

**DURHAM COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

At a Meeting of **Pension Fund Committee** held in Committee Room 2, County Hall, Durham on **Thursday 7 December 2017 at 10.00 am**

**Present:**

**Councillor M Davinson (Chairman)**

**Members of the Committee:**

Councillors O Temple (Vice-Chairman), J Atkinson, C Carr, J Carr and S Hugill

**Also Present:**

**Advisers: County Council Officers**

Nick Orton – Pensions Manager

Beverley White – Finance Manager – Pensions and Technical

**Independent Adviser:**

Jo Holden – Mercer

**Observers:**

Councillor Amanda Hopgood – Local Pension Board

Ian R Densham – Local Pension Board

David Clegg – GMB

Neville Hancock – UNISON and Local Pension Board

**1 Apologies for Absence**

Apologies for absence were received from Councillors J Lethbridge, H Liddle, J Nicholson, J Shuttleworth and M Wilson.

**2 Declarations of interest**

There were no declarations of interest.

**3 Minutes**

The Minutes of the meeting held on 7 September 2017 were agreed as a correct record and were signed by the Chairman.

## **Matter Arising from the Minutes**

### **Implementation of the Markets in Financial Instruments Derivative (minute no. 9 refers)**

Nick Orton advised that as agreed at the meeting, the Committee had been asked to complete a self-assessment to identify training requirements, and asked those Members who had not already done so to return the information.

#### **4 Overall Value of Pension Fund Investments to 30 September 2017**

The Committee considered a report of the Corporate Director of Resources which informed Members of the overall value of the Pension Fund's investments at 30 September 2017, the movement in the cash balance during the last four quarters and the projected cash flow position up to 31 December 2018 (for copy see file of Minutes).

Councillor Carr referred to the cash flow position and asked if employers in the scheme informed the Fund of forthcoming early retirements. The Member was advised that this information would be difficult to collect but that it did not have a material impact on cash flow which was affected in the main by the way in which cash was recovered from the Fund Managers, and the Fund's Investment Strategy. Officers were discussing a cash strategy with the Independent Advisers for the pooled arrangements.

Beverley White added that the early deficit settlement by Darlington Borough Council had affected the net cash flow position.

#### **Resolved:**

That the information contained in the report be noted.

#### **5 Performance Measurement of Pension Fund Investments to 30 September 2017**

The Committee considered a report of the Corporate Director of Resources which provided an overview for Members of the performance of the Fund to 30 September 2017 (for copy see file of Minutes).

#### **Resolved:**

That the information contained in the report produced by JP Morgan be noted.

#### **6 Short Term Investments for the Period Ended 30 September 2017**

The Committee considered a report of the Corporate Director of Resources which provided information on the performance of the Pension Fund's short term investments as at 30 September 2017 (for copy see file of Minutes).

Councillor Temple noted the position and thanked those involved in negotiating an improved rate of return.

**Resolved:**

That the position at 30 September 2017 regarding the Pension Fund's short term investments where £34,166 net interest was earned in the three month period, be noted.

**7 Border to Coast Pensions Partnership Responsible Investment Policy**

The Committee considered a report of the Corporate Director of Resources which advised of the Responsible Investment Policy and the associated Shareholder Voting Policy that Border to Coast Pensions Partnership (BCPP) would adopt once it became the legal owner of pension fund assets (for copy see file of Minutes).

Councillor Atkinson noted that the Committee must act with the best financial interest of the beneficiaries in mind, and in view of this asked if the report should read that companies 'must' be aware of the potential risks associated with adopting practices that were socially, environmentally or ethically unacceptable. The Member was advised that it would be difficult for the Committee to require this of the Managers but that there was an expectation that Fund Managers would look at the behaviour of companies they invested in, in line with the ESG policy.

The Member then asked about the voting arrangements in the BCPP and was referred to Appendix 2 of the report which set out the principles for voting, which the BCPP would adopt.

Rachel Elwell, Chief Executive of the pool assured the Member that responsible investment was a fundamental part of the investment process and transparency was key in areas such as voting. Any ESG concerns the Committee had about a company could be addressed through the pool's Joint Committee, of which Councillor Davinson was a member. In addition a representative of the pool would attend every meeting of the Committee.

**Resolved:**

That the Responsible Investment Policy and Corporate Governance Policy included in Appendices 1 and 2 that the BCPP would operate on behalf of the Pension Fund as assets were transferred to the pool, be noted and agreed.

**8 Feedback from Local Pension Board**

There were no recommendations from the Local Pension Board to report to the Committee.

The Chairman agreed that consideration be given to the following item of business in order to progress the filling of vacancies on the Committee.

## **9 Committee Membership**

The Committee considered a report of the Corporate Director of Resources which asked the Committee to agree to a set of steps aimed at filling the current vacancies on the Committee (for copy see file of Minutes).

### **Resolved:**

That

- a) The process set out in paragraphs 4 to 11 in the report to fill the current vacancies on the Committee, be agreed.
- b) The two scheme member representative positions on the Committee be filled by pensioner representatives.
- c) Councillors M Davinson, O Temple, J Atkinson, C Carr and J Carr form a pool from which the Corporate Director of Resources or the Pensions Manager could draw an interview panel including at least one of the Members to select from the candidates (Officers also to be present on the Panel to advise and assist in the selection process).
- d) A progress report be brought to the next meeting of the Committee.