

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2 - County Hall, Durham on **Thursday 6 December 2018 at 10.00 am**

Present:

Councillor M Davinson (Chairman)

Members of the Committee:

Councillors O Temple (Vice-Chairman), J Atkinson, C Carr, B Kellett and M Wilson

Scheme Member Representatives

Anne Delandre and John Taylor

Further Education Colleges Representative

Andy Broadbent

Also Present:

Council Advisers:

John Hewitt – Corporate Director of Resources

Beverley White – Finance Manager – Corporate Finance

Independent Advisers:

Catrina Arbuckle and Sandy Dickson – Mercer

Observers:

Neville Hancock – UNISON and Local Pension Board member

Councillor Amanda Hopgood – Chair of Local Pension Board

Ian Densham – Local Pension Board member

Paul Cooper – newly appointed Pensions Manager

The Chairman announced the sad death of former County Councillor Andy Turner, who during his term of office had been a highly valued Chairman of the Pension Fund Committee.

1 Apologies for Absence

Apologies for absence were received from Councillors S Hugill and S Zair.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 6 September 2018 were agreed as a correct record and were signed by the Chairman.

Matter Arising from the Minutes

Pension Fund Committee Independent Investment Adviser

Beverley White provided an update regarding the procurement process for the appointment of an Independent Adviser which would hopefully be completed in January 2019. The Corporate Director of Resources was authorised, in consultation with the Chair and Vice-Chair of the Committee, to make the appointment and an update would be provided at the next meeting.

4 Overall Value of Pension Fund Investments to 30 September 2018

The Committee considered a report of the Corporate Director of Resources which provided an update on the overall value of the Pension Fund's investments at 30 September 2018, the movement in the cash balance during the last four quarters and the projected cash flow position up to 31 December 2019 (for copy see file of Minutes).

Resolved:

The information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 30 September 2018

The Committee considered a report of the Corporate Director of Resources which provided an overview of the performance of the Fund to 30 September 2018 (for copy see file of Minutes).

Resolved:

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

6 Short Term Investments for the Period Ended 30 September 2018

The Committee considered a report of the Corporate Director of Resources which provided the Committee with information on the performance of the Pension Fund's short term investments as at 30 September 2018 (for copy see file of Minutes).

Resolved:

That the position at 30 September 2018 regarding the Pension Fund's short term investments where the Pension Fund's surplus cash holding was £32,948m and £38,822 net interest was earned in the three month period, be noted.

7 Internal Audit Progress Report to 30 September 2018

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which outlined progress made in delivering the 2018/2019 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 included in the report, together with the scope of the final report issued in the quarter.

On behalf of the Committee, Councillor Temple congratulated Officers for the work undertaken by the Team during the year.

Resolved:

That the work undertaken by Internal Audit during the period ending 30 September 2018 be noted.

8 Feedback from Local Pension Board

Councillor Hopgood, the Chair of the Local Pension Board advised that there were no recommendations to report to the Pension Fund Committee. The Local Pension Board at its meeting later that day would consider its Work Programme for the next 2 years.

Resolved: That the information given be noted.

9 Any Other Business

BCPP Responsible Investment Policy and Corporate Governance and Voting Guidelines

Beverley White reported that BCPP had asked all partner funds to consider the Partnership's Responsible Investment Policy and Corporate Governance by the end of January 2019. Earlier versions of the documents had been presented to the Committee in December 2017, but the policies had been subject to a further review since then. Members were informed of key changes, and were invited to comment. John Hewitt noted that the Responsible Investment Policy was consistent with Durham's Investment Strategy Statement.

Resolved:

That the BCPP Responsible Investment Policy and Corporate Governance and Voting Guidelines be agreed.

BCPP National Conference 2018

The Committee was informed that Councillors J Atkinson and O Temple, John Taylor and Anne Delandre, and the Local Pension Board Chair Councillor A Hopgood had attended BCPP's National Conference in Leeds on 8/9 November 2018.

Members were invited to provide feedback from the Conference. Councillor Temple highlighted the need for financial modelling of Durham's Pension Fund, to consider how income is recycled into the Fund in the long-term, and to look at the maturity of the Fund going forward. As a Fund tracking indices was preferred but the Committee had a responsibility for responsible investment in ESG and passive investment may not therefore be appropriate. In terms of global equities, two externally managed BCPP global equity funds were proposed and one internally managed option. It appeared that a mix of investment in private equity and infrastructure would provide greater flexibility.

Catrina Arbuckle of Mercer referred to Councillor Temple's feedback and advised that passive investing did not mean that responsible investment was not possible, as long as a good passive Manager was used to manage investments.

Councillor Atkinson stated that the Responsible Investment Policy and Corporate Governance and Voting Guidelines addressed the matters that were considered at the Conference. There had been much discussion around voting procedures and also ethical investments which he considered would be a challenge.

Councillor Hopgood advised that a meeting of Local Pension Board Chairs had been held during the Conference which was a useful information sharing exercise. As a result of that meeting it was proposed that Chairs would meet twice-yearly to share best practice. The meeting had also highlighted the need for the Local Pension Board to produce an Annual Report.

All Members considered that the Conference was very useful and for the new Members of the Committee, John Taylor and Anne Delandre, they felt it had improved their knowledge and understanding of the BCPP.

10 Exclusion of the Public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

11 Minutes

The Minutes of the meeting held on 6 September 2018 were agreed as a correct record and were signed by the Chairman.

12 Report of the Pension Fund Adviser

The Committee considered a report of the Independent Adviser Sandy Dickson of Mercer (for copy see file of Minutes).

Resolved:

That the information given be noted.

13 Investment Strategy Review

The Committee considered a report and presentation from Mercer which included recommendations following their review of the Investment Strategy (for copy see file of Minutes).

Resolved:

That Mercer's proposal in relation to the review of the Investment Strategy be noted.

14 Border to Coast Pensions Partnership - Update

The Committee received a presentation from Andrew Stone and Daniel Booth of BCPP which included the following:-

Global Equity
Alternative Assets Platform
Private Equity
Infrastructure

Resolved:

- a) that the update from BCPP be noted;
- b) clarification be sought from BCPP with regard to the timescales for allocation to asset classes;
- c) a Special meeting of the Committee be arranged following the appointment of the Independent Adviser to consider asset allocation.

15 Report of Aberdeen Standard

Consideration was given to a report from Aberdeen Standard which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

Resolved:

That the information given be noted.

16 Report of Alliance Bernstein

Consideration was given to a report from Alliance Bernstein which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

Resolved:

That the information given be noted.

17 Report of BlackRock

Consideration was given to a report from BlackRock which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

Resolved:

That the information given be noted.

18 Report of BNY Mellon (Walter Scott)

Consideration was given to a report from BNY Mellon (Walter Scott) which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

Resolved:

That the information given be noted.

19 Report of CBRE Global Investment Partners

Consideration was given to a report from CBRE which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

Resolved:

That the information given be noted.

20 Report of Mondrian Investment Partners Ltd

Consideration was given to a report from Mondrian Investment Partners Ltd which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

Resolved:

That the information given be noted.

21 Report of Royal London

Consideration was given to a report from Royal London which included:

- a) Manager's views on the economy and investment strategy for the future
- b) Investment Policy
- c) List and valuation of investment holdings.

Resolved:

That the information given be noted.