

## **DURHAM COUNTY COUNCIL**

### **PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in Committee Room 1A, County Hall, Durham on **Tuesday 15 December 2015 at 10.00 am**

#### **Present:**

**Councillor A Turner (Chairman)**

#### **Members of the Committee:**

Councillors M Davinson, B Kellett, J Lethbridge, N Martin, J Shuttleworth and H Smith

#### **Admitted Bodies Representative**

J Norton

#### **Pensioner Representative**

D Ford

#### **Also Present:**

##### **County Council Advisers**

D McLure – Corporate Director, Resources

H Appleton – Strategic Finance Manager - Corporate Finance

N Orton – Pensions Manager

##### **Independent Advisers**

P Williams – P J Williams

R Bowker – P-Solve

#### **1 Apologies for Absence**

Apologies for absence were received from Councillors Alvey, Carr and Geldard.

#### **2 Declarations of interest**

There were no declarations of interest.

#### **3 Minutes**

The Minutes of the Meeting held on 10 September 2015 were agreed as a correct record and were signed by the Chairman.

Members were advised that training of new Members of the Committee had taken place on 14 December 2015. One to one sessions would be arranged for those who had been unable to attend.

#### **4 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).

Members were informed by the Advisers that following a year of volatility the graphs showed that UK Equity and World Ex-UK shares had returned to the same levels of a year ago.

**Resolved:**

That the information given be noted.

#### **5 Graphs showing recent movements of the major currencies against sterling**

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

Members were informed that sterling had performed well against the major asset currencies with the exception of the US dollar but had weakened slightly in recent months. According to financial commentators this was because of talks surrounding the European referendum.

**Resolved:**

That the information given be noted.

#### **6 Overall Value of Pension Fund Investments to 30 September 2015**

Consideration was given to the report of the Corporate Director Resources which informed Members of the overall value of the Pension Fund as at 30 September 2015, 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).

Hilary Appleton reported that the Fund's custodian had been unable to provide the Performance Measurement Report as one Fund Manager had entered into a new investment which was not included in J P Morgan's quality system. This therefore prevented the custodian from providing figures relating to overall performance for the quarter. Officers were working closely with J P Morgan to resolve the matter and the information would be circulated to Members as soon as it became available.

Members expressed concern and disappointment that J P Morgan had been unable to fulfil its role as the Fund's Custodian.

**Resolved:**

That the information contained in the report be noted.

## **7 Short Term Investments for the Period Ended 30 September 2015**

Consideration was given to the report of the Corporate Director Resources which provided the Committee with information on the performance of the Pension Fund's short term investments as at 30 September 2015 (for copy see file of Minutes).

Councillor Davinson noted that at 0.46% the average return earned was close to the base rate.

### **Resolved:**

That the position at 30 September 2015 regarding the Pension Fund's short term investments where £70,908 net interest was earned in the three month period be noted.

## **8 Internal Audit Progress Report to 30 September 2015**

Consideration was given to the report of the Chief Internal Auditor and Corporate Fraud Manager which outlined progress made in delivering the 2015/2016 internal audit plan relevant to the Pension Fund Committee (for copy see file of Minutes).

Councillor Shuttleworth noted the two final reports issued in the previous quarter which had been given an assurance opinion of moderate. Members felt that it would be useful if progress reports could include issues and actions carried out in audit areas where controls were needed to effectively manage risks.

### **Resolved:**

That the work undertaken by Internal Audit during the period ending 30 September 2015 and the assurance on the control environment provided, be noted.

## **9 Local Government Pension Scheme Investment Regulations**

Consideration was given to the report of the Corporate Director Resources which informed Members of Government consultation on the revocation and replacement of the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2009 (for copy see file of Minutes).

In response to a question from Councillor Lethbridge, Nick Orton advised that the proposed de-regulation would align the LGPS with other major funded pension schemes and relaxed constraints placed on Investment Managers in terms of asset classes and proportions.

Following a question from David Ford, Philip Williams advised that the proposals did not present a huge risk for the Durham Fund. Any pool would have to demonstrate sound governance and have good professional independent advice. This should be borne in mind by Officers and the Committee when determining which authorities to pool with.

The Chairman advised that a meeting had been arranged for the Chair and Vice-Chair of Pension Fund Committee to meet with the respective Chairs and Vice-Chairs of Teesside, Northumberland and Tyne and Wear authorities the following day to discuss options for a north east collaboration. Councillor Turner, Chairman and Councillor Martin in the absence of the Vice-Chairman were to attend with Officers.

**Resolved:**

That authority be granted to the Corporate Director Resources in consultation with the Chairman and Vice-Chairman of the Committee to respond to the consultation, after taking advice from the investment advisers.

**10 Local Government Pension Scheme: Investment Reform Criteria and Guidance**

Consideration was given to the report of the Corporate Director Resources which provided Members with information on the Local Government Pension Scheme (LGPS): Investment Reform Criteria recently published by the Government, which gave details of how LGPS funds would be expected to pool their investments (for copy see file of Minutes).

In discussing the report Councillor Davinson noted that some Authorities had already made progress towards formalising their arrangements with other authorities in advance of the 15 July 2016 deadline for submissions. Councillor Martin made the point that each scheme had different investment strategies and different risk appetites and at this stage it was difficult to appreciate how these would be managed in a pooled arrangement.

Philip Williams confirmed that there were a number of uncertainties that the proposals did not address, including how Funds could work with others that had different strategies and profiles. For example it was not clear how this would affect Durham's Dynamic Asset Allocation. The Fund's decision to invest in global real estate had been prudent and had performed better than UK real estate. He considered that like-minded Funds should be able to collaborate irrespective of who they were pooled with.

Following a question from Councillor Davinson, Members were advised that it was expected that each Fund would have equal representation on a pool Board.

Reference was made to management costs by Councillor Kellett who was informed that where assets were internally managed, overall investment management costs should be reduced.

**Resolved:**

That the Corporate Director Resources, in consultation with the Chairman and Vice-Chairman of the Committee, be authorised to provide an initial response to Government on which pool the Durham Pension Fund may be prepared to join, after taking appropriate advice.

**11 Audit Completion Report for the Year Ended 31 March 2015**

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 Audit Completion Report for the financial year ended 31 March 2015 (for copy see file of Minutes).

Members were informed of the retirement of Catherine Banks from Mazars LLP the External Auditor. Members asked that the Committee's thanks be recorded for the service and support the Officer had given.

**Resolved:**

That the contents of the report be noted.