

DURHAM COUNTY COUNCIL

At a Meeting of **Local Pension Board** held in Briefing Room 1/34-35, County Hall, Durham on **Thursday 9 July 2015 at 10.00 am**

Present:

Members of the Board:

Councillor Fraser Tinsley, Neville Hancock, Geoff Sykes and Ian Densham

Officers

Bryan Smith – Legal Manager - Litigation

Nick Orton – Team Leader Operations and Data/Pensions

Hilary Appleton – Strategic Finance Manager – Corporate Finance

1 Introductions

Bryan Smith, Legal Manager – Litigation welcomed Board members to the meeting and introductions were made.

2 Declarations of interest

Bryan Smith informed members of the requirement to declare any financial or non-financial interests that may conflict or be perceived to conflict with their duties as a member of the Board.

Members were asked to complete a declaration of interest form and were advised that if their circumstances changed during the course of their membership this should be notified to the Chairman of the Board and/or the Administering Authority.

AGREED that the information be noted.

3 Election of Chair

Bryan Smith sought nominations for the appointment of Chair which would be rotated between an employer and a member representative on a yearly basis.

AGREED that Neville Hancock be appointed as Chair for the forthcoming year.

4 Adoption of agenda plus any additional items

The Agenda was adopted.

5 Adoption of

a) Terms of Reference

Members considered the Terms of Reference of the Board, a copy of which was circulated to each member (for copy see file of Minutes).

The Terms of Reference were **AGREED** and were signed by the Chairman.

b) Code of Conduct

Members considered the Code of Conduct and Conflict of Interest Policy, a copy of which was circulated to each member (for copy see file of Minutes).

Bryan Smith highlighted key elements of the Code and advised that members would on occasions be privy to confidential and sensitive information which could not be revealed without proper authority.

AGREED that the Code of Conduct and Conflict of Interest Policy be adopted.

6 Confidentiality and Data Protection

Bryan Smith informed members of the potential implications of data protection and Freedom of Information requests that could apply to information provided to the Board in the course of exercising its role.

AGREED that the information be noted.

7 Training

Members were provided with an initial training session which addressed the following areas:-

Legal Framework
Benefits and Administration
Investments

Legal Framework

Bryan Smith provided background to the Pension Fund Committee and its role in maintaining the Pension Fund in terms of its governance, and for prudent and effective stewardship. The Officer took Members through the Terms of Reference of the Committee which included the review of key Policy Documents such as the Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP). The Committee also had responsibility for the review of Pension Fund Management arrangements with advice from their professional advisers and assistance from the relevant Council Officers to decide how the Fund's assets should be invested.

Bryan Smith went on to provide background to the events which led to the requirement to establish a Local Pension Board, and its role. The Pensions Regulator provided an e-learning programme for Board members to complete and the link would be circulated to members. Neville Hancock understood that there was an expectation that all Board Members had to complete the full programme.

Benefits and Administration

Nick Orton – Team Leader Operations and Data/Pensions gave a brief overview of the LGPS, Pension Fund membership and benefits and contributions.

He explained that there were over 110 employers in the Fund and in response to a question from Ian Densham about contribution rates, advised that these differed depending upon each employer's own liabilities. As at the last actuarial valuation non-active liabilities (pensioners) were greater than active liabilities and the average employer contribution rate was 21%.

The Officer then outlined changes to the LGPS Benefit Structure, and following a question from Councillor Tinsley advised that pension benefits payable were now based on a career average and were no longer linked to final pay. He explained to members how Career Average Revalued Earnings were calculated.

The Board was also informed of the differing types of retirement, employee contributions and how much employers paid. He concluded by explaining the choices that scheme members, the administering authority and employers had available to them since the changes to the LGPS.

Investments

Hilary Appleton – Strategic Finance Manager – Corporate Finance provided the Board with an overview of the Pension Fund Investments and circulated key Policy documents, the FSS and SIP.

The Officer explained that the Pension Fund's Assets were currently managed by 7 managers and outlined the allocation process to each of the Asset Classes; namely Global Equities, Conventional Bonds, Broad Bonds, Property and Dynamic Asset Allocation.

The aim was to achieve returns on investments to pay the liabilities in the Fund and the performance of the managers was assessed taking advice from 2 independent investment advisers.

Ian Densham asked if consideration had been given to investing in local infrastructure and was informed that whilst this was possible any investment had to be in the best interest of the Fund and with the aim of securing the best possible return on its investments.

Geoff Sykes noted the discretion given to Investment Managers to invest. Hilary Appleton advised that the SIP set out a framework within which the Investment Managers had to operate and any Manager wishing to invest beyond these parameters had to do so by formal request for assessment by the Advisers.

Following a further comment from the member, the Board was advised that the Council had adopted an Ethical Statement but that some Managers invested in pooled funds and it was therefore difficult to pinpoint specific products. However, it should be noted that generally unethical products produced lower rates of return making investment by Managers less likely.

Pension Fund management arrangements were reviewed every 3 years and 3 new Managers had recently been appointed as a result of the last review. Future procurements for the Actuary, Independent Advisers, Global Custodian and Transition Manager would be reported to the Committee during 2015 and 2016.

Future Training Needs

Members discussed future training requirements and it was suggested that a session on the LGPS regulations would be useful. Other training needs would be identified as the Board developed its role.

AGREED that the information be noted.

8 Future Meeting Schedule

In discussing a future meeting schedule Geoff Sykes suggested that it would be useful to observe the next meeting of the Pension Fund Committee in order to develop Board members knowledge and understanding. The next Board meeting could be held immediately following Pension Fund Committee.

AGREED that, with the agreement of the Chairman of the Pension Fund Committee, Board members attend the next meeting of Pension Fund Committee on Thursday 10 September 2015. The next meeting of the Local Pension Board be held following Pension Fund Committee at 2.30pm.

9 Work Plan

AGREED that a Work Plan be discussed at the next meeting of the Board when members had completed the e-learning programme and had observed the meeting of the Pension Fund Committee.

10 Liaison and Contact Details

AGREED that Board members liaise and communicate via the Board Secretary, Jill Errington.

11 Any Other Business - Filing of Vacancies

Neville Hancock asked about proposals to fill the 2 employer vacancies and was informed that Don McLure, Corporate Director, Finance was pursuing this and members would be informed of progress.

AGREED that further developments with regard to the filling of the employer vacancies be awaited.