

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Thursday 7 December 2023** at **2.00 pm**

**Present:**

**W Pattison (Chair)**

**Members of the Committee:**

Councillor A Hopgood and L Oliver

### **1 Apologies for Absence**

Apologies for absence were received from N Hancock and Councillor D Stoker.

### **2 Declarations of Interest**

There were no Declarations of Interest.

### **3 The Minutes of the Meetings held on 15 June 2023 and 14 September 2023**

The minutes from the meetings held 15 June 2023 and 14 September 2023 were agreed as correct records and signed by the Chair.

### **4 Observations and Feedback from Pension Fund Committee**

The Head of Pensions (LGPS) noted no Members of the Board had attended Pension Fund Committee earlier in the day.

The Head of Pensions (LGPS) noted that Members of the board were entitled to come along to the Pension Fund Committee meetings to observe and provide feedback at the standing agenda item. He added he could also provide feedback to the Committee should the Board wish. He noted the most significant issues discussed at Committee had been the Accounts and External Audit opinion, BCPP Responsible Investment (RI) Policy updates, including on climate change and voting.

He noted regulatory updates on several issues, the main ones being GMP rectification and Government's LGPS Consultation, with an update for the Board at a later item. He added that the Pension Fund Committee received an update in close session from the Chief Executive of BCPP in relation to the future of BCCP post pooling, noting a special conference in July 2024.

Councillor A Hopgood asked as regards ethical investment. The Head of Pensions (LGPS) noted that was within the RI policy and would be increasing in importance. He noted that for changes to those policies, all of the 11 Partner Funds would need to agree them, noting the Durham Pension Fund Committee had agreed the changes, with some input and challenge.

**RESOLVED:**

That the information given be noted

**5 Local Pension Board Training - Verbal Update**

The Head of Pensions (LGPS) noted the issue had been referred to at previous meetings of the Board and explained that a report would go to Pension Fund Committee in March 2024 in respect of codifying the already comprehensive training undertaken. He reminded the Board that it would be mandatory and would help to strengthen governance arrangements. He noted that would bring the Committee in line with the Board, where there was a requirement for training. He noted that training for the Board would be updated to mirror that of the Committee.

Councillor A Hopgood noted she felt that this was a sensible update, bringing the Committee in line with the Board.

L Oliver noted that in the past, with the 'Superannuation Committee', the Councillors had to only invest 'as a man on the street would'. He asked how different the requirements were now, and were there any proscribed areas, such as in the 1980s where there had been no investment in South Africa as a consequence of apartheid. The Head of Pensions (LGPS) noted that Pension Fund Committee Members would receive overarching training, with specific training relating to upcoming investment decisions as and when required. He noted that the Committee received professional advice at the meetings from BCPP and the Independent Advisors, as well as from himself and the Council's s151 Officer, P Darby. L Oliver asked if the Durham Pension Fund Committee adopted this training policy, would the other 10 Partner Funds be required. The Head of Pensions (LGPS) noted that the other Funds would have their own approach to training, however, the 'one fund, one vote' principle was fundamental to the pooling arrangements through BCPP, though best practice was shared between the Funds.

**RESOLVED:**

That the verbal update be noted.

**6 Pension Fund Debt Management**

The Board noted the Committee had received a report of the Corporate Director of Resources on the Pension Fund - Debt Management and Write-off Policy. The Head of Pensions (LGPS) gave an overview of the Fund's Debt Management and Write-off Policy and provided a summary of its key features. He noted that the majority of instances of Pension Fund Debt occurred following the death of a scheme member and explained as regards a sensitive approach in terms of a £250 write-off and requirements in terms of HMRC and tax charges on debt over £250 or for a period after six months following a scheme member's demise.

The Head of Pensions (LGPS) explained that the Committee had felt the approach suggested was sensible and sensitive and agreed the Policy. He noted Internal Audit would look at the Policy and report to the Committee, with the Policy also to be presented annually to the Board for their comments.

The Chair asked what the average write-off. The Head of Pensions (LGPS) noted that £250 was greater than the average and should be sufficient to allow for resolution in a timely fashion. Councillor A Hopgood asked if Government were likely to change the £250 threshold, as a consequence of inflation, increases in national minimum wage and so on. The Head of Pensions (LGPS) noted the level was felt to be sufficient at the moment, however, if HMRC were to raise their level then it would be revisited.

**RESOLVED:**

That the report be noted.

**7 Responsible Investment Policy**

The Board considered a report from the Corporate Director of Resources regarding BCPP's Responsible Investment (RI) Policy (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the BCPP RI Policy was updated annually and looked at by all 11 Partner Funds.

He explained that the main responsibilities of the Pension Funds were to be able to pay their pensioners and to maintain stable contributions for their scheme members and therefore there was a need for a balance as regards responsible investment and that fiduciary duty. It was noted that there was a RI Policy, Corporate Governance and Voting Guidelines and Climate Change Policy and the Head of Pensions (LGPS) noted examples of how the RI Policy was used in action, in terms of voting at company AGMs. He added that there had been updates to the exclusions in respect of investments in thermal coal and oil sands, thermal coal generation and controversial weapons.

The Chair asked as regards where BCPP had voted against companies at AGMs. The Head of Pensions (LGPS) noted there had been 23 votes against and that many had been pre-declared, which resulted in some press coverage and added weight to the concerns being raised.

Councillor A Hopgood noted the balance in terms of ethical investments and returns to be able to pay pensioners. The Head of Pensions (LGPS) noted that balance, and where there could be opportunities in the future.

**RESOLVED:**

That the report be noted.

## **8 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 the main two issues were those of GMP Rectification and Government's LGPS Consultation. In respect of GMP Rectification, he noted the progress made with around 550 pensions impacted out of around 22,000, with around 83 percent of those 550 having a change of £10 or less. He noted a GMP helpline had been established, however, there had been few callers, with communications to pensioners in advance being very good. He noted the hard work of the staff involved. Councillor A Hopgood noted that it was an excellent example of getting communication right and added her thanks to the team for their work.

The Head of Pensions (LGPS) noted the ongoing LGPS Consultation, reminding the Board of the Government's ambition for all Pension Funds to be pooled by 31 March 2025. He noted while Durham had already pooled, the deadline was looking tight for some other Funds. He noted the general direction from Government was for fewer pools of a larger scale. He added that therefore there would be work in future by BCPP to look at options, though any changes would need to be agreed by all 11 Partner Funds.

Councillor A Hopgood asked if any change in Government would impact upon the direction. The Head of Pensions (LGPS) noted that there was cross-party support for the changes, with the Shadow Chancellor, Rachel Reeves MP having supported further and faster changes.

L Oliver asked if Durham, though BCPP invite other Funds or Pools to join. The Head of Pensions (LGPS) noted there would be conversations in terms of looking at any suitable Funds, in terms of size, geography and so on. He reiterated that the progress Durham had made in terms of pooling meant that it was ready for the March 2025 deadline.

**RESOLVED:**

That the report be noted.

## **9 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) gave an update in terms of McCloud, the Pensions Dashboard and development of a new Employer's Portal. He noted the Employer's Portal replicated the portal previously created for pensioners, but for employers. He noted some pilot employers, with roll out to follow any necessary changes. In respect of the Government's Pensions Dashboard, it was noted that data quality was of great importance. He noted that the Pensions Dashboard would only provide a snapshot, whereas the DCC Pensions Portal was dynamic, and pensioners were able to put in bespoke questions to the team.

The Head of Pensions (LGPS) noted that in respect of McCloud, the team had carried out all the necessary checks on calculations, with very few beneficiaries as a result. He noted the appendix to the report contained performance information, showing consistent strong performance.

The Chair asked as the size of the team. The Head of Pensions (LGPS) noted the team consisted of 24 full-time equivalent posts, with a healthy turnover of staff, with a relatively young team. He noted the apprenticeships offered through the Council had provided a good opportunity for the team to 'grow its own' new staff. L Oliver asked if the cost of the team was met by the Fund. The Head of Pensions (LGPS) noted that the cost was charged to the Pension Fund, with recharges in place where the Council's finance and legal services were used.

**RESOLVED:**

That the report be noted.

**10 Pension Fund Annual Report and Accounts - Verbal Update**

The Head of Pensions (LGPS) gave an update in respect of the Pension Fund Annual Report and Accounts. The Board noted that the Statement of Accounts was signed off in November, with Durham being one of only five Local Authorities to have their accounts signed off at this point. It was noted that there had been two recommendations from External Audit, both of which had been taken on board, with a working group having been set up with BCPP to address the issue. He noted that External Audit had noted the issues highlighted were not material.

**RESOLVED:**

That the verbal update be noted.

**11 Date of Next Meeting - 14 March 2024**

The next meeting would be held on 14 March 2024 at 2.00 p.m.