

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in **Committee Room 2, County Hall, Durham** on **Thursday 15 September 2022** at **10.00 am**

Present:

Councillor M Abley (Chair)

Members of the Committee:

Councillors M Stead (Vice-Chair), J Atkinson, C Fletcher, B Kellett, C Martin, J Shuttleworth, W Stelling and D Sutton-Lloyd

Scheme Member Representatives

Anne Delandre and John Taylor

Further Education Colleges Representative

Andrew Broadbent

Council Advisers

Paul Cooper – Head of Pensions (LGPS)

Jennifer Rogers – Senior Lawyer Commercial and Corporate Governance

Investment Advisers

Paul Campbell – BCPP

Milo Kerr – BCPP

Graham Long – BCPP

Independent Advisers

Sandy Dickson – Mercer

Anthony Fletcher – MJ Hudson

The Chair noted the death of Her Majesty Queen Elizabeth II and, as a mark of respect, led the Committee in a minute's silence.

1 Apologies for Absence

Apologies for absence received from Councillors K Earley and C Varty.

2 Declarations of Interest

There we no Declarations of Interest.

3 Minutes

The minutes of the meeting held 16 June 2022 were agreed as a correct record and signed by the Chair.

4 Overall Value of Pension Fund Investments to 30 June 2022

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 June 2022, the movement in cash balances during the last four quarters (for copy see file of Minutes).

Councillor B Kellett noted Appendix 1 referred to interest on short-term investments and asked as regards interest on short term investments, noting a significant increase between 30 September 2021 and 30 June 2022. The Finance Manager (Revenue, Pensions and Technical), Jo McMahon noted that she would clarify the figures in the report and come back to the Committee with further information.

Resolved:

That the information contained in the report be noted.

5 Performance Measurement of Pension Fund Investments to 30 June 2022

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 June 2022 (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 2022/23 - Progress Report to 30 June 2022

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 2022 to 30 June 2022 as part of the 2021/2022 Internal Audit Plan (for copy see file of minutes).

Councillor C Fletcher asked whether the audit on Debt Recovery had commenced and on any timescales for that audit. The Audit Manager, Paul Monaghan noted that would be carried out before the end of the 2022/23 year, which the Head of Pensions, Paul Cooper reiterated. The Audit Manager and Head of Pensions noted that a delay had been as a result of not having sufficient sample size, as a result of the pandemic, to conduct the audit.

Resolved:

That the work undertaken by Internal Audit during the period ending 30 June 2022 be noted.

7 Feedback from Local Pension Board

The Head of Pensions noted no feedback arising from the 16 June meeting of the Local Pension Board, which had considered the matters which the Pension Fund Committee had discussed at their June meeting including the processes in place and the overall performance of the Pensions service. He added that the Board had considered the quality of the service to Scheme Members and looked at KPIs, with the Board being satisfied with that level of service. The Board had also considered a similar Regulatory update to the Committee.

Resolved:

That the information given be noted.

8 Regulatory 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).

J Taylor entered the meeting at 10.16am

The Head of Pensions explained as regards updates including ongoing consultations and work relating to Academies, noting they would be treated the same as maintained schools with the DfE ringfencing £20million to support LGPSs. In respect of the Taskforce on Climate-related Financial Disclosures (TCFD) the Head of Pensions noted that the consultation was ongoing and that Officers and BCPP would be working to respond to the consultation, with Officers to submit a response in consultation with the Chair and Vice-Chair of the Committee.

Resolved:

That the report be noted.

9 Border to Coast Governance Arrangements

The Committee considered a report of the Corporate Director of Resources which gave an overview of the governance arrangements of Border to Coast Pensions Partnership and highlighted changes proposed to strengthen the company's governance arrangements (for copy see file of Minutes).

The Head of Pensions reminded the Committee of the impetus from Government in 2015 in respect of asset pooling, with the BCPP partnership being chosen as the best fit for Durham by the Committee in 2016. He noted that the proposals to update the governance arrangements for BCPP included changes to the term of office for the Chair/Vice-Chair of the Joint Committee and changes to Durham's shareholder representation on the BCPP Joint Committee. It was noted that while the original governance arrangements had been agreed by Full Council, the Corporate Director of Resources had delegated authority to sign off any changes.

Councillor D Sutton-Lloyd asked if there were any downsides to the new arrangements. The Head of Pensions noted that there could be perceived issues relating to transparency which could be mitigated by the relevant Officer being able to provide feedback to the Committee as regards shareholder votes, context and.

Councillor J Atkinson asked for the Chair's view on the proposed changes. The Chair explained that he felt having an Officer as the representative on the Joint Committee was positive, as Chairs could often change and therefore Officer representatives could offer greater continuity. He added that Officers would not have the potential unreconcilable conflict as Members, as noted in the report, and also would have more detailed knowledge specific to the shareholder role than a Member representative.

Councillor J Atkinson asked if there would be any difference in autonomy. The Chair noted that he felt as long as the Head of Pensions was able to provide feedback to the Committee then the arrangements would be satisfactory.

Resolved:

- (a) That the work undertaken in reviewing the company's governance arrangements and the summary of changes proposed be noted;
- (b) That the intention of the Corporate Director of Resources to approve the changes to the Border to Coast governance documents upon completion of the review be noted; and
- (c) That the amendment of the Council's BCPP Shareholder Representative, from the Chair of the Pension Fund Committee to the Head of Pensions, be agreed.

10 Procedure for Reporting Pension Fund Breaches

The Committee considered a report of the Corporate Director of Resources which set out the Fund's Procedure for Reporting Breaches in relation to the Durham County Council Pension Fund and provided an overview of its operation (for copy see file of Minutes).

Councillor J Shuttleworth left the meeting at 10.28am

Councillor D Sutton-Lloyd asked if there was a RAG (red, amber, green) system in place similar to other safeguarding processes. The Head of Pensions noted that there were internal RAG ratings, with minor breaches reported to the Local Pension Board, any major breaches to additionally be reported to through to the Committee.

Councillor B Kellett asked as regards any cases from across the country where a Local Authority has been in breach. The Head of Pensions noted there were 85 Administration Authorities across the country, and it was likely there were some breaches, such as not issuing benefit statements on time. He added it that it would likely depend upon the severity of the breach as to whether it would have been of public interest. He added that other potential instances could include incorrect administration within a scheme, usually dealt with on individual cases, with the Pension's Ombudsman deciding upon outcomes.

Resolved:

- (a) That the Pension Fund Committee note the report, including the attached Reporting Breaches Procedure;

- (b) That the Corporate Director of Resources be authorised to finalise and operate the Procedure, taking into account any comments from the Pension Fund Committee and Local Pension Board.

11 Annual Report and Accounts

The Finance Manager (Revenue, Pensions and Technical) provided an update on publication of the Annual Report and Accounts, and the requirement to approve the Council's Draft Statement of Accounts, which include the Pension Fund Accounts by 31 July 2022, and then final accounts via a target date (rather than statutory deadline) by 30 November 2022.

It was explained that the draft accounts were approved by the Corporate Director of Resources on 21 June 2022 and were published on the Council's website that day. The Finance Manager (Revenue, Pensions and Technical) added the accounts including the Pension fund were being reviewed by Mazars, the External Auditor, and these would be presented to the Audit Committee along with Audit completion reports on 28 November 2022. It was expected that subject to National Infrastructure Assets and WGA queries the updated Pension Fund Annual Report and Accounts would be published by 1 December 2022 onto the Council's website.

Resolved:

That the information given be noted.

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.

The Pension Fund Advisor and Independent Investment Advisor left the meeting during the consideration of the next item.

13 Update on Pension Fund Advisory Contracts

The Committee considered verbal update by the Pensions Manager on the Pension Fund Advisory Contracts.

Resolved:

That the information given be noted.

14 The Minutes of the Meeting held on 16 June 2022

The minutes of the meeting held on 16 June 2022 were agreed as a correct record and were signed by the Chair.

15 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 information contained in the report be noted.

16 Border to Coast Pension Partnership Real Estate Presentation

The Committee considered a presentation from Graham Long of Border to Coast Pension Partnership (BCPP) which provided an update on 'Real Estate: Global Funds' (for copy see file of minutes).

Councillor J Shuttleworth entered the meeting at 10.55am

Resolved:

That the information contained in the presentation be noted.

17 Mercer Real Estate Presentation

The Committee considered the presentation of the Independent Adviser, Sandy Dickson of Mercer in respect of Real Estate: 'UK Property Implementation Proposal' (for copy see file of minutes).

Resolved:

That the information contained in the presentation be noted.

18 Border to Coast Pensions Partnership Emerging Markets Presentation

The Committee considered a presentation from BCPP which provided an update on 'Emerging Markets Alpha: Progress and Design Update' (for copy see file of minutes).

Councillor J Shuttleworth left the meeting at 11.42am

Resolved:

That the information contained in the presentation be noted.

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).

Councillors B Kellett and C Martin left the meeting at 11.56am

Resolved:

That the information contained in the report be noted.

20 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.

Councillor J Atkinson left the meeting at 12.37pm

21 Border to Coast Pensions Partnership Quarterly Performance Report

Milo Kerr and Paul Campbell 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.

22 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.

23 Report of Mondrian Investment Partners

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

24 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.

25 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 March 2022.

Resolved:

That the information contained in the report be noted.