

DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in **Committee Room 1A/1B, County Hall, Durham** on **Thursday 15 June 2023** at **2.00 pm**

Present:

Members of the Committee:

Councillors D Stoker and L Oliver

1 Apologies for Absence

Apologies for absence were received from Councillor A Hopgood, N Hancock, and W Pattison.

In the absence of the Chair, it was agreed that L Oliver Chair the meeting.

L Oliver in the Chair

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

The minutes from the meeting held 16 March 2023 were agreed as a correct record and signed by the Chair.

4 Observations from Pension Fund Committee

The Head of Pensions (LGPS), Paul Cooper, noted no Members of the Board had attended Pension Fund Committee earlier in the day. He noted that when the Board last met, attendance of Councillors at Pension Fund Committee had been noted as lower than usual by a Member of the Board. The Head of Pensions (LGPS) explained that information regarding Councillor attendances over the last two years had been fed back to each of the council's Groups Leaders, as previously requested by Board members, so they could take attendances into account when looking at allocation of Members to Committee at Annual Council, 24 May 2023.

The Head of Pensions (LGPS) noted that most significant decision at Committee had been in relation to Global Real Estate, in line with the Investment Strategy, explaining the intention to transition the mandate from CBRE's management to BCPP pooling arrangement, who are supported by the Townsend Group - providing specialist real estate support. He noted that Members of the Committee had received training on Real Estate prior to the Committee making a decision, and it was added that BCPP Real Estate specialists had attended Committee three times in advance of the decision to speak to Members, giving them the opportunity to provide input and challenge, and ask any questions of the BCPP Team.

The Head of Pensions (LGPS) also noted that the Committee had received reports relating to the Committee's Terms of Reference, as well as regular update reports, including in respect of Regulatory matters.

The Chair asked as regards the downturn in town centres in terms of occupancy rates within retail units and asked if this would impact upon the Real Estate portfolio. The Head of Pensions (LGPS) noted whilst there may be some exposure, it would be expected that the Fund's Asset Managers would look at more resilient properties and ensure appropriate diversification. He added that BCPP were looking at key areas and would underweight or avoid sectors where there was more supply than demand.

RESOLVED:

That the information given be noted.

5 Regulatory Update

The Board considered a report from the Corporate Director of Resources which provided details on developments in matters that were both Local Government Pension Scheme (LGPS) specific, as well as providing an update on non-LGPS specific matters of interest (for copy see file of Minutes).

The Head of Pensions (LGPS) noted that the key changes were set out at Appendix 3 to the report, noting that in relation to the Taskforce on Climate-related Financial Disclosures (TCFD), with expected implementation from 2024 and first reporting in late 2025. It was noted that the Fire Brigade Union had been granted permission to appeal High Court judgement on Cost Control Mechanism. It was added that the issues as a result of the McCloud judgement the matter were still ongoing, with consultation being held on the detail of the required changes. The Head of Pensions (LGPS) noted that the some of the issues related to aggregation and Teachers. He noted that further information would be brought back to both the Committee and Board.

In respect of the LGPS and Sharia Law, it was explained that evidence was being sought on LGPS compliance with Sharia, noting some Muslims may leave the LGPS if they felt it was not in line with Sharia Law. He noted that the Scheme Advisory Board were working with a Sharia Scholar to determine whether the LGPS was compatible with Sharia Law.

The Head of Pensions (LGPS) noted that in relation to scams and similar issues, there had been a major data breach at Capita, a third-party administrator, with the Committee having reviewed cyber security as part of the Fund's Risk Register. He noted that a pause had been placed on any transfers to Capita, with a process to write to individuals to double check that they wished to proceed with the exchange of any data. It was added that the Fund would consider a cyber-security scorecard produced by the Fund Actuary, AON. The Head of Pensions (LGPS) noted changes to pension taxation, with confirmation of changes to Annual Allowance and Lifetime Allowance, with affected scheme members to be informed over the summer.

The Chair asked as regards the Sharia Law issue and whether staff legally had to be included within a pensions scheme. The Head of Pensions (LGPS) noted that employers had a legal obligation to enrol employees into a scheme, however, the employee could then opt out should they wish to do so. He added that when looking at the numbers and geography of where disproportionate numbers of LGPS members were opting out, there was evidence that this was in Muslim communities. The Chair asked whether the Sharia Scholar would be providing details of a scheme that would be compatible with Sharia. The Head of Pensions (LGPS) explained that LGPS Regulations at Local Authorities were set by the Department for Levelling Up, Housing and Communities (DLUHC) and therefore it would be for the Ministry to determine any actions, following a response from the Scholar.

RESOLVED:

That the information given be noted.

6 Pension Administration Report

The Board considered a report from the Corporate Director of Resources regarding the Fund's pension administration and service provision to members, as well as providing an update on Key Performance information (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the Pensions Team Leader, Ashleigh Phillips would update the Board on a few issues, including AVCs (Additional Voluntary Contributions), noting previous service-standards issues in relation to the provider, Prudential.

He added that there was not an issue in terms of scheme members' money invested, rather issues had been from a customer services perspective.

The Pension Team Leader noted that in respect of AVCs, the performance had improved significantly since last year and was now operating in line with the terms of the Service Level Agreement. She added that the reintroduction of the Local Government AVC Forum highlighted their desire to improve, with one forum having taken place so far, with a hope to have one forum every six months, providing an opportunity for feedback. She noted that at the last forum, issues were discussed in terms of management of scheme information at the year end, noting Durham had been on time, while some other Schemes had not been on time. The Pensions Team Leader noted that while Prudential aimed to get fully audited information to Funds by September 2023, within their statutory deadline, they would be conducting an exercise during May which would provide an unaudited figure for Funds for use in the Annual Report and Accounts.

The Head of Pensions (LGPS) noted Appendix 1 to the report set out performance information, noting 178 retirement cases in Quarter 4 and 100 percent being within 10 days, with a percentage of 98.5 percent over the last year. He added that in terms of deferment cases, there had been information provided to 306 early leavers, with 97 percent being within one month of the Fund being notified of an early leaver. It was noted that the Fund received 34 requests for transfer-out information during Quarter 2 and 100 percent had been dealt within timescales, with 99 percent dealt within timescales over the year.

The Head of Pensions (LGPS) noted that the Fund received 1,138 requests for a statement of estimate pension entitlement in the quarter and the Team had received around 3,500 calls during the second quarter, with 99.5 percent answered first time, noting 16,180 in the year, with 99.4 percent answered first time. He explained that 19,626 members have registered for the Fund's Pensions Online portal and there had been around 34,000 online calculations completed. It was noted that the portal provided information on demand, and helped the Team in terms of time saved on processing and was proving to be very popular. It was noted that over 15,000 online address/information changes had been transacted, with around 2,900 secure messages having been sent, both providing significant time savings.

RESOLVED:

That the information given be noted.

7 KPI Reporting - Verbal Update

The Head of Pensions (LGPS) noted that whilst in the past KPI information had not reported to the Local Pension Board, Officers had worked with the Board to develop a suite of reporting information. He explained that this had been developed with regular reporting in to the Board, and now it would be a case of looking for any gaps, for example information sent out to a bereaved family, and where there were transfers into the scheme, noting currently only transfers out were reported. He noted if the Board were agreeable, he would look to add in those types of additional performance information.

RESOLVED:

That the verbal update be noted and agree to include the additional performance information as described.

8 Local Pension Board Training - Verbal Update

The Head of Pensions (LGPS) explained that while Members of the Local Pension Board had received training as part of their induction, there remained a requirement for ongoing training in terms of maintaining and updating members' skills and knowledge. He explained there was a bespoke, online, training package available that he felt was cost effective and would enhance the training provision for Board members. He noted that the training was not required to be undertaken immediately, however, if it was introduced it was felt that it would need to be mandatory. The Head of Pensions (LGPS) explained that the training would be an online offer and was bite-sized and would be a quick and reporting out of the system would offer an easy way to provide assurance in respect of members' training. He added that it was also something that could be looked at for Pension Fund Committee members in addition.

The Chair noted he felt the suggestion was a good one, however, asked if there would be a reasonable amount of time allocated for members to look at the training. The Head of Pensions (LGPS) noted an appropriate amount of time would be given.

RESOLVED:

That the verbal update be noted and agreed to look at the proposed training as described.

9 Pension Fund Communications - Verbal Update

The Head of Pensions (LGPS) outlined the Pension Fund's existing Communications approach, but noted however, some changes were suggested to be made, though he had first wanted to canvass the board for their views. He explained that currently an e-mail inbox for queries relating was operated, however, it was hard to manage, especially if the e-mail was not clear who the person was enquiring. He added that the Online Portal offered the same functionality without use of an e-mail inbox, with messages exchanged more securely, as users had to enrol and go through a number of security checks, with the identity of the user known and verified when a query was submitted. The Head of Pensions (LGPS) added that another issue was security again emphasising the secure nature of the portal, being a Durham County Council server, and he added that there were dangers in terms of e-mails coming into an inbox and the possibility of them being intercepted. He noted that therefore it was proposed, to help address a potential vulnerability, that the e-mail inbox be removed, with scheme members being able to contact the Pension Team via letter, phone or through through the secure portal. It was added that the telephone hours of operation were presently 8.30am to 5.00pm.

The Chair asked if there was any impact upon flexitime for Team Members as a result of the telephone hours of operation. The Head of Pensions (LGPS) noted that there were not often calls 8.30am to 9.00am and suggested that the operating hours of the Helpline could be revised without causing disruption to scheme members and therefore, should the Board agree in principle, new arrangements could be reflected in the next review of the Fund's Communications Policy. The Chair asked as regards the process to sign up for the portal. The Head of Pensions (LGPS) noted it could be accessed from the Council's website, and a message could be placed on e-mails to redirect people to the portal. The Pensions Team Manager added that another advantage of users accessing and submitting queries via the portal was from a records management perspective, with all queries in the portal being "attached" to that Pensioner's record and stored securely, rather than within an e-mail inbox.

RESOLVED:

That the verbal update be noted and agreed for the next review of the Communications Policy to formalise the revised arrangements.

10 Date of Next Meeting

The next meeting would be held on 14 September 2023 at 2.00 p.m.