

DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in **Committee Room 2, County Hall, Durham** on **Friday 22 March 2024** at **4.00 pm**

Present:

W Pattison (Chair)

Members of the Committee:

Councillor A Hopgood

1 Apologies for Absence

Apologies for absence were received from Councillor D Stoker and L Oliver.

2 Declarations of Interest

There were no Declarations of Interest.

3 The Minutes of the meeting held on 7 December 2023

The minutes of the meeting held 7 December 2023 were agreed as a correct record and signed by the Chair.

4 Observations and Feedback from Pension Fund Committee

The Head of Pensions (LGPS), Paul Cooper noted no Members of the Board had attended Pension Fund Committee held 14 March 2024.

The Head of Pensions (LGPS) noted that the Committee had received a number of reports, including Internal Audit progress report and forward plan. He explained that a number of audits had been carried out, including on Transfer Values in and out of the Pension Fund, with all audits having given 'substantial assurance' rating. The Pensions Team Leader, Ashleigh Phillips noted that the transfers process could be complex, and evidence needed to be provided on the checks being undertaken.

Councillor A Hopgood asked if there were a large number of requests in terms of such transfers.

The Head of Pensions (LGPS) noted that volumes are included in the KPI reporting but the complexity is a greater issue than volume. The Pensions Team Leader explained that there were a number of options in terms of draw down, as well as a lot of 'interfund-fund' transfers. The Head of Pensions (LGPS) noted that as transferring into the LGPS carried less risk the main focus of protecting scheme members was in terms of transferring out to another scheme, with the Team ensuring all checks had been undertaken and that the member was given all the necessary advice.

The Head of Pensions (LGPS) noted that the Audit Plan for 2024/25 had been agreed by the Committee and that cybersecurity had been added to the list of audits to be carried out. The Chair noted her experience in respect of cybersecurity issues, working with the North-East Business Resilience Centre (NEBRC), who worked with Local Authorities, schools and SMEs. She noted work undertaken with Durham Constabulary which was of a relatively low cost in terms of the benefits that could be gained. The Head of Pensions (LGPS) noted that a further discussion would be very useful. Councillor A Hopgood, noted that the work the Chair referred to had been nominated for a national award. The Chair added that the work had been used as a case study and presented to over 100 Headteachers, with the finals of the Cyber Outstanding Security Performance Awards (OSPA) being held in April 2024. The Head of Pensions (LGPS) noted work with the Council's ICT Section as well as the Civil Contingencies Team.

It was explained that the Pension Fund Committee had received the regular regulatory and policy updates and noted as regards training for Members going forward, as previously discussed at the Board. He noted the Committee received the regular updates within Part B of the meeting, including in upcoming investment decisions and updates on markets.

RESOLVED:

That the verbal update be noted.

5 Training Policy and Governance Compliance Statement

The Board considered a report from the Corporate Director of Resources regarding the Pension Fund Training Policy and Governance Compliance (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the report sought agreement for a Local Pension Board Training Plan, as part of a wider training approach to be adopted by the Fund, and to seek any comments on the Fund's Governance Compliance Statement.

He explained that appropriate training was increasingly important for members of LGPS governance bodies, with heightened expectations from both the Pensions Regulator, with a new code coming into effect, and DLUHC.

The Fund's Training Policy there was intended to codify the approach to training into a single, published, document to be reviewed annually. He noted that although training was mandatory for Local Pension Board members, but technically not so for Pension Fund Committee members, it was recognised that both sets of members adopting an aligned approach, would represent best practice.

Councillor A Hopgood asked if there could be substitute members at the Pension Fund Committee, the Head of Pensions (LGPS) noted they could, if they had received the requisite training in the current term. He added that there were always additional training sessions for Pension Fund Committee Members in advance of any investment decision. He added the proposed training programme would include regulatory toolkits and there would be an expectation that Members completed the training programme within the timeframes outlined.

The Head of Pensions noted good attendance by Pension Fund Committee members at the Annual BCPP Conference, highlighting the quality of the speakers at those events with Mark Carney, former Governor of the Bank of England being keynote speaker at their conference last year. It was noted that the BCPP conference this year had been brought forward to 18-19 July 2024. Councillor A Hopgood suggested if Board members were available, it would be beneficial to attend the BCCP conference.

The Head of Pensions (LGPS) noted that Board members could be invited to attend the asset class training, to provide assurance that Committee members were undertaking the necessary training. He noted there would be further updates at the annual meeting of the Committee, and reminded Board members they were welcome to attend. He added that there would be regulatory training, and sessions may be scheduled on specific topics, such as in the past on GMP. He added that some would be training would be facilitated online, with some support via drop-in sessions.

The Head of Pensions (LGPS) noted that within the Annual Report for 2024/25, it was proposed that training would be broken down by Member, to show which elements had been completed.

In respect of the composition of the Board, it was proposed to increase the membership to eight, with four being Scheme Member Representatives, to include union representation, as well as the current members, L Oliver and W Pattinson.

He added that there had been no take up from employers outside the County Council and it was therefore proposed for additional Employer Representatives would be sought from DCC Councillors, before contacting wider employers again, if required. He added that, should the Board support the proposals, then a report would be put to Full Council to agree the changes to the membership.

The Chair and Councillor A Hopgood supported the proposed changes.

RESOLVED:

- (a) That the report and comments from Board members on the Training Policy be noted,
- (b) That the Training Requirements set out in Table (1) of the Outline Training Policy, noting the further information provided in Table (2), be agreed;
- (c) That the Corporate Director of Resources be authorised to publish details of training activity and attendance at Board meetings,
- (d) That the Board's comments on the Governance Compliance Statement, to assist the Corporate Director of Resources to finalise the wording of the Statement having taken into account where appropriate both professional advice as well as comments received from employers, be noted and that a final version be published by 31 March 2020 be agreed;
- (e) That the intention of the Corporate Director of Resources to finalise the wording of, and publish and maintain a Pension Fund Training Policy for members of both the Committee and Local Pension Board, following appropriate consultation and feedback from the Committee, be noted;
- (f) That the intention for a review of the composition of the Board be supported.

6 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 Minister had expressed a degree of frustration with progress in terms of pooling, with the deadline of 31 March 2025 being given for the completion of pooling. He noted the Board were already aware that this was not an issue for Durham, having worked with BCPP in terms of pooling well in advance of this date.

Councillor A Hopgood asked if a change in Government could lead to a change in direction. The Head of Pensions (LGPS) noted that the Opposition had indicated they would go 'further and faster' and that the expectation currently was that the 2025 deadline would be 'comply or explain' deadline, with an expectation that Funds would comply, with there being powers of intervention. He added the Minister had put the question, whether 87 Pension Funds across the LGPS was the correct number and the Minister had outlined a desire for greater LGPS allocations that support the Levelling Up missions; with targets of 10 percent in private equity.

The Head of Pensions (LGPS) added the Chancellor had mentioned such 'levelling up' support could be investment in Children's Homes. He noted that Durham had a five percent investment in terms of 'local investment' and were in a sense ahead of the curve in this regard. He noted there were further options in terms of BCPP's UK Opportunities Fund, with a significant investment from Durham.

Councillor A Hopgood noted that whilst local investment was to be commended, however, the primary role of the Fund was to ensure that pensioners were able to receive their pensions. The Head of Pensions (LGPS) agreed, outlining the Fund's responsibility to try and keep pension contributions as stable as possible. He noted that through BCPP's UK Opportunities Fund it was hoped that the Fund could achieve some secondary, positive, benefits in the UK; whilst prioritising investment returns.

In relation to the McCloud judgement, the Head of Pensions (LGPS) noted he had attended a meeting hosted at the West Yorkshire Pension Fund and took reassurance that Funds' progress was broadly linked to the availability of software solutions; with only two software providers in this particular area, and therefore the position would likely be for a similar for Funds in the sector until September/October 2024. He added that in the meantime, work was continuing on the data to implement the changes, with three experienced existing staff being allocated to this task. He noted their positions would be backfilled, with a large number of candidates having come forward for those posts. The Pensions Team Leader noted that the recruitment exercise had been extremely encouraging, with around 50 applicants, many with finance and pensions experience, adding it was often difficult to get candidates with either. Councillor A Hopgood noted that Council jobs being advertised more widely, through sites such as Indeed, as well as the usual North East Job Spot, was helping to reach more potential applicants. The Head of Pensions (LGPS) noted that there was no additional funding for the work generated by McCloud with the costs met by the Pension Fund.

In respect of the Pensions Dashboard, the Head of Pensions (LGPS) noted the links to the Government site, with work being undertaken in terms of a data improvement exercise in advance.

Councillor A Hopgood asked if Council Tax data could be used, or whether there could be GDPR implications. The Head of Pensions (LGPS) noted that it was possible to use the published electoral roll, however, he would consider further regards what information could be queried, adding that it was those outlier cases that usually took up the most time and effort to confirm.

The Head of Pensions (LGPS) noted the update in respect of Sharia Law, namely that the expert advice sought had been that the LGPS was compatible with Sharia Law and therefore it was hoped this would encourage more take up of the LGPS for Muslim colleagues in local government. Councillor A Hopgood asked if those Muslims that had not taken up the offer to join the LGPS had been given another option - the Head of Pensions (LGPS) noted they had not.

The Head of Pensions (LGPS) noted that guidance for Annual Reporting was expected soon in terms of KPI data, with a move to standardise indicators across the LGPS. It had been suggested that there would be a significant number of indicators. He noted that the requirement for the 2024/25 Annual Report was on a best endeavours basis only, being the first year of the requirement.

In relation to the Pensions Code of Practice (COP 14), the Head of Pensions (LGPS) explained that the Regulator had condensed all codes in the sector down to one document, which would include applicability for LGPS Pension Funds. He added that Officers were actively reviewing the new code, to see which elements did or did not apply to LGPS Funds, which would not apply and those which would be considered 'best practice'. He added that he would report back to the Board with a plan in respect of the new Code in due course, noting that the Pensions Team Leader was working on a gap analysis and looking at tools and monitoring.

RESOLVED:

That the report be noted.

7 Spring Budget 2024 - Verbal Update

The Head of Pensions (LGPS) noted no further updates, other than the Chancellor's statement on Children's Homes being potential 'local investment' opportunities. Councillor A Hopgood noted Government was considering legislation in terms of private providers and Children's Homes.

RESOLVED:

That the verbal update be noted.

8 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) reiterated the push to expand the KPI set, though noted there would be a continued focus on existing key areas. Councillor A Hopgood asked as regards how to prioritise, with some perhaps being looked at quarterly, some annually as an example. The Head of Pensions (LGPS) noted that approach could make sense, with colleagues developing performance reporting on death processes, and making appropriate process changes being top of the list. He added that quick wins would be taken in line with the 'best endeavours' intention, then the rest of the KPIs would be built out though 2024/25. Councillor A Hopgood noted that it may be that less important KPIs could be reported upon at points when the Team were not as busy with other work.

The Chair noted with more standardisation, the new KPIs would help in terms of benchmarking performance.

The Pensions Team Leader noted the position in relation to AVCs, explaining that at a Local Government AVC Forum last week it had been noted there was now very good performance monitoring. In respect of performance relating to Durham, she noted a reduction in the call abandonment rate, at around 10 percent, which continued on a downward trend. She added that the AVC provider, Prudential, had provided all data well in advance for the preparation of Benefit Statements. She explained that for Durham the number choosing to take up AVCs had expanded adding that Prudential were looking at a system/portal, similar to that in place with Standard Life, which would help link and match up AVCs. She noted Durham was approached as a pilot for this by Prudential, and there would be engagement with Prudential AVC employers to provide training and support.

The Head of Pensions (LGPS) thanked the Pensions Team Leader for her work in this area.

RESOLVED:

That the report be noted.

9 Communications Review

The Board considered a report from the Corporate Director of Resources regarding details of how different stakeholder groups receive communication from the Pension Fund and plans to develop the communication strategy (for copy see file of Minutes).

The Head of Pensions (LGPS) noted that the finalised Communications Strategy would be included in the Committee agenda in June, adding it would be useful to have Board representation at the next meeting of the Pension Fund Committee. Councillor A Hopgood noted she may be able to attend, and it would be helpful if the item was early on the agenda.

RESOLVED:

That the report be noted.

10 Local Pension Board Annual Report

The Board considered a report from the Corporate Director of Resources regarding the Local Pension Board Annual Report (for copy see file of Minutes).

The Head of Pensions (LGPS) noted the report would be drafted based upon the work of the Board over the last year, as set out within the report. He added that, subject to comments from the Board Chair, a finalised report would be presented to the Pension Fund Committee in June 2024.

RESOLVED:

That the report be noted.

11 Date of Next Meeting - 24 June 2024

The next meeting would be held on 24 June 2024 at 2.00pm.