 - geographic area as appropriate.
- Performance of any collective investment funds or internal pooled funds in which investments are held.
- Underwriting commitments relevant to the Portfolio.
- The cash position of the Pension Fund.
- Voting actions and forthcoming activity.
- Any material matters reported to the Financial Conduct Authority (FCA) or such other appropriate authority, in respect of the Portfolio or which reasonably might be brought to the attention of the Pension Fund Committee.
- Any material matters in respect of the interface with the Custodian.
- Investment or ancillary activities carried out in relation to the Portfolio where there arose a material risk of damage to the interests of the

Pension Scheme or where a material risk of damage may arise in the future.

- Dealing errors and action taken.
- Any breach of confidentiality.
- Any breach of their Investment Management Agreement.

Quarterly, the Global Custodian must present a detailed report relating to the individual investment managers' fund performance and the combined fund performance.

- Principles

This appendix sets out the extent to which Durham County Council as the Administering Authority of the Durham County Council Pension Fund complies with the six principles of investment practice set out in the document published in November 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy, and called "Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012", in future, compliance with guidance given by the Secretary of State will be reported.

Principle 1 — Effective decision-making

Fully compliant: Investment decisions are made by those with the skill, information and resources necessary to take them effectively. A programme covering investment issues is being developed for new members joining the Pension Fund Committee and training is provided to all members.

Principle 2 – Clear objectives

Fully compliant: The overall investment objective for the Pension Fund is set out in the Funding Strategy Statement.

Principle 3 – Risk and Liabilities

Fully compliant: The overall investment objective is considered by the Fund. The risks associated with the major asset classes in which the Fund's assets are invested is regularly considered. A risk register has been completed for the Pension Fund and reports from Internal and External Audit are considered by the Pension Fund Committee.

Principle 4 – Performance Assessment

Partial compliance: Appropriate benchmarks have been set in consultation with the independent advisers and the actuary. Benchmarks are considered regularly as part of the review of the Strategic Asset Allocation. Performance against benchmarks is considered quarterly at the Pension Fund Committee. Investment Managers' performance is measured quarterly. Separate monitoring of Pension Fund Committee performance and independent adviser performance has yet to be established.

Principle 5 – Responsible Ownership

Partial compliance: The Pension Fund's policy for socially responsible investing is set out in the Statement of Investment Principles.

Explicit written mandates agreed with all investment managers. Investment Managers are required to exercise voting rights on behalf of the Pension Fund when it is in the best interests of the Pension Fund. Normal practice is to allow the Investment Managers to follow their in-house voting policy unless otherwise instructed by the Pension Fund Committee. The mandates do not specifically incorporate the principle of the US Department of Labor Interpretative Bulletin on activism.

Principle 6 – Transparency and Reporting

Fully compliant: The Pension Fund Committee acts in a transparent manner, communicating with its stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives through the publication of Committee reports and Minutes on the County Council website. The Funding Strategy Statement and the Statement of Investment Principles are also available on the internet and are included in the Pension Fund's Annual Report and Accounts. The Annual Report and Accounts includes the statutory documents that the Pension Fund is required to provide.

The Pension Fund provides regular communication to scheme members in Newsletter and Annual Statements which are considered the most appropriate form.

- Investment Managers

The Pension Fund Committee currently has appointed seven Investment Managers: Aberdeen Asset Management ('Aberdeen'), AllianceBernstein Limited ('AllianceBernstein'), BNY Mellon Investment Management Ltd ('BNY Mellon'), Mondrian Investment Partners Ltd ('Mondrian'), Royal London Asset Management ('RLAM'), CB Richard Ellis Collective Investors Limited ('CBRE') and BlackRock Investment Management (UK) Limited ('BlackRock') to manage the assets of the Pension Fund.

The current long-term strategic allocation is as follows (the actual allocation may vary due to market movements):

Investment Manager	%	Asset Classes	Investment Style
Aberdeen	15	Global Equities	Active
BNY Mellon	15	Global Equities	Active
Mondrian	7	Emerging Market Equities	Active
AllianceBernstein	15	Global Bonds	Active
RLAM	20	Investment grade sterling and non-sterling bonds	Active
CBRE	8	Global Property	Active
BlackRock	20	Dynamic Asset Allocation - all major asset classes with derivative overlay	Active

The investment restrictions detailed in this Appendix form part of the contractual agreement with Investment Managers and will only be varied after consultation with the Investment Managers in accordance with their contracts.

The Investment Manager may hold cash up to the value of 5% of the market value of the portfolio in respect of which the Investment Manager has been appointed, subject to agreements with individual Investment Managers, who may require a different limit to invest their part of the Pension Scheme's assets. Cash in excess of this value should be returned to Durham County Council as Administering Authority.

The mandates for each Investment Manager, subject to the overall requirements of the Regulations and this Statement of Investment Principles, are as follows:

Aberdeen

The Pension Fund Committee has appointed Aberdeen to manage a portfolio to be invested in active Global Equities.

The Investment Manager's objective is to outperform the benchmark by 3% per annum gross of fees over a rolling three year basis.

The benchmark allocation is as follows:

Asset Class	Benchmark
Global Equity	MSCI All Country World Index (unhedged)

Aberdeen intends to invest in the following to achieve their objective:

Portfolio	%
World Equity Fund	100

The Aberdeen World Equity Fund adopts an unconstrained approach to achieve its objective and as such does not maintain hard restrictions on stock, sector and country exposures. Internal guidelines though are used to assess risk against the benchmark:

	Range
Individual stock exposure	0 - 5% of total portfolio
Deviation in sector exposure	+ / - 15% from the benchmark
Deviation in country exposure	+ / - 35% from the benchmark
Cash holdings	Maximum of 5%

BNY Mellon

The Pension Fund Committee has appointed BNY Mellon to manage a portfolio to be invested in active Global Equities.

The benchmark allocation is as follows:

Asset Class	Benchmark
Global Equity	MSCI World

The Investment Manager's objective is to outperform the Index by 2.5% per annum gross of fees over a full market cycle.

BNY Mellon intends to invest in the following to achieve their objective:

Portfolio	%
Long Term Global equity Fund	100

The BNY Mellon Long Term Global Equity Fund is a UCITS fund and as such is required to adhere to UCITS Investment Guidelines. Additional restrictions imposed by BNY Mellon are:

	Range
Emerging Market equities	Maximum of 20%
Investments in Collective Investment Schemes	Maximum of 10%
Investments in bonds, convertibles, cash and money market instruments	Maximum of 25%
Cash holdings	Maximum of 5%

Mondrian

The Pension Fund Committee has appointed Mondrian to manage a portfolio to be invested in active Emerging Market Equities.

The benchmark allocation is as follows:

Asset Class	Benchmark
Emerging Market Equities	MSCI Emerging Markets Net Index

The Investment Manager's objective is to outperform the Index by 2.5% per annum gross of fees over a full market cycle.

Mondrian intends to invest in the following to achieve their objective:

Portfolio	%
Emerging Market Equities	100

There are limitations that apply with the construction of the Mondrian portfolio.

They are as follows:

	Range
Investments in REITS	Maximum of 20% (client to be informed at any greater than 10%)
Individual Securities	Maximum of 5% in single stock
Sector restrictions	Maximum of 25% of portfolio in single industry
Cash holdings	Maximum of 5%

AllianceBernstein

The Pension Fund Committee has appointed AllianceBernstein to manage a portfolio to be invested in Global Bonds.

The Investment Manager's objective is to outperform the benchmark by 3% per annum net of fees over a rolling three year basis, with 5 – 10% volatility.

The benchmark allocation is as follows:

Asset Class	Benchmark
Broad Bonds	UK 3-month LIBOR

AllianceBernstein intend to invest in the following to achieve their objective:

Portfolio	%
Diversified Yield Plus Fund	100

AllianceBernstein can use a wide variety of financial instruments to generate returns within the portfolio.

AllianceBernstein intends to make use of financial derivative instruments and shall employ the Value-at-Risk (VaR) approach to measure risk associated with the use of such instruments. The Diversified Yield-Plus strategy employed by AllianceBernstein anticipates VaR exposure of less than or equal to 5%, as calculated by AllianceBernstein or its delegates.

VaR reports will be produced and monitored on a daily basis based on the following criteria:

- 1 month holding period
- 99% confidence level.

The limitations that apply to the investments are detailed below:

Sector	Range
High Yield	0% to 30%
Emerging Markets	0% to 20%
Foreign Exchange	0% to 30% gross, 0% to 15% net
Sovereign	0% to 100%
MBS	0% to 40%
CMBS/ABS	0% to 30%
Investment- Grade Corporates	0% to 75%

Up to 100% of the Portfolio may be invested in Unit-linked Insurance Contracts issued by Associates of the Investment Manager. Direct investment in Collective Investment Schemes (CIS) is subject to prior approval.

RLAM

The Pension Fund Committee has appointed RLAM to manage a portfolio to be invested in Investment Grade Bonds.

The Investment Manager's objective is to outperform the benchmark by 0.5% per annum net of fees over a rolling three year basis.

The benchmark allocation is as follows:

Asset Class	Benchmark
Conventional Bonds	FTSE Over 5 Year Index-Linked Gilt Index

RLAM intend to invest in the following to achieve their objective:

Portfolio	%
Segregated - with a specified range of +/- 2 years duration of the benchmark, mainly index-linked securities	100

RLAM can invest in a wide variety of bonds to generate returns within the Fund. The limitations to the extent of the investments in each classification are detailed below:

Bond classification	Range
UK Government Index Linked Bonds	50% to 100%
Overseas Government Index-Linked Bonds*	0% to 20%
UK Non-Government Index Linked Bonds	0% to 20%
UK Conventional Government Bonds	0% to 20%
UK Investment Grade Corporate Bonds (or equivalent)	0% to 20%
Overseas Conventional Bonds**	0% to 10%
Derivatives***	0%
Cash or cash equivalents (less than 1 year maturity)	0% to 10%

*Includes government and non-government bonds

**Includes government and corporate bonds and Currency hedged into sterling.

***Derivatives may only be used for the purpose of hedging currency risk.

There are limits on the holding of the following asset classes:

Asset Class	Maximum Holding
Collective Investment Schemes (CIS)	0% of the Portfolio or as otherwise advised in writing from time to time
Any single security excluding government bonds	Maximum of 5% of portfolio

CBRE

The Pension Fund Committee has appointed CBRE to manage a portfolio to be indirectly invested in Property. Investment will not be restricted to UK vehicles, but can be invested globally as well as a pan-European basis.

The Investment Manager's objective is to outperform the benchmark by 5% per annum net of fees to be achieved over a five year time horizon.

The benchmark allocation is as follows:

Asset Class	Benchmark
Global Property	UK Retail Price Inflation

CBRE intend to invest in the following to achieve their objective:

Portfolio	%
CB Richard Ellis RPI +5%	100

There are limitations that apply with the construction of the CBRE portfolio. They are as follows:

Restrictions	Range
Collective Investment Schemes (CIS)	0% to 50% until notified in writing and thereafter 0% to 100%
Maximum allocation to any single fund	0% to 15%
Maximum allocation to listed investments	0% to 30%
Maximum allocation to any single country (including the UK)	0% to 25%
Maximum regional allocations:	
Asia Pacific Region	0% to 40%
North American Region	0% to 40%
Other Regions (excluding Europe)	0% to 10%

In the case of Collective Investment Schemes (CIS) taken on at the Effective Date, the requirement shall be that the Investment Manager liquidate these assets at a time that is appropriate in the reasonable opinion of the Investment Manager. There is no long stop date on this process.

BlackRock

The Pension Fund Committee has appointed BlackRock to manage a portfolio to be invested in a fully diversified Global portfolio. It is expected that target return will be delivered using dynamic asset allocation over the market cycle incorporating the full range of global investment opportunities.

The Investment Manager's objective is to outperform the benchmark by 3% per annum net of fees over a rolling three year basis.

The benchmark allocation is as follows:

Asset Class	Benchmark
Multi asset	3-month LIBOR

BlackRock intend to invest in the following to achieve their objective:

Portfolio	%
Dynamic Diversified Growth Strategy	100

BlackRock can use a wide variety of asset classes to generate returns within the Fund.

The objective of the strategy is to deliver long term consistent growth with low volatility and a strong focus on downside protection. The risk profile is typically one third to one half of equity market risk.

The limitations to the extent of the investments in each classification are detailed overleaf:

Sector	Range / Restrictions
Leverage	The fund may not be leveraged through: <ul style="list-style-type: none"> • The use of borrowing to purchase additional investment; • Gaining aggregate market exposure (physical long positions plus net economic exposure gained through the use of derivatives) in excess of 100% NAV
High Yield Restriction	15% maximum
Property Restriction	15% maximum
Currency	Minimum GBP exposure of 60% of NAV Exposure of the Portfolio should not exceed + / - 30% of NAV to any single non GBP denominated currency
Maximum allocation to equity	65%

BlackRock are not permitted to hold the following Funds:

Fund
Aberdeen World Equity Fund
AllianceBernstein Diversified Yield Bond Plus Fund,
BNY Mellon Long Term Equity Fund

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Pension Fund Committee

4 March 2015



Agreement of Accounting Policies for Application in the 2014/15 Financial Statements of the Pension Fund

Don McLure, Corporate Director Resources

Purpose of the Report

1. To inform the Pension Fund Committee of the accounting policies to be applied in the preparation of the 2014/15 Final Accounts and to seek confirmation from the Committee that appropriate policies are being applied.

Background

2. Although the Audit Committee have responsibility for the approval of the Statement of Accounts which contains the Pension Fund Accounts, the Pension Fund Committee should approve the Accounting Policies to be used in the preparation of those accounts.

Accounting Policies

3. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2011 for the Statement of Accounts to be produced in accordance with proper accounting practices. The 'Code of Practice on Local Authority Accounting 2014/15' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) incorporates these requirements and therefore must be followed in completing the Accounts.
4. Accounting policies are defined in the Code as *"the specific principles bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements"*.
5. Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as it applies to omissions and misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged

in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

6. The accounting policies applicable to the Pension Fund, in the main, relate to the valuation of assets held and the recognition of the contributions and benefits.
7. The proposed accounting policies are in line with those used in the preparation of the 2013/14 accounts and there have been no changes to the Code necessitating a change for 2014/15.
8. The full list of accounting policies for the Pension Fund that it is proposed to disclose in the Statement of Accounts notes is detailed in Appendix 1.

Recommendations

9. The Committee is recommended to:
 - review the accounting policies;
 - approve their use in the preparation of the 2014/15 financial statements for the Pension Fund; and
 - authorise the Corporate Director Resources to revise the accounting policies as necessary and report any significant changes to the Committee.

Contact: Hilary Appleton Tel: 03000 266239

Appendix 1: Accounting Policies for 2014/15

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the accounts. The accounts have been prepared on the normal accruals basis of accounting.

FUND ACCOUNT

Contributions receivable

Contribution income is categorised and recognised as follows:

- Normal contributions, from both members and employers, are accounted for on an accruals basis;
- Employer's augmentation contributions are accounted for in the year in which they become due;
- Employer's deficit funding contributions are accounted for in the year in which they become due under the schedule of contributions set by the actuary, or on receipt, if earlier than the due date.

Transfers to and from other schemes

Transfer Values represent amounts paid to or received from other local and public authorities, private, occupational or personal pension schemes in respect of pension rights already accumulated by employees transferring from or to the participating authorities.

Individual transfer values paid and received are accounted for on a cash basis as the amount payable or receivable is not determined until payment is made and accepted by the recipient. Bulk (Group) transfers, out and in, are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Pension benefits payable

Pension benefits are recognised and recorded in the accounting records and reported in the financial statements as an expense in the period to which the benefit relates. Any amounts due, but yet to be paid, are disclosed in the Net Assets Statement as current liabilities.

Administrative expenses

All administration expenses are accounted for on an accruals basis. All costs of the Pensions Administration Team and a proportion of the costs of the Pension Fund Accounting Team are charged to the Pension Fund as administrative expenses.

Investment income

Investment income is accounted for as follows:

- income from equities is recognised in the fund account on the date stocks are quoted ex-dividend;
- income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis;
- interest income is recognised in the fund account as it accrues;
- income from other investments is accounted for on an accruals basis;
- income from overseas investments is recorded net of any withholding tax where this cannot be recovered;
- foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rates applicable on the last working day in March, where amounts were still outstanding at the financial year end;
- changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/ losses during the year.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax would normally be accounted for as a fund expense as it arises however when Investment Managers are not able to supply the necessary information, no taxation is separately disclosed in the Fund Account.

Investment Management Fees

All investment management fees are accounted for on an accruals basis. Fees of the external Investment Managers are agreed in the respective mandates governing their appointments. Where an Investment Manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the financial year is used for inclusion in the Fund Account.

The cost of obtaining independent investment advice from consultants is also included in investment management fees. Independent advisers' fees are based on a retainer for attendance at Pension Fund Committee Meetings and the provision of advice to the Pension Fund Committee. Fees for any

additional work are based on a daily or hourly rate, as provided for by agreement or by separate arrangement.

A proportion of the costs of the pension fund accounting team and treasury management team are charged to the Pension Fund for investment management activities.

NET ASSETS STATEMENT

Valuation of Investments

Investments are included in the accounts at their fair value as at the reporting date. Fair value is the price for which an asset could reasonably be exchanged, or a liability settled, in an arm's length transaction. In the case of marketable securities fair value is equal to market value. Market value is the bid price quoted in an active market for securities and unitised investments.

All prices in foreign currency are translated into sterling at the prevailing rate on the last working day of March.

An investment asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes to the fair value of the asset are recognised by the Fund.

The values of investments, as shown in the Net Assets Statement, have been determined as follows:

- Quoted equity securities which are traded on an exchange are accounted for on a bid market price basis, where Investment Managers provide valuations in this manner;
- Fixed interest securities that are traded on an exchange are accounted for at bid market price where Investment Managers provide valuations in this manner;
- Index linked securities are valued at bid market value where Investment Managers provide valuations in this manner;
- Unitised securities are valued at the closing bid price if bid and offer prices are reported by the relevant exchange and in the Investment Manager's valuation report. Single priced unitised securities are valued at the reported price;
- Unquoted equity investments are included based on an estimated price of the investments held. Investment Managers use valuation techniques to establish a price at the year end date based on an arm's length exchange given normal business considerations;
- Derivative contracts outstanding at the year end are included in the Net Assets Statement at fair value (as provided by Investment

Managers) and gains and losses arising are recognised in the Fund Account as at 31 March. The value of foreign currency contracts is based on market forward exchange rates at the reporting date. The value of all other derivative contracts is determined using exchange prices at the reporting date.

Where Investment Managers are unable to supply investment valuations in line with the above policies, valuations will be included as supplied by the Investment Manager, usually at mid-market price

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Contingent Assets

A contingent asset arises where an event has taken place that gives a possible asset which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Pension Fund. Contingent assets are not recognised in the Net Assets Statement however details are disclosed in a note in the accounts.

Investment transactions

Investment transactions arising up to 31 March but not settled until later are accrued in the accounts. All purchases and sales of investments in foreign currency are accounted for in sterling at the prevailing rate on the transaction date.

Acquisitions costs of investments

Acquisition costs of investments are added to book cost at the time of purchase.

Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26 the

Pension Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts.

Additional Voluntary Contributions (AVCs)

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. In accordance with LGPS Regulations, AVCs are not recognised as income or assets in the Pension Fund Accounts, however a summary of the scheme and transactions are disclosed in a note to the accounts.

If, however, AVCs are used to purchase extra years' service from the Pension Fund, this is recognised as contribution income in the Fund's accounts on an accruals basis. Amounts received in this way can be found in a note to the accounts as additional contributions from members.

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Pension Fund Committee

4 March 2015



The Requirement to set up a Local Pension Board

Don McLure, Corporate Director Resources

Purpose of the Report

- 1 To inform Members of the need to establish a Local Pension Board (the Board) and to seek approval of the Terms of Reference for the Board.

Background

- 2 The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (SI 2015/57) establish a national scheme advisory board and set out the requirements for each local government pension scheme authority (LGPS) to establish a local pension board by 1 April 2015. The majority of the provisions came into force on 20 February 2015 allowing administering authorities to establish a Board by 1 April 2015.
- 3 Durham County Council, as Administering Authority needs to approve the establishment of the Board; its composition and its terms of reference. Guidance [*Local Government Pension Scheme: Guidance on the Creation and Operation of Local Pension Boards in England and Wales*] ["The Guidance"] states that the Council does not necessarily have to have a fully operational pension board by 1 April, but it is anticipated that the Board should be operational within four months of this date.
- 4 A report to was taken to County Council on 25 February to approve the recommendations of the Constitution Working Group which considered the options for the establishment of a Board. The report is attached at Appendix 1.

The Purpose of a Local Pension Board

- 5 The Public Services Pensions Act 2013 requires regulations to establish a board with responsibility to assist scheme managers. Administering Authorities are scheme managers.
- 6 The regulations state that the Board has the responsibility to secure compliance
 - with the Regulations;

- with other legislation relating to the governance and administration of the LGPS; and
- with the requirements imposed by the Regulator in relation to the LGPS.

It also has the responsibility for ensuring the effective and efficient governance and administration of the LGPS.

- 7 Assisting the administering authority is interpreted as helping the administering authority, including doing work requested by it. The Board does not, however, replace the administering authority or make decisions. It must comprise of representatives of employers and scheme members.

Delegations to the Pension Fund Committee

- 8 If the County Council approves the report on 25 February and establishes a Board, certain actions will be carried out via the Pension Fund Committee. The County Council Report recommends that:

- the recruitment of the members of the Board is delegated to the Corporate Director Resources in consultation with the members of the Pension Fund Committee.

This recruitment of both employer and scheme member representatives should involve an open and transparent process, with advertisements placed on the Council's website and employers being requested to publicise this to their employees and directing them to visit the Council's website.

- the establishment of constitutional documents, codes, policies, plans, frameworks and protocols connected with the establishment and operation of the Board be delegated to the Pension Fund Committee on the understanding that the Corporate Director Resources and the Head of Legal and Democratic Services will prepare them for approval by the Committee.

- 9 As the Council has empowered the Pension Fund Committee to establish the documents etc. connected with the establishment and operation of the Board, this has been added into the Pension Fund's Terms of Reference.

Terms of Reference for the Local Pension Board

- 10 In line with the recommendation to County Council, Terms of Reference have been drafted for the Board. These are attached at Appendix 2.
- 11 The Terms of Reference are based upon a template provided by the Shadow Scheme Advisory Board and have been amended to refer to the Council's Constitution and policies being applicable to the Board rather than providing a separate Constitution.

- 12 Examples of core functions of the Board have also been removed to allow the first meeting of the Board to decide on its focus and give it flexibility to devise its own work plan.

Recommendations

- 13 Members are asked to :
- Note the contents of the County Council report establishing the Local Pension Board, and
 - Approve the Terms of Reference for the Local Pension Board.

Background Papers

- (a) Local Government Pension Scheme (England and Wales) new governance arrangements - Discussion Paper
- (b) The Local Government Pension Scheme (Amendment) Regulations 2014 – Draft Regulations on Scheme Governance
- (c) Aon Hewitt – Governance Spotlight – June 2014
- (d) Pension Fund Committee – 11 September 2014 - Pension Boards - Draft LGPS Regulations on Scheme Governance
- (e) Local Government Pension Scheme: Guidance on the creation and operation of Local Pension Boards in England and Wales.

Contact: Hilary Appleton Tel: 03000 266239

County Council

25 February 2015

The Requirement to Set Up a Local Pension Board



Report of the Corporate Management Team
Don McLure, Corporate Director Resources
Councillor Simon Henig, Leader of Durham County Council
Councillor Alan Napier , Cabinet Portfolio Holder for Finance.

Purpose of the Report

- 1 The purpose of the report is to:
 - advise Council of the need for it to establish as Administering Authority for the Durham County Council Pension Fund a Local Pension Board (“LPB”);
 - advise Council of the recommendations of the Constitution Working Group (“CWG”) in relation to the LPB; and
 - invite Council to agree to the establishment of the Board and to adopt the recommendations of the CWG.

Background

- 2 The Local Government Pension Scheme (LGPS) is a statutory funded public service pension scheme. Prior to these 1 April 2015 changes, the LGPS has had a relatively simple governance structure involving the Secretary of State and each ‘Administering Authority’.
- 3 Administering Authorities are responsible for managing and administering the LGPS in relation to any person for which it is the appropriate administering authority under the LGPS Scheme Regulations. Durham County Council is the administering authority for the Durham County Council Pension Fund.
- 4 The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (SI 2015/57) have been laid before Parliament. The regulations establish a national scheme advisory board and set out the requirements for each LGPS administering authority to establish a local pension board (LPB) by 1 April 2015. The majority of the provisions came into force on 20 February 2015 allowing administering authorities to establish a LPB by 1 April 2015, as required by the Public Service Pensions Act 2013.

- 5 Durham County Council will need to approve the establishment of the Board; its composition and its terms of reference. Guidance [*Local Government Pension Scheme: Guidance on the Creation and Operation of Local Pension Boards in England and Wales*] ["The Guidance"] states that the Council does not necessarily have to have a fully operational pension board by 1 April, but it is anticipated that the Board should be operational within four months of this date.
- 6 The LPB will need to comply with the Local Government Pension Scheme (Amendment) Regulations and the Local Government Pensions Scheme (Amendment) (Governance) Regulations: Better Governance and Improved Accountability in Local Government Pension Scheme (the Regulations)
- 7 On the 26 January 2015, the Constitution Working Group was invited to make recommendations to Council on the following issues:-
 - (a) Who should establish the Board and be responsible for its recruitment?
 - (b) The composition of the Board;
 - (c) The manner of recruitment of the members of the Board;
 - (d) The terms of reference of the Board; and
 - (e) Whether allowances should be paid to Board members.

The Purpose of the LPB

- 8 The LPB will be part of the new governance structure. Under Section 2 of the Public Service Pensions Act 2013 (the Act), each pension scheme must have a 'responsible authority' which is the person who may make regulations for the running of that scheme. The responsible authority of the LGPS is the Secretary of State.
- 9 Section 4 of the Act requires that the scheme should have a scheme manager who is responsible for managing or administering the scheme. In the case of the LGPS, the scheme managers are the Administering Authorities. Durham County Council is therefore a scheme manager. It is responsible for maintaining and investing its own fund and for making decisions relating to its operation.
- 10 Section 5 of the Act requires regulations to provide for the establishment of a Board with responsibility for assisting the scheme managers. This has resulted in a requirement for a LPB for each fund. The regulations then state that the LPB has the responsibility for assisting the administering authority to secure compliance:-
 - with the Regulations;
 - with other legislation relating to the governance and administration of the LGPS; and
 - with the requirements imposed by the Regulator in relation to the LGPS.

It also has the responsibility for ensuring the effective and efficient governance and administration of the LGPS.

- 11 The Guidance gives the opinion that assisting and administering the authority shall be interpreted as helping the administering authority, including doing work requested by it. The LPB does not, however, replace the administering authority or make decisions. It must comprise of representatives of employers and scheme members.

Who Can and Cannot Be Members of the LPB?

- 12 In the Guidance, Authorities are advised that it is important that the methodology for appointment of members of the LPB ensures that representative Board members are truly representative. All employers and members within a fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process.
- 13 The regulations require the administering authority to ensure that any person it wishes to appoint as an employer or member representative has the capacity to represent the employers or members (as appropriate) of the fund. Examples of relevant experience include, being a member of the LGPS or being a member or a trustee of a private sector defined benefit pension scheme.
- 14 Members of the Board should not have a conflict of interest. A conflict of interest will not arise merely by virtue of membership of the LGPS.
- 15 An individual's ability to properly represent the interests of employers or members (as appropriate) and channel information back to them effectively is described as a key factor in selecting members of the LPB.
- 16 The administering authority may also recruit people to the LPB other than employer or member representatives, but the number must be less than the total of employer and member representatives.
- 17 No officer or elected member of the administering authority who is responsible for the discharge of any function under the LGPS Regulations 2013 may be a member of the LPB.

Can the LPB be the Pension Fund Committee?

- 18 Where an Administering Authority discharges its pension functions through a committee, as is the case with this Council, it can, with the approval of the Secretary of State, appoint the existing committee as the LPB.
- 19 The guidance acknowledges that whilst at first sight, combining the functions of the LPB and Pension Fund Committee may seem attractive, it will however, in practice, be difficult to meet the requirements of the 1972 Local Government Act relating to a committee which is also a LPB.

- 20 Under the 1972 Act there is a general proposition that co-opted members do not have voting rights. Section 102(3) restricts non-elected membership to committee responsible for regulating or controlling the finances of a local authority. The guidance also reminds authorities that the Secretary of State's approval needs to be obtained and it may be given subject to such conditions as the Secretary of State thinks fit. There remains uncertainty about the likely conditions that could be attached, or the circumstances in which the Secretary of State approval will be granted.
- 21 The guidance concludes that if the LPB is to be a pension committee, it is difficult to see how the LPB could effectively and objectively fulfil its statutory function of assisting itself (as the pension committee) to secure compliance with the law and ensure effective and efficient governance and administration of the LGPS. In addition to these considerations, there is limited time in which to implement this legislation and this report is therefore based upon the proposition that the LPB will not be the Pension Fund Committee in this Council and that the issues that Council is being asked to address are for the establishment of a LPB that is separate from the Pension Fund Committee.

Who Should Establish the LPB and be Responsible for its Recruitment?

- 22 The responsibility for establishing the LPB lies with the administering authority. Its establishment is not optional. In this Council, the existing pension functions are delegated mainly to the Pension Fund Committee but also with delegations as contained in the Constitution to the Corporate Director Resources. Council will need to consider whether the establishment of the LPB and the appointment of its members should be a function undertaken by Council, or by the Pension Fund Committee or by the Corporate Director Resources.
- 23 At its meeting on the 26 January 2015, CWG agreed to recommend to Council that Council approve the establishment of the LPB, even though it may recommend that other aspects be delegated to the Pension Fund Committee or an officer.
- 24 This Council, with its composition of 126 Members, has delegated recruitment exercises for external persons required to assist in its functions (for example, the Independent Persons in relation to standards; members of the Independent Remuneration Panel) to either committees or by an officer in consultation with a key member. Council may consider the recruitment of the LPB to be suitable for similar arrangements.
- 25 On the 26 January 2015, CWG considered whether the recruitment should be carried out by the Pension Fund Committee or by an officer and considered the following:-
- Elected Member accountability;
 - logistical issues of ensuring a consistent short listing and interview panel;

- the time limits involved in implementing this obligation; and
- the fact that there are a number of tasks, referred to in the closing paragraphs of this report, which will need to be done in order to ensure that the LPB is ready for operation and in the interests of the efficient dispatch of business, delegation of that work either to a committee or to an officer in consultation with a key member, would enable work to be dealt with between council meetings.

26 Having considered this issue, CWG agreed to recommend to Council that recruitment of the members of the panel be delegated to the Corporate Director Resources in consultation with members of the Pension Fund Committee.

Composition of the LPB

27 The LPB must include an equal number of employer and member representatives with a minimum requirement of no less than 4 in total. It cannot include an officer or Councillor of the administering authority who is responsible for the discharge of any of the functions under the regulations. Any member of the Pension Fund Committee and the Corporate Director Resources are therefore excluded from membership.

28 When considering the size of their LPBs, councils are advised that they will need to consider a number of factors including:-

- the size of any existing governing bodies, such as an advisory panel;
- the number of scheme members and the number and size of employers within the fund and any collective arrangements in place for them to make decisions or provide input in relation to fund matters;
- the cost of establishing and operating the LPB; and
- the existence or proposal to form any other advisory groups.

29 At present there is very little information on what other administering authorities are proposing for the membership of their LPBs. Their proposals appear to range in size from 4 members to 9 members.

30 Nationally, Unison suggest that the more assets under management, the greater the workload. They therefore suggest:-

- 2 each for a fund below £500m in asset value;
- 3 each in any fund above £500m to £3bn in asset value;
- 4 each in any fund between £3bn and £10bn in asset value; and
- 5 each in any fund above £10bn.

The current value of the Pension Fund's assets is £2.1bn.

- 31 The options for Council to consider in relation to this issue are whether to adopt the minimum criteria of 4 members or whether to have a larger LPB.
- 32 Depending upon the arrangements proposed in relation to financing the LPB, be it by allowances or by reimbursement of expenses, a LPB comprising 4 members with the Chairman having the casting vote would be the least expensive option for the Council.
- 33 Another relevant factor militating in favour of a small LPB is the fact that it has been historically difficult to attract co-opted members to the Pension Fund Committee from employer members.
- 34 There is however concern that recruiting only the statutory minimum to the LPB creates practical problems when a member of the LPB ceases to be a member leaving the Council, albeit temporarily, with a LPB that does not meet the statutory minimum number. Additional members of the LPB allow for a suitable critical mass to lessen the likelihood of this event. Members may wish to consider a larger membership than the minimum.
- 35 Members of the LPB representing employers could be drawn from Councillors or Officers or representatives from other bodies admitted to the scheme. Member representatives could be either individual employees in the Pension Fund, Pensioners or Trade Union representatives.
- 36 A larger than statutory minimum membership on the LPB would enable there to be room for a cross section of representatives, particularly in relation to member representation where two trade unions have already expressed an interest in filling seats on the LPB. If those unions were both successful in their endeavours in this respect, there would be no further capacity for other membership. A larger membership would also provide a greater opportunity for employer representatives from employers other than this council to be represented on the Board.
- 37 Having considered these issues the decision of CWG was to recommend to Council that the LPB comprise 3 employer representatives and 3 scheme member representatives. The LPB should decide on the way they will come to decisions, including deciding on their Chairman from within the LPB members.

Recruitment of the Members to the LPB

- 38 The Council has already received approaches from two unions, Unison and GMB, expressing an interest in membership of the LPB, and Unison have submitted a suggested draft constitution which provides that membership of the LPB should consist of equal numbers of trade union representatives and employer representatives.
- 39 Council is, however, referred to the advice given in the guidance in the shadow scheme advisory board public consultation, a summary of which is

included under the heading in this report “who can and cannot be members of the LPB?”. Whilst it is highly likely that the trade unions should be able to produce representatives who are eminently suitable to represent members, CWG accepted officer opinion that limiting the employee representative membership to unions only, would not be following the principles of transparency which has been recommended. The group therefore agreed to recommend to Council that the recruitment of both employer and scheme member representatives should involve an open and transparent process, with advertisements placed on the Council website and employers being requested to publicise this to their employees and directing them to visit the Council’s website.

Terms of Reference of the LPB

- 40 When Council establishes the LPB, it should create Terms of Reference for the LPB. These are the rules setting out how it will be constituted and operating on a day-to-day basis. Under the regulations, the LPB will have the general power to do anything which is “calculated to facilitate, or is conducive or incidental” to the discharge of its functions.
- 41 On the 26 January CWG agreed to recommend the following terms of reference for approval to Council:-

That the LPB:-

- (i) assists the Administering Authority:
- to secure compliance with the Local Government Pension Scheme Regulations;
 - to secure compliance with other legislation relating to the governance and administration of the LGPS;
 - to secure compliance with the requirements imposed by the Regulator in relation to the LGPS; and
 - to ensure the effective and efficient governance and administration of the LGPS.
- (ii) complies with the requirements of a Constitution to be agreed by the Pension Fund Committee compliant with legislation and including the requirement to comply with a Code of Conduct; and
- (iii) Meets at the frequency set out in the Constitution.

Should Allowances Should Be Paid to LPB Members

- 42 The regulations specify that the expenses of the LPB shall be regarded as part of the costs of the administration of the fund. Some of these expenses will include secretarial support, advisory support and other overheads attached to the arranging of meetings.

43 Consideration needs to be given to whether or not members of the LPB should be paid allowances or reimbursed expenses. There are possible options for approaching this question:-

- No payments to be made:
- Reimbursement of travelling expenses; or
- Payment of an allowance for each member, be it an annual or per meeting allowance.

44 On the 26 January 2015, CWG considered the following factors when considering this question:-

- likelihood of Board members being asked to carry out their duties (including preparation and/or training) during personal time or whether they are likely to be able to attend during authorised paid absence;
- whether a Board member was taking on the role of Chairman and is carrying out a range of additional responsibilities that merit additional payment;
- Arrangements currently in place for paying independent Chairs, independent persons (in relation to standards), and members of schools appeals panels which involves reimbursement of expenses rather than payment of allowances.

It agreed to recommend that the members of the LPB should not receive allowances but be reimbursed expenses at rates agreed by the Corporate Director Resources in consultation with the Leader and Deputy Leader of the Council.

Next Steps

45 Following agreement to establish the Board, there will be a need for further work to secure the effective operation of the LPB. This includes the preparation of various constitutional documents, codes, policies and protocols including:-

- A Constitution
- A Code of Conduct
- A conflicts policy
- A policy framework to address the requirements of knowledge and understanding that applies to members
- Policies covering information security
- Training for the appointed LPB Members

- Procedures and protocols for internal reporting and escalation of serious concerns.

46 Given the short time available, CWG agreed to recommend to Council that this work is delegated to the Pension Fund Committee on the understanding that the Corporate Director Resources and the Head of Legal and Democratic Services will prepare these documents for approval by the Pension Fund Committee.

Recommendations and Reasons

47 Council is asked to:-

- (a) approve the establishment of the Local Pension Board;
- (b) agree that recruitment of the members of the LPB is delegated to the Corporate Director Resources in consultation with the members of the Pension Fund Committee;
- (c) agree that the recruitment of both employer and scheme member representatives should involve an open and transparent process, with advertisements placed on the Council's website and employers being requested to publicise this to their employees and directing them to visit the Council's website.
- (d) Agree that the terms of reference state that the LPB:-
 - (iv) assists the Administering Authority:-
 - to secure compliance with the Local Government Pension Scheme Regulations;
 - to secure compliance with other legislation relating to the governance and administration of the LGPS;
 - to secure compliance with the requirements imposed by the Regulator in relation to the LGPS;
 - to ensure the effective and efficient governance and administration of the LGPS.
 - (v) complies with the requirements of a Constitution to be agreed by the Pension Fund Committee compliant with legislation and including the requirement to comply with a Code of Conduct;
 - (vi) meets at the frequency set out in the Constitution;
- (e) that the members of the LPB should not receive allowances but be reimbursed expenses at rates agreed by the Corporate Director of Resources in consultation with the Leader and Deputy Leader of the Council.

- (f) Make a recommendation to Council that the establishment of constitutional documents, codes, policies, plans, frameworks and protocols connected with the establishment and operation of the LPB be delegated to the Pension Fund Committee on the understanding that the Corporate Director Resources and the Head of Legal and Democratic Services will prepare them for approval by the Committee.

Background Papers

- 48 Local Government Pension Scheme: Guidance on the creation and operation of Local Pension Boards in England and Wales.

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	Hilary Appleton	Tel: 03000 266 239

Appendix 1: Implications

Finance - Costs of the Local Pension Board's administration will be met from the Pension Fund, the amounts involved will be a result of the constituents and work of the Local Pension Board.

Staffing – There will be a requirement for extra work by staff to train and administer the Board.

Risk –The failure to establish the Local Pension Board or not having a Local Pension Board that functions properly range from being reported to the Regulator, being found to have acted unlawfully in any legal challenge and having adverse findings made by those responsible for audit.

Equality and Diversity / Public Sector Equality Duty – The recruitment of the panel will need to comply with the Council's equality duty and also be an open and transparent process.

Accommodation – There will need to be a room made available for the meetings.

Crime and Disorder – none specific in this report.

Human Rights – none specific in this report.

Consultation – none specific in this report.

Procurement - none specific in this report.

Legal Implications – within the body of the report.

Local Pension Board of Durham County Council Terms of Reference

Introduction

1. The Local Pension Board is established by Durham County Council (the 'Administering Authority') and will be governed by Durham County Council's Constitution.
2. This document sets out the terms of reference of the Local Pension Board of Durham County Council (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (the 'Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
3. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
4. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
5. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

6. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	means the Pension Fund Committee - the committee that has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.

'the Fund'	means the Durham County Council Pension Fund – the Fund managed and administered by the Administering Authority.
'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

7. The purpose of the Board is to assist¹ the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

8. The Board should, at all times, act in a reasonable manner in the conduct of its purpose. The principles included in the 'Code of conduct for Members', set out in Durham County Council's Constitution, will apply to members of the Board.
9. All other relevant Council policies shall also apply to members of the Board.

¹ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

Establishment

10. The Board is established on 1 April 2015 following approval by the County Council at its meeting on 25 February 2015. Subsequent to its establishment, the Board may establish sub-committees.

Membership²

11. The Board shall consist of six voting members, as follows:

Three Member Representatives; and

Three Employer Representatives.

12. There shall be an equal number of Member and Employer Representatives.

Member representatives

13. Member representatives shall either be scheme members³ or have capacity to represent scheme members of the Fund.
14. Member representatives should be able to demonstrate their capacity⁴ to attend and complete the necessary preparation for meetings and participate in training as required.
15. Substitutes shall not be appointed.
16. Three member representatives shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority.

Employer representatives

17. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
18. Employer representatives should be able to demonstrate their capacity⁵ to attend and complete the necessary preparation for meetings and participate in training as required.

² When determining the size of the Board consideration should be given to items noted in paragraphs 5.7 to 5.12 of the Guidance.

³ Active, deferred or pensioner members

⁴ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

⁵ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

19. Substitutes shall not be appointed.
20. Three employer representatives shall be appointed by the Administering Authority following a transparent recruitment process which should be open to all employers in the Fund.

Appointment of chair⁶

21. Subject to the meeting arrangements in paragraphs 35 to 37 below a chair shall be appointed for the Board by the employer and member representatives of the Board from amongst their own number or on a rotating basis with the term of office shared between an employer and a member representative on an equal basis.

Duties of chair

22. The chair of the Board:
 - (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Terms of Office⁷

23. The term of office for Board members is four years and consideration will be given to allowing members to retire on a rolling basis during their term of office.
24. Extensions to terms of office may be made by the Administering Authority with the agreement of the Board.
25. A Board member may be appointed for further terms of office using the methods set out in paragraphs 16 and 20.
26. Board membership may be terminated prior to the end of the term of office due to:

⁶ This is not a regulatory requirement under the LGPS Regulations 2013 as amended. The appointment of a Chair is a decision to be made locally, where a Chair is appointed this section should be amended as appropriately. For more information see paragraphs 5.37 to 5.40 in the Guidance.

⁷ See paragraphs 5.29 and 5.30 of the Guidance which outlines points to consider when setting out the term of office for Board members. In particular consideration should be given to allowing members to retire on a rolling basis to ensure experience is retained.

- (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund⁸.
- (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
- (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
- (d) A Board member no longer being able to demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training.
- (e) The representative being withdrawn by the nominating body and a replacement identified.
- (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
- (g) A Board member who is an elected member becomes a member of the Committee.
- (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

Conflicts of interest⁹

- 27. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
- 28. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
- 29. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures and the requirements of the Code.

Knowledge and understanding (including Training)¹⁰

- 30. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 7 above.
- 31. The Board shall establish and maintain a record of training to address the knowledge and understanding requirements that apply to Board members under the Act. A list of examples of the knowledge and understanding required is attached at Annex 1 to this document and is summarised in paragraph 32. That record shall set out the degree of knowledge and

⁸ This includes active, deferred and pensioner members.

⁹ See section 7 of the Guidance for more information on Conflicts of Interest.

¹⁰ See section 6 of the Guidance for more information on Knowledge and Understanding.

understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

32. Following appointment, Board Members should be conversant with:
 - (a) The legislation and associated guidance of the Local Government Pension Scheme (LGPS);
 - (b) General pensions legislations applicable to the LGPS;
 - (c) Role and Responsibilities of a LPB;
 - (d) Role and Responsibilities of the Administering Authority;
 - (e) Role and Responsibilities of Scheme Employers, Advisers and key persons; and
 - (f) Funding and Investment
33. The Administering Authority will provide training in these areas for Board members.
34. Board members shall attend and participate in training arranged by the Administering Authority. They shall undertake such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

35. The Board shall as a minimum meet twice each year.
36. Meetings shall normally take place between the hours of 9:00am and 5:00pm at County Hall, Durham.
37. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

38. A meeting is only quorate when at least one member and one employer representative is present.
39. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

40. The Chair shall agree with the Monitoring Officer (the 'Board Secretary') an agenda prior to each Board meeting.
41. The agenda and supporting papers will be issued at least five working days (where practicable) in advance of the meeting except in the case of matters of urgency.

42. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within five working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
43. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
44. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined by guidance or legislation.
45. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
46. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on expenses to be considered under these terms.
47. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

48. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
49. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) Members of the Committee,
 - (b) Any person requested to attend by the Board.

Any such attendees will be permitted to speak at the discretion of the Chair.

50. In accordance with the Act the Administering Authority shall publish information about the Board to include:
 - (a) The names of Board members and their contact details.
 - (b) The representation of employers and members on the Board.
 - (c) The role of the Board.
 - (d) These Terms of Reference.

51. The Administering Authority shall also publish other information about the Board including:
- (a) Agendas and minutes
 - (b) Training and attendance logs
 - (c) An annual report on the work of the Board to be included in the Fund's own annual report.
52. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
- (a) On the Administering Authority's website.
 - (b) As part of the Fund's Annual Report.
 - (c) As part of the Governance Compliance Statement.
53. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances

54. The Administering Authority may meet the expenses of Board members as agreed by the Corporate Director Resources in consultation with the Leader and Deputy Leader of the Council.
55. The Administering Authority shall not pay allowances for Board members.

Budget

56. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund. The Board will seek approval from the Corporate Director Resources, as Section 151 Officer, at the Administering Authority for any expenditure it wishes to make.

Core functions¹¹

57. The first core function of the Board is to assist¹² the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider.

¹¹ In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

¹² Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

58. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider
59. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
60. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting¹³

61. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.
62. Requests and recommendations should be reported under the provisions of paragraphs 59 and 60 above.
63. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
64. On receipt of a report under paragraph 63 above the Committee should, within a reasonable period, consider and respond to the Board.
65. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
66. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 63 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
67. The appropriate internal route for escalation is to the Monitoring Officer or the Corporate Director Resources, as Section 151 Officer (as appropriate).
68. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
69. Board members are also subject to the requirements to report breaches of law under the Act and the Code and the whistleblowing provisions set out in the Administering Authority's Confidential Reporting Policy.

¹³ See section 8 of the Guidance for more information on Reporting.

Review of terms of reference

70. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every four years.

71. These Terms of Reference were adopted on 1 April 2015

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Published 25 February 2015

Examples of knowledge and understanding of the law relating to pensions

1. **Background and Understanding of the Legislative Framework of the LGPS**

- Differences between public service pension schemes like the LGPS and private sector trust-based schemes
- Role of the IPSPC and its recommendations
- Key provisions of the 2013 Act
- The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers
- An overview of local authority law and how Administering Authorities are constituted and operate
- LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations)

2. **General pensions legislation applicable to the LGPS**

An overview of wider legislation relevant to the LGPS including:

- Automatic Enrolment (Pensions Act 2008)
- Contracting out (Pension Schemes Act 1993)
- Data protection (Data Protection Act 1998)
- Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights
- Freedom of Information (Freedom of Information Act 2000)
- Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)
- Tax (Finance Act 2004)
- IORP Directive

3. **Role and responsibilities of the Local Pension Board**

- Role of the Local Pension Board
- Conduct and conflicts
- Reporting of breaches
- Knowledge and understanding
- Data protection

4. **Role and responsibilities of the Administering Authority**

- Membership and eligibility
- Benefits and the payment of benefits

- Decisions and discretions
- Disclosure of information
- Record keeping
- Internal controls
- Internal dispute resolution
- Reporting of breaches Statements, reports and accounts

5. Funding and Investment

- Requirement for triennial and other valuations
- Rates and adjustments certificate
- Funding strategy statement
- Bulk transfers
- Permitted investments
- Restrictions on investments
- Statement of investment principles
- CIPFA guidance
- Appointment of investment managers
- Role of the custodian

6. Role and responsibilities of Scheme Employers

- Explanation of different types of employers
- Additional requirements for admission bodies
- Automatic Enrolment
- Deduction and payment of contributions
- Special contributions
- Employer decisions and discretions
- Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)
- TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)

7. Tax and Contracting Out

- Finance Act 2004
- Role of HMRC
- Registration
- Role of 'scheme administrator'
- Tax relief on contributions
- Taxation of benefits
- Annual and lifetime allowances
- Member protections
- National Insurance
- Contracting out (Pensions Scheme Act 1993)
- Impact of abolition of contracting out in 2016

- VAT and investments

8. Role of advisors and key persons

- Officers of the Administering Authority
- Fund actuary
- Auditor
- Lawyers
- Investment managers
- Custodians
- Administrators – in house v. third party
- Procurement of services
- Contracts with third parties

9. Key Bodies connected to the LGPS

An understanding of the roles and powers of:

- Courts
- Financial Services Authority
- HMRC
- Information Commissioner
- Pensions Advisory Service
- Pensions Ombudsman
- The Pensions Regulator (including powers in relation to Local Pension Boards)

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Pension Fund Committee

4 March 2015



Terms of Reference – Annual Review

Don McLure, Corporate Director Resources

Purpose of the Report

- 1 To review the terms of reference for the Pension Fund Committee.

Background

- 2 The Pension Fund Committee has responsibility delegated from the Council to discharge the powers and duties arising from Section 7 of the Superannuation Act 1972 and Regulations made following from this, including:
 - approval of applications from bodies seeking admission to the Local Government Pension Scheme;
 - appointment of external investment managers and advisers.
- 3 The Terms of Reference clarify the the responsibilities of the Pension Fund Committee and ensure that they are clearly defined and understood.

Terms of Reference

- 4 The Terms of Reference are attached at Appendix 1 and are intended to provide clarity to the members of the Pension Fund Committee in a number of areas:
 - High level objective of the Committee
 - Authority of the Committee
 - Composition of the Committee
 - Detailed Terms of Reference to achieve the High Level Objective
 - Meetings
 - Programme of work
 - Performance and Review
- 5 The Terms of Reference determine the future programme of work for the Pension Fund Committee and the frequency of reporting on the individual term of reference is included.
- 6 It was agreed that the Terms of Reference were to be reviewed at least annually to ensure that they include any changes, particularly with

reference to amendments to the Authority delegated from the County Council through the County Council's Constitution.

Local Pension Board

- 7 There is a legal requirement for a Local Pension Board to be established with effect from 1 April 2015.
- 8 The report to County Council and the Terms of Reference are included as a separate item on the Pension Fund Committee's Agenda for information and approval.
- 9 Part of that report to County Council delegates duties to the Pension Fund Committee for agreeing the establishment of constitutional documents, codes, policies, plans, frameworks and protocols for the establishment and operation of the Local Pension Board, which will be prepared for committee approval by the Corporate Director Resources and the Head of Legal and Democratic services.
- 10 This has been added to the existing Terms of Reference at paragraph 4, item 19 for the Pension Fund Committee and it is recommended that addition be approved.

Recommendation

- Members accept the Terms of Reference as detailed in Appendix 1 and continue to be reviewed at least on an annual basis.

Background papers

- (a) Pension Fund Committee – 6 December 2011 – Internal Audit Progress Report
- (b) Durham County Council Constitution
- (c) CIPFA – Pensions Finance – Knowledge and Skills Framework: Technical Guidance for Pensions Practitioners in the Public Sector
- (d) CIPFA – Pensions Finance – Knowledge and Skills Framework: Technical Guidance for Elected Representatives and Non-executives in the Public Sector
- (e) CIPFA – Investment Decision Making and Disclosure in the Local Government Pension Scheme: A guide to the Application of the Myners Principles
- (f) Pension Fund Committee - 4 December 2012 - Terms of Reference
- (g) Pension Fund Committee – 7 March 2013 – Terms of Reference
- (h) Pension Fund Committee – 6 March 2014 – Terms of Reference

Contact: Hilary Appleton Tel: 03000 266239

1. Objectives

- 1.1. The Pension Fund Committee's objective is to ensure effective stewardship of the Fund's affairs. The Pension Fund is governed by Local Government Pension Scheme Regulations and the Committee will ensure that the Pension Fund is run in accordance with the Regulations.

2. Authority

- 2.1 The Local Government Pension Scheme is a statutory scheme governed by Regulations. Durham County Council, acting as Administering Authority for the Pension Fund has determined to delegate all functions relating to the maintenance of the Pension Fund to the Pension Fund Committee for its governance, and for prudent and effective stewardship.
- 2.2 Members act as committee members and not as Trustees. There is no Trust Deed or Agreement as with Private Pension funds. Nonetheless, Members have fiduciary duties to participating employers and scheme members and take decisions with advice from Corporate Director Resources, officers and professional advisors, in accordance with the committee rules and voting procedures.
- 2.3 Under the terms of the County Council's Constitution, the Pension Fund Committee has been delegated the following terms of reference:
 - 2.3.1. Powers and duties arising from Section 7 of the Superannuation Act 1972 and Regulations made thereunder including:
 - approval of applications from bodies seeking admission to the Local Government Pension Scheme;
 - appointment of external investment managers and advisers.

3. Composition

- 3.1. The Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. In order to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. The Fund holds training sessions in advance of decisions being taken, in particular when the investment

strategy is considered, presentations on topical issues, related to possible choices of future investment. Further training in time for actuarial valuations is also undertaken.

3.2. The structure of the Pension Fund Committee is as follows:

Body/ category of bodies represented	Number of Committee Members
Durham County Council	11
Darlington Borough Council	2
Colleges	1
Other Statutory Bodies	1
Admitted Bodies	1
Member representatives	2
Total	18
<i>plus non-voting union observers</i>	2

3.3. The allocation of members to the Committee broadly reflects the number of active members, pensioners and deferred pensioners each of the larger employers has within the Fund. It has appropriate representation for the large employers within the Fund whilst maintaining a manageable governance framework for the size of the committee. The two trade union representatives are invited as observers.

3.4. The representatives from Durham County and Darlington Borough Councils are appointed by decisions of the respective councils. Representatives of the colleges, other statutory bodies, and admitted bodies are selected by the Committee from nominations made by the employers and are appointed for 4 years. The two scheme member representatives are selected by the Committee from applications received from the membership following advertisement in the newsletter: one from active scheme members and one from pensioner members.

3.5. All members of the Committee, union observers and independent advisers are given full access to papers and are allowed to participate in meetings.

3.6. All members appointed to the Committee have voting rights. Union observers and advisers do not have voting rights as they do not act as formal members of the Committee.

3.7. The Pension Fund Committee meets four times a year and occasionally holds special meetings when required.

3.8. The quorum for each regular meeting of the Committee is 5.

3.9. Minutes of the Committee are reported under the existing County Council Committee framework.

3.10. Detailed performance reports will remain confidential items on Committee agenda as will any other item deemed as such by the Chairman although the Committee will aim to operate as transparently as feasible.

4. Terms of Reference

Number	Term of Reference	Frequency of Reporting
	<p>The Pension Fund Committee’s objective is to ensure effective stewardship of the Fund’s affairs. The Pension Fund is governed by Local Government Pension Scheme Regulations and the Committee will ensure that the Pension Fund is run in accordance with the Regulations.</p>	
1	<p>To prepare, monitor and undertake an annual review of policy documents including the:</p> <ul style="list-style-type: none"> • Funding Strategy Statement • Statement of Investment Principles • Governance Policy • Communications Policy • Administration Strategy (discretionary) 	Annually
2	<p>To review policy on social, environmental and ethical matters and on the exercise of rights, including voting rights.</p>	Annually
3	<p>To appoint and terminate, within the procurement and contract rules,:</p> <ul style="list-style-type: none"> • investment managers • custodian • actuary • independent external advisers • Additional Voluntary Contribution (AVC) providers, and • other contracts related to the management of the Pension Fund 	In line with contractual requirements and as and when required
4	<p>To consider the appropriateness of the committee structure to deliver the outcomes required by the Terms of Reference, e.g the establishment of an investment sub-committee.</p>	Annually

Number	Term of Reference	Frequency of Reporting
5	To be responsible for governance arrangements including regulatory compliance and implementation of audit recommendations	Quarterly
6	To approve the annual internal audit plan and monitor progress on it's delivery.	Annually and quarterly monitoring
7	To review and monitor the Pension Fund Risk Register.	Annually
8	To determine the overall investment strategy and strategic asset allocation, ensuring that investments are sufficiently diversified, not over concentrated in any one type of investment and that the pension fund is invested in suitable types of investments;	Minimum of 2 yearly reviews
9	To obtain, and have due regard to, professional advice from the fund managers, investment advisers, officers and the fund actuary as appropriate;	Quarterly and as and when required
10	To monitor and review the investment managers' performance against established benchmarks and to be satisfied of the investment managers' expertise and the quality of their internal systems and controls;	Quarterly
11	To take appropriate and timely action in cases of unsatisfactory performance of the investment managers and independent external advisers;	Quarterly and as and when required
12	To monitor the cash flow forecasts of the fund;	Quarterly
13	To review the resources allocated to investment managers on a regular basis;	Quarterly
14	Ensure appropriate arrangements are in place for the administration of benefits and contributions.	Annually

Number	Term of Reference	Frequency of Reporting
15	To approve, apply and decide upon employers joining and leaving the Fund. To consider, and if appropriate, approve applications of employers to become admitted bodies to the fund.	As and when required
16	To agree an accounting policy for the Fund consistent with IFRS and relevant authoritative guidance in order to prepare and publish a Pension Fund Annual Report including an abstract of accounts.	Annually
17	To review the Annual Report and Accounts of the Pension Fund and report its findings to the Audit Committee, where the Accounts are approved.	Annually
18	To consider all other relevant matters to the investment and administration of the fund.	As and when required
19	To establish constitutional documents, codes, policies, plans, frameworks and protocols connected with the establishment and operation of the Local Pension Board	As and when required

5. Meetings

- 5.1. The Pension Fund Committee meets four times a year and occasionally holds special meetings when required. The Pension Fund Committee also holds an Annual General Meeting to which all employers are invited. This maintains a manageable governance framework in terms of the frequency of meetings.

6. Programme of Work

- 6.1. An annual programme of work, cross referenced to the terms of reference, will be agreed annually by the Pension Fund Committee showing expected documents and reports to be presented and any training requirements.

7. Performance and Review

- 7.1. The Pension Fund Committee will carry out an annual self-assessment, including a review of these terms of reference, to evaluate its own performance and determine any action required to improve its effectiveness.

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Pension Fund Committee

4 March 2015



Investment of the Pension Fund's cash balances

Don McLure, Corporate Director Resources

Purpose of Report

1. To update the Committee of the Treasury Management service provided to the Pension Fund and to review the charges for the services and the calculation of interest on short term investments administered by the County Council for 2015/16.

Background

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the 2009 Regulations) introduced changes which ended the use of Pension Fund money by the administering authority.
3. As a result of the 2009 Regulations, a report was presented to the Pension Fund Committee in June 2010. At this meeting, the Pension Fund Committee gave its agreement to Durham County Council continuing to invest the cash balances of the Pension Fund in line with the County Council's Treasury Management Policy and Annual Investment Strategy. This agreement is reviewed annually and the County Council continues to invest the balances of the Pension Fund.
4. The County Council's Treasury Management Policy and Annual Investment Strategy sets out the maximum amounts and time limits in respect of deposits which can be placed with each financial institution.
5. The Pension Fund's cash balances are invested along with the County Council's cash balances at the most advantageous rate that can be achieved using approved counterparties.
6. Reports on the return on short term investments are presented quarterly to the Pension Fund Committee.

Administration of the Treasury Management Function

7. The Council's Treasury Management team administer the cash balances of the Pension Fund in line with the County Council's procedures.

8. The prime objective of the Council's investment strategy is to ensure prudent investment of surplus funds. The Council's investment priorities are therefore the security of capital, liquidity of investments and, within those objectives, to secure optimum performance.
9. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.
10. After this main principle the Council will ensure:
 - (a) It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
 - (b) It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
 - (c) It maintains a counterparty list in compliance with the CIPFA Treasury Management Code of Practice and credit rating information supplied by the County Council's Treasury Management advisers and will revise the criteria and submit them to the Council for approval as necessary.
11. The Treasury Management team review and monitor the Council's Treasury Management Strategy on behalf of the Council and implement it on behalf of the Pension Fund. The team also update counterparties in line with information supplied by the Council's Treasury Management Advisers.
12. The Council's treasury management team monitors the cash, the bank account balances and the cash codes for the Council and the Pension Fund and actions the necessary transfers and coding adjustments. The Pension Fund balance is corrected for any incorrect banking of funds prior to calculation of the interest on the cash balance.
13. All bank charges incurred by the Pension Fund are recharged to the Pension Fund by the Treasury Management team,
14. The Treasury Management Team maintains full and accurate records in the performance of this service and makes them available for inspection by the Pension Fund Accounting Team, Internal and External Audit.
15. It is recommended that the fee for this service continue at the level set with effect from 1 April 2014, which is a flat fee of £2,500 per quarter

Calculation of Interest on Cash Balances

16. The interest paid to the Pension Fund in respect of its cash balances is based on the London Interbank Bid rate (LIBID) three month rate and it is recommended that this rate continues to be applied in 2015/16 .
17. The LIBID three month rate is the rate at which banks are willing to borrow from other banks, and is the closest to the return that the County Council make on their own short term investments.
18. However, the choice of the rate would be subject to review by the Treasury Management team, to ensure an appropriate rate is applied.

Investments

19. It was also agreed by the Committee, that the Pension Fund's cash balances would be invested as part of the County Council's overall investments.
20. As a result of this however, in the event of an investment being lost, for example due to the failure of a financial institution in which the cash is invested, the Council would be liable for the loss. This is due to the investment being in the name of the Council although the investment would include Pension Fund balances.
21. It was therefore agreed that the Pension Fund Committee share the risk of any investment in proportion to the value of cash balances at the time of investment. Any losses incurred as a result of impairment would then be split proportionately between the Council and the Pension Fund.
22. It is recommended that this arrangement continues.

Banking Arrangements

23. On 5 November 2013, the Council's current bank supplier (Co-operative Bank) advised it was withdrawing from the Local Authority market. The Council had previously negotiated a contractual extension until 31 March 2016 and the Co-operative Bank has committed to honour this extension.
24. The Council has since undertaken a procurement process and has formally awarded its banking contract to Lloyds Bank.
25. The contract is for an initial core period of five years, with the option to extend annually thereafter, based on positive performance and review.
26. The Pension Fund bank account is part of the Council's banking contract and is therefore included in the change of banking supplier to Lloyds Bank.
27. Work is now focussing on managing the transition from the Co-operative Bank to Lloyds Bank. This transition process is being carefully planned and it is expected that all functionality will have transferred to Lloyds by October 2015.

28. During this transition and going forward with Lloyds Bank, there may be changes to the processes in the treasury management function, which may necessitate additional time and cost being allocated to the Pension Fund.
29. This will be closely monitored throughout 2015/16 and, if necessary, further reports will be prepared to inform Members of changes impacting on the service being delivered.

Recommendation

30. It is recommended that, with effect from 1 April 2015:
 - (a) The Pension Fund continues to invest its cash balances with the Council in line with the Council's Treasury Management Strategy;
 - (b) Interest be paid quarterly to the Pension Fund at a rate based on the daily cash balance and the 3 month LIBID interest rate;
 - (c) An administration fee of £2,500 per quarter be paid to the Council for the Treasury Management function being carried out on behalf of the Pension Fund; and
 - (d) In the event of the loss of an investment, the Pension Fund will bear the loss in proportion of the value of cash balances held at the time of the investment with Durham County Council.

Background Papers

- (a) Pension Fund Committee – 21 June 2010 – The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
- (b) Pension Fund Committee – 7 March 2013 – Investment of the Pension Fund's Cash Balances
- (c) Pension Fund Committee – 6 March 2014 – Investment of the Pension Fund's Cash Balances
- (d) Durham County Council's Treasury Management Policy.

Contact: Hilary Appleton Tel: 03000 266239

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