

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Council Chamber, County Hall, Durham on **Monday 5 June 2017 at 10.00 am**

Present:

Councillor M Davinson (Chairman)

Members of the Committee:

Councillors O Temple (Vice-Chairman), J Atkinson, C Carr, J Carr, J Lethbridge, J Nicholson, J Shuttleworth and M Wilson

Pensioner Representative:

David Ford

Also Present:

John Hewitt – Corporate Director of Resources

Nick Orton – Pensions Manager

Beverley White – Finance Manager – Pensions and Technical

Independent Advisers:

Jo Holden – Mercer

Sandy Dickson – Mercer

Observer

Ian Densham – Local Pension Board

Prior to the commencement of business the Chairman offered condolences to Councillor Stelling who had recently lost his wife following a period of illness.

The Chairman announced that Pensioner Representative David Ford was retiring from the Committee and thanked him for his contribution.

The Chairman also thanked the former Chair and Vice-Chair, Councillors Turner and Stelling, and those Councillors who were no longer Members of the Committee or who were no longer Members of the Council, Councillors J Alvey, J Lindsay, B Kellett, J Maitland and N Martin.

1 Apologies for Absence

Apologies for absence were received from Councillors S Hugill and Darlington Borough Councillor S Harker.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 7 March 2017 were agreed as a correct record and were signed by the Chairman.

Matter Arising from the Minutes Local Authority Pension Fund Forum (LAPFF)

Nick Orton informed Members that Durham Pension Fund was now a member of the LAPFF which was a collaborative shareholder engagement group. The Forum met four times per year and it was suggested that an Officer attend meetings initially to assess the benefits for Durham.

Resolved:

That the information given be noted.

4 Overall Value of Pension Fund Investments to 31 March 2017

The Committee considered a report of the Corporate Director of Resources which informed Members of the overall value of the Pension Fund as at 31 March 2017, and that strict rebalancing of assets back to the exact target allocation be suspended, whilst the strategic asset allocation was under review (for copy see file of Minutes).

Resolved:

That the information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 31 March 2017

The Committee considered a report of the Corporate Director of Resources which provided an overview of performance of the Fund to 31 March 2017 (for copy see file of Minutes).

The report of JP Morgan, the Fund's custodian, informed Members of the performance of the Fund Managers for the quarter, the year to date and since inception.

Resolved:

That the information contained in the report be noted.

6 Investment of the Pension Fund's Cash Balances

The Committee considered a report of the Corporate Director of Resources which updated Members of the Treasury Management Service provided to the Pension Fund and reviewed the charges for the services and the calculation of interest on short term investments administered by Durham County Council (the Council) for 2017/2018 (for copy see file of Minutes).

Resolved:

That with effect from 1 April 2017:-

- (i) the Pension Fund continues to invest its cash balances with the Council in line with the Council's Treasury Management Strategy;
- (ii) interest be paid quarterly to the Pension Fund at a rate based on the daily cash balance and the 3 month LIBID interest rate;
- (iii) 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
- (iv) 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.

7 Short Term Investments for the Period Ended 31 March 2017

The Committee considered a report of the Corporate Director of Resources which provided Members with information on the performance of the Pension Fund's short term investments as at 31 March 2017 (for copy see file of Minutes).

Resolved:

The position at 31 March 2017 regarding the Pension Fund's short term investments where £5,255 net interest was earned in the three month period be noted.

8 Statement of Accounts for the Year Ended 31 March 2017

The Committee considered a report of the Corporate Director of Resources which presented the Pension Fund Accounts for the year ended 31 March 2017 and highlighted any significant issues arising from the accounts (for copy see file of Minutes).

The Committee was informed that Officers had used the preparation of the 2016/2017 accounts as a practice run for next year when the deadlines would be earlier, and had succeeded in producing the draft Pension Fund accounts by the earlier deadline of 31 May 2017.

Resolved:

That the contents of the report be noted.

9 Internal Audit Progress Report to 31 March 2017

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which outlined progress made in delivering the 2016/2017 internal audit plan relevant to the Pension Fund Committee (for copy see file of Minutes).

A summary of the approved audit plan with the status of each audit was set out in the report.

Resolved:

That the work undertaken by Internal Audit during the period ending 31 March 2017 be noted.

10 Investment Pooling Update

The Committee considered a report of the Corporate Director of Resources which updated Members on progress towards investment pooling and asked the Committee to confirm that the Chair will represent the Council on behalf of the Pension Fund on matters relating to the Border to Coast Pensions Partnership (for copy see file of Minutes).

Resolved:

That the contents of the report be noted and it be confirmed that:-

- a) the Chair of the Pension Fund Committee will represent the Council on behalf of the Pension Fund on the Joint Committee, having previously represented the Pension Fund on the Member Steering Group (the informal group set up prior to the establishment of the Joint Committee); and
- b) the Chair of the Pension Fund Committee will also vote the Council's shareholding as necessary.

11 Valuation Report

The Committee considered a report of the Corporate Director of Resources which provided Members with information on the final outcomes from the actuarial valuation of the Pension Fund as at 31 March 2016 (for copy see file of Minutes).

The report gave details of the following:-

- Past Service Position as at 31 March 2016 alongside the results from the previous two valuations
- Costs to Employers of Future Benefits as at 31 March 2016 compared to the previous two valuations

- Overall membership

The position had deteriorated since the previous valuation, mainly as the increase in the value of liabilities was more than the increase in the value of the Fund's assets. The scheme was maturing and the proportion of liabilities had increased as employees retired from the authority.

Members were given a funding update as at 31 March 2017 provided by the Actuary which gave an overall view that the funding level had improved from 81% to 87% over the year since the valuation date, but the total expected employer contribution rate had remained broadly the same. This was due to the asset return over the year being better than expected, although this was offset by a reduction in the discount rate (the Actuary's view of future long-term investment returns) increasing the cost of providing benefits from the scheme.

Resolved:

That the contents of the report be noted.

12 Feedback from Local Pension Board

Nick Orton provided feedback from the Local Pension Board, which included recommendations to the Pension Fund Committee to assist in its effective and efficient governance and administration of the Scheme.

The Board recommended that the Committee consider amending the timing of meetings to allow sufficient time for questioning of the attending Fund Managers. Members discussed the proposal and acknowledged the importance of challenging the Fund Managers, however agreed, following a suggestion by the Vice-Chairman that at present there should be no change to the timing of the Committee and arrangements for the presentations by Fund Managers. As there were a number of new Members, and as reporting practices would change with the implementation of pooling, it was felt that it would be premature to consider changing existing arrangements. However Members agreed to review this when Fund Manager reporting changed as a result of pooling.

The Board also recommended that in view of the technical nature of the work of the Committee all new Members should receive appropriate training, and that refresher training should be offered to existing Members. It was noted that training sessions had been provided as part of member induction following the elections, and there was a further opportunity for Members to attend a BCPP training event on 11 and 12 September 2017. Details would be circulated to Members in due course.

Resolved:

That the recommendations of the Local Pension Board be received and actioned, as outlined above.