

**DURHAM COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Thursday 7 September 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, H Liddle, S Hugill, J Nicholson, J Shuttleworth and M Wilson

**Also Present:**

**Advisers: County Council Officers**

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:**

Councillor A Hopgood – Local Pension Board

**1 Apologies for Absence**

Apologies for absence were received from Councillor J Lethbridge 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 5 June 2017 were agreed as a correct record and were signed by the Chairman.

#### **4 Overall Value of Pension Fund Investments to 30 June 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 30 June 2017, and that strict rebalancing of assets back to the target allocations would continue to be suspended whilst the revised asset allocation was under review (for copy see file of Minutes).

**Resolved:**

That the information given be noted.

#### **5 Performance Measurement of Pension Fund Investments to 30 June 2017**

The Committee considered a report of the Corporate Director of Resources which provided an overview of the performance of the Fund to 30 June 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 Short Term Investments for the Period Ended 30 June 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 30 June 2017 (for copy see file of Minutes).

In response to concerns expressed by Councillor Shuttleworth about the average return earned in the quarter, and the rates provided by the financial institutions in which the Fund invested, the Member was informed that investment of the short term cash balances was done in line with the Treasury Management Strategy using an approved list.

**Resolved:**

That the position at 30 June 2017 regarding the Pension Fund's short term investments where £14,818 net interest was earned in the three month period, be noted.

#### **7 Internal Audit Progress Report to 30 June 2017**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which outlined progress made in delivering the 2017/2018 internal audit plan relevant to the Pension Fund Committee (for copy see file of Minutes).

A summary of the audit plan, with the status of each audit was set out in the report, and Members were informed that of the six assurance reviews planned, one final report had been issued. A summary of the scope of the final report was included in the report.

**Resolved:**

That the work undertaken by Internal Audit during the period ending 30 June 2017, be noted.

**8 Audit Completion Report for the Year Ended 31 March 2017**

The Committee considered a report of the Corporate Director of 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 2017 (for copy see file of Minutes).

Ms S Liddle of Mazars LLP presented the Audit Completion Report and Letter to Members, and advised that an unqualified opinion on the Pension Fund's Financial Statements and the Annual Report would be issued at the end of September 2017.

**Resolved:**

That the content of the report be noted.

Councillor Liddle entered the meeting during consideration of the following report.

**9 Implementation of the Markets in Financial Instruments Derivative (MiFID II)**

The Committee considered a report of the Corporate Director of Resources which outlined the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (MiFID II), and in particular the risk to the administering authority of becoming a retail client on 3 January 2018 (for copy see file of Minutes).

In discussing the proposals Councillors O Temple and C Carr acknowledged the need for the Council to opt up to 'elective professional client' status in order to continue to effectively implement the Pension Fund's investment strategy.

Nick Orton advised that before the next meeting of the Committee Members would be asked to complete a self-assessment. This would enable Officers to carry out a gap analysis to identify training needs.

**Resolved:**

That the Committee:-

- a) Notes the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018;

- b) agrees to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy;
- c) acknowledges that in electing for professional client status it agrees to forgo the protections available to retail clients attached as Appendix 1;
- d) grants delegated responsibility to the Corporate Director of Resources and the Pensions Manager for the purposes of completing the applications and determining the basis of the application as either full or single service;
- e) agrees that each Member complete a self-assessment to allow a gap analysis to be carried out for consideration at the December meeting of the Committee.

## **10 Feedback from Local Pension Board**

Councillor Hopgood, Local Pension Board member advised that the Board had no recommendations to make to the Committee. The Local Pension Board had developed a Work Plan and at its meeting that afternoon members would be asked to review the Annual Report and Accounts for the year ended 31 March 2017.

### **Resolved:**

That the information given be received.