

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in County Hall, Durham on
Thursday 12 September 2019 at 10.00 am

Present:

Councillor M Davinson (Chair)

Members of the Committee:

Councillors O Temple (Vice-Chair), J Atkinson, C Carr, J Carr, J Lethbridge,
S Hugill, J Shuttleworth and M Wilson

Also Present:

Scheme Member Representative

Anne Delandre

Further Education Colleges Representative

Andy Broadbent

Council Advisers

John Hewitt – Corporate Director of Resources

Paul Cooper – Pensions Manager

Beverley White – Finance Manager

Independent Advisers

Sandy Dickson – Mercer

Anthony Fletcher – MJ Hudson

Observers

Neville Hancock – UNISON and Local Pension Board

David Clegg - GMB

1 Apologies for Absence

Apologies for absence were received from Councillor B Kellett, Pensioner representative J Taylor, and Darlington Borough Councillors C Johnson and S Durham.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 6 June 2019 were agreed as a correct record, subject to amendments to minutes numbered 15, 17 and 22 as reported in Part B.

4 Feedback from Local Pension Board

There was no feedback from the Local Pension Board.

5 Overall Value of Pension Fund Investments to 30 June 2019

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 as at 30 June 2019, the movement in the cash balance during the last four quarters and the projected cash flow position up to 30 September 2020 (for copy see file of Minutes).

Members were provided with an update in relation to the McCloud judgement which ruled that changes made by the Government to public sector pension schemes were unlawful on the grounds of age discrimination. Members were informed that the Guaranteed Minimum Pension equalisation may impact upon the Pension Fund's liabilities by up to 1% which would be addressed during the actuarial valuation process.

Resolved:

That the information contained in the report be noted.

6 Performance Measurement of Pension Fund Investments to 30 June 2019

The Committee considered a report of the Corporate Director of Resources which provided Members with an overview of the performance of the Fund to 30 June 2019 (for copy see file of Minutes).

Resolved:

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

7 Short Term Investments for the Period Ended 30 June 2019

The Committee considered a report of the Corporate Director of Resources which provided information on the performance of the Pension Fund's short-term investments as at 30 June 2019 (for copy see file of Minutes).

Resolved:

That the position at 30 June 2019 regarding the Pension Fund's short-term investments where the Pension Fund's surplus cash holding was £42,646 million and £78,697 net interest was earned in the three month period, be noted.

8 Internal Audit Progress Report to 30 June 2019

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2019 to 30 June 2019 as part of the 2019/2020 Internal Audit Plan (for copy see file of minutes).

Resolved:

That the work undertaken by Internal Audit during the period ending 30 June 2019 be noted.

9 Audit Completion Report 2018/2019 - Durham County Council Pension Fund

The Committee considered a report of the Corporate Director of Resources which asked the Committee to note the contents of the report prepared by the Council's External Auditor (Mazars) as a result of their audit of the Pension Fund's accounts for the year ended 31 March 2019 (for copy see file of Minutes).

Sharon Liddle of Mazars presented the Audit Completion Report, and was pleased to report that the audit was completed in advance of the 31 July deadline. The work undertaken on the two risks identified in the Audit Strategy Memorandum (management override of control and valuation of unquoted investments) provided assurance and there were no material

issues to bring to the Committee's attention. There were no material adjustments required to the financial statements.

Councillor Atkinson queried the internal control recommendation regarding IT access and periodic review of active directory accounts, and was informed that systems had now been improved since this was raised last year.

Councillor Lethbridge made reference to the Risk Register which should be reviewed annually in accordance with the Committee's Terms of Reference. The Member was advised that although it had not been reported to the Committee, Pension Fund Risks had been reviewed in line with the scheduled timescale by the Risk Manager/Pensions Manager. The Committee had reviewed the risks in March 2019 and would be reported annually going forward.

Resolved:

That

- a) the External Auditor's report following the audit of the Statement of Accounts for the year ended 31 March 2019, including the summary of misstatements detailed in section 4 of the report, be noted;
- b) the content of the Management Representation Letter (Appendix A), Auditor's Report on the Council's Statement of Accounts (Appendix B) and the Consistency Report to be included in the Pension Fund Annual report (Appendix C), be noted.

10 Pension Fund Accounts for the Year Ended 31 March 2019

The Committee considered a report of the Corporate Director of Resources which presented the audited Pension Fund Accounts for the year ended 31 March 2019 which had been approved in accordance with the statutory deadlines and the Council's Constitution (for copy see file of Minutes).

Resolved:

That the contents of the Pension Fund's financial statements for the financial year ended 31 March 2019 at Appendix 1 of the report be noted.

11 Pension Fund Committee Training Needs Self Assessment

The Committee considered a report of the Corporate Director of Resources which provided the outcome of the self-assessment training needs analysis carried out by Members of the Committee and set out a proposal to address the needs identified (for copy see file of Minutes).

Members were provided with a copy of the self-assessment questionnaire and noted the wide range of knowledge areas the proposed training covered. Members appreciated the knowledge and understanding required but felt that the training should focus on equipping them with the necessary skills to fulfil the key roles of the Committee, such as challenging investment performance and risk monitoring.

The Committee was informed that the purpose of the questionnaire was to establish the skills Members already had and provide training in specific areas where a need was identified.

Resolved:

That

- a) Members complete the self-assessment questionnaire included in Appendix 1 and return to the Pensions Manager;
- b) training be arranged by the Pensions Manager as necessary based upon the training needs identified;
- c) the training needs analysis questionnaire be recirculated to Members after the training session for completion and review.

12 Exclusion of the Public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the 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.

13 Minutes

The Minutes of the meeting held on 6 June 2019 were agreed as a correct record, subject to amendments to minutes numbered 15, 17 and 22 as reported in Part B.

14 Border to Coast Pensions Partnership Update

The Committee received an update from Andrew Stone of the Border to Coast Pensions Partnership (for copy see file of Minutes).

Following discussion it was **RESOLVED** that

- a) the update provided by BCPP be noted;
- b) Officers discuss with BCPP whether the deadline for a decision on investment in private credit could be extended beyond 4 October 2019;
- c) a training session be arranged to enable Members to make an informed decision about investment in private credit at a Special meeting of the Committee. The training session and Special meeting be arranged to meet BCPP's final deadline.

15 Investment Strategy Progress Update

The Committee considered a report of the Corporate Director of Resources which provided an update on progress made towards implementing asset allocation decisions (for copy see file of Minutes).

As discussed at minute numbered 14, allocation to private credit would be considered at a Special meeting of the Committee.

John Hewitt assured Members that the Team had the necessary skills set to progress implementation of the Strategy.

Resolved:

That the recommendations in the report be approved.

16 Report of the Pension Fund Adviser

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

Resolved:

That the information given be noted.

17 Report of the Pension Fund Independent Adviser

The Committee considered a report of the Independent Investment Adviser, Anthony Fletcher (for copy see file of Minutes).

Resolved:

That the information given be noted.

18 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.

19 Report of Alliance Bernstein

Consideration was given to a report from AB 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 BlackRock

Consideration was given to a report of the Managers in attendance 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.

21 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.

22 Report of CBRE Global Investment Partners

Consideration was given to a report from CBRE Global Investment Partners 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.

23 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.

24 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.