

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in **Committee Room 2, County Hall, Durham** on **Monday 14 March 2022** at **10.00 am**

Present:

Councillor B Kellett (Chair)

Members of the Committee:

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

Darlington Borough Council Members

Councillor S Durham

Scheme Member Representatives

Anne Delandre and John Taylor

Further Education Colleges Representative

Andrew Broadbent

Council Advisers

Paul Darby – Corporate Director of Resources

Paul Cooper – Pensions Manager

Jennifer Rogers – Solicitor (Litigation - Employment)

Beverley White – Finance Manager

Independent Advisers

Sandy Dickson – Mercer

Andy Wallis – Mercer

Anthony Fletcher – MJ Hudson

Observers

Les Timbey – GMB Branch Officer

Rachel Elwell – Chief Executive Officer, BCPP

1 Apologies for Absence

Apologies for absence were received from Councillor M Renton.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes

The minutes of the meeting held on 9 December 2021 were agreed as a correct record and were signed by the Chair.

4 Overall Value of Pension Fund Investments to 31 December 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 31 December 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 31 December 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 31 December 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 Provision of Treasury Management Services to the Pension Fund for 2022/23

The Committee considered a report of the Corporate Director of Resources 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 2022/2023 (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 £2,855 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.

7 Short Term Investments for the Period ended 31 December 2021

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 31 December 2021 (for copy see file of Minutes).

Resolved:

That the position at 31 December 2021 regarding the Pension Fund's short-term investments where the Pension Fund's surplus cash holding was £14.923 million and £1,322 net interest was earned in the three month period be noted.

8 Internal Audit Plan 2021/22 - 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 2021 to 31 December 2021 as part of the 2021/2022 Internal Audit Plan (for copy see file of minutes).

A Broadbent asked as regards cybercrime as an element to be picked up within the risk register. The Pensions Manager noted the Fund's reliance upon the Council's ICT section in terms of the specific issue and would arrange to provide further assurance to the Committee.

Resolved:

That the work undertaken by Internal Audit during the period ending 31 December 2021 be noted.

9 Draft Audit Plan 2022/23

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the proposed Annual Audit Plan for 2022/2023 (for copy see file of Minutes).

Resolved:

That the proposed Audit Plan for 2022/2023 be approved.

10 Agreement of Accounting Policies for Application in the 2021/22 Financial Statements of the Pension Fund

The Committee considered a report of the Corporate Director of Resources which updated the Committee on the accounting policies to be applied in the preparation of the 2021/22 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 2021/2022 financial statements for the Pension Fund;

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

11 Regulatory and Administration Update

The Committee considered a report of the Corporate Director of Resources 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).

The Pensions Manager explained as regards the main changes since the last update, noting information relating to the Government's White Paper on Levelling Up and proposed investment of up to five percent to support 'local' projects, noting the expectation that local referred to the UK. He added consultation was expected in the summer and noted that while a plan was expected to be mandatory, it may not be mandatory percent to deploy five percent of capital. He explained as regards the Bill relating to Boycotts, Divestment and Sanctions and how that aimed to prevent public bodies from taking a different approach to UK Government in respect of foreign policy covering purchasing, procurement, and investment decisions.

Councillor K Earley noted while he was not a big supporter of the Government, he wholeheartedly supported local investment in the North East, especially given the situation as regards Russia, and also perhaps China and asked as regards whether Government had given policy in terms of disinvestment. The Pension Manager noted additional points within the private section of the agenda, however, noted that there was not significant exposure in relation to Russia.

Resolved:

That the report be noted.

12 Pension Fund Committee Training

The Committee considered a report of the Corporate Director of Resources which gave Members an overview of the training activities for the Committee for 2021-22 (for copy see file of Minutes).

The Pensions Manager noted the ongoing training provided assurance, with a summary set out within the Governance Compliance Statement and that the Terms of Reference would be reviewed at the next meeting, as well as training requirements.

Resolved:

- a) That the report be noted.
- b) That the Committee authorise a summary of the Committee's training activity to be published in the Fund's Governance Compliance Statement and Annual Report.

13 Feedback from Local Pension Board

The Pensions Manager noted the last meeting of the Local Pension Board had taken place on 27 January 2021. He noted that two new Members had been appointed, Councillor D Stoker from the County Council as an Employer representative and W Pattison as a Scheme Member. It was explained that issues discussed had included regulatory updates, pension administration and performance, including of online services. It was noted the Local Pension Board would be meeting later today and discuss the items considered by the Committee.

Resolved:

That the information given be noted.

14 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.

15 Minutes

The minutes of the meeting held on 9 December 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 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.

18 Report of the Independent Investment 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.

19 Border to Coast Pensions Partnership Quarterly Performance Report

Rachel Elwell 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.

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 to 30 September 2021 (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.