

DURHAM COUNTY COUNCIL

PENSION FUND COMMITTEE

At a Meeting of **Pension Fund Committee** held in Committee Room 2 - County Hall, Durham on **Thursday 15 March 2018 at 10.00 am**

Present:

Councillor M Davinson (Chairman)

Members of the Committee:

Councillors O Temple (Vice-Chairman), J Atkinson, J Carr, S Hugill, J Nicholson, J Shuttleworth and M Wilson

Also Present:

Advisers: County Council Officers

John Hewitt – Corporate Director of Resources

Nick Orton – Pensions Manager

Independent Adviser:

Jo Holden - Mercer

1 Apologies for Absence

Apologies for absence were received from Councillors C Carr and Darlington Borough Councillor S Harker.

2 Declarations of interest

There were no declarations of interest.

3 Minutes

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

Matters Arising from the Minutes

Training Needs Analysis – Self-Assessment

Nick Orton advised that almost all self-assessment forms had been received but would contact those Members directly who had not yet returned the information. On receipt of all forms a gap analysis of training needs would be carried out.

Committee Membership

Nick Orton provided an update on progress with regard to the filling of the current vacancies on the Committee. Further Education Colleges had been approached which had resulted in an expression of interest from one person to date. The next communication with pensioners would include information about making application to fill the pensioner representative position, and employers within the scheme would be contacted about the vacant positions for an admitted bodies and a scheduled bodies representative.

4 Overall Value of Pension Fund Investments to 31 December 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 as at 31 December 2017, movement in the cash balance during the last four quarters and the projected cash flow position up to 31 March 2018 (for copy see file of Minutes).

Resolved:

That the information contained in the report be noted.

5 Short Term Investments for the Period Ended 31 December 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 31 December 2017 (for copy see file of Minutes).

Resolved:

That the position at 31 December 2017 regarding the Pension Fund's short term investments where £31,895 net interest was earned in the three month period, be noted.

6 Performance Measurement of Pension Fund Investments to 31 December 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 31 December 2017 (for copy see file of Minutes).

Resolved:

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

7 Investment of the Pension Fund's Cash Balances

The Committee considered a report of the Corporate Director of Resources which provided an update of the Treasury Management Service provided to the Pension Fund and reviewed the charges for the services and the calculation of interest on

short term investments administered by Durham County Council for 2018/2019 (for copy see file of Minutes).

Councillor Shuttleworth had made reference to the average return earned in the last quarter of 0.56%, and was informed that the interest paid previously in respect of its cash balances was based upon the LIBID three month rate. For 2018/2019 it was recommended that interest would be paid to the Pension Fund at the average three month rate of return earned by the Council on its own short term investments.

Resolved:

That with effect from 1 April 2018:-

- (i) the Pension Fund continues to invest its cash balances with the Council in line with the Council's Treasury Management Strategy;
- (ii) interest be paid quarterly to the Pension Fund at a rate based on the daily cash balance and the 3 month rate of return earned by the Council on its own short term investments;
- (iii) an administration fee of £2,600 per quarter be paid to the Council for Treasury Management services; and
- (iv) in the event of the loss of an investment, the Pension Fund will bear the loss in proportion of the value of cash balances held at the time of the investment with Durham County Council.

8 Agreement of Accounting Policies for Application in the 2017/2018 Financial Statements of the Pension Fund

The Committee considered a report of the Corporate Director of Resources which informed the Committee of the accounting policies to be applied in the preparation of the 2017/2018 Final Accounts and sought confirmation from the Committee that appropriate policies were being applied (for copy see file of Minutes).

Resolved:

That having reviewed the accounting policies:-

- Their use be approved in the preparation of the 2017/2018 financial statements for the Pension Fund, and
- the Corporate Director of Resources be authorised to revise the accounting policies as necessary and report any significant changes to the Committee.

9 Procedure for Reporting Breaches

The Committee considered a report of the Corporate Director of Resources which provided Members with a copy of the Council's Procedure for Reporting Breaches

in relation to the Pension Fund, and explained how it operated (for copy see file of Minutes).

Councillor Temple welcomed the proposed procedure and that future meetings of the Committee would be provided with updates on the breaches record.

Resolved:

That the information contained in the report which included the Reporting Breaches Procedure, be noted.

10 Internal Audit Plan 2018/2019

The Committee considered a report of the Corporate Director of Resources which presented the proposed Annual Audit Plan for 2018/2019 for approval (for copy see file of Minutes).

Resolved:

That the proposed Audit Plan for 2018/2019 be approved.

11 Audit Strategy Memorandum for Year Ending 31 March 2018

Consideration was given to the report of the External Auditor which set out the work proposed in respect of the audit of the Council's financial statements and the value for money conclusion for the financial year 2017/2018 in relation to Durham County Council Pension Fund (for copy see file of Minutes).

Sharon Little of Mazars highlighted key points from the Audit Strategy Memorandum which included the following:-

- Scope of the audit
- Significant risks and key judgement areas
- The Audit Team
- Fees

Resolved:

That the contents of the Audit Strategy Memorandum be noted.

12 Feedback from Local Pension Board

Nick Orton provided feedback from the Local Pension Board, which included a recommendation to the Pension Fund Committee to assist in its effective and efficient governance and administration of the Scheme.

Following the Pension Fund Committee on 7 December 2017 the Local Pension Board had noted that there was only a short time for the Investment Managers to make their presentations and answer questions from the Committee due the volume of business to be conducted in the time available. The Board appreciated

that the meeting was often long and received a large amount of detail in the reports. However the reports of the Investment Managers and the ability to question them was vitally important and should not, if possible, be constrained to a short time at the end of a long meeting. The Board had made the recommendation previously that the Committee should plan and allow for sufficient time for questioning of the Managers and if necessary start the meeting earlier or invite the Managers following a lunch break.

The Board therefore recommended that the Pension Fund Committee give consideration to the timing of the agenda items with a view to allowing for sufficient time for questioning of the Managers and if necessary start the meeting earlier or invite the Managers in at an earlier stage.

Members discussed the Board's recommendation and considered whether sufficient time was allocated to the Investment Managers and whether allowing more time would be reasonable in terms of the governance of the Committee. Members acknowledged that it was about balancing whether it was proportionate to allocate more time to Investment Managers which represented a small proportion of the Fund's assets, against the volume and importance of business the Committee had to consider.

The Chairman advised that when this was raised at a previous meeting discussions were held with DCC Pensions staff, the advisers and the Corporate Director of Resources to make the most of the opportunity for the Committee to gain knowledge from the Managers.

The following was put into place:-

- 1) Managers were sent a template of relevant information the committee needed
- 2) Managers were asked to keep their presentations relevant to the Fund and be concise
- 3) Advisers were asked to produce a brief overview of each visiting Manager and suggest some questions which members may wish to ask.

This approach received positive feedback from Members at the September 2017 meeting and it was proposed that the situation be reviewed again after the June 2018 meeting. As always the needs of the Pension Fund, Members of the Fund and the Committee were the primary concerns. Whether the meetings were helpful or a useful way to spend time for the Investment Managers was not the concern of the Committee.

Resolved:

That the recommendation of the Local Pension Board be noted and the response of the Committee as outlined above be agreed.