

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in **Council Chamber, County Hall, Durham** on **Thursday 9 December 2021** at **10.00 am**

Present:

Councillor B Kellett (Chair)

Members of the Committee:

Councillors M Abley (Vice-Chair), J Atkinson, K Earley, C Fletcher, D Sutton-Lloyd and C Varty

Scheme Member Representative

Anne Delandre

Further Education Colleges Representative

Andrew Broadbent

Council Advisers

Paul Cooper – Pensions Manager
Beverley White – Finance Manager
Bryan Smith – Litigation Manager

Independent Advisers

Sandy Dickson – Mercer
Anthony Fletcher – MJ Hudson

Observers

Neville Hancock – UNISON and Local Pension Board
Les Timbey - GMB

1 Apologies for Absence

Apologies for absence were received from Councillors C Martin, J Shuttleworth and S Durham and Mr L Oliver and Mr J Taylor.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

The Minutes of the meeting held on 11 October 2021 were agreed as a correct record and were signed by the Chair.

4 Overall Value of Pension Fund Investments to 30 September 2021

The Committee considered a report of the Corporate Director of Resources which provided an update on the overall value of the Pension Fund investments to 30 September 2021, the movement in cash balances during the last four quarters (for copy see file of Minutes).

Resolved:

That the information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 30 September 2021

The Committee considered a report of the Corporate Director of Resources which provided an overview of the investment performance of the Pension Fund to 30 September 2021 (for copy see file of Minutes).

Resolved:

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

6 Internal Audit Plan 2021/2022 - Progress Report to 30 September 2021

The Committee considered a report of the Interim Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work carried out by Internal Audit during the period 1 April 2021 to 30 September 2021 as part of the 2021/22 Internal Audit Plan (for copy see file of Minutes).

Resolved:

That the work undertaken by Internal Audit during the period ending 30 September 2021 be noted.

7 Audit Completion Report

The Committee considered a report of the Council's External Auditors (Mazars) as a result of their audit of the Pension Fund's accounts for the year ended 31 March 2021 (for copy see file of minutes). Sharon Liddle of Mazars presented the Audit Completion Report and provided an update of the report

In response to question from Councillor J Atkinson relating to business continuity, the Pensions Manager, Paul Cooper noted that issues were not pension specific, rather a consequence of the COVID-19 pandemic and he would bring back further information to a future meeting.

Resolved:

- a) That the External Auditor's report following the audit of the Statement of Accounts for the year ended 31 March 2021, including the summary of misstatements detailed in section 6 of the report, be noted;
- b) That the content of the Management Representation letter (Appendix A), Auditors 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.

8 Pension Fund Accounts for the year ended 31 March 2021

The Committee considered a report of the Corporate Director of Resources which presented the audited Pension Fund Accounts for the year ended 31 March 2021 which had been approved in accordance with the statutory deadlines and the Council's Constitution (for copy see file of minutes).

The Finance Manager was pleased to report that the accounts received a clean bill of health from the external auditors, Mazars who provided an unqualified opinion on the Pension Fund accounts for 2020/21 and that all the deadlines relating to this year's accounts and the Pension Fund Annual Report have been met.

Resolved:

That the contents of the Pension Fund's financial statements for the financial year ended 31 March 2021 at Appendix 1 of the report be noted.

9 Review of Pension Fund Risks

The Committee considered a report of the Corporate Director of Resources which updated Members on the revisions to the Local Government Pension Scheme (LGPS) Pension Fund Risk Register, following a review with the Principal Risk and Governance Officer in November 2021 (for copy see file of Minutes).

In response to a question from Andrew Broadbent relating to third lines of control, the Pensions Manager noted it may be possible to bring in third party assurance to provide additional assurance.

Resolved:

That the report provides assurance that the Pension Fund risks are being effectively managed within the Council's risk management framework.

10 Border to Coast Pensions Partnership Responsible Investment Policy

The Committee considered a report of the Corporate Director of Resources that provided an update on the approach to Responsible Investment at Border to Coast Pension Partnership (BCPP) (for copy see file of minutes).

The Pensions Manager presented the report and highlighted that BCPP's Responsible Investment Policy and Corporate Governance and Voting Guidelines were originally developed in 2017 in conjunction with all eleven Partner Funds and were due to be reviewed annually. He noted that the Committee had previously approved the Policies and was asked to approve the updated Policies which BCPP had reviewed with their voting and engagement partner Robeco.

Resolved:

That the Committee

- a) Provide any comments on the Policies and the key changes highlighted in Appendix 1;
- b) Notes and approves the Responsible Investment Policy and Corporate Governance and Voting Guidelines Policy included in Appendices 2 and 3 that BCPP will operate on behalf of the Pension Fund for assets transferred into the pool;

- c) Approves the adoption of the BCPP Voting Guidelines for the Fund's asset managers outside of the pool, and;
- d) Authorises the Corporate Director of Resources to amend the Fund's Investment Strategy Statement (ISS) in line with the principles of BCPP's Responsible Investment Policy.

11 Regulatory and Administration Update

The Committee considered a report of the Corporate Director of Resources which briefed the Committee on developments in matters that were both LGPS specific, as well as providing an update on non-LGPS specific matters of interest (for copy see file of Minutes).

Resolved:

That the information contained in the report be noted.

12 Employer Flexibility Policy

The Committee considered a report of the Corporate Director of Resources which sought agreement on implementing a policy approach to new powers allowing Administering Authorities to exercise discretion in respect of Employer Flexibilities (for copy see file of Minutes).

The Pensions Manager explained LGPS Regulations required the Fund to maintain and publish a Funding Strategy Statement (FSS) and noted the FSS had been amended to reflect the approach recommended by the Actuary in respect of the Department for Levelling Up, Housing and Communities' partial response to its 'Changes to the Local Valuation Cycle and the Management of Employer Risk' consultation. He noted that, additionally, the Fund had drafted a Policy approach to the range of flexibilities in respect of Participating Employers (the 'Employer Flexibilities') set out in the 'Changes to the Local Valuation Cycle and the Management of Employer Risk' consultation.

In response to a question from Councillor J Atkinson as regards discussions with employers and where the decision would rest in respect of the Employer Flexibilities, the Pensions Manager noted it would be the same as the existing Exit Policy, notably with the Corporate Director following an application being submitted and consultation with the Fund's Actuary to ensure that the decision could be made in the best interests of the wider fund. He added the cost of the Actuary work would fall to the employer making the request.

Resolved:

- a) to note the report and to advise of any comments the Committee may have on the draft policy set out in the appendices to the report,
- b) to authorise the Corporate Director of Resources to finalise the wording of, publish and implement the finalised policy; taking into account comments of the Committee and employer feedback received, and amend the Funding Strategy Statement (FSS) to signpost the new policy and approach, and;
- c) to authorise the Corporate Director of Resources to make a determination in respect of the flexibilities implemented as the requirement to do occurs.

13 Feedback from Local Pension Board

The Pensions Manager noted that the last meeting of the Local Pension Board, 11 October 2021 had not been quorate.

N Hancock noted that the report from BCPP relating to Responsible Investment and Climate Change was welcomed as, since COP26 he had been inundated with queries from scheme members on where to find information on where funds were invested, for example in fossil fuels. The Pensions Manager noted the interest generated by COP26, perhaps increased as it was held in the UK. He added that BCPP were very positive in their leading role in producing their Responsible Investment Policy and that such issues were indeed high up on the agenda.

Resolved:

That the information given be noted.

14 Exclusion of the Public

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.

15 Minutes

The Minutes of the meeting held on 11 October 2021 were agreed as a correct record and were signed by the Chair.

16 Investment Strategy Review 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).

Resolved:

That the recommendations in the report be approved.

17 Report of the Pension Fund Adviser

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

Resolved:

That the information given be noted.

18 Report of the Independent Investment Adviser

The Committee received a presentation from the Independent Investment Adviser, Anthony Fletcher of MJ Hudson which provided an update for the second quarter 2021 (for copy see file of minutes).

Resolved:

That the information given be noted.

19 Border to Coast Pensions Partnership Quarterly Performance Report and Quarterly Environmental, Social and Governance Report

The Committee considered the quarterly investment report of the Border to Coast Pensions Partnership (for copy see file of Minutes).

Resolved:

That the information contained in the report be noted.

20 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.

21 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.

22 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.

23 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.

24 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 at June 2021 (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.