

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held remotely via Microsoft Teams on
Thursday 11 March 2021 at 9.30 am

Present:

Councillor M Davinson (Chair)

Members of the Committee:

Councillors O Temple (Vice-Chair), J Atkinson, J Lethbridge, S Hugill, B Kellett
and J Shuttleworth

Darlington Borough Council Members

Councillors S Durham and C Johnson

Scheme Member Representatives

John Taylor

Further Education Colleges Representative

Andrew Broadbent

Council Advisers

Paul Darby – Corporate Director of Resources (Interim)

Paul Cooper – Pensions Manager

Bryan Smith – Litigation Manager

Beverley White – Finance Manager

Independent Advisers

Sandy Dickson – Mercer

Anthony Fletcher – MJ Hudson

Observers

Councillor A Hopgood - Local Pension Board

Les Timbey – GMB Branch Officer

Daniel Reay – Mazars

Jamie Roberts – BCPP

1 Apologies for Absence

Apologies for absence were received from Councillors C Carr, J Carr and M Wilson (Durham County Council).

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The minutes of the meeting held on 3 December 2020 were confirmed as a correct record and would be signed by the Chair.

4 Pension Fund Committee Training

The Committee considered a report of the Corporate Director of Resources (Interim) which provided an overview of the issues considered by the Committee at training held since the last meeting (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.

5 Overall Value of Pension Fund Investments to 31 December 2020

The Committee considered a report of the Corporate Director of Resources (Interim) which provided an update on the overall value of the Pension Fund's investments at 31 December 2020, movement in the cash balance during the last four quarters (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.

6 Performance Measurement of Pension Fund Investments to 31 December 2020

The Committee considered a report of the Corporate Director of Resources (Interim) which provided an overview of the performance of the Pension Fund's assets to 31 December 2020 (for copy see file of minutes).

Resolved:

That the information contained in the report produced by the Fund's custodian, Northern Trust be noted.

7 Provision of Treasury Management Services to the Pension Fund for 2021/22

The Committee considered a report of the Corporate Director of Resources (Interim) which updated Members of the Treasury Management Services 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 for 2021/2022 (for copy see file of Minutes).

Resolved:

That

- a) the Pension Fund continues to invest its cash balances with the Council in line with the Council's Treasury Management Strategy;
- b) interest be paid quarterly to the Pension Fund at a rate based on the daily cash balance and the three month rate of return earned by the Council on its own short term investments;
- c) an administration fee of £2,770 per quarter be paid to the Council for Treasury Management services;
- d) in the event of the loss of an investment, the Pension Fund will bear the loss in proportion of the cash balances held at the time of the investment with Durham County Council.

8 Short Term Investments for the Period Ended 31 December 2020

The Committee considered a report of the Corporate Director of Resources (Interim) which provided information on the performance of the Pension Fund's short-term investments as at 31 December 2020 (for copy see file of Minutes).

Councillor J Shuttleworth asked as regards the interest rate of 0.5 percent, noting it had been 0.75 percent previously. The Finance Manager noted the rate was based upon the types of investments, as per the Treasury Management Strategy, and the ability to be able to access funds as required.

Councillor J Atkinson asked whether there was a risk-based limit in terms of which funds could be invested in. The Finance Manager noted that the Treasury management Advisors regularly provided updated lists of the financial institutions in which we were able to invest, based upon the requisite credit rating.

Resolved:

That the position at 31 December 2020 regarding the Pension Fund's short-term investments where the Pension Fund's surplus cash holding was £39.290 million and £2,605 net interest was earned in the three month period be noted.

9 Internal Audit Progress Report to 31 December 2021

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 2020 to 31 December 2020 as part of the 2020/2021 Internal Audit Plan (for copy see file of minutes).

The Vice-Chair, Councillor O Temple congratulated the Pensions Team in achieving so many "substantial" opinions, a credit to their work. The Chair also thanked the Team and noted the confirmation via External Audit was reassuring.

Resolved:

That the work undertaken by Internal Audit during the period ending 31 December 2020 be noted.

*Councillors S Durham, J Lethbridge and
Mr J Taylor entered the meeting at 9.45am*

10 Draft Audit Plan 2021/2022

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the proposed Annual Audit Plan for 2021/2022 (for copy see file of Minutes).

Resolved:

That the proposed Audit Plan for 2020/2021 be approved.

11 Agreement of Accounting Policies for Application in the 2020/21 Financial Statements of the Pension Fund

The Committee considered a report of the Corporate Director of Resources (Interim) which updated the Committee on the accounting policies to be applied in the preparation of the 2020/21 financial statements of the Pension Fund and sought confirmation from the Committee that appropriate policies were being applied (for copy see file of Minutes).

The Committee having reviewed the accounting policies **Resolved:**

That

a) they be used in the preparation of the 2020/2021 financial statements for the Pension Fund;

b) the Corporate Director of Resources (Interim) be authorised to revise the accounting policies as necessary, and report any significant changes to the Committee.

12 Pension Fund Policy Documents - Funding Strategy Statement

The Committee considered a report of the Corporate Director of Resources (Interim) which informed Members of the draft of the revised Funding Strategy Statement (FSS) which is currently out to consultation with Pension Fund employers (for copy see file of Minutes).

Councillor J Shuttleworth referred to paragraph 76 within the draft FFS and asked regards the case of a negative interest rate. The Pensions Manager noted that if structural or long-term, then Advisors would give a view, however, if short-term then this would not be an issue in respect of the long-term strategy.

The Committee having considered the draft FSS and appendices **Resolved:**

That the report be noted and the Corporate Director of Resources (Interim) be authorised to finalise the wording of, and publish the FSS; and to expand the existing Exits Policy in respect of employer flexibilities, taking into account where appropriate both professional advice as well as comments received from employers.

13 Pension Administration Report

The Committee considered a report of the Corporate Director of Resources (Interim) which briefed Members on development matters which were Local Government Pension Scheme (LGPS) specific and non-LGPS matters which were of interest (for copy see file of Minutes).

Councillor J Atkinson referred to the consultation on minimum pension age and asked as regards any potential criticisms to the proposals. The Pensions Manager noted it had always been an intention of Government to link the minimum pension age to the state pension age and there would likely be more debate closer to the proposed implementation date of 2028.

Resolved:

That the report be noted.

14 Feedback from Local Pension Board

The Pensions Manager noted the last meeting of the Local Pension Board had taken place on 3 December 2020, with Councillor A Hopgood elected as Chair. It was added that, in line with the terms of reference, there would be two meetings within the calendar year. It was noted the Local Pension Board would be meeting later today and discuss the items considered by the Committee.

The Chair asked if there had been any feedback from their last meeting, it was noted there was no feedback from the Local Pension Board.

15 Any other business

The Chair noted it was the last meeting of the Pension Fund Committee prior to Local Government Elections and he wished to note his thanks on behalf of the Pension Fund to the Members of the Pension Fund Committee and the Local Pension Board for their diligence and dedication over the last four years. He wished those Committee Members who were not standing in the elections all the best for the future and good luck to those standing for election.

The Chair added that, over the last four years, the level of the Pension Fund had increased from 81 percent to 93 percent despite the recent uncertainties around COVID-19. He added that the transition of funds into the Border to Coast Pensions Partnership (BCPP) was ongoing and would result in a reduction in fees. The Chair praised the excellent work of the Officers and Advisors in helping the Committee fulfil the aims of the Pension Fund and thanked the Vice-Chair for his help and support over the last four years.

Councillor J Shuttleworth thanked the Chair for his fair-handed approach and wished him well for the future. Councillor J Lethbridge thanked the Chair and Vice-Chair for their time, together with all the excellent work of the Officers, in support of the Committee. All Members agreed.

16 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.

17 Minutes

The minutes of the meeting held on 3 December 2020 were confirmed as a correct record and would be signed by the Chair.

18 Investment Strategy Review Update

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

Resolved:

That the recommendations in the report be approved.

19 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 contained in the report be noted.

20 Report of Independent Adviser

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

Resolved:

That the information contained in the report be noted.

21 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 contained in the report be noted.

22 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 contained in the report be noted.

23 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 contained in the report be noted.

24 Report of Mondrian Investment Partners

Consideration was given to a report from Mondrian 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 contained in the report be noted.

25 Report of Border to Coast Pensions Partnership

Jamie Roberts provided an update to Members on progress with the Border to Coast Pensions Partnership 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 contained in the report be noted.

26 Border to Coast Pensions Partnership Private Monitor Report

The Committee considered a report of Northern Trust which provided an analysis of cash flow, portfolio funding, partnership performance and comparative analysis to 30 September 2020 (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.