

**DURHAM COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Tuesday 4 December 2012 at 10.00 am**

**Present:**

**Councillor Andy Turner (Chair)**

**Members of the Committee:**

Councillors N Martin (Vice-Chair), C Carr, J Chaplow, A Hopgood, P Jopling, J Lethbridge, D Morgan, G Richardson and R Todd

**Apologies:**

Apologies for absence were received from Councillor R Ord and from Pensioner Representative O Brown

**Also Present:**

**County Council Advisers**

D McLure – Corporate Director, Finance

H Appleton – Strategic Finance Manager – Corporate Finance

N Orton – Payroll and Pensions Manager

**Independent Advisers:**

P Williams – P J Williams

D Banks - PSolve

**1 Declarations of interest (if any)**

There were no declarations of interest received.

**2 Minutes**

The Minutes of the meeting held on 4 September 2012 were agreed as a correct record and were signed by the Chairman.

**3 Graphs showing recent movements of the Stock and Share Indices**

Consideration was given to graphs showing recent movements in the Stock and Share Indices (for copy see file of Minutes).

P Williams, Pension Fund Adviser commented that UK equities had performed well over the last 12 months, outperforming Index Linked Gilts. Index Linked Gilts were

linked to the Retail Price Index (RPI) and consultation was currently underway to potentially change the way this should be calculated in future.

**Resolved:**

That the information given be noted.

**4 Graphs showing recent movements of the Major Currencies against Sterling**

Consideration was given to graphs showing movements of the major currencies against sterling (for copy see file of Minutes).

Philip Williams advised that the £ was in a reasonably good position despite continuing QE. The yen had weakened which could be attributed to the forthcoming general election in Japan.

**Resolved:**

That the information given be noted.

**5 Performance Management Report**

Consideration was given to the report of the Corporate Director, Resources which provided an overview of the performance of the Fund up to 30 September 2012 (for copy see file of Minutes).

The report gave details of the five Managers against their benchmarks for the third quarter, each year and since inception. Hilary Appleton, Strategic Finance Manager - Corporate Finance, advised that the Plan had outperformed the total benchmark by 0.08% over the third quarter.

**Resolved:**

That the information given be noted.

**6 Pension Fund Investments**

Consideration was given to the report of the Corporate Director, Resources which gave details of the overall value of the Pension Fund as at 30 September 2012 and of any additional sums available to the Managers for further investment, or amounts to be withdrawn from Managers (for copy see file of Minutes).

Members were advised that for the reasons outlined in the report it was recommended that no money be added to the sums to be allocated to the Managers for investment in the quarter.

Fund Re-balancing had been suspended until the results of the Strategy Review and would re-commence when the new structure was in operation.

The report also gave details of the forecasted cash flow for 2012/2013.

**Resolved:**

That the information given be noted.

**7 Record Keeping - Pensions Regulator Best Practice Guidelines**

Consideration was given to the report of the Corporate Director, Resources which advised of best practice guidelines issued by the Pensions Regulator on record-keeping. It sought approval to the commissioning of a tracing agency to trace deferred members who had changed address without informing the pension scheme, and to compare the pensions database against the national register of deaths (for copy see file of Minutes).

Following a question from Councillor Jopling Members were assured that recovery action was taken when cases of overpayment had been identified.

In discussing the options Members felt that in view of the cost of tracing deferred members who had moved without notifying the scheme, the exercise be undertaken shortly before the member reached the age of 60, to avoid having to repeat the exercise should they move again.

In addition, as a one-off initiative, the Committee agreed that the whole database be compared against the National Register of Deaths.

**Resolved:**

That

- (i) the information given be noted;
- (ii) the Pension Fund commission a tracing agency to trace deferred members who had changed address without informing the Pension Scheme and who were approaching the age of 60;
- (iii) the pensions database be compared against the National Register of Deaths.

**8 Terms of Reference**

Consideration was given to the report of the Corporate Director, Resources which informed Members of the progress in determining terms of reference for the Pension Fund Committee (for copy see file of Minutes).

A copy of the draft Terms of Reference were attached to the report. Hilary Appleton advised that the Terms of Reference would determine the future programme of works of the Committee and suggested that a workshop session be arranged to enable Members to review the draft terms of reference and develop a document that could be agreed by the Council.

Councillor Carr referred to the review carried out by Audit in relation to the responsibilities of the Committee and expressed concern with regard to the areas highlighted for consideration, in particular the reference to the minutes not covering all relevant information. He hoped that the workshop would address all the issues referred to.

**Resolved:**

That

- (i) the draft operational Terms of Reference be noted;
- (ii) a workshop session be arranged to agree the Terms of Reference and the information requirements of the Committee.

**9 Local Government Pension Scheme: Investment in Partnerships - CLG Consultation**

Consideration was given to the report of the Corporate Director, Resources which informed Members of a consultation by the Department for Communities and Local Government (CLG) (for copy see file of Minutes).

In discussing the report Councillor Morgan asked what the constraints were in terms of the current 15% limit on investment in partnerships. Daniel Banks, Pension Fund Adviser explained that the existing limit was considered to be too low, preventing local authority Pension Funds from pursuing infrastructure opportunities. This in effect limited diversification by constraining access to an asset class that may be well-suited to a local authority Pension Fund's long term needs.

Councillor Jopling asked if investment in infrastructure by Durham Pension Fund would benefit County Durham. Daniel Banks advised that this would depend upon where it chose to invest. The overall aim of the proposals was to make more funds available to invest in infrastructure throughout the UK.

Philip Williams added that this was a complex issue and if the Fund wished to pursue investment in infrastructure Advisers would investigate closely on their behalf. In general terms it would be more attractive to invest in contracts already in place and delivering index linked returns.

Don McLure, Corporate Director, Resources added that it was pleasing to note that the Government's proposed changes to Private Finance Initiatives (PFIs), an approach sometimes used to procure construction projects, would now benefit the public sector.

**Resolved:**

That the consultation be noted and the Corporate Director, Resources be granted delegated authority to respond to Communities and Local Government on behalf of the Pension Fund, as outlined in paragraphs 10 to 13 of the report.

**10 Short Term Investments for the period Ended 30 September 2012**

Consideration was given to report of the Corporate Director, Resources which gave details of the Pension Fund's short term investments for the 6 month period ended 30 September 2012 (for copy see file of Minutes).

**Resolved:**

The position regarding the Pension Fund's short term investments as at 30 September 2012 be noted.

**11 Annual Governance Report for the Year Ended 31 March 2012**

Consideration was given to the report of the Corporate Director, Resources which informed Members of the completion of the audit of the Pension Fund Accounts and presented the Annual Governance Report for the financial year ended 31 March 2012 (for copy see file of Minutes).

**Resolved:**

That the information given be noted.