

## **DURHAM COUNTY COUNCIL**

### **PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in **Committee Room 2, County Hall, Durham** on **Thursday 16 March 2023** at **10.00 am**

#### **Present:**

**Councillor M Stead (Vice-Chair in the Chair)**

#### **Members of the Committee:**

Councillors J Atkinson, K Earley, C Fletcher, B Kellett, J Shuttleworth and D Sutton-Lloyd

#### **Apologies:**

#### **Scheme Member Representatives**

A Delandre

#### **Council Advisers**

Paul Cooper – Head of Pensions (LGPS)  
Paul Darby – Corporate Director of Resources  
Jo McMahon – Finance Manager

#### **Investment Advisers**

Paul Campbell – BCPP  
Milo Kerr – BCPP  
Jessie Wilson – BCPP

#### **Independent Advisers**

Sandy Dickson – Mercer  
Anthony Fletcher – MJ Hudson

#### **Also in attendance:**

N Hancock – Unison Representative and Local Pension Board Member  
Les Timbey – GMB Representative

Prior to the commencement of the meeting, the Chair announced with regret the sad passing of the Chair of the Council, Councillor B Bainbridge. Members stood and observed a minute's silence as a mark of respect.

## **1 Apologies for Absence**

Apologies for absence were received from Councillors M Abley and C Martin; and A Broadbent and J Taylor

## **2 Declarations of Interest**

There were no Declarations of Interest.

## **3 Minutes**

The minutes of the meeting held on 8 December 2022 were agreed as a correct record and signed by the Chair.

## **4 Overall Value of Pension Fund Investments to 31 December 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 31 December 2022, the movement in cash balances during the last quarter (for copy see file of Minutes).

Councillor B Kellett noted paragraph 16 of the report set out that the forecast indicated net cash outflows in future quarters of and asked as regards the large variation. The Finance Manager - Revenue, Pensions and Technical Accounting, Jo McMahon explained that the projections reflected the increased contributions following the triennial valuation.

### **Resolved:**

That the information contained in the report be noted.

## **5 Performance Measurement of Pension Fund Investments to 31 December 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 31 December 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 31 December 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 31 December 2022 as part of the 2022/2023 Internal Audit Plan (for copy see file of minutes).

### **Resolved:**

That the work undertaken by Internal Audit during the period ending 31 December 2022 be noted.

## **7 Draft Audit Plan 2023/24**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the proposed Annual Audit Plan for 2023/2024 (for copy see file of Minutes).

### **Resolved:**

That the proposed Audit Plan for 2023/2024 be approved.

*Councillor J Shuttleworth left the meeting at 10.12am*

## **8 Provision of Treasury Management Services to the Pension Fund for 2023/24**

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 2023/2024 (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 £2,998 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.

## **9 Agreement of Accounting Policies for Application in the 2022/23 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 2022/23 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) review the accounting policies;
- b) approve their use in the preparation of the 2022/23 financial statements for the Pension Fund; and
- c) authorise the Corporate Director of Resources to revise the accounting policies as necessary and report any significant changes to the Committee.

## **10 Regulatory 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).

*Councillor J Shuttleworth entered the meeting at 10.22am*

Councillor J Atkinson asked for further information as regards the changes to pension tax following the Spring Budget. The Head of Pensions (LGPS), Paul Cooper noted the limits were for Scheme Members, not the Fund, with the Lifetime Allowance being £1.07 million for 2022/23, with anything above that being taxable. He added that changes were such that from 6 April 2023 the charge for breaching that limit would be abolished. He noted that the Annual Allowance also increased from £40,000 to £60,000. Councillor J Atkinson asked if there were many in that bracket and affected.

The Head of Pensions (LGPS) noted that the allowance had been frozen for this Parliament and now would be abolished, but stressed however, that the Opposition had noted their intention to roll back that change. He noted that whilst there are limited numbers of scheme members affected, those numbers had been increasing. The Head of Pensions also noted that the policy intention was aimed at the NHS to encourage Surgeons, Consultants and other higher earners to stay in their roles longer or return to those roles.

Councillor B Kellett asked as regards any movement in relation to McCloud, noting draft for October 2023. The Head of Pensions (LGPS) noted that Funds were awaiting regulations, and while Officers had a good line of sight, the information had not yet been received. He noted work was ongoing in the background in terms of data collection and working with our software provider.

Councillor D Sutton-Lloyd noted the amount of general information from relating to the Government Budget and ask if we had sufficient for our purposes. The Corporate Director of Resources, Paul Darby noted that was correct and that the details would come through in due course, with Officers looking at how the details would impact the Pension Fund and its administration. He added that the initial view was there was no major impacts for the Fund, other than the wider implications on the economy.

Councillor K Early asked as regards the number of those within the LGPS that would be affected by the abolition of the lifetime allowance. The Head of Pensions (LGPS) noted it would likely be a small number.

Anthony Fletcher reiterated that it was greater issue in the NHS and how it would impact those higher earners in that Scheme. The Corporate Director of Resources noted that in the same way that McCloud had started within the Fire Service Pension Scheme, any changes to just NHS pension funds could result in wider legal challenge if not applied across the public services areas equally.

**Resolved:**

That the information contained in the report be noted.

## **11 Pension Fund - GMP Rectification**

The Committee considered a report of the Corporate Director of Resources which updated the Committee on the Pension Fund - GMP Rectification (for copy see file of Minutes).

The Head of Pensions (LGPS) explained that finalised data, as set out in the table at paragraph 25 of the report, was comparatively very good, with no pensioner having an estimated reduction greater than £10.

**Resolved:**

- a) That the report be noted, and the Committee agree that the Corporate Director of Resources commits the additional resources necessary to bring to a conclusion the GMP Rectification,
- b) That the approach taken by the Fund in reconciling its GMP liabilities, and the setting of a £2 per week reconciliation tolerance be noted,
- c) That the correction of all under / overpaid pensions going forward be agreed,
- d) That the payment of all arrears that have accrued due to underpayments, with interest paid at 1% above the Bank of England Base Rate be agreed; and,
- e) That the write off of overpayments that have resulted from the GMP Reconciliation be agreed.

*Councillor J Shuttleworth left the meeting at 10.46am*

## **12 Pension Fund Policy Documents - Funding Strategy Statement**

The Committee considered a report of the Corporate Director of Resources which informed Members of the draft of the revised Funding Strategy Statement which has been out to consultation with Durham County Council Pension Fund employers (for copy see file of Minutes).

The Head of Pensions (LGPS) noted that the existing Funding Strategy Statement had previously been agreed by the Committee and noted that there was a requirement consultation with participating employers. He noted that following such consultation there had been no feedback received.

**Resolved:**

- a) That the report and to advise of any comments they may have on the draft Funding Strategy Statement and Employer Flexibilities Policy set out in the appendices to this report be noted, and;
- b) That the Corporate Director of Resources be authorised to finalise the wording of the Funding Strategy Statement and Employer Flexibilities Policy.

### **13 Feedback from Local Pension Board**

The Head of Pensions (LGPS) noted the last meeting of the Local Pension Board had taken place on 8 December 2022, and there were no specific issues to feedback to the Committee.

### **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 of the Meeting held on 8 December 2022**

The minutes of the meeting held on 8 December 2022 were agreed as a correct record and signed by the Chair.

### **16 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.

### **17 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.

## **18 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.

## **19 Border to Coast Pensions Partnership Quarterly Performance Report**

P Campbell and M Kerr 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;
- d) Information on Global Real Estate Strategy.

### **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 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.

## **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 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 September 2022.

### **Resolved:**

That the information contained in the report be noted.