



Pension Fund

Annual Report and Accounts

For the year ended 31 March 2024

The Durham County Council Pension Fund is registered with the Pension Schemes Registry

No. 10079166

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Introduction

Welcome to the Annual Report and Accounts of the Durham County Council Pension Fund for the financial year ended 31 March 2024.

These are the key issues:

- Contributing members increased by 763 (3.30%) to 23,902
- Market value of the Fund's assets increased by 8.71% from £3.423 billion to £3.721 billion;

The report provides further information on these issues and on the activities and management of the Pension Fund during the year.

I hope this report provides useful information about your Pension Fund. However, it is important that we try to improve the quality and suitability of information provided within the report and feedback is welcomed.

For further information on Durham County Council Pension Fund or for providing me with your views on this report, contact details are provided at the end of the report.

Paul Darby C.P.F.A.

Corporate Director of Resources

26 November 2024

The Local Government Pension Scheme

Durham County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) administered by Durham County Council. It is a statutory scheme governed by regulations made under the Public Service Pensions Act 2013.

The Fund is currently administered in accordance with the following secondary legislation:

- LGPS Regulations 2013 (as amended)
- LGPS (Management and Investment of Funds) Regulations 2016
- LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)

How The Scheme Presently Works

The LGPS is required to be funded. Scheme funds, currently surplus to immediate pension benefit requirements, are invested in approved securities. The Fund must be sufficient to sustain future pension entitlements of past and present members. The Fund is financed by members and employers' contributions and earnings from investments.

Until 31 March 2014 the LGPS was classified as a final salary scheme whereby the annual pension and any retirement grant were paid based on the period of membership and (usually) the final twelve months pay. Benefits built up in the LGPS up to and including 31 March 2014 will continue to be calculated on a final salary basis.

With effect from 1 April 2014 the LGPS changed from a final salary scheme to a career average scheme. All benefits built up in the LGPS after 31 March 2014 will be calculated under the rules of the new career average scheme.

An independent actuarial valuation of the Fund is carried out every three years to review the assets and liabilities of the Fund and to determine the rate of contributions which the employers must make to the Fund. The most recent valuation applicable to the period covered by the report was undertaken as at 31 March 2022 and a report of the actuary is provided on page 37. The next review will take place during 2025/26 for the valuation as at 31 March 2025.

From 1 April 2014 contributors to the scheme are required to pay between 5.5% and 12.5% of their pensionable salary to the Fund. The rate they pay depends on which of the nine different salary bands their pay falls into. Employee contributions qualify for income tax relief. Members may have additional voluntary contributions (AVCs) deducted from pay and paid into a personal fund. AVCs can be invested with any of the following companies: Standard Life, Prudential and Utmost Life (closed to new investors).

Contributors to the scheme can also choose to pay additional pension contributions (APCs) over a number of years or by a one-off payment to buy additional pension on retirement.

Members who leave the scheme may transfer their accrued benefits to other approved schemes. Members who leave with less than two years membership may choose to receive a refund of their contributions (less income tax) provided they have no other LGPS benefits and, in most circumstances,

have not transferred in other pension benefits. New members may transfer benefits accrued with other schemes into the Fund (usually within a deadline of twelve months).

The scheme includes a 50/50 option which allows a member to contribute half of their normal contribution rate into the scheme in return for half of their normal pension. Under this option full life assurance and ill health cover is retained.

Pension Benefits

Scheme members accrue annual pension during each year of membership at a rate of 1/49th of the amount of pensionable pay received in that year (or half that rate under the 50/50 option). This annual pension amount is added to a member's pension account and revalued at the end of each year, in line with inflation.

For membership before 2014 pension is determined at a rate of 1/60th of final pay for each year of membership between 1 April 2008 and 31 March 2014, and 1/80th of final pay for each year of membership before 1 April 2008. Final pay is usually the pensionable pay earned in the year prior to leaving the scheme, however, one of the two previous years' pay can be used, if higher.

Retirement grants are based on 3/80th of final pay for each year of membership before 1 April 2008. Although an automatic lump sum is not a feature of the retirement benefits after that date, retirees have the option to take a lump sum from the scheme up to certain limits, getting £12 of tax free lump sum for every £1 of annual (taxable) pension given up.

Where a member dies in service, a lump sum in the form of a death grant would be paid equal to three years' pensionable pay, provided that the member is under age 75 at the date of death.

Survivor's pensions are payable on the death of a scheme member to the scheme member's spouse, registered civil partner, or subject to certain qualifying conditions an eligible co-habiting partner. The survivor pension for an eligible co-habiting partner only takes account of the member's pensionable service after 5 April 1988. Children's pensions are also payable to eligible children of deceased scheme members.

In the main, benefits can be paid upon leaving to a member with at least 2 years qualifying membership in the following circumstances:

- on reaching State Pension Age, without any early retirement reductions applied;
- between Normal Minimum Pension Age and State Pension Age, however early retirement reductions will normally apply where someone draws their pension benefits before State Pension Age. The amount of reduction that applies depends on the individual's age, sex, length of pensionable service and the date they joined the scheme;
- at any age, if the member retires on the grounds of permanent ill-health. Three different levels of ill-health benefit are payable, depending on how soon it is judged that an individual will be able to obtain gainful employment again in future. In the case of death in service, dependants' benefits are paid even if the membership is less than 3 months.

- from Normal Minimum Pension Age, if the member retires by reason of redundancy or business efficiency, without any early retirement reductions applied.

It should be noted that the Finance Act which gained Royal Assent on 24 February 2022, will increase the minimum retirement age in the UK from 55 to 57 from April 2028. The Act provides for protected pension ages for members who meet entitlement conditions. The government will need to change the LGPS rules to align with the NMPA at some point on or before 6 April 2028 and will also need to consider whether LGPS members who qualify for protection will be allowed to receive payment before 57.

If a member leaves with at least 2 years membership and is not entitled to immediate payment of benefits and does not choose to transfer out their accrued benefits, deferred benefits are awarded. Deferred benefits are benefits which remain in the Fund and are paid when the member reaches retirement age. Such benefits are subject to inflationary increases between the date of leaving and the date of payment.

Pension Increases

Mandatory increases in pensions and deferred benefits are made in accordance with annual statutory Pension Increase (Review) Orders to help protect pensions against inflation. The pension increase is currently linked to the Consumer Price Index (CPI).

The following table shows the pension increases over the last 5 years:

<i>Effective Date</i>	<i>% Increase</i>
06 April 2020	1.70
12 April 2021	0.50
11 April 2022	3.10
10 April 2023	10.10
10 April 2024	6.7

Pensioners must be over the age of fifty-five or have retired due to permanent ill-health to receive the increase. Those in receipt of a widow's, widower's or dependant's benefit receive the increase regardless of age.

Management and Financial Performance Report

Pension Fund Committee Members, Managers and Advisers

The Constitution of Durham County Council, as administering authority to the Fund, has delegated to the Pension Fund Committee powers and duties arising from the Public Service Pensions Act 2013 and Regulations made thereunder, regarding the administration and investment of funds.

In order to effectively carry out their role, the Committee obtains professional advice, as and when required, from suitably qualified persons, including external advisers, investment managers and officers of the Council. The members of the Pension Fund Committee and contact details of managers and advisers as at 31 March 2024 were as follows

Pension Fund Committee

Councillor David Sutton-Lloyd (Chair)

Councillor Michael Stead (Vice Chair)

Councillor Jim Atkinson

Councillor Kevin Earley

Councillor Christine Fletcher

Councillor David Freeman

Councillor Bill Kellett

Councillor Joe Quinn

Councillor John Shuttleworth

Councillor Watts Stelling

Councillor Chris Varty

Darlington Borough Council Members:

Councillor Mandy Porter

Councillor Rebecca Baker

Scheduled Body Representative: (Vacancy)

Admission Body Representative: (Vacancy)

Pensioner Representatives:

A Delandre

J Taylor

Active Member Representative: (Vacancy)

Further Education Colleges Representative:

A Broadbent

Staff Observers:

Unison GMB

I Pritchard

L Timbey

Pension Board Members:

Scheme Member Representatives:

Mr I Pritchard

Mr L Oliver

Ms W Pattison (Chair)

Scheme Employer Representatives:

Councillor Amanda Hopgood

Councillor David Stoker

Administering Authority Members:

J Hewitt - Chief Executive

P Darby - Corporate Director of Resources

H Bradley - Head of Legal and Democratic Services

P Cooper - Head of Pensions (LGPS)

Global Custodian:

Northern Trust - 50 Bank Street, Canary Wharf, London, E14 5NT.

Actuary:

Aon Hewitt - 40 Queen Square, Bristol, BS1 4QP

Investment Managers:

AB Ltd - 50 Berkeley Street, London, W1J 8HA

Border to Coast Pensions Partnership - 5th Floor, Toronto Square, Toronto, Street, Leeds, LS1 2HJ

CB Richard Ellis Collective Investors Ltd - 3rd Floor, One New Change, London, EC4M 9AF.

Foresight, The Shard, 32 London Bridge Street, London, SE1 9SG

Investment Advisors:

Mercer Ltd - 1 Tower Place West, Tower Place, London, EC3R 5BU

Apex Investment Advisors Ltd – A Fletcher - 8 Old Jewry, London, EC2R 8DN.

AVC Providers:

Utmost Life and Pensions - PO Box 177, Walton Street, Aylesbury, Bucks. HP21 7YH

Prudential - Local Government AVC Department, Stirling, FK9 4UE

Standard Life - Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH

Auditor:

Forvis Mazars LLP - 30 Old Bailey, London, EC4M 7AU

Banker:

Lloyds Bank Plc - PO Box 1000, Andover, BX1 1LT

Risk Management

The Investment Strategy Statement (ISS) sets out the roles of the Fund's investment managers and custodian, who have a responsibility for the management and safekeeping of the Pension Fund's assets. The Funding Strategy Statement (FSS) identifies the Fund's key risks and counter measures taken by the administering authority to mitigate those risks. The administering authority takes professional advice from the actuary, custodian and advisers before taking appropriate action.

The FSS is available online at <https://www.durham.gov.uk/lgps>.

The Fund's primary long-term risk is that the Fund's assets fall short of its liabilities (i.e. promised benefits payable to members). The Fund's assets are diversified to reduce exposure to market (price, currency and interest rate) risk and credit risk. The assets are divided across investment managers to further control risk. Asset allocation benchmarks have been set and performance is monitored relative to these benchmarks to ensure compliance with the Fund's investment strategy.

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The administering authority manages the Fund's liquidity position through a comprehensive cashflow management system to ensure cash is available when needed.

Note 16 of the Pension Fund's Accounts provides more detail on the nature and extent of risks rising from financial instruments and how the administering authority manages those risks. The Pensions Administration team manages the risk of late payment of contributions by monitoring contribution payments, identifying cases of late payment and contacting employing bodies as appropriate.

Overall responsibility for the Fund's risk management rests with the Pension Fund Committee. The objective of the risk management strategy is to identify, manage and control the risks faced by the Fund whilst achieving a good return on investment. Risk is measured, in part, in collaboration with the administering authority's risk management team, and was reviewed as part of the independent governance review undertaken by the Pension Fund.

Performance of investment managers is reported monthly; reviews are carried out by officers on a monthly basis and by the Pension Fund Committee quarterly. A detailed summary of all internal audit reports and all external audit reports are reviewed by the Pension Fund Committee.

The investment managers and custodian are audited by companies outside of the administering authority's control. Their auditors produce reports which are made available and utilised to provide a level of assurance to the Pension Fund that the managers and custodian have effective internal controls in operation within their organisations.

Regular review of the Fund's risks and mitigating actions are undertaken by Officers of the Fund, informing an actively managed risk register. This review process, and the risk register is regularly reported to the Pension Fund Committee, in line with the Committee's Terms of Reference, with reporting available online at:

<https://democracy.durham.gov.uk/ieListMeetings.aspx?Committeeld=250>.

Key Financial Information

The following table and bar chart provide an overview of the Fund's financial position as at 31 March for the last five years. The key financial information over this time period is summarised below:

- Over the 5 year period the market value of the net assets has increased by 33.5% to £3.721 billion.
- Income from contributions has generally been gradually increasing in line with a steady increase in the number of contributing members. Following the 2019 and 2022 valuations, one employer has chosen to make early repayments of their 3 year deficit amounts, all in the initial year following the valuation. As a consequence, contributions into the Pension Fund in the remaining two years of that triennial valuation period appear lower than would have been the case if regular contributions had been received.
- Pension benefit payments have been rising over the 5 year period in line with the increasing number of pensioners in payment and the annual pension increases;
- The increase in the value of investments of £297 million was the main contributor to the increase in the fund value in 2023/24, and was mainly due to favourable market conditions.

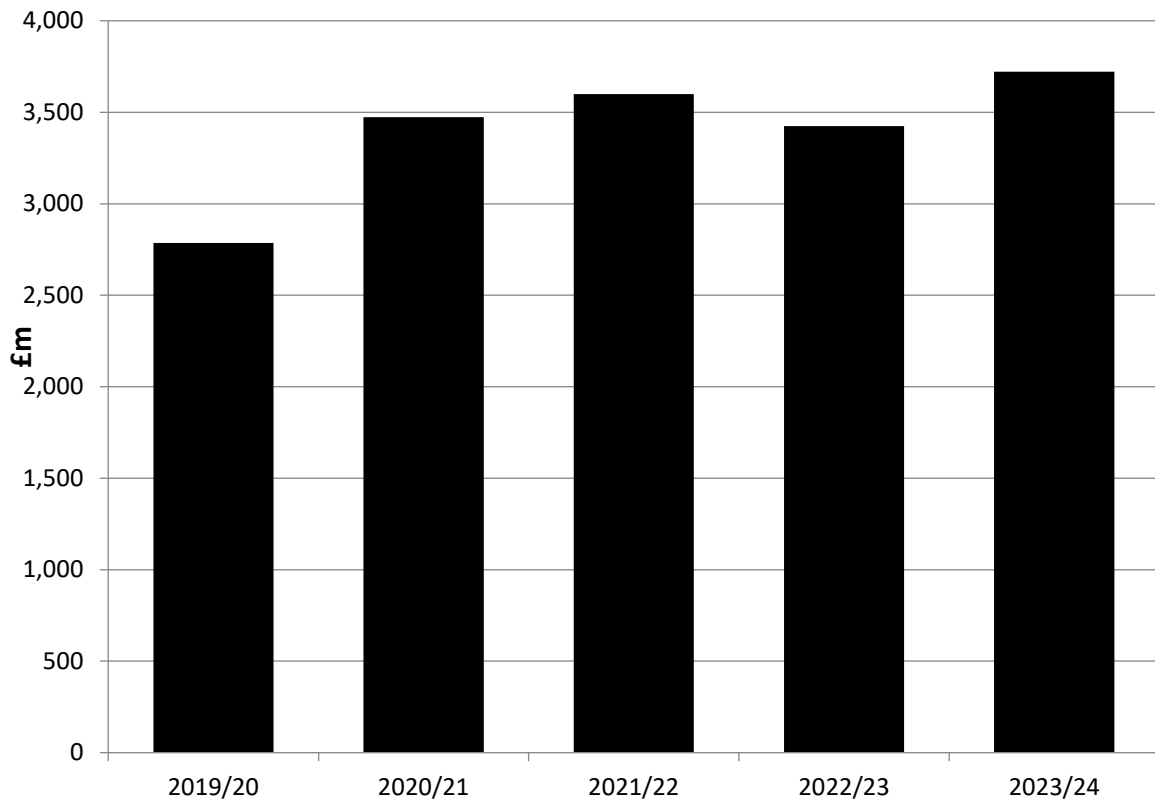
Income	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Contributions	106,029	147,634	119,756	131,120	157,489
Investment and Other Income	39,438	24,796	36,077	29,702	30,898
Total Income	145,467	172,430	155,833	160,822	188,387

Expenditure	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Benefits	126,817	129,937	137,698	144,687	162,390
Other Expenses	28,145	17,177	28,659	22,163	18,893
Net Income	-9,495	25,316	-10,524	-6,028	7,104

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Increase / - Decrease in Value of Investments	-186,297	668,983	129,994	-170,000	289,694
Increase / - Decrease in Fund During the Year	-195,792	694,299	119,470	-176,028	296,798
Net Assets at 31 March	2,786,247	3,480,546	3,600,014	3,423,986	3,720,784

Net Assets Of The Fund

The following graph shows how the net assets of the Fund have changed over the last five years:



Membership

The Fund was established in 1974 to cover the future pension entitlement of all eligible employees of the County Council and former District Councils. The Fund excludes provision for teachers, police officers and fire-fighters, for whom separate arrangements exist. A number of other bodies also participate in the Scheme. These include Parish and Town Councils, Further Education Colleges, Academy Schools, Police and Fire Authorities (non-uniformed staff only) and Admission Bodies. Admission Bodies are those which are able to apply for membership of the Scheme under the Regulations, or in some circumstances have an automatic right to participate in the Scheme provided they meet certain criteria under the Regulations. If the Pension Fund Committee agrees to the application, or the organisation meets the criteria giving them the automatic right to participate in the Scheme, an Admission Agreement is drawn up admitting the body into the Scheme.

A list of all organisations currently contributing to the Fund is on page 101. It includes their contribution rates as set by the actuary, expressed as a percentage of employees' pensionable pay, and additional annual payments for those participating bodies which would otherwise have a shortfall in contributions by the end of the recovery period.

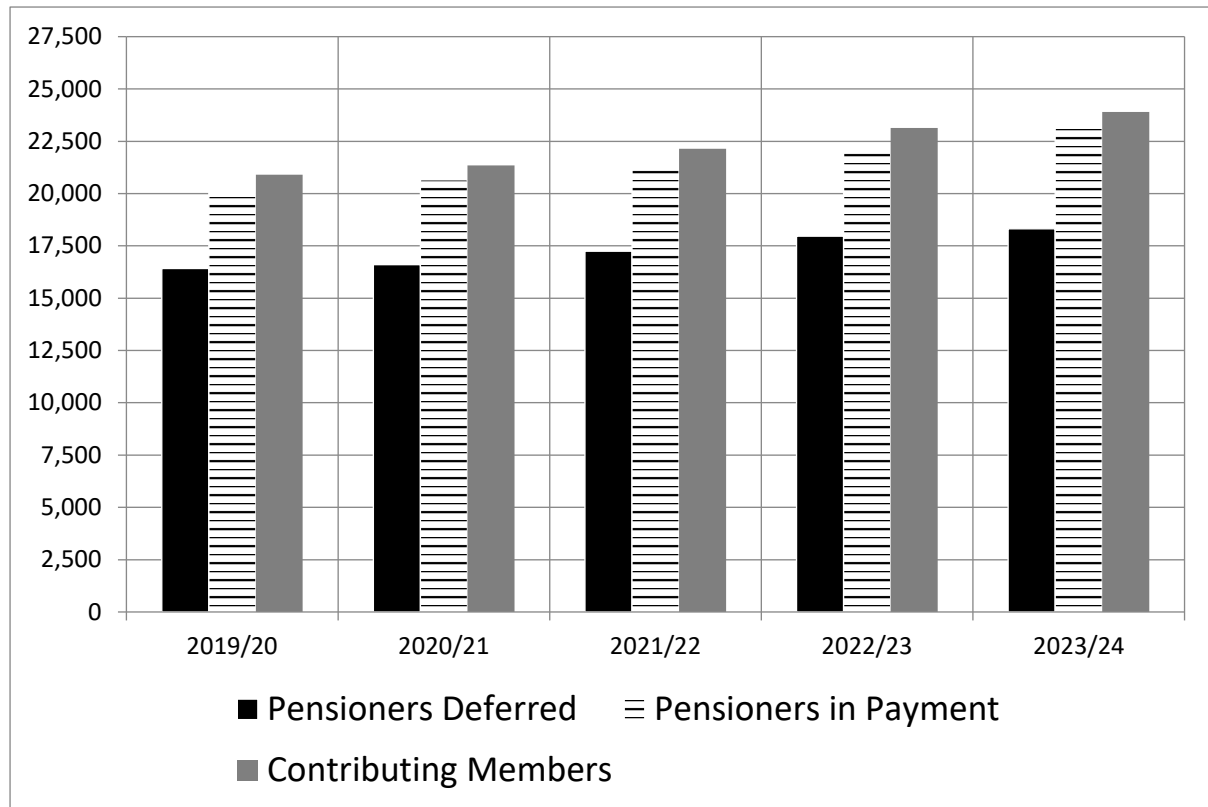
During 2023/24 the number of contributing members within the Pension Fund increased by 3.30% from 23,139 to 23,902.

The number of pensioners in receipt of payments from the Fund increased by 4.16% from 22,200 to 23,123.

The following table and bar chart provide a summary of contributing members, pensioners in payment and deferred pensioners over the last five years.

Year	2019/20	2020/21	2021/22	2022/23	2023/24
Contributing Members	20,901	21,340	22,141	23,139	23,902
Pensioners in Payment	20,109	20,652	21,346	22,200	23,123
Pensioners Deferred	16,420	16,595	17,244	17,970	18,308

The following graph shows the number of contributing members, pensioners in payments and deferred pensioners over the last five years:



A detailed analysis of the numbers of pensionable employees and pensioners of the scheme at 31 March 2023 and 31 March 2024 is on page 105.

Investment Policy and Performance Report

Investment Powers and Duties

Durham County Council, as administering authority, has delegated responsibility for the investment arrangements of the Fund to the Pension Fund Committee who decide on the investment policy most suited to the meet the liabilities of the Fund. The principal powers to invest are contained within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which permit a wide range of investments in the UK and overseas markets.

Income to the Fund is primarily from the contributions of the Fund members and their employers and from the interest and dividends received from investments. Income to the Fund, which is not required to pay pension and other benefits, must be invested having regard to the need for a suitably diversified portfolio of investments and the advice of appropriately qualified advisers.

Funding Strategy Statement

The Local Government Pension Regulations 2013 provide the statutory framework from which administering authorities are required to prepare a Funding Strategy Statement.

The purpose of the Funding Strategy Statement is to establish a clear and transparent fund specific strategy which will identify how employers' pension liabilities are best met going forward and to provide a means of supporting the requirement to maintain employer contribution rates at a level which is as constant as possible. The Statement raises the level of transparency and accountability and provides a helpful context for adopting higher levels of communication with scheme employers.

The FSS is available online at <https://www.durham.gov.uk/lgps>.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities, after taking proper advice, to formulate and publish a statement of its investment strategy, namely the Investment Strategy Statement.

The current ISS is available online at <https://www.durham.gov.uk/lgps>.

Asset Allocation

The medium and long-term strategic target asset allocations have been determined by the Committee after having taken proper advice and in line with the Fund's Investment Strategy Statement. The target asset allocations and actual asset allocations at 31 March 2024, split between investment managers, are detailed in the table below:

Investment Manager	Asset Class	Permitted Assets	Benchmark & Performance Target	Strategic Allocation within Fund	Actual % 31/03/2024
AB	Broad Bonds	Global bonds	SONIA +3.0%	⁻¹	5.06%
Border to Coast Pensions Partnership (BCPP)	Global Equities	Global Equities	MSCI All Country World Index (ACWI) (gross) +2%	40%	42.87%
BCPP	Emerging Markets Equities	Emerging Market Equities	MSCI Emerging markets Index +1.5%	5%	4.97%
BCPP	Multi-Asset Credit (MAC)	MAC, High Yield, Securitised Credit, Loans, EM Debt	5 Year SONIA + 3-4%	15%	15.36%
BCPP	Sterling Index Linked Bonds	UK Index-Linked Gilts & Sterling Investment Grade Corporate Index-Linked Bonds	FTSE Over 15 Year Index-Linked Gilt Index +0.2%	10%	10.09%
BCPP	Sterling Investment Grade Credit	UK Corporate Bonds	iBoxx Sterling Non-Gilts Index +0.6%	5%	4.84%
BCPP	Listed Alternatives	Listed securities providing exposure to infrastructure, specialist real estate, private	Outperform MSCI ACWI	⁻²	

¹ The Fund currently holds a 5% allocation in Global Bonds, with the intention to deploy this into UK Property when the BCPP pool has Real Estate investment capabilities

² The Fund holds Listed Alternatives as a proxy for Private Markets. The Fund's target allocation to Private Markets is 15%, with Listed Alternatives used as a source of liquidity to fund private markets investments

		equity and alternative credit			9.05%
BCPP	Private Markets	Private Equity, Private Debt, Infrastructure, Climate Opportunities	10% IRR, 6% IRR, 8% IRR, 8% IRR	15% ³	
Foresight	Private Markets	Private Equity	15% IRR		
CBRE	Global Property	Global property	UK Retail Price Inflation +5.0%	10% ⁴	7.66%

Although the strategic asset allocation was reviewed during 2023/24, some funds have yet to be transferred into BCPP as the Fund awaits the launch of an appropriate fund through its LGPS Pool. Following the implementation of the 2022 Valuation (effective from 1 April 2023), a comprehensive review of the Fund’s strategy was undertaken, resulting in a change in the strategic asset allocation, reflected in the table above.

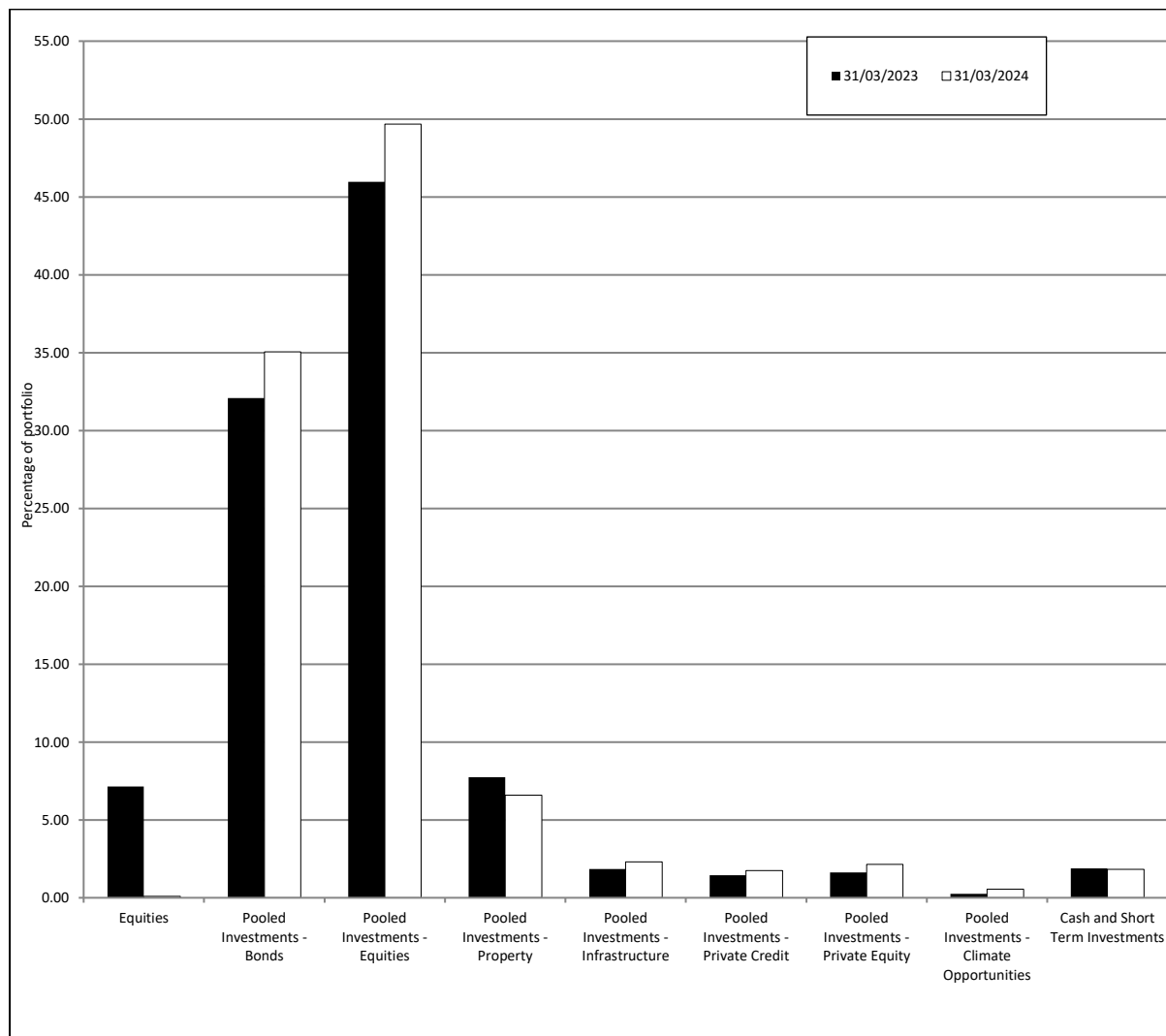
More information on the requirement for all LGPS funds to pool their assets and in particular BCPP, the pool in which Durham County Council Pension Fund will be investing, can be found on pages 26 to 29.

³ The Fund has committed to each of the BCPP Pool’s Private Markets offerings across Equity, Debt and Infrastructure; as well as BCPP’s Climate Opportunities which will have exposure across all three classes. Additionally, the Fund has committed c0.5% to provide the cornerstone investment required to support the launch of Foresight’s North-East Regional Investment Fund.

⁴ The Fund has committed 5% to Border to Coast’s Global Real Estate Fund and 5% to Border to Coast’s UK Direct Real Estate Fund. A Real Estate transition plan is in development with Border to Coast.

Distribution of Investments

The following graph shows the distribution of Fund investments (by market value) as at 31 March 2023 and 31 March 2024. Further details of the distribution are shown in Note 14 to the Pension Fund Accounts.



Investment Monitoring and Performance Statistics

The performance of the investment managers is monitored and reported to the Pension Fund Committee on a quarterly basis, with an annual meeting to consider the full year's performance. At the quarterly meetings of the committee, the investments are reviewed and advice from the Fund's advisors is considered by the Committee. The Committee consider detailed information on transactions, views on the economy and investment strategy, including any proposed changes in asset allocation and a valuation of the investments and cash under management as at the end of the quarter.

Performance measurement is undertaken by Northern Trust, the Pension Fund's Global Custodian. Performance reports are produced on a quarterly basis, and the results are considered by the Fund's officers and advisers and reported to the Pension Fund Committee.

Market Conditions

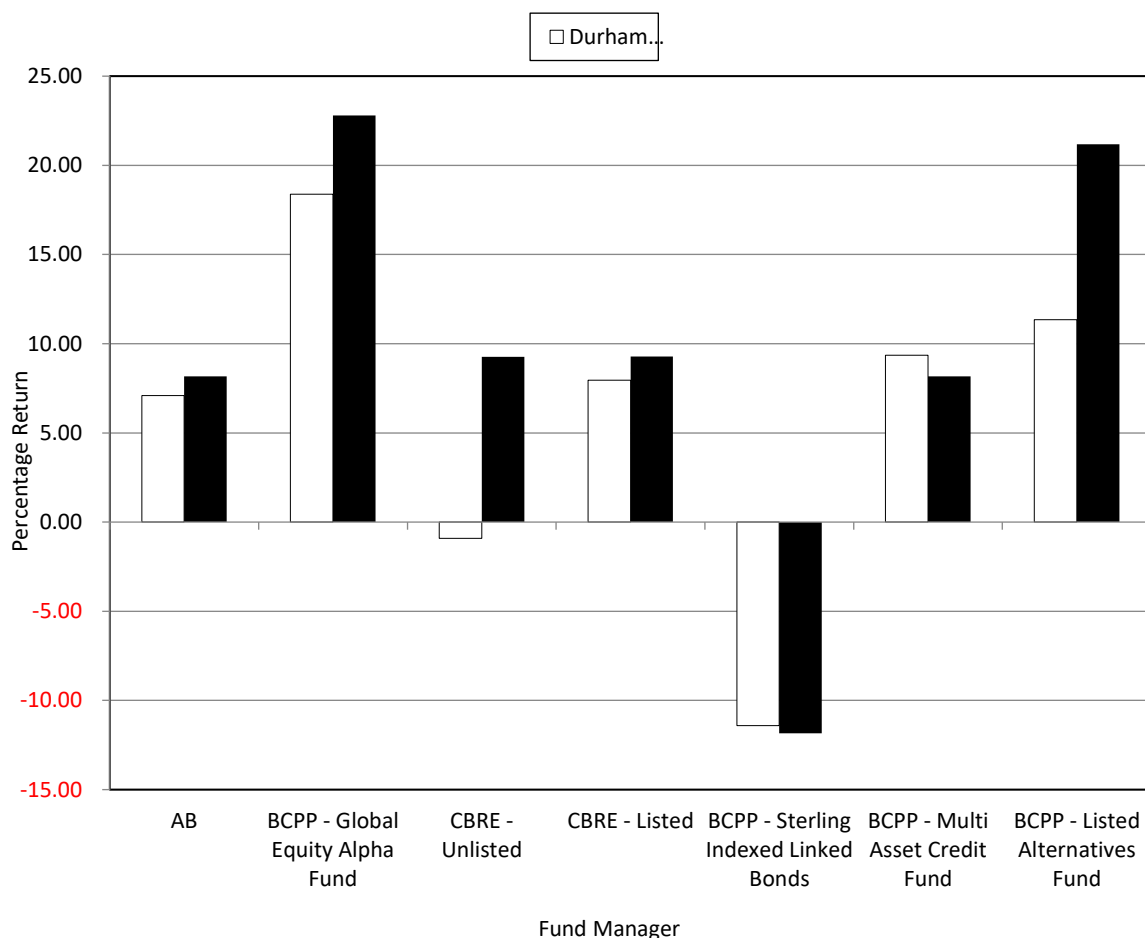
Over the Financial year ended 31st March 2024 the global economy turned out to be more resilient than perhaps had been expected at the start of the year. Although outcomes were mixed, growth was higher than expected in all regions except China. Of the Developed economies, US growth was the strongest and while Europe and the UK's growth rates oscillated around zero for the year it was not the extended period of negative growth expected. Chinese domestic growth was much weaker than expected as the property market contraction impacted consumer sentiment and the post covid bounce did not materialise. Despite stubbornly high core inflation data and higher for longer interest rates, economic activity was supported by higher Fiscal spending and higher real incomes from both earnings and savings and a significant improvement in world trade flows.

In the second half of the financial year a new conflict in the Middle East had the potential to renew inflationary pressures in Europe, especially as tensions increased attacks on shipping in the Red Sea causing traffic to re-route around Africa rather than using the Suez Canal.

The dominant macro-economic factor of the financial year remained higher and more persistent inflation than expected. Base effects from the energy and food price spike following the invasion of Ukraine and falling goods prices following the improvements in the flow of global trade have enabled headline inflation rates to continue to trend lower but tight labour markets and strong wage growth has kept core rates much higher. Stronger than expected growth and high core rates of inflation made it much more difficult for central banks to cut rates.

Total Fund Performance

The following chart illustrates the performance of the Fund by Investment Manager in comparison to their target (benchmark + outperformance) for the 12 months to 31 March 2024.



Please note unlisted assets and assets without a 12 month performance period are not included in the above chart.

The following table shows the actual performance of the total fund compared to the fund's benchmark and target as at 31 March 2024 for the last 1, 3 and 5 year periods.

Year	1 year	3 years	5 years
Performance	Performance (%) to 31 March 2024	Performance (%) to 31 March 2024	Performance (%) to 31 March 2024
Total Fund	8.5	2.7	5.1
Total Fund Benchmark	11.0	4.3	5.7
Relative to Benchmark	-2.5	-1.7	-0.6
Target (benchmark + outperformance)	12.4	5.7	7.1
Relative to Target	-3.9	-3.1	-2.0
Funding Target	4.4	4.3	4.3
Relative to Funding Target	4.1	-1.7	0.8

As demonstrated in the table, over twelve months the Fund delivered a positive absolute return of +8.50%, although this was below benchmark.

The dominant contributors to performance were the strong returns of Global Equities and Fixed Income in absolute terms; offset by negative contribution from Index-Linked Gilts.

Whilst Global Equities delivered strong absolute returns, Border to Coast underperformed against their benchmark, whilst CBRE also underperformed versus their inflation-plus benchmark. Fixed Income investments with Border to Coast performed strongly against their benchmark.

Over the rolling 3 year period the Fund delivered +2.7% p.a. compared to +4.3% p.a. for the benchmark, whilst over 5 years the Fund returned +5.10% p.a.; ahead of the actuarial funding target rate of return of 4.3% p.a. Over 10 years, the Fund has returned +6.3% p.a. well ahead of the actuarial funding target of 4.6% p.a.

BCPP is responsible for the manager selection of most of Durham’s assets, with only Global Bonds, Property managed by external legacy managers selected in the past by the Fund.

Investment Managers’ Performance

The following tables show performance for each of the Pension Fund’s investment managers in turn. In all cases the manager’s benchmark and performance target are shown and the benchmark figures quoted include the out-performance objective.

AB

AB manages a global bonds portfolio. It is important to note that the objective for this portfolio, and therefore its composition, is quite different from the matching bonds portfolio and this is reflected in the benchmark index.

The Fund’s bonds made a positive return of +7.1% over the year, compared to the SONIA +3% target return of +8.2%.

Compared to the Global Bonds fund’s cash-plus benchmark, performance is below target. Relative to the market in which it invests however, AB’s returns are in line with market expectations.

Currency GBP	2023/24	3 years Performance (%)	5 years Performance (%)	Since inception February 2008 Performance (%)
AB	7.10	1.23	1.67	2.97
3 Month GBP SONIA +3% pa	8.17	5.53	4.76	4.27
Relative Performance	-1.07	-4.30	-3.08	-1.31

Border To Coast Pension Partnership (BCPP)

The BCPP Global Equity Alpha Fund underperformed target and benchmark over the last year, despite strong absolute returns. Performance over twelve months and three years was below the benchmark, and consequently below the outperformance target. Over the year, Global Equity Alpha returned

+18.4%, compared to benchmark returns of +20.6%. Over three years Global Equity Alpha has returned +9.7% p.a. versus benchmark returns of +10.2 p.a.%.

The fortunes for the UK index linked market had a negative impact on overall Fund performance. The BCPP Index linked bond fund could not escape this, but it's positioning and allocation to corporate linkers enabled it to slightly outperform over the year. The fund had negative returns of -11.4%, outperforming benchmark returns of -11.9%.

MAC meanwhile has much lower interest rate sensitivity than UK Index linked Gilts hence the fund's better absolute returns over twelve months. MAC's strong absolute returns also compared favourably to the cash plus benchmark. MAC returned +9.4% in the year against the benchmark +8.7%.

The BCPP Listed Alternatives fund underperformed its benchmark over the year, however, the fund's investment universe differs significantly from that of its benchmark. As a result, the performance of the fund may diverge materially from that of its benchmark over short time periods. The Listed Alternatives Fund had a positive absolute return of +11.5% in the year, against +20.6% benchmark.

The pace of drawdowns of commitments to Private Markets has been consistent with BCPP's deployment plan over the last 12 months. Early indications of performance in all asset classes is positive, with preliminary IRR in line with expectations, but it remains too early to make any meaningful comments about the performance of the BCPP private markets programme.

Currency GBP	2023/24	3 years Performance (%)	5 years Performance (%)	Since inception* Performance (%)
BCPP – Global Equity Alpha Fund	18.38	9.70	n/a	11.51
MSCI AC World index +2% pa	22.79	12.22	n/a	13.54
Relative Performance	-4.41	-2.52	n/a	-2.03
BCPP – Sterling Indexed Linked Bonds	-11.42	-17.51	n/a	-16.28
FTSE Index Linked 15+ Yrs +0.02%	11.84	-17.66	n/a	-16.50
Relative Performance	0.42	0.15	n/a	0.21
BCPP Listed Alternative Fund	11.34	n/a	n/a	1.20
MSCI ACWI	21.18	n/a	n/a	9.56
Relative Performance	-9.84	n/a	n/a	-8.36
BCPP Multi Asset Credit Fund	9.36	n/a	n/a	0.18
SONIA +3%	8.17	n/a	n/a	6.06
Relative Performance	1.19	n/a	n/a	-5.88
BCPP Investment Grade Credit**	n/a	n/a	n/a	9.94
iBoxx £ Non Gilts +0.6%	n/a	n/a	n/a	9.80
Relative Performance	n/a	n/a	n/a	0.14

BCPP Emerging Markets Equity**	n/a	n/a	n/a	7.20
MSCI Emerging Markets ND	n/a	n/a	n/a	9.29
Relative Performance	n/a	n/a	n/a	-2.09

*Inception Dates:

- Global Equity Alpha Fund – October 2019
- Sterling Indexed Linked Bonds – October 2020
- Multi Asset Credit Fund – October 2021
- Listed Alternatives Fund – February 2022
- Investment Grade Credit – June 2023
- Emerging Markets Equity – July 2023

** as the investment commenced during 2023/24 there are no full-year performance number yet available. Inception to date returns represent less than one full year's performance.

CB Richard Ellis Investors (CBRE)

CBRE manages the global real estate portfolio. The mandate is subdivided into listed and unlisted holdings.

The performance of property is better measured over longer timeframes than annually because of the high transaction costs and the illiquid nature of the asset class. Additionally, the sharp uptick in RPI has resulted in an outsized under-performance against the benchmark. CBRE's performance relative to the market and currency movements however, is broadly in line with expectation. Over 10 years the combined CBRE portfolio has achieved a total return of +6.3% p.a. versus the RPI + 5% benchmark return of +9.2% p.a.

Currency GBP	2023/24	3 years Performance (%)	5 years Performance (%)	Since inception in February 2008 Performance (%)
CBRE – Unlisted	-0.91	2.77	3.73	3.97
Headline RPI +5% pa	9.27	13.59	10.95	8.81
Relative Performance	-10.18	-10.82	-7.22	-4.84
CBRE – Listed	7.96	6.20	4.54	5.89
Headline RPI +5% pa	9.29	13.60	10.95	8.81
Relative Performance	-1.33	-7.40	-6.41	-2.92

LGPS Asset Pooling

On 1 November 2016 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force. These regulations and the associated statutory guidance require all of the Local Government Pension Scheme Funds (LGPS) in England and Wales to combine their assets into a small number of investment pools.

Under the regulations each LGPS administering authority must formulate and publish, having taken proper advice, an investment strategy. That investment strategy must include the administering authority's approach to pooling investments including the use of collective investment vehicles, and must be in accordance with guidance issued by the Secretary of State. The Investment Strategy is available online at <https://www.durham.gov.uk/lgps> .

The Guidance stated that each LGPS administering authority must commit to a suitable pool to achieve benefits of scale and confirm their chosen investment pool meets the Investment Reform and Criteria issued in November 2015. The Secretary of State has direction and intervention powers if not satisfied that an administering authority is complying with its obligations in relation to the regulations.

The Secretary of State approved the Border to Coast Pensions Partnership ('Border to Coast') as meeting the requirements of the Investment Reform and Criteria document by letter dated 12 December 2016. At its meeting on 22 February 2017, the County Council agreed to become a member of Border to Coast and adopt its arrangements.

Border to Coast Pension Partnership ('Border To Coast')

Border to Coast was created in 2017 as a wholly owned private limited company registered in England and Wales, authorised and regulated by the Financial Conduct Authority (FCA) as an alternative investment fund manager (AIFM). BCPP has 11 equal shareholders who are the administering bodies of the following 11 partner Funds:

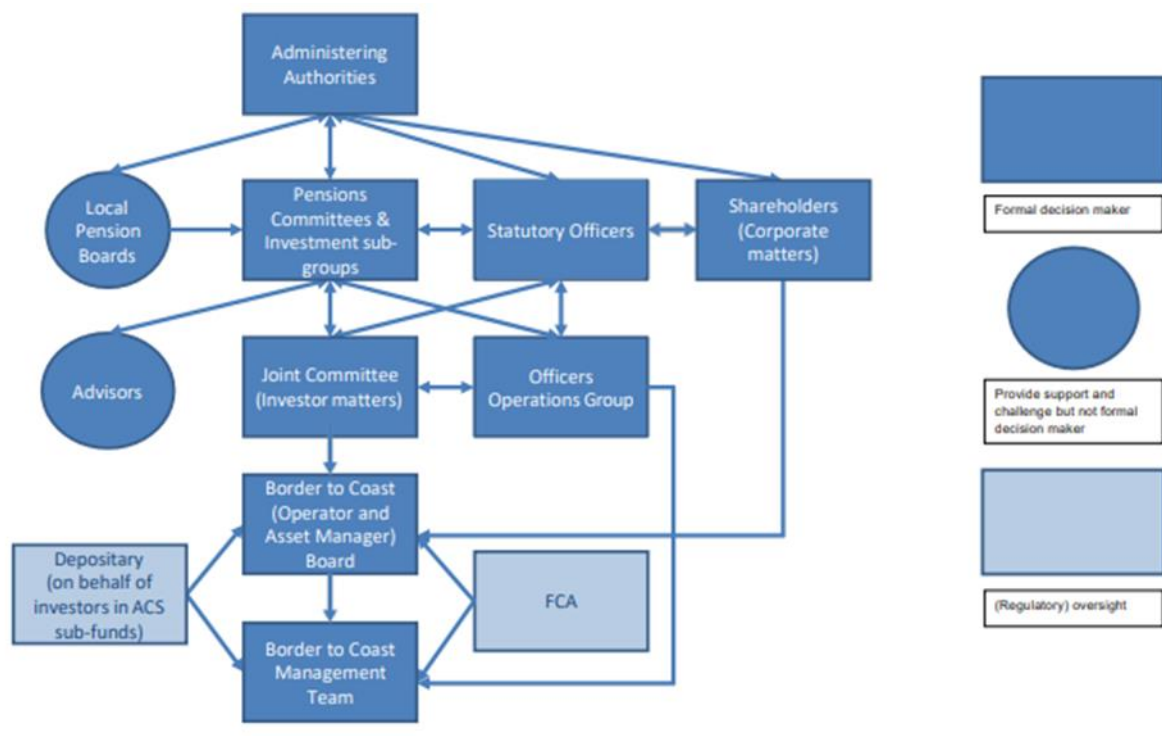
- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- South Yorkshire Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

The partner Funds submitted their proposal to Government on 15th July 2016 and have received written confirmation from the Secretary of State to confirm that the proposal meets the criteria laid down in the guidance issued in November 2015 and set out below:

- a) Asset pool(s) that achieve the benefits of scale;
- b) Strong governance and decision making;
- c) Reduced costs and excellent value for money; and
- d) An improved capacity to invest in infrastructure.

Durham Pension Fund is represented by the Chair of the Pensions Committee or any other person nominated from time to time on the Joint Committee, Border to Coast's oversight body which will focus on investor issues of the partner funds, and in exercising voting rights at shareholder meetings.

The governance structure of Border to Coast is as follows:



Border to Coast will be responsible for managing investments in line with the investment strategy and asset allocation requirements as instructed by the Durham County Council Pension Fund and the other partner funds. While there will be some changes required from the current processes, much will remain as is, for example instead of overseeing a range of external managers, the Pension Fund Committee will oversee a range of sub-funds managed by Border to Coast. The Pension Fund Committee will therefore retain responsibility for setting the investment strategy and asset allocation of the Fund.

The key change is that responsibility for the appointment, monitoring and termination of investment managers will pass from the Pension Fund Committee to Border to Coast. It is generally accepted that over 80% of investment performance is driven by determining the investment strategy and asset allocation, rather than selecting investment managers to implement that strategy.

Border to Coast is an authorised investment fund manager, offering regulated products as an operator of an Authorised Contractual Scheme (ACS). Border to Coast is also a service provider to General Partners managing ten Scottish Limited Partnerships that provide Partner Funds access to Private Markets. During 2023/24 Border to Coast continued to build on the progress made since the company's launch with £52.3bn of Partner Fund assets now pooled (82% of collective AUM). At the 2024 LAPFF Investment Awards, BCPP won 'Pool Innovation Award' in addition to Equity Manager of the Year and Alternative Investment Manager of the Year at the Professional Pensions Awards 2023.

As at 31 March 2024 Border to Coast has £31.3 billion of assets under management within the ACS, and a further £15.6 billion of commitments to Private Markets.

It is Durham Pension Fund’s intention to invest its assets via Border to Coast as and when suitable sub-Funds become available. The key criteria for the Pension Fund’s assessment of a BCPP Ltd sub-funds will be as follows:

- that the sub-Fund enables access to an appropriate investment that meets the objectives and benchmark criteria set by the Pension Fund; and
- that there is financial benefit to the Pension Fund in investing in the sub-Fund offered by BCPP Ltd.

The Fund made its first investment through Border to Coast, which meet the criteria above, in 2019. The Fund transitioned £1.2 billion Global Equity holdings into the pool and began the development of a Private Market portfolio with commitments to BCPP across Private Equity, Infrastructure and Private Credit. During 2023/24 the Fund continued to provide capital to these Private Markets commitments. The Fund has continued to successfully transitioned legacy mandates into the Border to Coast pool, gaining exposure through BBPP to Emerging Markets Equity, Index Linked Gilts, Listed Alternatives, UK Corporate Bonds and MAC.

The Fund’s remaining assets will be invested into the BCPP pool as and when suitable investment solutions become available. Any assets not invested in BCPP Ltd will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

During the 2023/24 year, the Fund transitioned its Emerging Markets Equity mandate into the BCPP pool, meaning that all of the liquid assets in the Fund’s strategy are now pooled.

The table below is set out in the format required in the statutory guidance on the production of LGPS Annual Reports and shows in more detail which assets are either directly managed by Border to Coast (pooled), those over which the Pool exercises management oversight, and those which are not pooled.

£m Asset values as at 31 March 2024	Pooled £m	Under pool management £m	Not pooled £m	Total £m
Equities (including convertible shares)	1,842.2	0.0	0.0	1,842.2
Bonds	548.8	0.0	186.0	734.8
Property	0.0	0.0	244.0	244.0
Multi-asset credit	564.5	0.0	0.0	564.5
Private equity	79.2	0.0	2.6	81.8
Private debt	64.8	0.0	0.0	64.8
Infrastructure	106.2	0.0	0.0	106.2
Derivatives	-0.7	0.0	0.0	-0.7
Cash and net current assets	0.0	0.0	77.7	77.7
Total	3,204.9	0.0	510.3	3,715.2

The table below sets out the value of the above assets that are invested in the UK.

£m Asset values as at 31 March 2024	Pooled £m	Under pool management £m	Not pooled £m	Total £m
UK Listed Equities	144.8	0.0	0.0	144.8
UK Government Bonds	317.5	0.0	8.8	326.3
UK Infrastructure	18.2	0.0	0.0	18.2
UK Private Equity	10.0	0.0	211.7	221.7

Included in the table above are UK investments that match the aim of the Levelling Up Agenda. The Fund has allocated 5% of its investments, specifically to UK investments. These include UK Opportunities and UK Corporate Bonds via Border to Coast, plus and £18m commitment to Foresight, which is a regional, north-east based investment.

LGPS Pooling Savings

During 2020/21 Border to Coast worked with the Partner Funds to gather data, agree assumptions, and build a savings model and process that will enable consistent reporting against this key metric going forward. This supports one of the original objectives of pooling i.e. to reduce costs and deliver value for money. Savings from future launches are not included and the level of savings should grow over the long term as further funds are developed. The table below shows the updated position to 2023/24:

Year	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Total Set up and Operating Costs	(0.54)	(0.61)	(0.64)	(0.59)	(0.39)
Transition Costs	(1.08)	(0.04)	(0.24)	0.00	0.00
Total Fee Savings	0.68	2.61	4.17	5.90	6.31
Net Position	(0.94)	1.96	3.29	5.31	5.92
Cumulative Net Position	(1.54)	0.42	3.71	9.02	14.94

Over the period, 2016/17 to 2023/24, the Fund has benefitted from cumulative net savings of £14.94m, of which £5.92m was generated in 2023/24. The cumulative position, however, may be impacted in future years by the set-up costs associated with pooling Real Estate. Prior years' savings have been updated to reflect a move towards more consistent reporting of operating costs.

Scheme Administration Report

Durham County Council is the administering authority for the Durham County Council Pension Fund, and the scheme administration is the responsibility of the Corporate Director of Resources; the costs of administering the scheme are charged to the Pension Fund. A summary of all employers participating in the Fund is included on page 101, and an analysis of the Fund's membership is presented on page 105.

Resources staff assist the Corporate Director of Resources in his statutory duty to ensure that the Pension Scheme remains solvent and is administered effectively, adhering to the Local Government Pension Scheme Regulations in order to meet any current and future liabilities.

The Pensions Administration Team structure comprises 24.5 full time equivalent staff who provide a wide range of services including:

- administration of the affairs of Durham County Council Pension Scheme;
- calculation of pensions and lump sums for retiring members of the LGPS and provision of early retirement estimates;
- administration of new starters in the Scheme;
- calculation of service credit calculations, outgoing transfer value calculations and divorce estimates for the Scheme;
- collection of employee and employer contributions to be invested into the LGPS;
- preparation of the monthly pensions payroll;
- staffing and running the Pensions Helpline and email inbox;
- provision of annual benefit statements and deferred benefit statements;
- development and maintenance of the Pensions Administration System, online member and employer portals, and Fund website;
- production of newsletters for active and retired members;
- calculation of deferred pensions and refunds for early leavers;
- preparation of Pensions Fund Committee reports relating to benefits related issues;
- recovery of early release costs and recharges from employers;
- undertaking the annual pension increase exercise;
- calculation of widows and dependants benefits for retired and active members;
- dealing with the administration of in-house AVCs and APCs;
- working with Pension Fund employers to assist them in understanding and managing the cost of participation in the LGPS;
- reporting data quality annually to the Pensions Regulator;
- liaison with the Actuary to provide information for the triennial valuation, annual accountancy disclosures and ad hoc costings for employers and prospective employers.

The Local Pension Board reviews the Pension Administration team's performance against a number of KPIs that measure the Fund's effectiveness in providing services to its scheme members. The performance against locally agreed KPIs for processes measured during 2023/24 is summarised in the tables below.

The updated guidance, issued in April 2024, for preparing the LGPS Fund Annual Report contains provisions for standardised performance indicators to be used across the LGPS in England and Wales. This guidance is the first publication which has been reviewed and jointly approved by the SAB's Compliance and Reporting Committee (CRC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (DLUHC). It replaces the 2019 guidance produced by the CIPFA Pensions Panel, which was disbanded in 2021.

The new guidance applies to 2023/24 annual reports which are due for publication by 1 December 2024, and later years. The guidance says that funds should use their best endeavours to comply with the requirements for 2023/24 but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. The new measures are being reported

to the Local Pension Board throughout 2024/25, with the intention that all measures are included in the 2024/25 Annual Report. Quarterly reporting against these measures is provide to the Local Pension Board, and is available online at <https://democracy.durham.gov.uk/ieListMeetings.aspx?Cid=1065&Year=0>. The LGPS Scheme Standard KPIs which can be measured for 2023/34 without disproportionate effort or cost are included in the tables below.

Durham County Council Pension Fund Local KPIs 2023/24

Category	Performance Indicator	Total Cases in 2023-2024	Performance Target	Performance 2023/2024	Performance 2022/23	Performance 2021/22
Retirements – Disclosure	Within two months of retirement provide a statement containing retirement benefit information.	850	100%	81.94%	82.61%	86.65%
Retirements – in Fund’s control	Within 10 days of receiving all required information provide a statement containing retirement benefit information.	850	100%	98.23%	98.47%	98.99%
Deferments - Disclosure	Within one month of being notified of a leaver, provide that member information as to the rights and options available.	1,376	100%	96.07%	95.91%	86.70%
Transfers Out – Disclosure	Within one month of a request, provide that member information as to the transfer rights and options available.	108	100%	100%	99.22%	-
Transfers Out – Quotation	Within three months of a request, provide	123	100%	93.00%	99.22%	-

	a quotation of the cash equivalent transfer value to which a member is entitled.					
Estimates	Within two months of a request, provide a statement of estimated pension entitlement online or in writing.	14,733	100%	100%	100%	-
Telephone Helpline	Calls from Scheme Members answered first time	13,846	100%	99.30%	99.40%	98.47%

Category	Performance Indicator	Total Registrations to date	Total Online Calculations Completed	Total Self-Service Online Changes	Secure Messages sent through Portal
Online Portal Since Launch	Total registrations and activity through Pension Online Portal	22,438	51,153	20,672	4,038

Category	Performance Indicator	Total Log ins during 2023/24	Individual members logging in during 2023/24
Online Portal in Year	Total logins through Pensions Online Portal	52,931	9,142

Category	Performance Indicator	Performance Target	Performance 2023/2024	Performance 2022/23	Performance 2021/22
Annual Benefit Statements	Statements made available online by 31 st August for active members known to the fund	100%	100%	100%	100%

LGPS Scheme Standard KPIs 2023/24

LGPS Scheme Standard Key Performance Indicators - Casework		Total Number of cases completed in year
A1	Deaths recorded of active, deferred, pensioner and dependent members	785
A2	New dependent member benefits	286
A3	Deferred member retirements	705
A4	Active member retirements	624
A5	Deferred benefits	1,366
A6	Transfers in (including interfunds in, club transfers)	224
A7	Transfers out (including interfunds out, club transfers)	189
A8	Refunds	554
A9	Divorce quotations issued	109
A10	Actual divorce cases	1
A11	Member estimates requested either by scheme member and employer	14,733
A11	New joiner notifications	567
A13	Aggregation cases	389

LGPS Scheme Standard Key Performance Indicators – Engagement with Online Portals		% as at 31 March
C1	% of active members registered	43%
C2	% of deferred members registered	27%
C3	% of pensioners and survivor members	30%
C4	% total of all scheme members registered for self service	34%
C6	% of all registered users that have logged onto the service in the last 12 months	35%

LGPS Scheme Standard Key Performance Indicators - Communication		Number in Year
C7	Total number of telephone call received in year	13,846
C8	Total number of online channel queries received (through Online portal, excludes emails)	1,139

C9	Number of scheme member events held in year (total of in-person and online)	8
C10	Number of employer engagement events held in year (in-person and online)	7
C12	Number of times a communication (i.e. newsletter) issued to each of: Active Members/Deferred members/Pensioners	1/1/1

LGPS Scheme Standard Key Performance Indicators - Administration		Number in Year
D1	Total number of all administration staff (FTE)	24.50
D3	Staff vacancy rate as %	0.0%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1:2,667
D5	Ratio of administration staff (excluding management) to total number of scheme members	1:3,187

LGPS Scheme Standard Key Performance Indicators – Annual Benefit Statements and Data Category		Current Year
E1	Percentage of annual benefit statements issued as at 31 August	100%
E3	Common data score	98%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	Actives: 0.2% Deferreds: 7.2% Pensioners: 0.08%

LGPS Scheme Standard Key Performance Indicators – Employer Performance		Current Year
E7	Percentage of employers* set up to make monthly data submissions	55.51%
E8	Percentage of employers* who submitted monthly data on time during the reporting period	55.51%
*% based upon proportion of scheme members represented by those employers		

The key pensions administration priority for 2023/24 was completion of the Fund's GMP Rectification exercise. Individual GMP values can often misalign with the values held by HMRC with discrepancies occurring both in terms of membership periods for which GMP accrued, and the GMP value itself. Following the conclusion of the reconciliation exercise, the Fund has commenced implementation of its approach to GMP Rectification. This work was brought to a conclusion in October 2023, with the Fund communicating with affected pensioners ahead of October pensions payroll. Individual overpayments were exacerbated by the April 2023 pensions increase of 10.10%. However, around 550 pensions in payment were adjusted and despite this higher than usual rate of inflationary increase,

83% of pensions changed by no more than £10 per month. The total amount of arrears paid to underpaid pensioners was c£41k whilst the total amount of overpayments written-off by the Fund was c£171k. Both the value of arrears and value of write offs compare favourably with initial modelling undertaken. The Pensions Team received a very low volume of telephone queries from impacted pensioners.

The Fund has continued to strengthen its governance arrangements and, following consultation with both the Pension Fund Committee and Local Pension Board, formalised a Training Policy for members of the Fund's governance bodies. The Policy builds on the extensive training already undertaken by members of these bodies, bringing together activity into a unified approach. The Fund's approach to training will be reviewed during 2024/25 to inform an annual review of the Policy.

The administration team has continued to develop technological enhancements during 2023/24. The Team has continued to develop its web-based communication platform for scheme employers. A number of scheme employers utilise the platform to run benefit estimates, allowing those employers to see the cost of allowing an employee to access benefits early on redundancy or business efficiency grounds. The Team has also rolled out secure information exchange for employers, replacing many paper forms. Major work is in train to overhaul the Fund's employer portal, with preparations underway ahead of installation and launch in 2023/24.

The Fund strengthened its AVC arrangements by supporting the introduction of Share Cost Salary Sacrifice AVCs by a number of Fund employers, including Durham County Council. The arrangements benefits both scheme members and employers through National Insurance savings.

During 2023/24 Annual Benefit Statements were made available to members through the Fund's online portal. The portal provides a range of services to members, who are able to access their own pension record online and run estimates of retirement benefits. Scheme members can view and amend Nomination details as well as the personal details held by the Fund. As at March 2024, 22,438 members had registered for the Portal, 51,153 online estimates had been carried out, and 20,672 changes had been transacted online.

The Pension Fund Accounting Team of 4.3 full time equivalent staff support to the provisions of accounting and investment related activities for the Fund, including:

- preparation of the Pension Fund Accounts for inclusion in Durham County Council's Statement of Accounts;
- preparation of the Annual Report and Accounts of the Pension Fund;
- liaison with External and Internal Audit;
- day-to-day accounting for the Pension Fund;
- completion of statistical and financial returns for Government and other bodies ;
- co-ordination of the production of FRS102/ IAS19 information for employers;
- preparation of Pension Fund Committee reports relating to investments and accounting issues;
- co-ordination of reports for quarterly Pension Fund Committee meetings and the Pension Fund's Annual Meeting;
- liaison with Investment Managers, Advisers and Actuary;
- appointment of Investment Managers, Advisers and Actuary;
- monitoring and review of Investment Managers, Advisers and Actuary;

- preparation of the Investment Strategy Statement and Funding Strategy Statement;
- allocation of cash to Investment Managers;
- rebalancing of Investment Managers' portfolios to their target asset allocations;
- investment of the Fund's surplus cash balances;
- reconciliation of all Managers' purchases, sales and dividends received

Internal Dispute Resolution Procedure

The Pensions Advisory Service offers a free service to all members of the Fund who have problems with their pensions. There are set procedures in the Local Government Pension Scheme Regulations for dealing with disputes about the pension scheme, namely the Internal Dispute Resolution Procedure. Under this procedure initial queries should be referred to the employing body or the administering authority's Pension Administration Team, who should be able to explain the reasons behind any decision made.

Following this, if a complainant has a dispute, the first stage of appeal is to refer it to the adjudicator (currently an independent Pensions Officer from another Local Authority Pension Fund). If still not satisfied after that, the complaint must be referred to the administering authority in writing as a second stage appeal. A further referral is available to The Pensions Advisory Service (TPAS) and then the Pensions Ombudsman.

The following table summarises the number of disputes made through the Fund's internal dispute resolution procedure at each stage of appeal:

Appeals Stage	2021-22	2022-23	2023-24
First Stage Appeals	10	7	17
Upheld	3	1	1
Declined	7	5	13
Ongoing	0	1	3
Second Stage Appeals	0	3	0
Upheld	0	4	0
Declined	0	0	1
Ongoing	2	1	2

Statement of the Actuary for the year ended 31 March 2024

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Durham County Council Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £3,606.2 M) covering 98% of the liabilities.
2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 30 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	18.9%	19.1
2024	18.9%	2.7
2025	19.0%	2.8

The high contribution in the year from 1 April 2023 is due to Durham County Council paying part of their deficit contributions that would otherwise have been due over the three year period in a single lump sum.

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	4.40% p.a.
Discount rate for periods after leaving service	
Scheduled body and subsumption funding target *	4.40% p.a.
Intermediate funding target	3.95% p.a.
Ongoing orphan funding target	1.30% p.a.
Rate of pay increases	3.3% p.a.
Rate of increase to pension accounts **	2.3% p.a.
Rate of increases in pensions in payment ** (in excess of Guaranteed Minimum Pension)	2.3% p.a.

* The secure scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

** In addition, a 5% uplift has been applied to the past service liabilities on the scheduled body and subsumption and intermediate funding targets to make allowance for short-term inflation above the long-term assumption.

In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.1	24.3
Current active members aged 45 at the valuation date	23.4	25.4

Further details of the assumptions adopted for the valuation, including the other demographic assumptions, are set out in the actuarial valuation report.

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 30 March 2023. Other than as agreed or otherwise permitted or required by the

Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

- 8.** This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Durham County Council, the Administering Authority of the Fund, in respect of this Statement.
- 9.** The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:

[Durham CC Pension Fund - 2022 Actuarial Valuation Report - Final](#)

Aon Solutions UK Limited
April 2024

Governance Compliance Statement

Durham County Council is the Administering Authority for the Durham County Council Pension Fund.

The Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the Fund's scheme of delegation and the terms of reference, structure and operational procedures of the delegation, and the extent of its compliance with 2008 statutory guidance issued by the Secretary of State (CLG) and the provisions of regulation 55 of the Local Government Pension Scheme Regulations 2013.

The following sections set out the principles of governance as prescribed in the guidance and describe the Fund's current arrangements for compliance.

Principle A – Structure: Fully compliant

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
- b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

The constitution of the Council delegates to the Pension Fund Committee "powers and duties arising from Section 7 of the Superannuation Act 1972 and Regulations made thereunder" regarding the administration of the Scheme and investment of funds, including:

1. Approval of applications from bodies seeking admission to the Local Government Pension Scheme;
2. Appointment of external investment managers and advisers

The following function is delegated to the Corporate Director of Resources by the Council:

"To take all necessary actions of a routine nature to properly administer the financial affairs of the Council including ... the Council's functions as a pension fund administering authority under the Superannuation Act 1972 and associated regulations."

The structure of the Pension Fund Committee was reviewed in December 2008 and revised with effect from 1 April 2009 to reflect the composition of Durham County Council as a unitary authority from that date. The structure of the Pension Fund Committee is as follows:

Body / category of bodies represented	Number of Committee Members
Durham County Council	11
Darlington Borough Council	2

Colleges	1
Scheduled Bodies	1
Admitted Bodies	1
Active Members	1
Pensioners	1
Total	18
(non-voting union observers)	2

The Terms of Reference of the Committee is available at www.durham.gov.uk/lgps . A secondary committee or panel has not been established due to the full extent of representation on the Committee.

The Local Pension Board is established by Durham County Council and will be governed by Durham County Council's Constitution. The Board was established on 1 April 2015 under Regulations 105 to 109 of the Local Government Pension Scheme Regulations 2013 (as amended) and operates independently of the Pension Fund Committee.

The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- b) To ensure the effective and efficient governance and administration of the Scheme.

The Board consists of six voting members of which three represent Scheme Members and three represent Scheme Employers, and there shall be an equal number of Member and Employer representatives. The Board appoints a chair from its membership.

All members of the Board must declare on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

Knowledge and understanding must be considered in the light of the Board's purposes as set out above. The Board shall establish and maintain a record of training to address the knowledge and understanding requirements that apply to Board members under the Regulations.

The Board meets four times each year and may hold additional meetings if agreed by the Board. The quorum for each meeting is one Scheme Member representative and one Scheme Employer representative. A meeting that becomes inquorate may continue but any decisions will be non-binding.

The Chair shall agree with the Monitoring Officer (the 'Board Secretary') an agenda prior to each meeting which, together with supporting papers, will be issued at least five working days (where practicable) in advance of the meeting to all members of the Board. The Board meetings can be open to the general public.

The Administering Authority may meet the expenses of Board members as agreed by the Corporate Director of Resources in consultation with the Leader and Deputy Leader of the Council. The Administering Authority shall not pay allowances for Board members.

The Board should in the first instance report its requests, recommendations or concerns to the Pension Fund Committee. In support of this, any member of the Board may attend a Committee meeting as an observer.

The detailed terms of reference of the Local Pension Board may be found on the Council's website www.durham.gov.uk/article/6164/Durham-County-Council-Pension-Fund-Local-Pension-Board.

Principle B – Representation: Fully compliant

- a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
 - i. employing authorities (including non-scheme employers e.g. admitted bodies);
 - ii. scheme members (including deferred and pensioner scheme members),
 - iii. where appropriate, independent professional observers,
 - iv. expert advisers (on an ad-hoc basis).
- b) That where lay members sit on a main or secondary committee they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

The allocation of members to the Committee broadly reflects the number of active members, pensioners and deferred pensioners each of the larger employers has within the Fund.

The two Trade Union representatives are invited as observers.

The Committee does not consider it appropriate to appoint an independent professional observer to the Committee but these governance arrangements have been independently audited by Peter Scales of MJ Hudson Allenbridge on behalf of the Committee.

Investment Consultancy is provided to the Fund by Mercer, and the Committee has appointed Anthony Fletcher of MJ Hudson Allenbridge to provide independent investment advice.

All members of the Committee, union observers and independent advisers are given full access to papers and are allowed to participate in meetings.

Principle C – Selection and role of lay members: Fully compliant

- a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.
- b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

The representatives from Durham County Council and Darlington Borough Council are appointed by decisions of the respective councils.

The representatives of the Colleges, other Statutory Bodies, and Admitted Bodies are selected by the Committee from nominations made by the employers and appointed for a period of 4 years.

The two scheme member representatives are selected by the Committee from applications received from the membership following advertisement in the newsletter - one from active scheme members and one from pensioner members.

All Committee members are made fully aware of their role and functions as set out in the terms of reference for the Committee and other documentation.

Applicants from the scheme membership are provided with an information pack setting out the duties and responsibilities of a Pension Fund Committee Member together with a description of the type of individual qualities and experience seen as essential or desirable for the role.

All members are also made aware that as well as having legal responsibilities for the prudent and effective stewardship of the Fund, in more general terms they have a clear fiduciary duty to participating employers, local taxpayers and scheme beneficiaries in the performance of their responsibilities.

There is a standing agenda item at the start of each meeting inviting members to declare any financial or pecuniary interest related to specific matters on the agenda. The register of Members' interests is available online at www.durham.gov.uk.

Principle D – Voting: Fully compliant

- a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

All members appointed to the Committee have voting rights.

Union observers and advisers do not have voting rights as they do not act as formal members of the Committee.

Principle E - Training/Facility Time/Expenses: Fully compliant

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.
- c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

The Committee has established a policy on training, facility time and reimbursement of expenses which applies to all members of the Committee.

Consideration has been given to the adoption of annual training plans and the maintenance of a log of all such training undertaken. The Committee receives specific training before making investment decisions. The training requirements of individual Committee Members is informed by Member self-assessment.

A summary of key training undertaken in the year by the Fund is summarised on page 46.

Principle F – Meetings (frequency/ quorum): Fully compliant

- a) That an administering authority's main committee or committees meet at least quarterly.
- b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

- c) That an administering authority which does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

The Pension Fund Committee meets four times a year and occasionally holds special meetings when required. The Pension Fund Committee also holds an Annual General Meeting each year to which all employers are invited. The quorum for each regular meeting of the Committee is 5.

Attendance at Committee Meetings during the year is summarised on page 45.

Principle G – Access: Fully compliant

- a) That subject to any rules in the council’s constitution all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

All members of the Committee have equal access to committee papers, documents and advice to be considered at each meeting. Public documents are posted on the website.

Principle H – Scope: Fully compliant

- a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

As set out in the terms of reference, the Committee regularly considers “wider issues” and not just matters relating to the investment of the Fund.

Principle I – Publicity: Fully compliant

- a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

The Governance Compliance Statement is distributed to all employers, is reproduced in the Annual Report, and is published on the Council’s website. The appointment of member representatives was advertised to all members for them to express an interest.

Approved by the Pension Fund Committee

14 March 2024

Governance Compliance Statement – Summary of Pension Fund Committee Attendance

Attendance at Pension Fund Committee in the year, 2023/24.

	Voting Rights	June 2023	September 2023	December 2023	March 2024
D Sutton-Lloyd (Chair)	Yes	Yes	Yes	Yes	Yes
M Stead (Vice-Chair)	Yes	Yes	Yes	Yes	Apologies
M Abley (until July 2023)	Yes	Absent	n/a	n/a	n/a
J Atkinson	Yes	Yes	Yes	Yes	Apologies
K Earley	Yes	Yes	Absent	Yes	Yes
C Fletcher	Yes	Apologies	Yes	Apologies	Yes
D Freeman	Yes	Yes	Yes	Yes	Apologies
B Kellett	Yes	Yes	Yes	Yes	Yes
J Quinn (from July 2023)	Yes	n/a	Yes	Yes	Yes
J Shuttleworth	Yes	Yes	Yes	Yes	Yes
W Stelling	Yes	Yes	Yes	Absent	Absent
C Varty	Yes	Absent	Absent	Yes	Yes
R Baker (DBC) (from July 2023)	Yes	n/a	Apologies	Absent	Apologies
M Porter (DBC) (from July 2023)	Yes	n/a	Yes	Apologies	Yes
A Broadbent	Yes	Apologies	Yes	Yes	Apologies
A Delandre	Yes	Apologies	Apologies	Yes	Yes
J Taylor	Yes	Apologies	Yes	Yes	Yes

Governance Compliance Statement – Training Review

Key training undertaken by the Committee in the year, 2023/24.

Date	Event	Member Attendees	Officer Attendees
June 2023	Quarterly Investment Strategy Review	8	3
June 2023	Quarterly Markets Update	8	3
June 2023	Quarterly Pooling Update	8	3
June 2023	BCPP ESG Review	8	3
September 2023	Quarterly Investment Strategy Review	12	3
September 2023	Quarterly Markets Update	12	3
September 2023	Quarterly Pooling Update	12	3
September 2023	BCPP Real Estate Update	12	3
September 2023	BCPP Investment Seminar	6	
September 2023	BCPP Annual Conference 2023	7	3
November 2023	Responsible Investment Workshop	1	1
November 2023	Presentation of the Fund Actuary	15	3
November 2023	Annual Markets Review	15	3
November 2023	BCPP Annual Review	15	3
November 2023	Annual Report & LGPS Scheme Update	15	2
November 2023	Private Markets Seminar	14	2
November 2023	UK Opportunities Workshop	14	2
November 2023	Climate Scenario Analysis	14	2
December 2023	Quarterly Investment Strategy Review	12	3
December 2023	Quarterly Markets Update	12	3
December 2023	Quarterly Pooling Update	12	3
December 2023	Pooling CEO Strategic Update	12	3
January 2024	LGPS Governance Conference 2024		1
February 2024	Private Markets Seminar	8	1
February 2024	UK Opportunities Workshop	8	1
February 2024	Climate Opportunities Workshop	8	1
March 2024	Quarterly Investment Strategy Review	10	3
March 2024	Quarterly Markets Update	10	3
March 2024	Quarterly Pooling Update	10	3
March 2024	BCPP Private Markets Update	10	3
March 2024	LGC Investment Seminar		1



Independent Review Of Governance Arrangements

I have undertaken an independent review of the Governance Compliance Statement and other statutory statements relating to the investment and administration of the Durham County Council Pension Fund.

In my opinion, the Pension Fund is compliant with the statutory requirements for the publication and review of a Governance Compliance Statement and, overall, the Pension Fund Committee demonstrates a good standard of governance in the operation of its responsibilities.

I am also satisfied that the Pension Fund complies with the statutory requirements relating to the publication of policy statements, e.g. the Funding Strategy Statement, the Investment Strategy Statement, details of which are reviewed by the Local Pension Board.

In my review I referred to initiatives being developed nationally, e.g. Government guidance on pooling and responsible investment, the Good Governance review, which are likely to change the current regulatory framework. Progress has been delayed due to the working restrictions put in place nationally in response to the Coronavirus epidemic, but progress should be expected over the coming year.

My conclusion is that the arrangements now in place for the Pension Fund regarding independent advice and review provide a robust basis for the Committee to maintain its governance standards in an efficient and effective manner.

Peter Scales
Senior Adviser
MJ Hudson Allenbridge

11th May 2020

Independent auditor's statement to the members of Durham County Council on the Pension Fund financial statements included within the Durham County Council Pension Fund annual report.

Report on the audit of the financial statements

Opinion on the financial statements of Durham County Council Pension Fund

We have audited the financial statements of Durham County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Corporate Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Corporate Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Corporate Director of Resources for the financial statements

As explained more fully in the Statement of the Corporate Director of Resources' Responsibilities, the Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Corporate Director of Resources is also responsible for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Corporate Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Corporate Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the members of Durham County Council, as a body and as administering authority for the Durham County Council Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Outterside, Key Audit Partner
For and on behalf of Forvis Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

29 November 2024

Fund Account

Dealings With Members, Employers and Others Directly Involved in The Fund

2022-23			2023-24	
£000	£000	Notes	£000	£000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE FUND				
-131,120		Contributions Receivable	8	-157,489
-9,410		Transfers in from Other Pension Funds		-11,661
-4		Other Income		-3
	-140,534			-169,153
144,687		Benefits Payable	9	162,390
8,866		Payments to and on Account of Leavers	10	13,985
	153,553			176,375
	13,019	Net Withdrawals /(Additions) from Dealings with Members, Employers and Others		7,222
	13,297	Management Expenses	11	4,908
	26,316	Net Withdrawals /(Additions) Including Fund Management Expenses		12,130
RETURN ON INVESTMENTS				
-20,288		Investment Income	12	-19,258
-		Taxes on Income		24
170,000		Profit and Losses on Disposal of Investments and Change in Value of Investments	14	-289,694
	149,712	Net Return on Investments		-308,928
	176,028	NET (INCREASE)/DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR		-296,798

Net Assets Statement

31 March 2023		31 March 2024		
£000	£000	Notes	£000	£000
INVESTMENT ASSETS				
243,968		Equities	14	3,742
3,109,345		Pooled Investment Vehicles	14	3,634,461
	3,353,313			3,638,203
27		Loans	14	17
		Other Cash Deposits:		
19,123		Fund Managers	14	38,102
54,074		Short Term Investments	14	28,766
1,478		Derivative Contracts	14	8
	74,702			66,893
	3,428,015			3,705,096
Other Investment Assets				
1,733		Dividend Accruals	14	197
265		Tax Recovery	14	285
298		Other Investment Balances	14	10,542
	2,296			11,024
3,430,311	Total Investment Assets			3,716,120
INVESTMENT LIABILITIES				
-		Derivative Contracts	14	-756
-		Other Investment Balances	17	-199
	-	Total Investment Liabilities		-955
3,430,311	NET INVESTMENT ASSETS			3,715,165
Current Assets				
10,142		Contributions Due from Employers	18	11,959
2,110		Other Current Assets	18	1,917
	12,252			13,876
Current Liabilities				
-18,577		Current Liabilities	17	-8,257
	-18,577			-8,257
3,423,986	NET ASSETS OF THE FUND AVAILABLE TO PAY BENEFITS AT 31 MARCH			3,720,784

The Pension Fund's accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the reported accounting period. The actuarial present value of promised retirement benefits, which does take account of such obligations, is disclosed in Note 23.

These accounts should therefore be read in conjunction with the information contained within this note.

1. Fund Operation and Membership

Durham County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) which is administered by Durham County Council. The council is the reporting entity for the Fund. The LGPS is a statutory scheme governed by the following legislation:

- Public Services Pensions Act 2013
- LGPS Regulations 2013 (as amended)
- LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- LGPS (Management and Investment of Funds) Regulations 2016

The Pension Fund Committee has responsibility delegated from Durham County Council to discharge the powers and duties arising from Section 7 of the Superannuation Act 1972 and Regulations made thereunder to ensure the effective stewardship of the Fund's affairs. The delegation is wide ranging and covers the management of all of the Fund's activities, including the administration and investment of funds. The Committee meets at least quarterly to assess performance and annually to consider wider matters.

The Corporate Director of Resources is responsible for the administration of the Fund. He is assisted by the Pensions Administration and Pension Fund Accounting teams in his statutory duty to ensure the Fund is administered effectively and remains solvent.

The Fund was established in 1974 to cover the future pension entitlement of all eligible employees of the County Council and former District Councils. The Fund excludes provision for teachers, police officers and firefighters for whom separate pension arrangements exist. A number of other scheduled and admitted bodies also participate in the Scheme.

The LGPS is a defined benefit occupational pension scheme to provide pension benefits for pensionable employees of participating bodies. On retirement contributors receive annual pensions and where applicable lump sum payments. Entitlement to these benefits arises mainly on the grounds of reaching retirement age and retirement through early retirement schemes or being made redundant. Contributors who leave and who are not immediately entitled to these benefits may have their pension rights transferred or preserved until reaching retirement age.

The following table provides a summary of contributing members, pensioners in payment and deferred pensioners over the last five years.

Year	2019/20	2020/21	2021/22	2022/23	2023/24
Contributing Members	20,901	21,340	22,141	23,139	23,902
Pensioners in Payment	20,109	20,652	21,346	22,200	23,123
Pensioners Deferred	16,420	16,595	17,244	17,970	18,308

In comparison to the figures reported at 31 March 2023, the number of pensionable employees in the Fund at 31 March 2024 has increased by 763 (3.30%), the number of pensioners has increased by 923 (4.16%) and deferred pensioners have increased by 338 (1.88%).

Contributions represent the total amounts receivable from:

- employing authorities (of which there were 111 at 31 March 2024), at a rate determined by the Fund's Actuary, and
- pensionable employees, at a rate set by statute.

The Fund's total benefits and contributions are summarised in the following table. Further detailed information is provided in Notes 9 and 8 accordingly.

2022-23			2023-24	
Benefits	Contributions		Benefits	Contributions
£000	£000		£000	£000
104,716	-72,554	Administering Authority	115,917	-94,509
31,075	-47,412	Scheduled Bodies	37,019	-10,978
8,897	-11,153	Admission Bodies	9,454	-52,002
144,688	-131,119		162,390	-157,489

2. Basis of Preparation

The Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The functions of the Pension Fund will continue in operational existence for the foreseeable future.

The financial statements summarise the transactions and the net assets of the Fund available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial valuations of the Fund, which do take account of such obligations, are carried out every three years.

The Actuary completed the most recent triennial valuation as at 31 March 2022, the results of which determined the contribution rates effective from 1 April 2023 to 31 March 2026. Details of the latest valuation are included in Note 22.

3. Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The Fund considers that the following amendments to the code will be considered from the 2024/25 accounting period.

1) IFRS 9 and IFRS 7 Financial Instruments

Related to the classification and measurement of financial instruments. Pension funds typically hold a variety of financial instruments, including equities, bonds, and derivatives, which fall within the scope of IFRS 9 and IFRS 7. The Fund already applies IFRS9 when disclosing its financial assets and financial liabilities in the accounts, as such there may be changes to disclosures required arising from the amendment to this standard.

The amendments cover four main changes:

- a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for derecognising some financial liabilities settled through an electronic cash transfer system;
- b) clarify and add further guidance for assessing whether a financial asset meets the sole payments of principal and interest (SPPI) criterion;
- c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement environment, social and governance (ESG) targets); and
- d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

2) IFRS 18 Presentation and Disclosure in Financial Statements

The IASB is proposing changes to the IFRS Accounting Taxonomy to reflect the changes to presentation and disclosure requirements arising from IFRS 18 Presentation and Disclosure in Financial Statements, issued in April 2024.

IFRS 18 supersedes IAS 1 Presentation of Financial Statements. IFRS 18 includes presentation and disclosure requirements that are new and requirements that have been carried forward from IAS 1.

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

4. Statement of Accounting Policies

Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these accounts. The accounts have been prepared on the accruals basis of accounting (except individual transfer values to and from the scheme, which are accounted for on a cash basis). The Fund has a policy of accruing for items of £10,000 or over, unless in exceptional circumstances.

Fund Account

Contributions receivable

Contribution income is categorised and recognised as follows:

- Normal contributions, from both members and employers, are accounted for on an accruals basis;
- Employers' augmentation contributions are accounted for in the year in which they become due;
- Employers' deficit funding contributions are accounted for in the year in which they become due in accordance with the Rates and Adjustment Certificate set by the actuary or on receipt, if earlier than the due date.

Transfers to and from other schemes

Transfer values represent amounts paid to or received from other local and public authorities, private, occupational, or personal pension schemes in respect of pension rights already accumulated by employees transferring from or to the participating authorities.

Individual transfer values paid and received are accounted for on a cash basis as the amount payable or receivable is not determined until payment is made and accepted by the recipient. Bulk (Group) transfers out and in are accounted for in full in the year in which the members' liability transfers, where the transfer value is agreed by Durham County Council Pension Fund. Where the transfer value has not been agreed in the year in which the member liability transfers, the transfer will be accounted for in full in the year in which the transfer value is agreed.

Pension benefits payable

Pension benefits are recognised and recorded in the accounting records and reported in the financial statements as an expense in the period to which the benefit relates. Any amounts due, but yet to be paid, are disclosed in the Net Assets Statement as current liabilities.

Management expenses

All management expenses, which include administrative expenses, investment management expenses and oversight and governance costs, are accounted for on an accruals basis.

All staffing and overhead costs of the pensions administration team are allocated to the Fund as administrative expenses.

Fees of the external Investment Managers and Custodian are agreed in the respective mandates governing their appointments. Note 11 provides further information regarding the basis of Investment Managers' fees. Where an Investment Manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of their mandate as at the end of the financial year is used for inclusion in the Fund Account.

Oversight and governance costs include costs relating to the Fund accounting team, which are apportioned on the basis of staff time spent on the Fund and include all associated overheads, plus legal, actuarial and investments advisory services.

Investment Income

Investment income is accounted for as follows:

- dividend income is recognised in the fund account on the date stocks are quoted ex-dividend;
- income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis using the effective interest rate of the financial instrument as at the date of acquisition;

- distributions from pooled investment vehicles and private markets are accounted for on an accruals basis on the date of issue;
- income from overseas investments is recorded net of any withholding tax where this cannot be recovered;
- accumulated profit income is reinvested within the pooled investments vehicle and reflected in both the unit price and the change in market value of the investment;
- foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rates applicable on the last working day in March, where amounts were still outstanding at the year end. Accrued income is first recognised on the transaction date, with any foreign exchange gain or loss recognised separately until settlement;
- changes in the net value of investments are recognised as income or expenditure and comprise all realised and unrealised profits/ losses during the year.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax would normally be accounted for as a fund expense as it arises, however when Investment Managers are not able to supply the necessary information, no taxation is separately disclosed in the Fund Account.

Net Assets Statement

Valuation of Investments

Investments are included in the accounts at their fair value as at the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All prices in foreign currency are translated into sterling at the prevailing rate on the last working day of March.

An investment asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes to the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- quoted equity securities and fixed interest securities traded on an exchange are accounted for at bid market price;
- index linked securities traded on an exchange are valued at bid market value;
- unitised managed funds are valued at the closing bid price if bid and offer prices are reported by the relevant exchange and in the Investment Manager's valuation report. Single priced unitised managed funds are valued at the reported price;
- unitised, unquoted managed property funds are valued at the most recently available net asset value adjusted for cash flows, where appropriate, or a single price advised by the fund manager;
- each of the partners in Border to Coast Pension Pool (BCPP) have an equal shareholding in BCPP which have been valued at cost i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shared held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured as to not make a profit. As at 31 March 2024, taking into

consideration the audited accounts for the company at 31 December 2023, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that costs remain an appropriate proxy for fair value at 31 March 2024. All investments managed by BCPP are valued at their fair value;

- investments in private equity funds, private credit funds and unquoted infrastructure funds are valued based on the fund's share of the net assets in the private equity fund, private credit fund or infrastructure fund using the latest financial statements published by the respective fund managers, adjusted for cashflows; and
- derivative contracts outstanding at the year-end are included in the Net Assets Statement at fair value (as provided by Investment Managers) and gains and losses arising are recognised in the Fund Account as at 31 March. The value of foreign currency contracts is based on market forward exchange rates at the reporting date. The value of all other derivative contracts is determined using exchange prices at the reporting date.

Where Investment Managers are unable to supply investment valuations in line with the above policies, valuations will be included as supplied by the Investment Manager, usually at mid-market price.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Contingent Assets and Liabilities

A contingent asset arises where an event has taken place that gives a possible asset which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Fund.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Assets Statement however details are disclosed in Note 21.

Investment Transactions

Investment transactions arising up to 31 March but not settled until later are accrued in the accounts. All purchases and sales of investments in foreign currency are accounted for in sterling at the prevailing rate on the transaction date.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26 the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (Note 23).

Additional Voluntary Contributions (AVCs)

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. In accordance with LGPS Regulations, AVCs are not recognised as income or assets in the Fund Accounts, however a summary of the scheme and transactions are disclosed in Note 19 to these accounts.

If, however, AVCs are used to purchase extra years' service from the Fund, this is recognised as contribution income in the Fund's accounts on an accruals basis.

Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

5. Critical judgements in applying accounting policies

The Code of Practice on Local Authority Accounting requires disclosure of judgements made by management that affect the application of accounting policies. The Fund can confirm it has made no such critical judgements during 2023/24.

6. Assumptions made about the future and other major sources of estimation uncertainty

The Fund Accounts contain estimated figures that are based upon assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Items for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual differs from assumptions
Fair Value of Investments	The Accounts are as at 31 March 2024 and all the investments held by the fund are valued as at that date using the best estimate possible of 'fair value', as detailed in 'Significant Accounting Policies - Valuation of Investments'..	The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments could reduce / increase in value during the 2024/25 reporting. The total value of Level 3 investments (explained in Note 15) is £446.445m at 31/03/24 (£397.493m at 31/03/23). This consists of the Fund's unlisted property holding, Private Equity and Private Infrastructure and Private Credit. In line with the market risk section within Note 16, there is a risk that the value of the Fund may reduce / increase during the 2024/25 reporting period by £66.314m at 31/03/24 (£59.899m at 31/03/23), which represents the potential market movement on the value of the above investments.

7. Events after the Reporting Period

There are no events after the reporting period to be disclosed separately in the Statement of Accounts in 2023/24.

8. Contributions Receivable

2022-23 £000		2023-24 £000
	Employer Contributions:	
-94,492	Normal	-103,437
-1,682	Augmentation	-2,568
-2,712	Deficit Funding	-18,353
	Refund of Exit Surplus	1,569
-32,233	Member Contributions	-34,700
-131,119		-157,489
-72,554	Administering Authority	-94,509
-47,412	Scheduled Bodies	-52,002
-11,153	Admission Bodies	-10,978
-131,119		-157,489

9. Benefits Payable

2022-23			2023-24	
£000			£000	
118,810		Pensions		132,765
26,894		Commutations and Lump Sum Retirement Benefits		28,963
2,758		Lump Sum Death Benefits		4,542
-3,774		Recharged Benefits		-3,880
144,688				162,390
104,716		Administering Authority		115,917
31,075		Scheduled Bodies		37,019
8,897		Admission Bodies		9,454
144,688				162,390

10. Payments to and On Account of Leavers

2022-23			2023-24	
£000			£000	
320		Refunds to Members Leaving Service		481
-		Payments for Members Joining State Scheme		-
8,546		Individual Transfers to Other Schemes		13,504
8,866				13,985

11. Management Expenses

Administration expenses include the cost of the administering authority in supporting the Fund.

Investment management expenses include any expenses in relation to the management of the Fund's assets. Investment manager fees are based on the value of assets under management. A performance related fee, derived from a base fee plus a percentage of out-performance, is paid to two of the Fund's investment managers; when applicable an ad-valorem fee is payable to the other managers.

Oversight and governance costs include costs relating to the Fund accounting team, plus legal, actuarial and investments advisory services.

2022-23			2023-24	
£000	£000		£000	£000
	1,034	Administration Expenses		1,351
		Investment Management Expenses		
3,925		Management Fees	2,717	
684		Performance Fees	-	
85		Custody Fees	61	
5,895		Transaction Costs	233	
	10,589			3,011
	1,674	Oversight and Governance Costs		546
	13,297			4,908

Included within oversight and governance costs is the external audit fee payable to Forvis Mazars LLP in 2023/24 of £0.112m (£0.022m in 2022/23). The 2023/24 audit fee includes £0.024m in fee variations relating to 2022/23). The statutory audit fee does not include fees chargeable to the Fund for work undertaken by Forvis Mazars at the request of employer auditors as this is fully rechargeable to the employers of whom the information is provided. Fees for this work in 2023/24 is £0.000m (£0.008m in 2022/23). No fees have been paid to Forvis Mazars in 2023/24 in respect of non-audit work.

12. Investment Income

2022-23 £000		2023-24 £000
-31	Interest from Bonds	-5,778
-7,421	Dividends from Equities	-4,004
-974	Interest on Cash Deposits	-3,446
-8,364	Income from Pooled Investment Vehicles	-10,431
-3,498	Income from Private Markets	4,401
-20,288		-19,258

13. Taxation

The Code requires that any withholding tax that is irrecoverable should be disclosed in the Fund Account as a tax charge, however as Investment Managers have not been able to supply information for the full year, no amount of irrecoverable withholding tax has been disclosed.

- **United Kingdom Income Tax**

The Fund is an exempt approved Fund under Section 1(1) Schedule 36 of the Finance Act 2004, and is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

- **Value Added Tax**

As Durham County Council is the administering authority for the Fund, VAT input tax is recoverable on most fund activities.

- **Foreign Withholding Tax**

Income earned from investments in stocks and securities in the United States, Australia and Belgium is exempt from tax. In all other countries dividends are taxed at source and, where the tax paid at source is greater than the rate of tax under the 'Double Taxation Agreement', the excess tax is reclaimable except in the case of Malaysia.

14. Investments

Analysis by Investment Manager

The following Investment Managers were employed during 2023/24 to manage the Fund's assets:

- AB (Formerly AllianceBernstein Limited)
- CB Richard Ellis Collective Investors Limited (CBRE)
- Mondrian Investment Partners Limited (Mondrian)

- Border to Coast Pension Partnership (BCPP)
- Foresight Regional Investment IV LP

Investments were held with Mondrian until July 2023, when all of the assets with Mondrian were transferred to BCPP, in line with the Fund’s Investment Strategy and asset allocation requirements.

Durham County Council is one of eleven equal partners in the Border to Coast Pension Partnership Ltd (BCPP) which has been formed as a result of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. These regulations require all Local Government Pension Scheme Funds (LGPS) in England and Wales to combine their assets into a small number of investment pools.

It is anticipated that all assets belonging to the Fund will be transferred to BCPP as and when BCPP launch investment funds which match our investment strategy and satisfy due diligence. BCPP will be responsible for managing investments in line with the Fund’s Investment Strategy and asset allocation requirements.

In line with the Fund's strategic asset allocation, as at 31 March 2024 the Fund had pooled Global Equities, Sterling Index-Linked Bonds, Multi-Asset Credit, Listed Alternatives, Emerging Markets Equities and UK Corporate Bonds, as well as commencing a Private Markets programme through BCPP.

The strategic asset allocation as at 31 March was as follows:

31 March 2023	Asset Class	31 March 2024
%		%
40.00	Global Equities	40.00
13.00	Global Property	10.00
10.00	Private Markets / Listed Alternatives	15.00
7.00	Emerging Market Equities	5.00
15.00	Multi-Asset Credit	15.00
15.00	Sterling Indexed Linked Bonds	10.00
0.00	UK Corporate Bonds	5.00
100.00		100.00

Although the strategic asset allocation was reviewed during 2023/24, the Fund holds assets that have yet to be transferred into BCPP as we await the required product launch. Due to the requirement to pool our assets, actual allocations vary from the strategic allocation.

The actual values of investments held by each Investment Manager as at 31 March were as follows:

31 March 2023				31 March 2024	
£000	%	Investment Manager	Asset Class	£000	%
<u>Investments managed by BCPP asset pool:</u>					
1,416,597	41.99		Global Equities	1,575,810	42.87
-	-		Emerging Markets Equity	182,704	4.97
55,931	1.66		Private Equity	79,165	2.15
49,307	1.46		Private Credit	64,799	1.76
407,005	12.06		Sterling Index Linked Bonds	371,004	10.09
-	-		UK Corporate Bonds	177,791	4.84
62,907	1.86		Infrastructure	85,421	2.32
516,144	15.30		Multi Asset Credit	564,466	15.36
154,480	4.58		Listed Alternatives	82,544	2.25
8,479	0.25		Climate Opportunities	20,757	0.57
2,670,850	79.16			3,204,461	87.18
<u>Investments managed outside of BCPP asset pool:</u>					
173,617	5.15	AB	Global Bonds	185,952	5.06
-28.00	-	BlackRock	Cash Only	-	-
281,138	8.33	CBRE	Global Property	281,402	7.66
244,750	7.25	Mondrian	Emerging Market Equities	-	-
1,182	0.04	BCPP	Unquoted UK Equity	1,182	0.03
2,405	0.07	Foresight	Private Equity	2,560	0.07
703,064	20.84			471,096	12.82
3,373,914	100.00			3,675,557	100.00

The totals in the above table include all assets held by Investment Managers on behalf of the Fund, including cash and derivatives. The total as at 31 March 2024 excludes loans of £0.017m, cash invested by the administering authority of £28.766m, other investment assets of £11.024m and other investment liabilities of £0.199m (£0.027m, £54.074m, £2.296m and NIL respectively as at 31 March 2023). Of the total value of net investment assets reported in the Net Assets Statement as at 31 March 2024, £3,676m (98.93%) is invested through Investment Managers (£3,374m or 98.74% at 31 March 2023).

Reconciliation of Movements in Investments 2023/24

Investment Category	Value at 31 March 2023	Reclassification	Purchase s and Derivative Payments	Sales and Derivative Receipts	Change in Market Value	Value at 31 March 2024
	£000	£000	£000	£000	£000	£000
Equities	243,968	-	13,078	-245,550	-7,754	3,742
Pooled Investment Vehicles	3,109,345	-	486,009	-253,915	293,022	3,634,461
	3,353,313	-	499,087	-499,465	285,268	3,638,203
Derivative Contracts:						
Forward Foreign Currency	1,478	-	6,141	-18,369	10,002	-748
	3,354,791	-	505,228	-517,834	295,270	3,637,455
Other Investment Balances:						
Loans	27					17
Other Cash Deposits	73,197				-5,576	66,868
Dividend Accruals	1,733					197
Tax Recovery	265					285
Other Investment Balances	298					10,343
Net Investment Assets	3,430,311				289,694	3,715,165

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Reconciliation of Movements in Investments 2022/23

Investment Category	Value at 31 March 2022	Reclassification	Purchase s at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2023
	£000	£000	£000	£000	£000	£000
Equities	240,159	-	56,857	-48,040	-5,008	243,968
Pooled Investment Vehicles	3,289,424	-	315,800	-334,320	-161,559	3,109,345
	3,529,583	-	372,657	-382,360	-166,567	3,353,313
Derivative Contracts:						
Futures, Margins & Options	-	-	-	-	-	-
Forward Foreign Currency	-1,504	-	27,406	-21,433	-2,991	1,478
	3,528,079	-	400,063	-403,793	-169,558	3,354,791
Other Investment Balances:						
Loans	193					27
Other Cash Deposits	65,346				-442	73,197
Dividend Accruals	1,296					1,733
Tax Recovery	204					265
Other Investment Balances	-1,764					298
Net Investment Assets	3,593,354				-170,000	3,430,311

Purchases and sales of derivatives are recognised in the Reconciliation of Movements in Investments tables as follows:

- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a net basis as net receipts and payments.

Analysis of Investments

Assets Invested Through Fund Managers & Pool

31 March 2023			31 March 2024	
£000	£000		£000	£000
ASSETS INVESTED THROUGH FUND MANAGERS & POOL				
	243,968	Equities		3,742
Pooled Investment Vehicles				
1,096,766		Bonds	1,299,213	
1,571,076		Equities	1,841,058	
264,879		Property	244,048	
62,907		Infrastructure	85,421	
49,307		Private Credit	64,799	
55,931		Private Equity	79,165	
8,479		Climate Opportunities	20,757	
	<u>3,109,345</u>			<u>3,634,461</u>
Derivative Contracts				
1,478		Assets	8	
-		Liabilities	-756	
	<u>1,478</u>			<u>-748</u>
	<u>19,123</u>	Fund Managers' Cash		<u>38,102</u>
3,373,914		NET ASSETS INVESTED		3,675,557
OTHER INVESTMENT BALANCES				
54,074		Short Term Investments (via DCC Treasury Management)	28,766	
27		Loans	17	
2,296		Other Investment Assets	11,024	
-		Other Investment Liabilities	-199	
	<u>3,430,311</u>	NET INVESTMENT ASSETS		<u>3,715,165</u>

Analysis of Derivatives

Objectives and policies for holding derivatives.

Derivatives are financial instruments that derive their value from the price or rate of some underlying item. Underlying items include equities, bonds, commodities, interest rates, exchange rates and stock market indices.

The Fund uses derivatives to manage its exposure to specific risks arising from its investment activities. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset or hedge against the risk of adverse currency movement on the Fund's investments. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and its Investment Managers.

A summary of the derivative contracts held by the Fund is provided in the following table:

31 March 2023		Derivative Contracts	31 March 2024	
£000	£000		£000	£000
		Forward Foreign Currency		
1,478		Assets	8	
<u>-</u>		Liabilities	<u>-756</u>	
	1,478	Net Forward Foreign Currency		-748
	<u>1,478</u>	Net Market Value of Derivative Contracts		<u>-748</u>

The Fund invests in the following types of derivatives:

i. Forward Foreign Currency Contracts

Currency is bought and sold by investment managers for future settlement at a predetermined exchange rate. Such contracts are used to hedge against the risk of adverse currency movements on the Fund's investments.

The following tables list all of the forward foreign currency contracts held by the investment managers (CBRE) on 31 March 2024 and 31 March 2023.

31 March 2024

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value £000	Liability Value £000
1 to 3 months	GBP	23,450,394	AUD	-23,592,091	-	-142
1 to 3 months	GBP	53,492,180	EUR	-53,573,738	-	-81
1 to 3 months	GBP	52,262,654	USD	-52,565,114	-	-302
1 to 3 months	GBP	66,718	JPY	-67,266	-	-1
1 to 3 months	GBP	27,485,395	JPY	-27,711,480	-	-226
1 to 3 months	GBP	1,336,328	EUR	-1,338,365	-	-2
1 to 3 months	GBP	320	USD	-322	-	-
1 to 3 months	GBP	124,354	USD	-125,074	-	-1
1 to 3 months	GBP	516,878	SEK	-509,098	8	-
1 to 3 months	GBP	40,653	AUD	-40,898	-	-
1 to 3 months	GBP	88,837	USD	-89,351	-	-1
					<u>8</u>	<u>-756</u>
Net Forward Foreign Currency Contracts at 31 March 2024						<u>-748</u>

31 March 2023

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value £000	Liability Value £000
1 to 3 months	GBP	1,634,527	EUR	-1,628,872	6	
1 to 3 months	GBP	1,834	USD	-1,814	0	
1 to 3 months	GBP	874,070	AUD	-866,993	7	
1 to 3 months	GBP	750,385	SEK	-741,193	9	
1 to 3 months	GBP	66,812,419	USD	-66,151,265	661	
1 to 3 months	GBP	92,977	USD	-92,018	1	
1 to 3 months	GBP	31,400,353	JPY	-30,947,506	453	
1 to 3 months	GBP	306,448	USD	-303,139	3	
1 to 3 months	GBP	62,491,931	EUR	-62,322,365	170	
1 to 3 months	GBP	17,230,521	AUD	-17,105,012	125	
1 to 3 months	GBP	2,976,058	JPY	-2,932,895	43	
					1,478	-
Net Forward Foreign Currency Contracts at 31 March 2023					1,478	-

Investments Exceeding 5% of the Net Assets available for Benefits.

The investments in the following table individually represented more than 5% of the Fund's total net assets available for benefits at 31 March:

At 31 March 2023		Name of Fund	Investment Manager	At 31 March 2024	
£m	%			£m	%
1,416.60	41.53%	Global Equity Alpha	BCPP	1,575.81	42.35%
407.00	11.93%	Sterling Index-Linked Bonds	BCPP	371.00	9.97%
516.14	15.13%	MAC Fund	BCPP	564.47	15.17%
173.62	5.09%	Global Dynamic Bonds	AB	185.95	5.00%

15. Financial Instruments**Classification of Financial Instruments**

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading:

equities, quoted fixed securities, quoted index linked securities, exchange traded derivatives and unit trusts. Listed investments are shown at bid prices.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include unquoted property funds, private equity, infrastructure and private credit, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following tables provide analyses of the financial assets and liabilities of the Fund as at 31 March 2024 and 31 March 2023, grouped into Levels 1, 2 and 3, based on the level at which the fair value is observable:

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Values at 31 March 2024	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	236,258	2,955,509	446,445	3,638,212
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-	-756	-	-756
Net Financial Assets at Fair Value	236,258	2,954,753	446,445	3,637,456

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the Classification of Financial Instruments table at the beginning of this note, for the total net financial assets figure.

	Quoted Market Price (restated)	Using Observable Inputs (restated)	With Significant Unobservable Inputs	
Values at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	460,411	2,496,886	397,494	3,354,791
Net Financial Assets at Fair Value	460,411	2,496,886	397,494	3,354,791

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the Classification of Financial Instruments table at the beginning of this note, for the total net financial assets figure.

The fair value hierarchy classification of three funds managed by BCPP has been reassessed during 2023/24. Although the underlying investments within these funds are classified as level 1 within the fair value hierarchy, the funds themselves (which had a fair value of £1.978m at 31 March 2023) were previously incorrectly classified as level 1 but have been reclassified as level 2. This has been reflected in the prior year comparators above.

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2023/24	Market Value 31 March 2023 £000	Purchases During the Year £000	Sales During the Year £000	Unrealised Gains / (Losses) £000	Realised Gains / (Losses) £000	Market Value 31 March 2024 £000
Pooled Investment Vehicles	218,465	9,884	-10,882	-25,574	1,850	193,743
Private Equity	58,336	22,996	-2,015	2,408	-	81,725
Infrastructure	62,907	20,829	-48	1,733	-	85,421
Private Credit	49,307	12,479	-172	3,185	-	64,799
Climate Opportunities	8,479	14,350	-2,523	451	-	20,757
	397,494	80,538	-15,640	-17,797	1,850	446,445

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2022/23	Market Value 31 March 2022 £000	Purchases During the Year £000	Sales During the Year £000	Unrealised Gains / (Losses) £000	Realised Gains / (Losses) £000	Market Value 31 March 2023 £000
Pooled Investment Vehicles	216,181	24,728	-26,027	1,885	1,697	218,464
Private Equity	34,420	21,222	-	2,694	-	58,336
Infrastructure	31,566	19,709	-	11,633	-	62,908
Private Credit	21,800	25,949	-	1,557	-	49,306
Climate Opportunities	-	8,574	-	-94	-	8,480
	303,967	100,182	-26,027	17,675	1,697	397,494

Disclosures

1. There was no rebalancing between levels during the year.
2. There has been no change in valuation techniques.
3. There are no assets or liabilities within the fund of a non-recurring nature.

Fair Value – Basis of Valuation

Level 2

Description of asset	Basis of Evaluation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Unquoted equity investments	Shareholdings in BCPP have been valued at cost i.e. transaction price as an appropriate estimate of fair value.	No market for shares held in BCPP. Disposal of shares is not a matter in which any shareholder can make a unilateral decision. Company is structured so as not to make a profit.	Not required
Unquoted fixed income bonds and unit trusts	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange currency	Market forward exchange rates at the year end	Exchange rate risk	Not required

Level 3

Description of asset	Basis of Evaluation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Investment Properties: Freehold and leasehold properties and property funds	The properties are valued at fair value at the yearend using the investment method of valuation by independent valuers CBRE Ltd in accordance with the RICS Valuation Global Standards (incorporating the International Valuation Standards) and the UK national supplement ('the red book') current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants. Assumed vacancy levels. Estimated rental growth. Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

Private/Unquoted equity (pooled funds in Alternative Assets)	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material event occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
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Fair Value – Sensitivity of Assets values at Level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above for the Level 3 instruments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of Level 3 investments held at 31 March 2024.

FAIR VALUE - SENSITIVITY ANALYSIS OF LEVEL 3

Period 2023/24	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
	%	£000	£000	£000
Pooled Investment Vehicles				
Property	14.0%	193,743	220,867	166,619
Private Equity	24.9%	81,725	102,075	61,375
Infrastructure	12.8%	85,421	96,355	74,487
Private Credit	8.1%	64,799	70,048	59,550
Climate Opportunities	12.8%	20,757	23,414	18,100
		446,445	512,759	380,131

FAIR VALUE - SENSITIVITY ANALYSIS OF LEVEL 3

Period 2022/23	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
Pooled Investment Vehicles	%	£000	£000	£000
Property	14.1%	218,465	249,269	187,661
Private Equity	24.1%	58,336	72,395	44,277
Infrastructure	15.4%	62,907	72,595	53,219
Private Credit	8.2%	49,307	53,350	45,264
Climate Opportunities	15.4%	8,479	9,785	7,173
		397,494	457,393	337,595

Further details on estimates of values are set out in Note 6 to the Accounts (assumptions made about the future and other major sources of estimation uncertainty).

16. Nature and Extent of Risk Arising From Financial Instruments

Risk and risk management

The Fund's activities expose it to a variety of financial risks. The key risks are:

- I. **Market Risk** - the possibility that financial loss may arise for the Fund as a result of changes in, for example, interest rates movements;
- II. **Credit Risk** - the possibility that other parties may fail to pay amounts due to the Fund;
- III. **Liquidity Risk** - the possibility that the Fund might not have funds available to meet its commitments to make payments.

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and maximise the opportunity for gains across the whole fund portfolio. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The administering body manages these investment risks as part of its overall Pension Fund risk management programme.

The Fund's assets are managed by a number of Investment Managers, as disclosed in Note 14. Risk is further controlled by dividing the management of the assets between a number of managers and ensuring the Fund's portfolio is well diversified across region, sector and type of security. As different asset classes have varying correlations with other asset classes, the Fund can minimise the level of risk by investing in a range of different investments.

The Fund has appointed a Global Custodian that performs a range of services including collection of dividends and interest from the Investment Managers, administering corporate actions that the Fund may join, dealing with taxation issues and proxy voting when requested. It also ensures that the settlement of purchases and sales of the Fund assets are completed. The Custodian has stringent risk management processes and controls. Client accounts are strictly segregated to ensure that the Fund assets are separately identifiable.

In line with its Treasury Management Policy, Durham County Council as administering authority, invests the short term cash balances on behalf of the Fund. Interest is paid over to the Fund on a quarterly basis.

Durham County Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act.

I. Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisers undertake appropriate monitoring of market conditions. Risk exposure is limited by applying maximum exposure restrictions on individual investments to each Investment Manager's portfolio.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's Investment Managers mitigate this price risk through diversification of asset types, across different regions and sectors.

Other Price Risk – Sensitivity Analysis

In consultation with the Fund's investment advisers, an analysis of historical volatility and implied market volatility has been completed. From this, it has been determined that the potential market movements in market price risk, as shown in the following table, are reasonably possible for the 2023/24 reporting period. The analysis assumed that all other variables remain the same.

If the market price of the Fund investments were to increase / decrease in line with these potential market movements, the value of assets available to pay benefits would vary as illustrated in the following table (the prior year comparator is also provided):

Manager	Asset Type	Asset Value at 31 March 2024 £000	Potential Market Movements %	Value on Increase £000	Value on Decrease £000
AB	Broad Bonds	185,952	7.0%	198,969	172,935
CBRE	Unlisted Property	193,742	14.0%	220,866	166,618
CBRE	Listed Property	50,306	22.2%	61,474	39,138
Foresight	Private Equity	2,560	24.9%	3,198	1,923
BCPP	Unquoted UK Equity	1,182	0.0%	1,182	1,182
BCPP	Global Equity	1,575,810	19.2%	1,878,366	1,273,255
BCPP	Private Equity	79,165	24.9%	98,878	59,453
BCPP	Infrastructure	85,421	12.8%	96,355	74,487
BCPP	Private Credit	64,799	8.1%	70,048	59,551
BCPP	Climate Opportunities	20,757	12.8%	23,413	18,100
BCPP	Emerging Market Equity	182,704	24.0%	226,553	138,855
BCPP	UK Index Linked Bonds	371,004	9.5%	406,250	335,759
BCPP	UK Corporate Bonds	177,791	7.6%	191,303	164,278
BCPP	Multi Asset Credit	564,466	6.9%	603,414	525,518
BCPP	Listed Alternatives	82,544	19.2%	98,392	66,695
	Loans	17		17	17
	Cash	66,868		66,868	66,868
	Net Derivative Assets	8		8	8
	Net Investment Balances	11,024		11,024	11,024
Total Change in Net Investment Assets Available		3,716,120		4,256,578	3,175,664

Manager	Asset Type	Asset Value at 31 March 2023 £000	Potential Market Movements %	Value on Increase £000	Value on Decrease £000
AB	Broad Bonds	173,617	7.0%	185,770	161,464
CBRE	Unlisted Property	218,465	14.1%	249,269	187,661
CBRE	Listed Property	46,413	21.2%	56,253	36,573
Foresight	Private Equity	2,405	24.1%	2,985	1,825
Mondrian	Emerging Market Equity	240,381	23.6%	297,111	183,651
BCPP	Unquoted UK Equity	1,182	0.0%	1,182	1,182
BCPP	Global Equity	1,416,597	18.2%	1,674,418	1,158,776
BCPP	Private Equity	55,931	24.1%	69,410	42,452
BCPP	Infrastructure	62,907	15.4%	72,595	53,219
BCPP	Private Credit	49,307	8.2%	53,350	45,264
BCPP	Climate Opportunities	8,479	15.4%	9,785	7,173
BCPP	UK Index Linked Bonds	407,005	9.6%	446,077	367,933
BCPP	Multi Asset Credit	516,144	9.0%	562,597	469,691
BCPP	Listed Alternatives	154,480	18.2%	182,595	126,365
	Loans	27		27	27
	Cash	73,197		73,197	73,197
	Net Derivative Liabilities	1,478		1,478	1,478
	Net Investment Balances	2,296		2,296	2,296
Total Change in Net Investment Assets		3,430,311		3,940,395	2,920,227

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

During 2023/24 Consumer Price Index inflation (CPI) in the UK Economy reduced in 2023/24 from its 11.1% peak (October 2022) to 3.8% as at 31 March 2024. Whilst recent announcements highlights further reductions in inflation, CPI is forecast to stay higher for longer than the Chancellor originally set in his budget forecasts in early 2023.

The Fund's interest rate risk is routinely monitored by the administering authority (as part of its Treasury Management Service for investment of surplus cash), its managers, custodian and investment advisers in accordance with the Fund's risk management strategy. This includes monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect income to the Fund and the value of the net assets available to pay benefits. The following table shows the fund's asset values having direct exposure to interest rate movements as at 31 March 2024 and the effect of a +/- 500 Basis Points (BPS) change in interest rates on the net assets available to pay benefits (assuming that all other variables, in particular exchange rates, remain constant). The prior year comparator is also provided:

Asset Type	Asset Values at 31 March 2024 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+500 BPS £000	- 500BPS £000
Cash and Cash Equivalents	66,893	3,345	-3,345
Total Change in Net Investment Assets Available	66,893	3,345	-3,345

Asset Type	Asset Values at 31 March 2023 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+500 BPS £000	- 500BPS £000
Cash and Cash Equivalents	74,702	3,735	-3,735
Total Change in Net Investment Assets Available	74,702	3,735	-3,735

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to currency risk on financial

instruments that are denominated in any currency other than GBP (the functional currency of the Fund). The Fund's currency rate risk is routinely monitored by the Fund and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency Risk - Sensitivity Analysis

Having consulted with the Fund's independent investment advisers, the likely fluctuation associated with foreign exchange rate movements is expected to be 10% for developed market currencies and 15% in emerging market currencies. This is based upon the adviser's analysis of long-term historical movements in the month end exchange rates of a broad basket of currencies against the pound. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table exemplifies, by Investment Manager, to what extent a 10% (or 15% for emerging markets) strengthening / weakening of the pound, against the various currencies in which the fund holds investments, would increase / decrease the net assets available to pay benefits (the prior year comparator is also provided):

Manager	Currency Exposure by Asset Type	Level of Unhedged Exposure	Total Asset Volatility	Asset Value at 31 March 24	Value on Increase	Value on Decrease
				£000	£000	£000
AB	Broad Bonds	0%	0%	185,952	185,952	185,952
CBRE	Global Property	21%	10%	244,048	249,173	238,923
Foresight	Private Equity	0%	0%	2,560	2,560	2,560
BCPP	Unquoted UK Equity	0%	0%	1,182	1,182	1,182
BCPP	Global Equity	100%	10%	1,575,810	1,733,391	1,418,229
BCPP	Private Equity	100%	10%	79,165	87,082	71,249
BCPP	Infrastructure	100%	10%	85,421	93,963	76,879
BCPP	Private Credit	100%	10%	64,799	71,279	58,319
BCPP	Climate Opportunities	100%	10%	20,757	22,833	18,681
BCPP	Emerging Market Equity	100%	15%	182,704	210,110	155,298
BCPP	UK Index Linked Bonds	0%	0%	371,004	371,004	371,004
BCPP	UK Corporate Bonds	0%	0%	177,791	177,791	177,791
BCPP	Multi Asset Credit	5%	10%	564,466	567,176	561,758
BCPP	Listed Alternatives	100%	10%	82,544	90,798	74,290
	Loans	0%	0%	17	17	17
	Cash	1%	10%	66,868	66,910	66,826
	Net Derivative Assets	0%	0%	8	8	8
	Net Investment Balances	0%	0%	10,825	10,825	10,825
Total Change in Net Investment Assets Available				3,715,921	3,942,054	3,489,791

Manager	Currency Exposure by Asset Type	Level of Unhedged Exposure	Total Volatility	Asset Value at	Value on	Value on
				31 March 23	Increase	Decrease
				£000	£000	£000
AB	Broad Bonds	0%	0%	173,617	173,617	173,617
CBRE	Global Property	18%	10%	264,878	269,646	260,110
Mondrian	Emerging Market Equity	100%	15%	240,381	276,438	204,324
Foresight	Private Equity	0%	0%	2,405	2,405	2,405
BCPP	Unquoted UK Equities	0%	0%	1,182	1,182	1,182
BCPP	Global Equity	100%	10%	1,416,597	1,558,257	1,274,937
BCPP	Private Equity	100%	10%	55,931	61,524	50,338
BCPP	Infrastructure	100%	10%	62,907	69,198	56,616
BCPP	Private Credit	100%	10%	49,307	54,238	44,376
BCPP	Climate Opportunities	100%	10%	8,479	9,327	7,631
BCPP	UK Indexed Linked Bonds	0%	0%	407,005	407,005	407,005
BCPP	Multi Asset Credit	6%	0%	516,144	516,144	516,144
BCPP	Listed Alternatives	100%	10%	154,480	169,928	139,032
	Loans	0%	0%	27	27	27
	Cash	8%	10%	73,197	73,810	72,584
	Net Derivative Assets	0%	0%	1,478	1,478	1,478
	Net Investment Balances	0%	0%	2,296	2,296	2,296
Total Change in Net Investment Assets Available				3,430,311	3,646,520	3,214,102

II. Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund's entire investment portfolio is exposed to some form of credit risk with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. The Fund minimises credit risk by undertaking transactions with a large number of high quality counterparties, brokers and institutions.

Investment Managers adopt procedures to reduce credit risk related to its dealings with counterparties on behalf of its clients. Before transacting with any counterparty, the Investment Manager evaluates both credit worthiness and reputation by conducting a credit analysis of the party, their business and reputation. The credit risk of approved counterparties is then monitored on an ongoing basis, including periodic reviews of financial statements and interim financial reports as required.

The Fund has sole responsibility for the initial and ongoing appointment of custodians. Uninvested cash held with the Custodian is a direct exposure to the Balance Sheet of the Custodian. Arrangements for investments held by the Custodian vary from market to market but the assets of the Fund are held in a segregated client account, and the risk is mitigated by the Custodian's high "tier one" capital ratio, conservative Balance Sheet management and a high and stable credit rating. As at 31 March 2024, this level of exposure to the Custodian is 1.0% of the total value of the portfolio (0.6% as at 31 March 2023).

Surplus cash is invested by Durham County Council only with financial institutions which meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors' Credit

Ratings Services. The council's Investment Strategy sets out the maximum amounts and time limits in respect of deposits placed with each financial institution; deposits are not made unless they meet the minimum requirements of the investment criteria.

The Fund believes it has managed its exposure to credit risk. No credit limits were exceeded during the reporting period and the Fund does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

The cash holding under its treasury management arrangements was £28.766m as at 31 March 2024 (£54.074m as at 31 March 2023). This was held with the following institutions:

Rating	Balances		Rating	Balances
as at 31 March 2023			as at 31 March 2024	
	£000			£000
Bank Deposit Accounts				
F1+	1,896	Handelsbanken	F1+	3,215
F1	3,191	Lloyds	F1	-
F1	1	Barclays	F1	-
Fixed Term Deposits				
F2	3,723	Close Brothers	F2	1,787
F1+	6,915	First Abu Dhabi Bank PJSC	F1+	5,004
F1	4,787	Goldman Sachs	F1	1,787
F1+	532	Landesbank Hessen-Thuringen Girozentrale (Helaba)		-
	-	Lloyds Bank Corporate Markets plc	F1	1,192
F1	4,787	National Bank of Canada London		-
F1	4,255	National Bank of Kuwait	F1	5,957
F1	3,191	Natwest (RFB)	F1	-
F1	1,064	Natwest Markets (NRFB)	F1	-
F1	3,723	Santander UK Plc	F1	5,362
	-	SMBC Bank International plc	F1	596
F1	1,064	Standard Chartered	F1	2,383
F1	1,064	Sumitomo Mitsui Banking Corp.		-
N/A	1,064	UK Local Authorities	N/A	2,145
	<u>41,257</u>	Total Short Term Cash Deposits with Lloyds Bank		<u>29,428</u>
	<u>12,817</u>	Cash at Bank		<u>-662</u>
	<u>54,074</u>	Total Short Term Investments		<u>28,766</u>

III. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Steps are taken to ensure that the Fund has adequate cash resources to meet its commitments. Management prepares quarterly cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund Investment Strategy and rebalancing policy.

The vast majority of the Fund's investments are readily marketable and may be easily realised if required. Some investments may be less easy to realise in a timely manner but the total value of these types of investments is not considered to have any adverse consequences for the Fund.

Durham County Council invests the cash balances of the Fund in line with its Treasury Management Policy and as agreed by the Pension Fund Committee. The council manages its liquidity position to ensure that cash is available when needed, through the risk management procedures set out in the prudential indicators and treasury and investment strategy reports, and through a comprehensive cash flow management system.

Regulation 5 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, gives Durham County Council a limited power to borrow on behalf of the Fund for up to 90 days. The council has ready access to borrowings from the money markets to cover any day to day cash flow need. This facility is only used to meet timing differences on pension payments and as they are of a short-term nature, exposure to credit risk is considered negligible. As disclosed in Note 17, the Fund expects all liabilities to be paid within 12 months of the year end.

17. Analysis of Creditors

As at 31 March 2023		As at 31 March 2024
£000		£000
-	Included in the Net Assets Statement as:	
-18,577	Investment Liabilities - Other balances	-199
	Current Liabilities	-8,257
-18,577		-8,456

All of the £8.456m is expected to be paid by the Fund within 12 months after the year end.

18. Analysis of Debtors

As at 31 March 2023		As at 31 March 2024
£000		£000
2,296	Included in the Net Assets Statement as:	
12,252	Other Investment Assets	11,024
	Current Assets	13,876
14,548		24,900

All of the £24.9m is expected to be received by the Fund within 12 months after the year end.

19. Additional Voluntary Contributions (AVCs)

AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. The Fund offers two types of AVC arrangement:

- purchase of additional pension, which is invested as an integral part of the Fund's assets;
- money purchase scheme, managed separately by Utmost (formerly Equitable Life), Standard Life and Prudential. AVCs may be invested in a range of different funds.

The following table refers only to the money purchase AVCs:

	Value at 31 March 2023 £000 (restated)	* Purchases £000	Sales £000	Change in Market Value £000	Value at 31 March 2024 £000
Utmost (formally Equitable Life)	1,153	6	145	104	1,118
Prudential	8,979	2,295	1,760	481	9,995
Standard Life	1,827	393	312	148	2,056
Total	11,437	2,694	2,217	733	13,169

* Purchases represent the amounts paid to AVC providers in 2023/24

The financial information relating to money purchase AVCs, as set out above, is not included in the Fund's Net Asset Statement or Fund Account in accordance with Regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

20. Related Party Transactions

Related parties are bodies or individuals that have the potential to control or influence the Fund or to be controlled or influenced by the Fund. Influence in this context is expressed in terms of a party:

- being potentially inhibited from pursuing at all times its own separate interests by virtue of the influence over its financial and operating policies; or
- actually subordinating its separate interests in relation to a particular transaction.

Related parties of the Fund fall into three categories:

- Employer related
- Member related
- Key management personnel

a) Employer Related

There is a close relationship between an employer and the Fund set up for its employees and therefore each participating employer is considered a related party. The following table details the nature of related party relationships.

Transaction	Description of the Financial Effect	Amount	
		2022/23	2023/24
Contributions Receivable	Amounts receivable from employers in respect of contributions to the Pension Fund	£131.119m	£157,489m
Debtors	Amounts due in respect of employers and employee contributions	£10.142m	£10,815m
Creditors	Amounts due to the Administering Authority in respect of administration and investment management expenses	£1.762m	£2.447m
Administration & Investment Management Expenses	The administration, and a small proportion of the investment management, of the Pension Fund is undertaken by officers of the County Council. The Council incurred the following costs, including staff time, which have been subsequently reimbursed by the Fund	£1.773m	£2.459m
Investment Income	Part of the Pension Fund's cash holding is invested in money markets by Durham County Council. The average surplus cash balance during the year and interest earned were:	Balance = £40.968m Interest = £0.677m	Balance = £34.813m Interest = £1.837m

b) Member Related

Member related parties include:

- Members and their close families or households;
- companies and businesses controlled by the Members and their close families which have a financial contractual relationship with any of the organisations that contract with the Fund.

Durham County Council and Darlington Borough Council have a number of Members who are on the Pension Fund Committee. These Members are subjected to a declaration of interest circulation on an annual basis. Each Member of the Pension Fund Committee is also required to declare their interests at the start of each meeting. There were no material related party transactions between any Members or their families and the Fund (none in 22/23).

As at 31 March 2024 there were 2 Members of the Pension Fund Committee in receipt of pension benefits from Durham County Council Pension Fund.

In accordance with the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, with effect from 8 May 2017 elected Members are no longer allowed to be active members of the Fund.

c) Key Management Personnel

Related parties in this category include:

- key management i.e. senior officers and their close families;
- companies and businesses controlled by the key management of the Fund or their close families.

There were no material related party transactions between any officers or their families and the Fund (none in 22/23).

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Corporate Director of Resources, the Head of Pensions, the Head of Corporate Finance and Commercial Services, and the Finance Manager - Revenue, Pensions. The proportion of employee benefits earned by key management personnel relating to the Fund is set out below:

2022-23		2023-24
£000		£000
134	Short-term benefits	139
24	Post-employment benefits	25
158		164

21. Contingent Assets and Liabilities

a) Pension Contributions On Equal Pay Payments

Originally equal pay settlements were not deemed to be pensionable however, an element of choice has since been introduced. Individuals can choose to have their settlements considered to be pensionable. This provision has now been added to the agreements that individuals with pending equal pay settlements sign.

There is no certainty that an individual will pay pension contributions on their equal pay settlement. The agreements signed by individuals are 'open-ended' in that an individual's ability to determine their settlement as 'pensionable' is not time limited, so the timing of any liability to pay contributions are not certain, and therefore it is not possible to estimate the value of any future contributions. However, the level of contributions likely to be received by the Fund are unlikely to have a material effect on the Fund Accounts.

b) Withholding Tax (WHT) Claims

Pension Funds, investment funds and other tax exempt bodies across Europe have in recent years been pursuing claims against a number of EU Member States for the recovery of withholding taxes suffered on EU sourced dividend income. These claims were made in the light of the Fokus Bank (Case E-1/04) ruling in December 2004 on the grounds that the WHT rules of those Member States are in breach of the free movement of capital principle of the EC Treaty. The legal arguments used to support Fokus claims are strong and rely on existing case law. The EU Commission announced that it is taking action against a number of member states which operate discriminatory rules regarding the taxation of outbound dividends.

As a result of a precedent for the change in WHT has been set by the Netherlands, other Member States have now reduced the level of WHT of non-residents; recovery is therefore probable, but the timing and amount of income is uncertain, therefore it is not possible to estimate the value of these claims.

c) Virgin Media

In June 2023 the High Court (*Virgin Media Limited v NTL Pension Trustees II Limited*) ruled that amendments to certain defined benefit pension schemes were void if they were not accompanied by section 37 actuarial certificates. The Court of Appeal rejected an appeal of this decision in July 2024. The Local Government Pension Scheme is affected by this ruling.

The Government Actuary's Department is the actuary for the Local Government Pension Scheme and has so far failed to evidence that section 37 certificates are in place for all amendments. Work is ongoing to discover whether the evidence exists. Until this work is complete, it is not possible to conclude whether there is any impact on the value of retirement benefits under IAS26 or if it can be reliably estimated.

Although this is the current position in law, the Government is being lobbied to make a change to the regulations which would retrospectively validate amendments which would otherwise be void because of a failure to have obtained section 37 certificates. The Government has an existing power to make the necessary regulations but not yet said whether it will do anything. There is also the possibility that Virgin Media could seek permission to appeal to the Supreme Court.

Developments are being monitored. In the current circumstances, it is not considered necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the value of retirement benefits in the financial statements.

22. Funding Arrangements

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund's independent qualified actuary undertakes a funding valuation every 3 years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last full valuation took place as at 31 March 2022.

The key elements of the funding policy are to:

- ensure the long term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- ensure that employer contribution rates are as stable as possible;
- minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- use reasonable measures to reduce the risk to other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

At the 31 March 2022 actuarial valuation the Fund was assessed as being 98% funded (94% at 31 March 2019). This corresponded to a deficit of £93.1m (£195.5m at 31 March 2019).

The aim is to achieve 100% solvency over a period of 16 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time.

The aggregate employer future service contribution rate (the primary contribution rate, a weighted average of all employers' primary rates) is 18.9% of pensionable pay.

Across the Fund as a whole, the secondary contributions required to remove the deficit over a recovery period of 16 years from 1 April 2023 are 1.3% of Pensionable Pay.

The aggregate employer total contribution rate (primary plus secondary) required to restore the funding ratio to 100%, using a recovery period of 16 years from 1 April 2023, is 20.2% of pensionable pay (assuming the membership remains broadly stable and pay increases are in line with assumptions).

The key assumptions used by the actuary to calculate the past service liabilities and the cost of future benefit accrual are set out in the following tables:

Scheduled body and subsumption funding target	2019 Valuation	2022 Valuation
Discount rate (p.a.)	4.25%	4.40%
Long-term CPI inflation (pension increases/revaluation) (p.a.)	2.10%	2.30%
Post 88 GMP pension increases (p.a.) where full CPI does not apply	1.90%	2.00%

Low risk (exit) funding target	2019 Valuation	2022 Valuation
Discount rate (p.a.)	1.30%	1.70%
CPI inflation (pension/revaluation) (p.a.)	2.10%	3.40%
Post 88 GMP pension increases (p.a.) where full CPI does not apply	1.90%	2.60%

Intermediate funding target	2019 Valuation	2022 Valuation
In service discount rate (p.a.)	4.25%	4.40%
Left service discount rate (p.a.)	3.80%	3.95%
CPI inflation / Post 88 GMP increases as for the scheduled bodies and subsumption funding target		

Ongoing orphan funding target	2019 Valuation	2022 Valuation
In service discount rate (p.a.)	4.25%	4.40%
Left service discount rate (p.a.)	1.60%	1.30%
CPI inflation / Post 88 GMP increases as for scheduled bodies and subsumption funding target		

Assumption	2019 Valuation	2022 Valuation
Pay Increases (in addition to promotional increases)	CPI + 1.00%	CPI + 1.00%
Administration expenses (% of pay)	0.5%	0.5%

Mortality assumptions:

Pre/Post Retirement Mortality	Mortality Assumptions	Members currently in this category	Future contingent dependants of members currently in this category
Pre	Active males	40% of S3NMA	n/a
Pre	Active females	40% of S3NFA	n/a
Post	Active and deferred males -(normal health)	115% of S3NMA	145% of S3NFA
Post	Active and deferred females -(normal health)	125% of S3NFA	135% of S3NMA
Post	Active and deferred males - (ill health)	130% of S3IMA	145% of S3NFA
Post	Active and deferred females – (ill health)	125% of S3IFA	135% of S3NMA
Post	Pensioner males – (normal health)	110% of S3NMA	135% of S3NFA
Post	Pensioner females – (normal health)	115% of S3NFA	125% of S3NMA
Post	Pensioner males – (ill health)	130% of S3IMA	135% of S3NFA
Post	Pensioner females – (ill health)	120% of S3IFA	125% of S3NMA
Post	Dependant Males	110% of S3NMA	n/a
Post	Dependant females	130% of S3NFA	n/a
n/a	Projection model	CMI 2021 with long-term improvement rate of 1.50% p.a./ sk of 7.0/ A parameter of 0.5%/ w 2020 and w 2021 of 0	

Other demographic assumptions:

Demographic	Allowance
Ill health Tier 1/2/3 proportions	85%/5%/10%
Commutation	Each member is assumed to surrender pension on retirement, such that the total cash received is 85% of the permitted maximum
Family details (males)	85% of non-pensioners are assumed to have a partner at retirement or earlier death. 85% of pensioners are assumed to have a partner at age 65. Surviving widow assumed to be three years younger.
Family details (females)	75% of non-pensioners are assumed to have a partner at retirement or earlier death. 75% of pensioners are assumed to have a partner at age 65. Surviving widower assumed to be one year older.
Take up of 50:50 scheme	All members are assumed to remain in the scheme they are in at the date of the valuation
Discretionary benefits	No Allowance

23. Actuarial Present Value of Promised Retirement Benefits

The CIPFA Code of Practice indicates that Pension Fund accounts should disclose the actuarial present value of promised retirement benefits as set out in the accounting standard IAS 26 and that the actuarial present value should be calculated on assumptions set in accordance with IAS 19 rather than on funding assumptions (set out in Note 22 to these accounts).

The Fund Accounts do not take account of the liabilities to pay pensions and other benefits in the future. Instead, as permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of this note to the accounts. This requires the actuarial valuation of the liabilities on an IAS 19 basis to be prepared at triennial valuations only, the most recent being as at 31 March 2022.

The actuarial present value of promised retirement benefits has been calculated based on projected salaries and is included in the table below. The corresponding fair value of Fund Assets is also shown to indicate the level of deficit within the Fund when the liabilities are valued using IAS 19 assumptions. The figures for 2019 are provided for comparison purposes.

	Value as at 31 March 2019 £m	Value as at 31 March 2022 £m
Fair value of net assets	2,982	3,606
Actuarial present value of the promised retirement benefits	4,512	5,473
Surplus / -deficit in the Fund as measured for IAS26 purposes	-1,530	-1,867

As the liabilities above are calculated on an IAS 19 basis, they differ from those calculated for the triennial valuation because different assumptions are applied. The main IAS19 assumptions used are as follows:

	31 March 2019 (% p.a.)	31 March 2022 (% p.a.)
Discount rate	2.4	2.7
CPI Inflation *	2.2	3.0
Rate of increase to pensions in payment *	2.2	3.0
Rate of increase to deferred pensions **	2.2	3.0
Rate of general increase in salaries ***	3.2	4.0

* In excess of Guaranteed Minimum Pension increases in payment where appropriate

** We recommend the assumption for revaluation rate of pension accounts is set equal to the assumption for pension increases

*** In addition, we have allowed for the same age related promotional salary scales as used in the actuarial valuation of the Fund at the appropriate date

24. Funding Strategy Statement

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a Funding Strategy Statement. This statement has been adopted by the Pension Fund Committee and has been published on the County Council's website at durham.gov.uk.

The purpose of the Funding Strategy Statement is to:

- establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- supports the regulatory requirement of the desirability of maintaining as nearly constant a primary rate of employer contribution rates as possible;
- enables overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks and ensuring that the regulatory requirements are met) at reasonable cost to the taxpayers, scheduled, designating and admitted bodies;
- ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met; and
- takes a prudent longer-term view of funding the Fund's liabilities.

The intention is for this Strategy to apply comprehensively for the Fund as a whole to reflect its best interests, recognising that there will always be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the Statement, it must remain a single Strategy for the Administering Authority to implement and maintain.

25. Funding Strategy Statement

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Fund has prepared and reviewed a written statement of its investment policy. The Investment Strategy Statement sets out the principles for investing Fund monies. The document can be found on the council's website at www.durham.gov.uk



Pension Fund

Exit Policy

This documents sets out the approach of Durham County Council (the "Administering Authority") as administering authority of the Durham County Council Pension Fund (the "Fund") to exiting employers from the Fund. This revised policy takes into account changes introduced by the Local Government Pension Scheme (Amendment) Regulations 2020.

1. Where an employer becomes an exiting employer, an exit valuation will be carried out in accordance with Regulation 64 of the Regulations. That valuation will take account of any activity as a consequence of exit regarding any existing contributing members (for example any bulk transfer payments due, and any asset transfer associated with the transfer of active members to another employer in the Fund) and the status of any liabilities that will remain in the Fund.
2. In particular, the Administering Authority will seek to minimise the risk to other employers in the Fund that after exit any deficiency arises on the liabilities of the exiting employer such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally UK Government fixed interest and index linked bonds.
3. The exit valuation will assess the assets held as at the exit date in the Fund in respect of the exiting employer, as compared to the liabilities of the Fund in respect of benefits attributable to the exiting employer's current and former employees. The exit valuation will normally conclude that there is either:
 - 3.1. a deficit, in that the liabilities have a higher value than the assets; or
 - 3.2. a surplus, in that the assets have a higher value than the liabilities.
4. When calculating the liabilities in the Fund in respect of the exiting employer, an increase will be applied to these liabilities to allow for the potential increase in benefits due to the cost management process and the McCloud1 judgement, as advised by the Fund Actuary.
5. Where the exit valuation shows a deficit, an exit payment will usually be required from the exiting employer. The administering authority, at its sole discretion, may allow phased payments.
6. The Administering Authority may, with the consent of the scheme employer in question, allow another employer in the fund to subsume the assets and liabilities of the exiting employer. This may include the Administering Authority agreeing to the other scheme employer accepting ongoing liability for any deficit in substitution of the requirement for an exit payment from the exiting employer.
7. For exits on or after 14 May 2018, where the exit valuation shows that there is a surplus in the Fund in respect of the exiting employer, the Administering Authority will follow the process set out in paragraphs 8 to 14 below.
8. As soon as is practicable after the production of the applicable exit valuation, the Administering Authority will notify the exiting employer and, where the exiting employer has been admitted to the fund as an admission body:
 - 8.1. any party that has given a guarantee under paragraph 8 of Part 3 to Schedule 2 to the Regulations;
 - 8.2. (in respect of admissions under paragraph (1)(d) of Part 3 of Schedule 2 to the Regulations) any scheme employer connection with the exercise of whose function the exiting employer was providing a service or assets; and
 - 8.3. any employer who has provided a subsumption guarantee in respect of the exiting employer.

of the fact that the exit valuation shows a surplus, that the Administering Authority intends to make a determination of whether this surplus should be passed in whole or in part to the exiting employer, and to request that each party, within 14 days, provides their written representations to the Administering Authority in relation to any factors which, in their view, would influence such a decision and make the payment of a surplus to the exiting employer more or less appropriate.

9. The representations of the parties mentioned in paragraph 8 above may (but need not) detail any risk sharing arrangement agreed between the parties as regards the participation of the exiting employer in the Fund.
10. The Administering Authority will make a determination of the amount of the exit credit (if any) payable to the exiting employer. In reaching this decision the Administering Authority will have regard to the following factors:
 - 10.1. the extent to which there is a surplus;
 - 10.2. the proportion of the excess of assets which has arisen because of the value of the exiting employer's contributions;
 - 10.3. the representations received from the parties under paragraph 8;
 - 10.4. where part or all of the surplus relates to an increase in the value of the assets of the Fund as at exit date due to better-than-expected investment growth or returns, the extent to which that increase in asset value can be regarded as a stable and long-term value increase;
 - 10.5. (where the Administering Authority is aware of the same) whether or not the exiting employer has been exposed to the full financial risk of participation in the Fund and the existence of any risk-sharing arrangements in place with third parties;
 - 10.6. the date on which the admission and/or commercial arrangements between the exiting employer and scheme employer came into effect, and whether therefore the parties had the opportunity to deal with the chance of an exit credit in their contractual arrangements; and
 - 10.7. any other relevant factors.
11. No single factor will be conclusive and the Administering Authority will consider all the circumstances in the round in coming to its decision on the correct level of an exit payment. In order to help the parties in formulating their representations, the Administering Authority sets out below the factors it may consider, and some guidance as to the usual implication of those factors:

Factor	The Administering Authority's view on how this may influence the determination
The extent to which there is a surplus	Will not of itself influence the determination in favour or against the exit credit, but the Administering Authority may decide to truncate the determination process where the surplus is so small as to make the full process administratively disproportionate;
The proportion of the excess of assets which has arisen because of the value of the exiting employer's contributions	In general, the Administering Authority considers that where the surplus exceeds the total employer contributions received over the course of the admission, this would weigh against the payment of the full surplus as an exit credit;
The representations received from the parties	Dependent on their content;
Where part or all of the surplus relates to an increase in the value of the assets of the Fund as at exit date due to better-than-expected investment growth or returns, the extent to which that increase in asset value can be regarded as a stable and long-term value increase;	In general, the Administering Authority considers that where the exit took place at a time when the value of assets held by the Fund were unexpectedly high, and subsequently declined, or appear to the Administering Authority reasonably likely to decline in the short or medium term, then this will weigh against the payment an exit credit (either in full or in part dependent on the circumstances). Where the Authority relies on this factor in making a determination, it will provide the parties with details of why it considers that is the case;
Whether or not the exiting employer has been exposed to the full financial	In general, the Administering Authority considers that where the exiting employer
risk of participation in the Fund and the existence of any risk-sharing arrangements in place with third parties	has not been exposed to the usual financial risks associated with admission by reason of its commercial arrangements with third parties (for example the scheme employer), this would weigh against the payment of an an exit credit (either in full or in part dependent on the circumstances of the arrangement in question);
The date on which the admission and/or commercial arrangements between the exiting employer and scheme employer came into effect, and whether therefore the parties had the opportunity to deal with the chance of an exit credit in their contractual arrangements	In general, the Authority considers that where the arrangements pre-date the introduction into the Regulations of the concept of exit credits, this will weigh against the payment of an exit credit (either in full or in part dependent on the circumstances), and where the arrangements post-date the concept of exit credits, this will weigh in favour of the payment of an exit credit (either in full or in part dependent on the circumstances); and
Any other relevant factors.	Dependent on the factor in question.

In making a determination under paragraph 10, the Administering Authority will take such legal and actuarial advice as it considers appropriate.

12. The Administering Authority will notify each of the parties identified in paragraph 8 of the amount of any surplus which it has determined should be returned to the exiting employer, if any (the "**exit credit**").

13. The Administering Authority will, unless otherwise agreed with the exiting employer, pay any exit credit to the exiting employer within 6 months of the later of the exit date and the date when the employer has provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final assets and liabilities on exit.

July 2023

COMMUNICATIONS POLICY STATEMENT

Durham County Council is the administering authority for the Durham County Council Pension Fund. This Communication Policy Statement has been drawn up to comply with regulation 61 of the Local Government Pension Scheme Regulations 2013 and to ensure the Council offers clear communication to stakeholders of the Local Government Pension Scheme.

Who we communicate with

- Scheme members (active members, pensioners and deferred members);
- Representatives of scheme members;
- Prospective scheme members;
- Employers participating in the scheme;
- Advisers (for example actuaries, investment advisers, Local Government Pensions Committee);
- Other bodies (for example prospective employing authorities and their representatives).

Key objectives

- To ensure communication is clear, factual and concise;
- To ensure communication is designed and delivered in a manner appropriate to its audience;
- To ensure that the correct information reaches the right people at the right time.

COMMUNICATING WITH SCHEME MEMBERS

Scheme members need access to detailed information about the scheme and their own benefits to allow them to make informed choices about their own pension benefits.

The Council provides:

- Scheme literature
The pension section produces a summary guide to benefits in the scheme along with specific guides for certain circumstances, such as how divorce can affect scheme benefits or on the internal dispute resolution procedure.
- Annual benefit statements
All active members are sent a benefit statement each year setting out the benefits they have earned in the scheme up to 31 March that year. All deferred members are sent a benefit statement each year setting out the current value of their deferred benefits payable at the earliest date on or after age 60 that unreduced benefits can be paid to them. The statement also sets out the effect of pension increases on their benefits since they left service. Benefit Statements are made available online, annually, for all active and deferred members. A paper copy will be provided to members who opt-out of online receipt.
- Newsletters
All active members and pensioners are sent a copy of each issue of the relevant newsletter, as issued from time to time.
- Telephone helpline
All communications contain contact telephone numbers for general enquiries. Active members, pensioners and deferred members can contact the Pension Administration Team by telephone between 9:00am and 4:30pm Mon to Thu, and 9:00am to 4:00pm Fri. Bulk

communications also contain the email address where general enquires can be submitted – personal queries are discouraged due to the availability of secure messaging.

- Online Portal

All scheme members can inform the Fund of personal changes, and update their nomination online. Members can see the information that the Fund holds, whilst active members can produce an estimate of their prospective retirement benefits on demand. Scheme Members are able to raise queries with the Fund, securely through the Portal.

COMMUNICATING WITH EMPLOYERS PARTICIPATING IN THE SCHEME

Employers need to be kept up to date with developments in the scheme and need to be informed of consultation exercises that could influence the future of the scheme.

Employers are sent information on scheme developments as and when changes are proposed to the scheme. Employers are often sent copies of circulars provided by the Employers' Organisation or are directed to copies of these circulars via web-links. Where possible this is provided by email.

Meetings with individual employers are arranged as necessary or as requested to deal with any significant pension issues that arise. Support is provided to employers who want to provide further pension information to their employees - this includes pre-retirement seminars and mid-life seminars.

All employers are invited to attend the Annual Meeting of the Pension Fund Committee. Copies of the annual report and accounts for the Pension Fund are distributed at this meeting and are also sent to all employers in the scheme.

COMMUNICATING WITH PROSPECTIVE MEMBERS

The Pension Administration Team issues pension packs to prospective members. These contain a summary of the benefits of scheme membership, information comparing the scheme with other pension options, a nomination form, an opt-out form and an authorisation form for investigating potential pension transfers into the scheme.

COMMUNICATING WITH REPRESENTATIVES OF SCHEME MEMBERS

The Pension Administration Team produces a summary guide to benefits in the scheme along with specific guides for certain circumstances, such as how divorce can affect scheme benefits or on the internal dispute resolution procedure. This information is available to representatives of scheme members.

The Pension Administration Team telephone helpline is also available between 9:00am and 4:30pm Mon to Thu, and 9:00am to 4:00pm Fri for any queries representatives of scheme members may have.

The main local government unions are represented on the Pension Fund Committee. This means they are sent agenda items and minutes from the meetings as well as being able to participate in the meetings (in a non-voting capacity). Scheme members are represented on the Local Pensions Board.

Fund Publications

COMMUNICATION DOCUMENT	AVAILABLE TO	WHEN PUBLISHED
Starter Packs	Prospective members	Issued to all starters upon creation of a corresponding UPM record
Summary scheme guide	Prospective members Active members	Online version provided in starter pack
Newsletter: Pensions News	Active members	Issued on occasion, as required
Annual benefit statement	Active members Deferred members	Once per year
Newsletter: Years Ahead	Pensioners	Issued on occasion, as required
Payslips	Pensioners	Once a year or upon a change to net pension of more than £5
P60s	Pensioners	Once per year
Pension Increase Information	Pensioners	Once per year
Update letter on changes to regulations and other issues	Employers	When required
Valuation report	Employers	Every three years
Report and accounts	All stakeholders	Once per year – distributed to all employers and available on the DCC website and on request to all

PARTICIPATING BODIES AND CONTRIBUTION RATES

The contribution rates of participating bodies as set by the Fund's actuary at the most recent valuation, are shown below, expressed as a percentage of employees' pensionable pay and an additional annual payment where applicable:

Employer	Employer Contributions: % of pensionable pay	Employer Contributions: Additional Annual Payment (£)
Ad Astra Academy Trust	19.90%	
Advance Learning Partnership	19.90%	
Apollo Studio Academy	21.40%	
Aramark	19.30%	

Employer	Employer Contributions: % of pensionable pay	Employer Contributions: Additional Annual Payment (£)
Ascent Academies Trust/Hopewood	17.70%	
Barnard Castle Town Council	19.50%	
Believe Housing (County Durham Housing Group)	27.10%	184,000
Bishop Auckland College	19.30%	43,000
Bishop Auckland Town Council	19.50%	
Bishop Chadwick CET	23.70%	
Bishop Hogarth CET	21.30%	
Bishop Wilkinson CET	24.00%	
Blackwell Grange Golf Club Ltd	18.30%	
Bowes Museum	0.00%	
Brandon & Byshottles Parish Council	19.50%	
Bulloughs (Police Contract)	38.90%	
Bulloughs (Swift)	38.90%	
Bulloughs (Eden)	38.90%	
Cestria Housing (Karbon Homes)	27.00%	
Chartwells	24.30%	
Chilton Town Council	19.50%	
Churchill Contract Services (St Johns Cleaning)	35.80%	2,710
Cleves Cross Academy Trust/ Together Learning Partnership	20.00%	
Co Durham & Darlington Fire & Rescue Service	17.60%	22,300
Creative Management	18.90%	
Darlington Borough Council	18.40%	280,000
Darlington College	18.30%	
Derwentside College	20.30%	92,000
Derwentside Homes (Karbon Homes)	27.00%	
Durham City Parish Council	19.50%	
Durham County Council	18.10%	6,896,000
Durham & Newcastle Diocesan Learning Trust	20.00%	
Durham Police & Crime Commissioner	16.20%	
Easington Colliery Parish Council	19.50%	
Easington Village Parish Council	19.50%	
East Durham College	19.50%	83,000
Eden Academy Trust	20.10%	
Eden Learning Trust	21.50%	
Education Village	17.60%	
Framwellgate School /Excel Academy Partnership	18.20%	
Federation of Mowden Schools Academy Trust	19.60%	
Ferryhill Town Council	19.50%	
Firthmoor Primary School	21.50%	
Fishburn Parish Council	19.50%	
Framwellgate Moor Parish Council	19.50%	
Future Leisure in Coxhoe	10.20%	
Great Aycliffe Town Council	19.50%	
Greater Willington Town Council	19.50%	

Employer	Employer Contributions: % of pensionable pay	Employer Contributions: Additional Annual Payment (£)
Haswell Parish Council	19.50%	
Horden Parish Council	19.50%	
Hummersknott Academy Trust	20.60%	
Hutton Henry Parish Council	19.50%	
Investing in Children CIC	18.10%	
Jigsaw Learning Trust	25.20%	
King James I Academy	18.40%	
Laidlaw	18.90%	
Lanchester Parish Council	19.50%	
Lingfield Education Trust	20.10%	
Livin Housing Limited	26.00%	
Making Space	18.30%	
Mears	18.60%	
Melrose Learning Trust	23.90%	
MITIE	0.00%	
Monk Hesledon Parish Council	19.50%	
Murton Parish Council	19.50%	
Murton Welfare Association	0.00%	
New College Durham	20.40%	
New College Durham Academies Trust	17.70%	
New Seaham Academy	20.40%	
North East Learning Trust	19.50%	
OCS Group Ltd	18.10%	
Park View Academy	20.40%	
Peterlee Town Council	19.50%	
Providence Learning Partnership	14.90%	
Queen Elizabeth Sixth Form College	20.70%	
RCCN	22.00%	
Reed in Partnership	20.40%	
Reid Street Primary School	21.00%	
Ribbon Academy Trust	19.40%	
Science Museum Group	18.10%	
Seaham Town Council	19.50%	
Sedgefield Town Council	19.50%	
Shildon Town Council	19.50%	
Shincliffe Parish Council	19.50%	
Shotton Parish Council	19.50%	
South Hetton Parish Council	19.50%	
Spennymoor Town Council	19.50%	
St Aidan's CE Academy	14.20%	
Stanley Learning Partnership	22.60%	
Stanley Town Council	19.50%	
Swift Academies	20.00%	
The Federation of Abbey Schools Academy Trust	19.60%	
The Forge	0.00%	

Employer	Employer Contributions: % of pensionable pay	Employer Contributions: Additional Annual Payment (£)
Thornley Parish Council	19.50%	
Trimdon Foundry Parish Council	19.50%	
Trimdon Parish Council	19.50%	
Tudhoe Learning Trust	23.10%	
UTC South Durham	17.40%	
We Are With You	18.40%	
West Park Academy (Shared Vision LT)	17.10%	
Wheatley Hill Parish Council	19.50%	
Wingate Parish Council	19.50%	
Winston Parish Council	19.50%	
Wolsingham Parish Council	19.50%	
Woodard Academies/Polam Hall	19.20%	
Wyvern Academy (Consilium Academies)	17.50%	
YS Services (Embracing Care)	18.10%	
1Excellence Academy	17.60%	

MEMBERSHIP STATISTICS

The following table provides details of the number of pensionable employees in the scheme and the number of pensioners.

Scheduled Bodies	Number of Pensionable Employees as at 31/03/2023	Number of Pensionable Employees as at 31/03/2024	Number of Pensioners as at 31/03/2023	Number of Pensioners as at 31/03/2024
Co Durham & Darlington Fire and Rescue	136	121	86	93
Darlington Borough Council	2,045	1,991	2,364	2,469
Durham County Council	14,054	13,003	16,094	16,523
Durham Police and Crime Commissioner	1,177	1,140	623	672
Parish Councils	62	62	48	51
Town Councils	201	182	165	178
1Excellence MAT	27	31	1	1
Ad Astra Academy Trust	0	30	0	0
Advanced Learning Partnership	705	707	92	126
Apollo Studio Academy	10	10	5	5
Ascent Academies Trust (Hopewood)	95	95	9	10
Bishop Auckland College	230	198	139	146
Bishop Chadwick	181	157	14	23
Bishop Hogarth CET	550	474	73	103
Bishop Wilkinson CET	489	489	39	54
Cleves Cross Academy Trust	51	46	12	12
Darlington College	280	238	166	194
Derwentside College	134	125	131	141
Durham & Newcastle Diocesan Learning Trust	173	154	19	25
East Durham College	313	269	175	184
Eden Academy Trust	4	30	0	0
Eden Learning Trust	356	344	64	74
Education Village	234	221	28	33
Federation of Mowden Schools Academy Trust	52	43	7	8
Firthmoor Primary	20	20	3	5
Investing in Children	1	1	4	4
Jigsaw Learning Trust	17	17	4	4
Laidlaw	96	95	0	5
Lingfield Education Trust	186	231	29	32
Melrose Learning Trust	134	126	22	28
New College Durham	517	498	262	289
New College Durham Academies Trust	114	250	40	46
New Seaham Primary School	9	10	2	4

Scheduled Bodies	Number of Pensionable Employees as at 31/03/2023	Number of Pensionable Employees as at 31/03/2024	Number of Pensioners as at 31/03/2023	Number of Pensioners as at 31/03/2024
North East Learning Trust	317	285	57	68
Park View Academy	75	70	15	15
Providence Learning Trust	0	67	0	1
Queen Elizabeth Sixth Form College	78	78	45	49
Reid Street Primary School	29	26	7	11
Ribbon Academy Trust	62	46	13	15
St Aidans CE Academy	22	23	20	21
Stanley Learning Partnership	195	212	16	25
Swift Academies Trust	162	156	53	67
The Excel Academy Partnership	89	77	9	10
Tudhoe Learning Trust	193	161	23	31
UTC South Durham	29	30	1	1
West Park Academy	61	45	12	12
Woodard Academies Trust (Polam Hall)	55	70	16	21
Wyvern Academy (formerly DSMS)	37	45	16	19

Admission Bodies	Number of Pensionable Employees as at 31/03/2023	Number of Pensionable Employees as at 31/03/2024	Number of Pensioners as at 31/03/2023	Number of Pensioners as at 31/03/2024
Believe Housing Group	610	631	112	128
Derwentside Homes	122	109	144	149
Livin	139	133	69	73
Cestria Community Housing	90	75	55	57
Aramark Limited	1	1	0	0
Barnard Castle School	12	0	59	59
Blackwell Grange Golf Club	1	1	2	2
Bowes Museum	1	1	17	17
Bulloughs (Hopewood)	0	1	0	0
Bulloughs (NCD)	3	0	1	2
Bulloughs (SWIFT)	12	9	2	2
Bulloughs Cleaning Services (Police Contracts)	17	11	9	13
Chartwell's	33	37	0	3
Churchill (St John's)	4	0	0	1
Churchill Contract Services Ltd	1	1	1	4
Compass Group UK	1	0	6	6
Creative Management (Laidlaw Catering)	0	8	0	0

Admission Bodies	Number of Pensionable Employees as at 31/03/2023	Number of Pensionable Employees as at 31/03/2024	Number of Pensioners as at 31/03/2023	Number of Pensioners as at 31/03/2024
Former Employers	0	0	576	563
Future Leisure in Coxhoe	3	2	0	1
Harbour Support	2	0	0	0
Making Space	9	9	18	18
Mears	29	27	69	71
Mellors	2	0	2	3
Mitie PFI	1	0	3	4
Murton Welfare Association	2	1	1	0
OCS Group Ltd	5	3	0	2
Reed In Partership	3	1	1	1
Science Museum Group	13	10	3	3
The Forge	1	1	0	0
YS Services	44	31	27	33
Totals	25,218	23,902	22,200	23,123

GLOSSARY OF TERMS

Active Management

Appointing investment professionals to track the performance of the Fund's mandates, making buy, hold and sell decisions about the assets with a view to outperforming the market.

Active Member

A current employee who is contributing to the pension scheme.

Actuary

An independent professional who advises the Council in its capacity as Administering Authority on the financial position of the Fund.

Actuarial Valuation

The Fund's actuary carries out a valuation every three years and recommends an appropriate rate of contributions for each of the Fund's participating employers for the following three years. The valuation measures the Fund's assets and liabilities, with contribution rates set according to the Fund's deficit or surplus.

Additional Voluntary Contributions (AVCs)

An option available to active members to build up a pot of money which is then used to provide additional pension benefits. The money is invested separately with one of the Fund's external AVC providers.

Administering Authority

The LGPS is run by local Administering Authorities. An Administering Authority is responsible for maintaining and investing its own Fund for the LGPS.

Admission/Admitted Body

An organisation whose employees can become members of the Fund by virtue of an admission agreement made between the council in its capacity as Administering Authority and the organisation. It enables contractors who take on council services to offer staff transferred to the organisation continued membership of the LGPS.

Asset Allocation

The apportionment of the Fund's assets between different types of investment (or asset classes). The long-term strategic asset allocation of the Fund will reflect the Fund's investment objectives and is set out in the Investment Strategy Statement.

Authorised Contractual Scheme (ACS)

A collective investment scheme used by BCPP. An ACS is a form of investment fund that enables a number of investors to 'pool' their assets and invest in a professionally managed portfolio of investments, typically gilts, bonds, and quoted equities. Regulated by the Financial Conduct Authority, it is "tax transparent"; making it particularly useful for pooling pension assets.

Benchmark

A measure against which the investment policy or performance of an investment manager can be compared.

Border to Coast Pension Partnership (BCPP)

The Fund's chosen asset pool. BCPP has 11 Partner Funds who collectively have around £45bn of assets. The Partner Funds have appointed a Board of Directors, chaired by Chris Hitchen, which is responsible for ensuring that Border to Coast is run effectively and in line with the guiding principles

set by the shareholders. The Chief Executive Officer, Rachel Elwell, is responsible for the day to day running of Border to Coast along with her team.

Border to Coast Joint Committee

As part of their oversight, BCPP Partner Funds formed a Joint Committee which consists of the Chairs of each of the Partner Fund Pension Committees together with other non-voting representatives.

CARE (Career Average Revalued Earnings)

From 1 April, 2014, the LGPS changed from a final salary scheme to a Career Average (CARE) scheme. The LGPS remains a defined benefit scheme but benefits built up from 2014 are now worked out using a member's pay each scheme year rather than the final salary at leaving.

Cash Equivalent Value (CEV)

This is the cash value of a member's pensions rights for the purposes of divorce or dissolution of a civil partnership.

Consumer Price Index (CPI)

A method of measuring the changes in the cost of living, similar to the Retail Price Index. Since April 2011 LGPS pensions are increased annually in line with movement in the Consumer Price Index during the 12 months to the previous September.

Commutation

A scheme member may give up part or all of the pension payable from retirement in exchange for an immediate lump sum.

Convertible Shares

Shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

Custodian

A financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange. Custody is currently provided to the Fund by Northern Trust.

Death Grant

A lump sum paid by the Fund to the dependents or nominated representatives of a member who dies.

Deferred Member/Pensioner

A scheme member who has left employment or otherwise ceased to be an active member of the scheme who retains an entitlement to a pension from the Fund.

Defined Benefit Scheme

A pension scheme like the LGPS where the benefits that will ultimately be paid to the employee are fixed in advance and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the future pension promise.

Denomination

The face value of a bank note, coin or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction or the currency a financial asset is quoted in.

Designating Body

Organisations that can designate employees for access to the LGPS. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, among others, can be designated for membership of the scheme.

Discretion

The power given by the LGPS to enable a participating employer or Administering Authority to choose how they will apply the scheme in respect of several its provisions. For some of these discretions it is mandatory to pass resolutions to form a policy as to how the provision will apply. For the remaining discretionary provisions, a policy is advised.

Direct Property

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

Diversified Growth Funds (DGF)

An alternative way of investing in shares, bonds, property and other asset classes; DGFs are funds that invest in a wide variety of asset classes in order to deliver a real return over the medium to long-term. The Fund's DGF is managed by BlackRock.

Employer Contribution Rates

The percentage of an employee's salary participating employers pay as a contribution towards that employee's LGPS pension.

Employer Covenant

The covenant is an employer's legal obligation and financial ability to support their defined benefit (DB) obligation now and in the future.

Equities

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

ESG

ESG is the consideration of environmental, social and governance factors alongside financial ones in the investment decision-making process. E, S, and G are the three key factors in assessing an investment's sustainability

Fiduciary Duty

Fiduciary duties exist to ensure that those who manage other people's money act in beneficiaries' interests rather than their own.

Financial Instruments

Tradable assets of any kind, which can be cash, evidence of an ownership interest in an entity or a contractual right to receive or deliver cash or another financial instrument.

Fixed Interest Securities

Investments, mainly in Government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date that can be traded on a recognised stock exchange in the meantime.

Fund of Funds (FoF)

A fund that holds a portfolio of other investment funds.

Guaranteed Minimum Pension (GMP)

The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

Index

A calculation of the average price of shares, bonds or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Internal Rates of Return (IRR)

The internal rate of return (IRR) is a metric used to estimate the profitability of potential investments. Generally, the higher an IRR, the more desirable an investment is to undertake.

Local Government Pension Scheme (LGPS)

The LGPS is collectively the largest public sector pension scheme in the UK, which provides DB benefits to employees of local government employers and other organisations that have chosen to participate.

Local Pension Board (LBP)

Since April 2015, each Administering Authority is required to establish and operate a Local Pension Board. The Pension Board is responsible for assisting the Administering Authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator. The Board is made up of equal representation from employer and scheme member representatives.

Myners Principles

A set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom. The Myners' principles for defined benefit schemes cover:

- Effective decision-making
- Clear objectives
- Risk liabilities
- Performance assessment
- Responsible ownership
- Transparency and reporting.

Ordinary Shares

An ordinary share represents equity ownership in a company and entitles the owner to vote at the general meetings of that company and receive dividends on those shares if a dividend is payable.

Partner Funds

The Fund's chosen asset pool, BCPP, has 11 Partner Funds - Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear, Warwickshire.

Pension Liberation Fraud

Members with deferred benefits may be approached by companies offering to release funds early from these benefits. The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

Pensions Online

The Fund's online portal where scheme members may view their pensions records, complete retirement calculations, and update personal details.

Pensions Regulator

The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. TPR make sure that employers put their staff into a pension scheme and pay money into it. TPR also make sure that workplace pension schemes are run properly so that people can save safely for their later years.

Pooled Funds

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Pooling in the LGPS

Central government requires local authorities to pool their pension assets, to achieve four principles:

1. Cost savings through economies of scale
2. Improved governance
3. Improved approach to responsible investment
4. Improved ability to invest in infrastructure

Proxy Voting

Proxy voting allows shareholders to exercise their right to vote without needing to attend AGMs. This can involve shareholders with voting rights delegating their votes to others who vote on their behalf.

Quantitative Easing

Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like Government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

Related Party Transactions

This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

Responsible Investment (RI)

Responsible investment involves incorporating environmental, social and governance (ESG) considerations into investment decision-making while practising active ownership. RI can help deliver sustainable, long-term returns for investors.

Retail Price Index

A method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which LGPS pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011, the Government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index (CPI).

Return

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

Rule of 85

Under previous LGPS regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. If the sum of the member's age and the number of whole years of their scheme membership was 85 or more,

benefits were paid in full. If the total was less than 85, the benefits were reduced. The Rule of 85 was abolished on 1 October, 2006 - however, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

Scheduled Body

An organisation that has the right to become a member of the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Spot Rate

The price quoted for immediate settlement on a commodity, security or currency. It is based on the value of an asset at the moment of the quote, which in turn is based on how much buyers are willing to pay and how much sellers are willing to accept depending on factors such as current market value and expected future market value.

State Pension Age (SPA)

The earliest age at which State Pension can be paid, which different to the earliest age LGPS may be claimed. Under the current law, the State Pension age is due to increase to 68.

Stock Lending

This is loaning a stock, derivative or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower and title is returned at the end of the loan period.

TCFD

The Taskforce on Climate Related Financial Disclosures was set up to develop voluntary, consistent, climate related financial risk disclosures to guide companies in providing information to investors, lenders, insurers and other stakeholders. It is expected that MHCLG will consult on mandatory TCFD disclosures in the LPGS by the end of 2021.

The Pension Advisory Service (TPAS)

The Pensions Advisory Service (TPAS) gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangement. TPAS is an executive non-departmental public body, sponsored by the Department for Work and Pensions.

Transfer Value

A transfer value is a cash sum representing the value of a member's pension rights.

Transferred Service

Any pension that members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

UK Stewardship Code

A code first published by the FRC in 2010 to enhance the quality of engagement between asset managers and companies in the UK. Its principal aim is to make asset managers more active and engaged in corporate governance matters in the interests of their beneficiaries. The Code was revised in 2020.

Unrealised gains/losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

CONTACTS FOR FURTHER INFORMATION

For further information on issues relating to the Pension Fund, please contact the Corporate Director of Resources.

Telephone 03000 260 000

Email help@durham.gov.uk

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