

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in **Committee Room 2, County Hall, Durham** on **Thursday 14 March 2024** at **10.00 am**

Present:

Councillor D Sutton-Lloyd (Chair)

Members of the Committee:

Councillors K Earley, C Fletcher, B Kellett, J Quinn, J Shuttleworth and C Varty

Also Present:

Scheme Member Representatives

A Delandre and J Taylor

Council Advisers

Paul Cooper – Head of Pensions (LGPS)

Stephanie Robinson – Legal Assistant

Jo McMahon – Finance Manager

Investment Advisers

Milo Kerr – BCPP

Independent Advisers

Sandy Dickson – Mercer

Anthony Fletcher – MJ Hudson

Also in attendance:

Thomas Backhouse – Mazars

Smriti Sood – Mazars

1 Apologies for Absence

Apologies for absence were received from Councillors J Atkinson, R Baker and D Freeman and Mr A Broadbent.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

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

4 Feedback from Local Pension Board

The Head of Pensions (LGPS), Paul Cooper noted the last meeting of the Local Pension Board was held after the Pension Fund Committee meeting on 7 December 2023. He explained that the Board received detailed information on the Debt Management Policy which had earlier been approved by the Committee, as well as information relating to the Fund's Responsible Investment Policy implemented by Border to Coast. He noted the Board received the regular updates in relation to key performance indicator relating to services to scheme members and on regulatory matters. He noted the next meeting of the Board was scheduled for 20 March 2024.

Resolved:

That the verbal update be noted.

5 Overall Value of Fund and Cashflow Management

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 2023, the movement in cash balances during the last quarter (for copy see file of Minutes).

The Head of Pensions (LGPS) thanked the Finance Manager (Revenue, Pensions and Technical Services), Jo McMahon the work of her and the team in preparing the report and enhanced cashflow reporting. He asked the Committee if they were happy with the format and whether they would wish to receive the information quarterly or six-monthly. Councillor C Fletcher noted she felt six-monthly would be sufficient, given the amount of work involved.

Councillor M Porter entered the meeting at 10.15am

Councillor C Fletcher added that, however, if an issue arose that the Committee would need to be sighted, she would expect the issue to be brought to the next meeting of the Committee.

The Chair agreed, noting that it was good to see all of the work that had gone into producing the report, and that the information was as clear as possible for Members. The cashflow information would be brought to Committee every six months.

Resolved:

That the information contained in the report be noted.

6 Performance Measurement of Pension Fund Investments to 31 December 2023

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 2023 (for copy see file of Minutes).

Resolved:

That the information contained in the report produced by the Fund's custodian, Northern Trust, be noted.

7 Internal Audit Plan 2023/24 - Progress Report to 31 December 2023

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 2023 to 31 December 2023 as part of the 2023/2024 Internal Audit Plan (for copy see file of minutes).

Resolved:

That the work undertaken by Internal Audit during the period ending 31 December 2023 be noted.

8 Draft Audit Plan 2024/25

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the proposed Annual Audit Plan for 2024/2025 (for copy see file of Minutes).

Resolved:

That the proposed Audit Plan for 2024/2025 be approved.

9 Provision of Treasury Management Services to the Pension Fund for 2024/25

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 2024/2025 (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 £3,148 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.

10 Agreement of Accounting Policies for Application in the 2023/24 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 2023/24 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 2023/24 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.

11 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).

The Head of Pensions (LGPS) noted significant current issues related to Government's LGPS Consultation, noting cross-party support in terms of the push in respect of pooling and allocations which support Levelling Up missions. He outlined updates in the report including scheme-wide enhanced key performance indicators. He added that, in respect of the McCloud judgement, he had attended a recent regional meeting where progress was discussed with other Pension Funds; explaining that with a limited number of software providers in the LGPS, Funds' progress was broadly aligned to the availability of software solutions. He noted there was a DCC Project Team in place working on the relevant dataset.

The Head of Pensions (LGPS) noted that the review into whether the LGPS complied with Sharia Law had concluded that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS. It was hoped that the report will offer comfort to Muslim members of the LGPS in the knowledge that they can continue to participate in the scheme and may encourage some who had opted out to opt back in.

In respect of the Boycotts, Divestments and Sanctions Bill (BDS), the Government's policy was that Pension Funds should not be taking investment decisions that were contrary to UK foreign policy and legislation was going through Parliament at the moment.

In respect of the Pension Dashboard, it was explained that the process of data cleansing was ongoing. He added that while this was mandatory, the Council's own Pension's Portal already provided the Fund's members quality information online.

The Head of Pensions (LGPS), noted that the publication of the Pensions Regulator's Code of Practice, which consolidates multiple codes into the sector into a single code; effective from March.

He added that there would be a need to undertake a gap analysis to understand which elements would apply to the LGPS specifically and what must be adhered to and which would be best practice. He added there would be a report on this to the Local Pension Board, to inform their work programme.

Councillor M Porter noted reference at Paragraph 81 of the report to Public Sector Exit Payments Caps. The Head of Pensions (LGPS) noted that it was an issue adjacent to the LGPS, however, Government had yet to issue guidance. Councillor M Porter asked as regards the impact upon Local Authorities, as employers to those within the LGPS. The Head of Pensions (LGPS) noted that the cap was £95,000 in terms of redundancy and 'strain on the fund' or 'early release' costs and, if enacted, there could be impact. Councillor M Porter asked if Local Authorities were aware. The Head of Pensions (LGPS) noted they were, with the proposals having been mooted in 2019 and had been a clear policy objective of Government at that time.

Councillor B Kellett referred to paragraph 21 of the report, which referred to 'since 2025'. The Head of Pensions (LGPS) noted this was a typographical error and should have read '2015'.

Resolved:

That the information contained in the report be noted.

12 Pension Fund Training Policy and Governance Compliance Statement

The Committee considered a report of the Corporate Director of Resources which set out a codified training approach that the Fund would follow and sought approval of the Fund's Governance Compliance Statement (for copy see file of Minutes).

The Head of Pensions (LGPS) noted that outline training policy mirrored that of the Local Pension Board and explained that having a single document for assurance was beneficial. He added there would be an induction toolkit, LGPS Online Learning Academy (LOLA) training made available and there would be the opportunity to attend the BCPP Conference. He noted that there would be individual training sessions held ahead of investment decisions on that specific area, as well as any training required as a result of any regulatory changes as required.

Councillor M Porter felt the report and proposed training was very good and included a lot of detail. She asked as regards the date of the BCPP Conference.

The Head of Pensions (LGPS) noted for 2024 it was brought forward from to July. Milo Kerr, of BCPP, noted the dates were 18-19 July. The Chair added it was very beneficial to attend, with the Head of Pensions (LGPS) noting that there had been very positive feedback from those Members who had attended previous conferences, and highlighted the calibre of speakers the event attracted, with Mark Carney, former Governor of the Bank of England having spoken at the conference last year. M Kerr noted that a comparable speaker had been arranged to speak at this year's conference.

The Chair noted that the Committee had been keen to get a training programme in place and thanked the Head of Pensions (LGPS) for his work in this regard.

Resolved:

- (a) That the Committee note the report;
- (b) That the Committee agree the Training Requirements set out in Table (1) of the Outline Training Policy, noting the further information provided in Table (2);
- (c) That the Corporate Director of Resources be authorised to publish details of training activity and attendance at Committee meetings;
- (d) That the Corporate Director of Resources be authorised to finalise the wording of the Compliance Statement, taking into account where appropriate both professional advice as well as comments received from employers, and publish a final version by 31 March 2024, and;
- (e) That the Corporate Director of Resources be authorised 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 Local Pension Board.

13 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.

14 Minutes

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

15 Employer Exits

The Head of Pensions (LGPS) gave a verbal update in relation to Employer Exits from the LGPS.

Resolved:

That the verbal update be noted.

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).

Councillor B Kellett left the meeting at 12.00pm

Councillors J Quinn and J Shuttleworth left the meeting at 12.07pm

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

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 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.

22 Report of Foresight

Consideration was given to a report from Foresight 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 2023.

Resolved:

That the information contained in the report be noted