

DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in Committee Room 1A, County Hall, Durham on **Tuesday 15 December 2015 at 1.30 pm**

Present:

Neville Hancock (Chairman)

Members of the Board:

Ian Densham, Councillor Amanda Hopgood, Geoff Sykes and Councillor Fraser Tinsley

Officers:

Bryan Smith – Legal Manager – Litigation

Nick Orton – Pensions Manager

Hilary Appleton – Strategic Finance Manager – Corporate Finance

1 Apologies for Absence

There were no apologies for absence.

2 Welcome and Introductions

Members were informed of the resignation of Councillor K Henig from the Local Pension Board due to other work commitments. The Corporate Director Resources was considering options for recruiting to the vacant position, one of which was a targeted approach to individuals known to be interested in becoming a member of the Board.

3 Declarations of Interest

There were no declarations of interest.

4 Minutes

The Minutes of the meeting held on 10 September 2015 were agreed as a correct record and were signed by the Chairman.

5 LGPS Pooling

Consideration was given to the reports considered by Pension Fund Committee in relation to LGPS Pooling.

The Government was currently consulting on draft LGPS (Investment and Management of Funds) Regulations 2016 which proposed deregulation and the adoption of a local approach to investment to allow LGPS Funds to pool their investments and access the benefits of economies of scale. The proposals also

introduced a safeguard which gave the Secretary of State the power to intervene in the investment function of an administering authority if the Secretary of State determined that the administering authority had failed to have regard to the investment regulations or statutory guidance issued under the Regulations.

The second report to Pension Fund Committee explained that whilst administering authorities would suggest how pooling arrangements should be constituted and operated, authorities would need to have regard to certain criteria; asset pools should achieve the benefit of scale of at least £25bn, should have strong governance and decision-making, should deliver value for money and should explain how infrastructure would feature in investment strategies.

Members of the Board discussed the implications of pooling at length.

In response to a number of questions the Board was advised that the Fund could hold assets outside a pooled arrangement but there would have to be clear justification for doing so, for example if it would result in financial loss.

Officers from the Council had attended a meeting in Leeds and a follow-up conference call in November to discuss early options around a potential investment pool focussing mainly on LGPS Funds in the north of England. A meeting was also to be held that week with Teesside, Northumberland and Tyne and Wear authorities to look at the potential for a north east collaboration.

Research had been undertaken with regard to the performance of other Pension Funds, their investment ethos and approach to risk.

Durham would retain its own independent investment advisers but would not be directly involved in the appointment and termination of Fund Managers, although it was expected that Durham Pension Fund would be represented on the Board of any pool it joined.

Following comments with regard to investment in infrastructure the Board was informed that there was an expectation that pooled funds would invest in UK infrastructure.

Councillor Hopgood and Ian Densham expressed concern at the tight timescale for responding to the consultation which had not allowed the Committee to agree a response. They were of the view that the report to Pension Fund Committee should have included an option to call a Special meeting. They considered that a response should be agreed by the Committee as a whole and not under delegated authority to the Corporate Director in consultation with the Chairman and Vice-Chairman.

Nick Orton advised that this was essentially an information gathering exercise at this stage which would inform an initial response to the Government consultation. A final decision on pooling would not be made until July 2016 and the Committee would receive a further report at its meeting in March 2016.

Notwithstanding this the Members felt that this was a first step in what would be potentially a significant change to the Durham Pension Fund administration. As there appeared to be no consideration of an option to convene a Special meeting, the Local Pension Board should recommend that the Pension Fund Committee, in future meetings where a significant issue required action before the next quarterly full meeting, should consider the option of convening a Special meeting of the full Committee (or a designated working sub-group of Committee Members) as an alternative to authorising the Corporate Director in consultation with Chairman and Vice Chairman to take action.

This view was not shared by Councillor Tinsley who felt that the option to call Special meetings was available to the Committee if deemed necessary. In terms of pooling this was an initial response to consultation at this stage and a final decision would not be made until July 2016.

Following debate and after a vote being taken it was **AGREED** that:-

The Local Pension Board recommends that the Pension Fund Committee, in future meetings where a significant issue requires action before the next quarterly full meeting, considers the option of convening a Special meeting of the whole Committee (or a designated working sub-group of Committee Members), as an alternative to authorising the Corporate Director in consultation with the Chairman and Vice Chairman to take action.

Reason

The Pension Fund Committee meets quarterly and on occasion there are significant issues requiring important decisions to be taken with deadlines between such meetings and the whole Committee ought to be involved as far as possible in such decision making.

At this point Councillor Hopgood left the meeting.

6 Training

Members discussed future training needs and it was noted that Members of the Board were in the process of completing the on-line training on the Pension Regulator website.

Councillor Tinsley suggested that a training session on key issues with regard to LGPS pooling would be useful for both Board Members and Members of the Pension Fund Committee.

AGREED that a training session on pooling of investments be arranged and Members of the Pension Fund Committee be also invited to attend.

7 Performance of Fund Managers

With the agreement of the Board, before leaving the meeting Councillor Tinsley raised an item of any other business.

The Member referred to the under-performance of one of the Fund Managers. The Managers were in attendance at the Pension Fund Committee and provided a detailed analysis of the reasons for their performance but he was concerned that there was no intention on their part to amend their Investment Strategy and that they had not fully answered concerns regarding cultural changes in the organisation.

AGREED that the observations of the Board Member be noted.

At this point Councillor Tinsley left the meeting. The Board was now inquorate and the meeting ended.