

**DURHAM COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 8 December 2016 at 10.00 am**

**Present:**

**Councillor A Turner (Chairman)**

**Members of the Committee:**

Councillors C Carr, M Davinson, B Kellett, J Lethbridge, J Lindsay and N Martin

**Darlington Borough Council**

Councillor S Harker

**Admitted Bodies Representative**

J Norton

**Also Present:**

J Hewitt – Corporate Director of Resources

N Orton – Pensions Manager

B White – Finance Manager – Pensions and Technical

**Observers**

**Local Pension Board**

Councillor A Hopgood – Chair

**GMB**

D Clegg

**1 Apologies for Absence**

Apologies for absence were received from Councillors W Stelling, J Alvey and J Maitland, and pensioner representative David Ford.

**2 Declarations of interest**

Councillors C Carr and M Davinson advised that they were Members of the Audit Committee.

**3 Minutes**

The Minutes of the meeting held on 8 September 2016 were agreed as a correct record and were signed by the Chairman.

#### **4 Performance Measurement of Pension Fund Investments to 30 September 2016**

The Committee considered a report of the Corporate Director of Resources which provided an overview of the performance of the Fund to 30 September 2016 (for copy see file of Minutes).

The report of JP Morgan, the Fund's custodian informed Members of the performance of the Fund Managers for the quarter, the year to date and since inception.

**Resolved:**

That the information contained in the report be noted.

#### **5 Overall Value of Pension Fund Investments to 30 September 2016**

The Committee considered a report of the Corporate Director of Resources which informed Members of the overall value of the Pension Fund as at 30 September 2016, and of any additional sums available to the Managers for further investment or amounts to be withdrawn from Managers (for copy see file of Minutes).

Councillor Carr asked if there had been any indication from other employers in the Fund that there would be a reduction in membership, and if cash flow would be affected as a result of the local elections in May 2017 when some Councillors would no longer be contributing to the scheme. Nick Orton informed the Committee that there had been no information received from employers and any sums payable to Councillors who left the scheme in May 2017 would not materially affect the cash flow position. As Members were aware employer contributions were to increase and cash flow would be closely monitored in conjunction with a review of the Investment Strategy.

**Resolved:**

That the information contained in the report be noted.

#### **6 Short Term Investments for the Period Ended 30 September 2016**

The Committee considered a report of the Corporate Director of Resources which provided Members with information on the performance of the Pension Fund's short term investments as at 30 September 2016 (for copy see file of Minutes).

**Resolved:**

That the position at 30 September 2016 regarding the Pension Fund's short term investments where £24,827 net interest was earned in the three month period, be noted.

## **7 Review of Pension Fund Risks November 2016**

The Committee considered a report of the Corporate Director of Resources which updated Members on the revisions to the Pension Fund Risk Register following a review by the Risk Officer in November 2016 (for copy see file of Minutes).

Councillor Davinson referred to Risk 12 in the report and asked if it should include reference to the potential impact on the Fund if the Government did not extend the April 2018 deadline for the implementation of pooling, given that formal approval had not yet been received. Nick Orton responded that an inability to meet the deadline would not present a direct risk to pension fund scheme members; the transition of assets was not due to start until April 2018.

Councillor Carr asked if the annual statement to scheme members should include information on the pooling of investments and was informed that members had been informed of proposals in a previous communication. The next communication would be early 2017 and could include an update on the current position.

### **Resolved:**

That the Risk Register attached at Appendix 1 in the report be approved.

## **8 Investment Regulations**

The Committee considered the report of the Corporate Director of Resources which informed Members of the publication of the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016, associated guidance relating to setting an investment strategy under these regulations and their impact on the management of the Pension Fund (for copy see file of Minutes).

Councillor Davinson asked if Durham Pension Fund should consider joining the Local Authority Pension Fund Forum (LAPFF); a number of authorities in the BCPP were members. Nick Orton informed the Committee that the majority of local authority pension funds were members of the Forum which was a collaborative shareholder engagement group providing an opportunity to discuss investment issues and stakeholder engagement.

Members discussed whether Durham Pension Fund should join the Forum and asked for more information on the role of the LAPFF and the potential benefits of membership.

### **Resolved:**

That the information contained in the report be noted and more details about the LAPFF be provided in a report to the next meeting of the Committee.

## **9 Investment Pooling Update**

The Committee considered a report of the Corporate Director of Resources which provided an update on progress towards investment pooling and asked Members to agree a recommendation on the ownership of the investment management company that would be created through pooling, and on the membership of the Joint Committee that would supervise the company (for copy see file of Minutes).

Nick Orton explained that a formal written response to the pooling submission had not been received but approval to proceed was expected. Councillor Davinson expressed concern that until the formal approval was received a report could not be presented to Council, which could delay the process further. Councillor Carr also expressed concern that purdah for the local elections in May 2017 would commence at the end of March 2017 and was informed that this should not affect the process but Officers were seeking advice.

In response to a question from Councillor Davinson, the Corporate Director Resources advised that some concerns raised by Section 151 Officers, who had responsibility for administering the Fund, had been discussed at a recent meeting of the pool and had been resolved. All members of the BCPP had been represented at that meeting.

### **Resolved:**

That

- (i) a paper be drafted for the County Council meeting in January or February 2017 to seek approval of its acquisition of a share in the BCPP investment management company and its membership of the Joint Committee supervising the BCPP investment management company;
- (ii) the report recommend that the Chair of the Pension Fund Committee (or nominated representative) represents the Council on the BCPP Joint Committee, and exercises the Council's vote as joint owner of the BCPP investment management company.

## **10 Local Pension Board Work Plan**

The Committee considered a report of the Corporate Director of Resources which informed Members of the Work Plan the Local Pension Board had agreed at its last meeting (for copy see file of Minutes).

Councillor Martin referred to the local elections in May 2017 when there may be a change in Board membership and asked about training for new members who may be unfamiliar with the local government pension scheme and the role of the Local Pension Board. Nick Orton informed the Member that training needs were considered at each Local Pension Board meeting and would therefore be addressed.

Councillor Hopgood, Chair of the Local Pension Board concurred with the comments made and emphasised the need for all Board members to be conversant with scheme regulations. The proposed Work Plan would ensure that the Board fulfilled its role in assisting the Administering Authority in the effective governance of the Local Government Pension Scheme.

**Resolved:**

That the information contained in the report be noted.

**11 Feedback from Local Pension Board**

Members were informed that there was no written feedback or recommendations from the Local Pension Board to report to the Committee.

The Chairman agreed that in order to keep Members informed the following report should be considered.

**12 Audit Completion Report for the Year Ended 31 March 2016**

The Committee considered a report of the Corporate Director of 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 2016 (for copy see file of Minutes).

The Audit Completion Report and the letter from the External Auditor presented to Audit Committee on 30 September 2016 were attached as Appendices to the report.

The report gave the Auditor's unqualified opinion on the Pension Fund's financial statements, and the consistency of the Pension Fund's Annual Report and the County Council's Statement of Accounts.

Within the control recommendations the report highlighted that BlackRock used a different classification than that required by the CIPFA Code of Practice and Members were informed of action being taken to ensure that in future the investments reported by BlackRock were categorised in accordance with accounting requirements.

**Resolved:**

That the contents of the report be noted.