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PUBLIC

To: Members of Pensions and Investments Committee

Tuesday, 18 April 2023

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **10.30 am** on **Wednesday, 26 April 2023** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

Helen E. Barrington

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

PART I - NON-EXEMPT ITEMS

1. Apologies for Absence

2. To receive declarations of interest (if any)

3. To confirm the non-exempt minutes of the meeting held on 8 March 2023 (Pages 1 - 6)

4. Actuarial Valuation & Provision of Actuarial Services (Pages 7 - 68)

5. Stewardship Code (Pages 69 - 186)

6. Unquoted Investments (Pages 187 - 190)

7. Half-Year Pension Administration Performance Report (Pages 191 - 216)

8. Risk Register (Pages 217 - 234)

9. Exclusion of the Public

   To move "That under Regulation 21 (1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972"

PART II - EXEMPT ITEMS

10. Summary of AADPs & Ombudsman Escalations During 2022/23 (Pages 235 - 258)

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 8 March 2023 in the Council Chamber, County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors R Ashton, N Atkin, B Bingham, M Foster, G Musson, L Care (Derby City Council) and M Carr (Derby City Council).

Also in attendance – D Kinley, A Nelson, P Peat, N Smith, S Webster (representing Derbyshire County Council) and A Fletcher (independent investment advisor)

Apologies for absence were submitted for Councillors P Smith and M Yates.

14/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

15/23 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 18 JANUARY 2023

The non-exempt minutes of the meeting held on 18 January 2023 were confirmed as a correct record.

16/23 INVESTMENTS REPORT

The Pension Fund's independent investment advisor, Anthony Fletcher, took the Committee through a presentation on the market background, the Fund's performance, the economic and market outlook, and on his asset allocation recommendations.

The Investment Report was then presented by the Fund's Investments Manager who explained the rationale for the recommendations for each asset class set out in the report.

RESOLVED:

That the Committee:

a) Notes the report of the independent external advisor, Mr Fletcher;
b) Notes the asset allocations, total assets and long-term performance analysis set out in the report; and

c) Approves the IIMT recommendations outlined in the report of the interim Director of Finance & ICT.

17/23 STEWARDSHIP REPORT

The Committee was provided with an overview of the stewardship activity that had been carried out by Legal & General Investment Management (LGIM), one of the Fund's external investment managers, in the quarter ended 31 December 2022.

The report ensured that the Committee was aware of LGIM's stewardship activity and provided an overview of the voting and engagement that had been undertaken. Members of the Committee welcomed the report.

Following a change to the LGPS Central Limited (LGPSC) stewardship reporting cycle, a Q3 2022-23 LGPSC Stewardship Report had not been prepared for this meeting of the Committee. The stewardship activity for the quarter will be covered in LGPSC's Annual Stewardship Report for the year to 31 March 2023. This will be reported to Committee in due course.

RESOLVED:

That the Committee notes the stewardship activity of LGIM.

18/23 TREASURY MANAGEMENT STRATEGY 2023-24

Approval was sought for the Pension Fund's draft Treasury Management Strategy for 2023-24, which was attached at Appendix 2 to the report.

The Fund's current benchmark allocation to cash was 2% (about £120m at current asset values). However, the Fund generally needed to retain a higher level of instant access funds than the County Council. A major buying opportunity in the market could require immediate access to significant sums of cash for investment. The Fund's actual cash allocation on 31 January 2023 was 3.5%, equating to £197m. Future commitments, on 31 January 2023 had totalled around £270m, and a significant proportion of those were likely to be drawn-down over the next 12 to 18 months.

The proposed Treasury Management Strategy for 2023-24 included the following requirements and comments:

- The Fund's objective when investing money was to strike a balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- The Fund prioritised liquidity for cash investments over investment

return.

- The maximum amount and duration of cash investments by counterparty should be according to the limits as set out in the Treasury Management Strategy.
- A counterparty limit for Local Authorities and Other Government Bodies, Banks (unsecured) and Building Societies (unsecured) had reduced from £30m to £15m to reduce concentration risk.

RESOLVED:

That the Committee approves the Pension Fund's Treasury Management Strategy for 2023-24 attached as Appendix 2 to the report.

19/23 FUNDING STRATEGY STATEMENT CONSULTATION

A draft Funding Strategy Statement (FSS) had been presented to the Pensions and Investments Committee at its meeting on 7 December 2022 and was approved for consultation with the Fund's stakeholders.

The consultation period had commenced on 21 December 2022 and closed on 31 January 2023. By the closing date of the consultation period, 6 responses had been received from employer representatives on behalf of 17 Fund employers, which included scheduled and admitted bodies and employers from the academy and further/higher education sectors. A brief summary of the submissions and the Fund's response, where appropriate was presented. No changes were considered to be required to the draft FSS in relation to the responses to the consultation.

An additional paragraph has been added to the draft FSS at the recommendation of the Fund's actuary in relation to the expected regulations in respect of the LGPS remedy following the McCloud ruling. The following paragraph has been added to section 4.2 of the FSS – 'How are employer liabilities calculated?':

'Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.'

RESOLVED:

That the Committee, in consideration of the responses to the consultation, confirms that, except for an additional paragraph recommended by the Fund's actuary, no further changes to the proposed Funding Strategy Statement are required and approves the draft Funding Strategy

Statement attached at Appendix 2 to the report.

20/23 DERBYSHIRE PENSION FUND 2023-2024 SERVICE PLAN

Approval was sought for the Pension Fund's Service Plan for 2023-24, which included the annual budget for the year of £35.132m. The Service Plan, which was attached at Appendix 2 to the report, set out:

- The objectives of the Fund
- Details of the Pension Fund Team
- Key services of the Fund
- Key achievements during 2022-23
- A review of 2022-23 performance indicators
- Forward plan of Pension Fund procurements to 31 March 2025
- The Fund's medium-term priorities
- The 2023-24 budget required to deliver the Fund's services
- 2023-24 key performance indicators

For 2023-24, a budget of £35.132m was sought to deliver the services of the Pension Fund, made up of operational costs of £6.392m and total investment management costs (IMEs) of £28.740m.

RESOLVED:

That the Committee approves the 2023-24 Service Plan for Derbyshire Pension Fund, attached at Appendix 2 to the report, including the annual budget of £35.132m.

21/23 EXCLUSION OF THE PUBLIC

That under Regulation 21 (1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

22/23 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 18 JANUARY 2023

The exempt minutes of the meeting held on 18 January 2023 were confirmed as a correct record.

The meeting finished at 12.11 pm

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 26 APRIL 2023

Report of the Director - Finance and ICT

Actuarial Valuation & Provision of Actuarial Services

1. Purpose

1.1 To receive and consider Derbyshire Pension Fund's (the Pension Fund/the Fund) Report on the Actuarial Valuation at 31 March 2022 (the Valuation Report) attached as Appendix 2.

1.2 To update Committee on the current procurement process in respect of the provision of actuarial services and to seek delegation for the Director of Finance & ICT to approve the appointment of a provider of actuarial services following completion of the procurement evaluation process.

2. Information and Analysis

2.1 **Actuarial Valuation**
The Actuarial Valuation of the Pension Fund takes place every three years and is a planning exercise for the Fund to determine:

- The expected cost of providing the benefits built up by members at the valuation date in today's terms (the liabilities) compared to the investments held by the Pension Fund (the assets).
- The contributions needed over an appropriate time horizon to cover the cost of the benefits that active members will build up in the future (the Primary Contribution Rate).
- An adjustment for the difference between the Primary Contribution Rate above, and the actual contribution the employer needs to pay

over the time horizon, referred to as the Secondary Contribution Rate. In broad terms, payment of the Secondary Contribution Rate is in respect of benefits already accrued at the valuation date.

The actuary determines the information above for individual employers, or pools of employers, as well as for the Pension Fund as a whole in order to determine the appropriate contribution rates for each employer, or pool of employers.

2.2 At its meeting in December 2022, Committee considered a report on the initial whole fund results of the actuarial valuation of the assets and liabilities of the Pension Fund at 31 March 2022 carried out by Hymans Robertson LLP. Since that date, the method of setting contribution rates for different categories of employers has been agreed and confirmed following a consultation exercise on the Pension Fund's Funding Strategy Statement.

2.3 The whole fund results, which provide a high-level snapshot of the funding position at 31 March 2022, reported an improvement in the funding level of the Pension Fund from 97% at 31 March 2019 to 100% at March 2022, moving from a deficit of £163m to a small positive surplus of £1m. For the purposes of reporting a funding level, an investment return of 3.8% p.a was assumed.

The funding level provides a high-level snapshot of the funding position at a particular date and could be very different the following day on a sharp move in investment markets.

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	2,470	2,019
Deferred Pensioners	1,116	923
Pensioners	2,545	2,150
Total Liabilities	**6,131**	**5,092**
Assets	**6,132**	**4,929**
Surplus/(Deficit)	**1**	**(163)**
Funding Level	**100%**	**97%**

2.4 The Valuation Report includes:

- the Actuary's approach to the valuation
- the valuation results
- sensitivity & risk analysis
- a summary of the investment strategy used for the calculation of employer contribution rates and to derive the future assumed investment return
- the financial & demographic assumptions used
- a Rates and Adjustments Certificate

The Rates and Adjustments Certificate sets out the minimum contribution rates payable by the Fund's employers from 1 April 2023 to 31 March 2026.

The Valuation Report has been published on the Fund's website.

2.5 **Provision of Actuarial Services**
The Fund is currently in the process of procuring a provider of actuarial services with a contract start date of 1 January 2024. The procurement is being undertaken in compliance with Public Procurement Regulations, using the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services.

Invitation to Participate in a Further Competition documents have been published in respect of the procurement and provider responses and presentations will be evaluated by Pension Fund officers, supported by an officer from County Procurement.

Delegation is sought for the Director of Finance & ICT to approve the appointment of a provider of actuarial services following completion of the evaluation process to allow for the timely award of a contract and a smooth transition of service period.

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Held by the Head of Pension Fund.

5. Appendices

5.1 Appendix 1 – Implications
5.2 Appendix 2 – Derbyshire Pension Fund Report on the Actuarial Valuation at 31 March 2022.

6. Recommendation(s)

That Committee:

a) receives and considers Derbyshire Pension Fund's Report on the Actuarial Valuation at 31 March 2022 attached as Appendix 2.
b) notes the current procurement process in respect of the provision of actuarial services.
c) delegates to the Director of Finance & ICT, approval of the appointment of a provider of actuarial services following completion of the procurement evaluation process.

7. Reasons for Recommendation(s)

7.1 One of the functions of the Pensions and Investments Committee is to receive and consider the Fund's triennial valuation report.

7.2 The Committee is also responsible for appointing the Fund's Actuary.

Report Author:	**Dawn Kinley**	**Contact details:**	**Dawn.kinley@derbyshire.gov.uk**

Appendix 1

Implications

Financial

1.1 The costs of the Actuarial Valuation are met by the Pension Fund.

Legal

2.1 Under Regulation 62 of the Local Government Pension Scheme Regulations 2013, administering authorities of LGPS funds are required to obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March every three years.

2.2 The terms of the new contract will be reviewed by the Director of Legal and Democratic Services.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 None.

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

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HYMANS ROBERTSON

Derbyshire Pension Fund

Report on the actuarial valuation at 31 March 2022

Barry Dodds FFA

Richard Warden FFA

29 March 2023
For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

Contents

In this report:

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Executive Summary

We have been commissioned by Derbyshire County Council (the Administering Authority) to carry out a valuation of the Derbyshire Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates & Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019).

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Table 1: Whole fund contribution rates compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	21.1% of pay		18.5% of pay	
Secondary Rate	2023/2024	£1,578,000	2020/2021	£20,805,000
	2024/2025	£2,774,000	2021/2022	£17,675,000
	2025/2026	£4,055,000	2022/2023	£17,834,000

- The Primary rate has increased mainly due to higher inflation expectations
- The Secondary rate has decreased due to strong investment performance since the last valuation

Funding position

At 31 March 2022, the past service funding position has improved from the last valuation at 31 March 2019. Table 2 shows the single reported funding position at the current and previous valuation.

Table 2: Single reported funding position at 31 March 2022 compared with 31 March 2019

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	2,470	2,019
Deferred Pensioners	1,116	923
Pensioners	2,545	2,150
Total Liabilities	**6,131**	**5,092**
Assets	**6,132**	**4,929**
Surplus/(Deficit)	**1**	**(163)**
Funding Level	**100%**	**97%**

The required investment return to be 100% funded is 3.8% pa (no change from 2019). However, the likelihood of the Fund's investment strategy achieving the required return is now higher at 77% (compared to 75% at 2019).

Approach to valuation

Valuation Purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

We have been commissioned by Derbyshire County Council (the Administering Authority) to carry out a valuation of the Derbyshire Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report marks the culmination of the valuation process and contains its two key outcomes:

1. Employer contribution rates for the period 1 April 2023 to 31 March 2026.
2. The funding level of the Fund at 31 March 2022.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Investment Strategy Statement and published papers and minutes of the Fund's Pensions Committee. Additional material is also contained in Hymans Robertson's LGPS 2022 valuation toolkit[1].

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, e.g. inflation, investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund and asset-liability modelling.

Key funding decisions

For each employer, the Fund determines the most appropriate choice for the following three funding decisions. Further detail is set out in the Funding Strategy Statement.

What is the funding target for each employer?
Will the employer remain in the Fund for the long-term or exit at some point

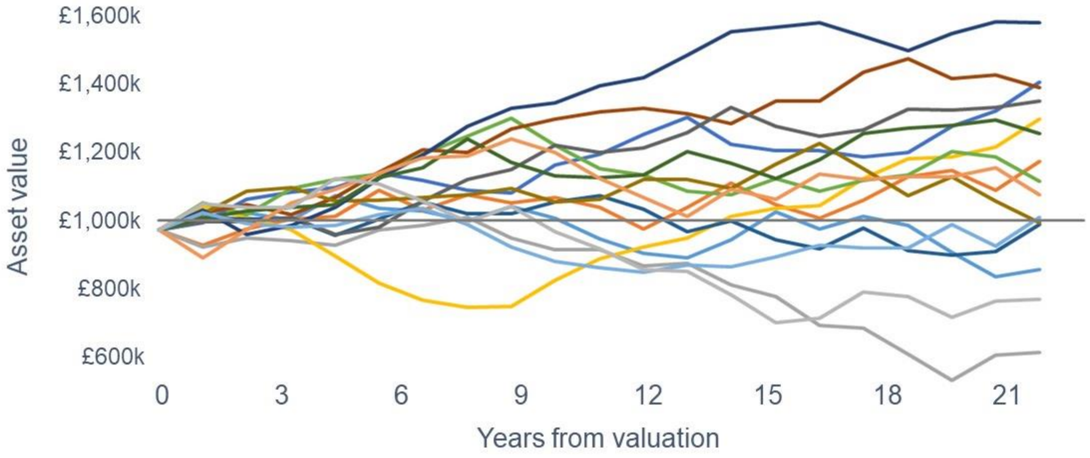
What is the funding time horizon?
How long will the employer participate in the Fund

What is the required likelihood?
How much funding risk can the employer's covenant support

Modelling approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. The economic scenarios are generated using Hymans Robertson's Economic Scenario Service (ESS) (further information in Appendix 2).

Picture 1: sample progression of employer asset values under different economic scenarios



Measuring the funding level

The past service funding level is measured at the valuation. Whilst it is limited in providing insight into a funding plan, it is a useful high-level summary statistic. To measure the funding level, a market-related approach is taken to calculating both the assets and the liabilities (so they are consistent with each other).

- The market value of the Fund's assets at the valuation date have been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

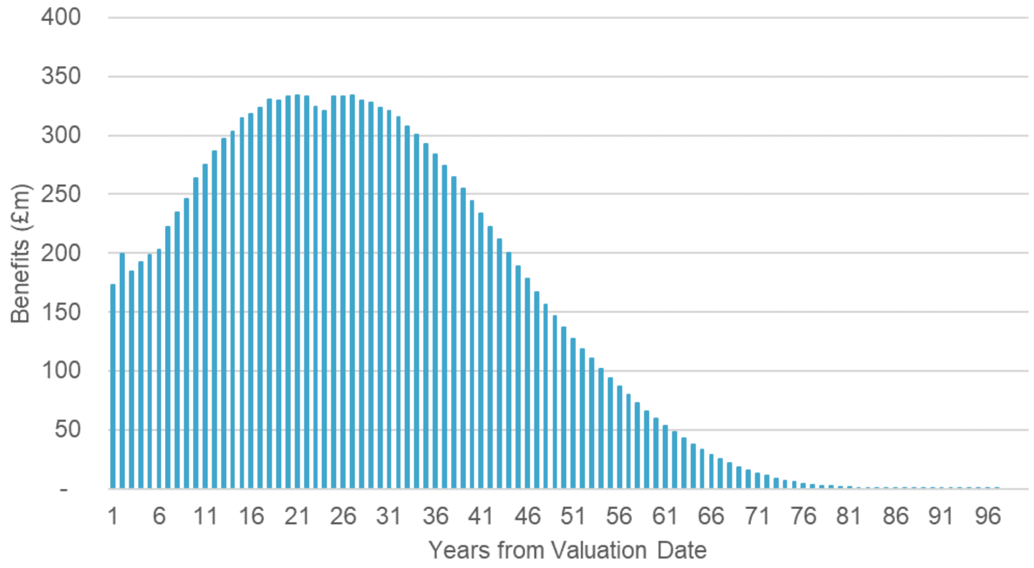
Further detail on the liabilities

The past service liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2) and our understanding of the LGPS benefit structure as at 31 March 2022 (details at www.lgpsregs.org).

To express the future payments in today's money, the projections are discounted with an assumed future investment return on the Fund's assets (the discount rate).

Chart 1: projected benefit payments for all service earned up to 31 March 2022



HYMANS ROBERTSON

Valuation results

Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both these objectives.

The employer contribution rate is made up of two components.

1. A primary rate: the level sufficient to cover all new benefits.
2. A secondary rate: the costs associated with sufficiently funding benefits accrued up to the valuation date.

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Each employer has a contribution rate which is appropriate to their circumstances and these can be found in the Rates & Adjustments Certificate. Broadly speaking:

- Primary rates have increased since the last valuation due to rising inflation expectations.
- Secondary rates have decreased due to strong investment performance since the previous valuation.

However all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2023 to 31 March 2026.

Table 3: Whole-fund contribution rate, compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	21.1% of pay		18.5% of pay	
Secondary Rate	2023/2024	£1,578,000	2020/2021	£20,805,000
	2024/2025	£2,774,000	2021/2022	£17,675,000
	2025/2026	£4,055,000	2022/2023	£17,834,000

The primary rate includes an allowance of 0.6% of pensionable pay for the Fund's expenses.

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.3% of pay (also 6.3% at 31 March 2019).

Funding level

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The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown.

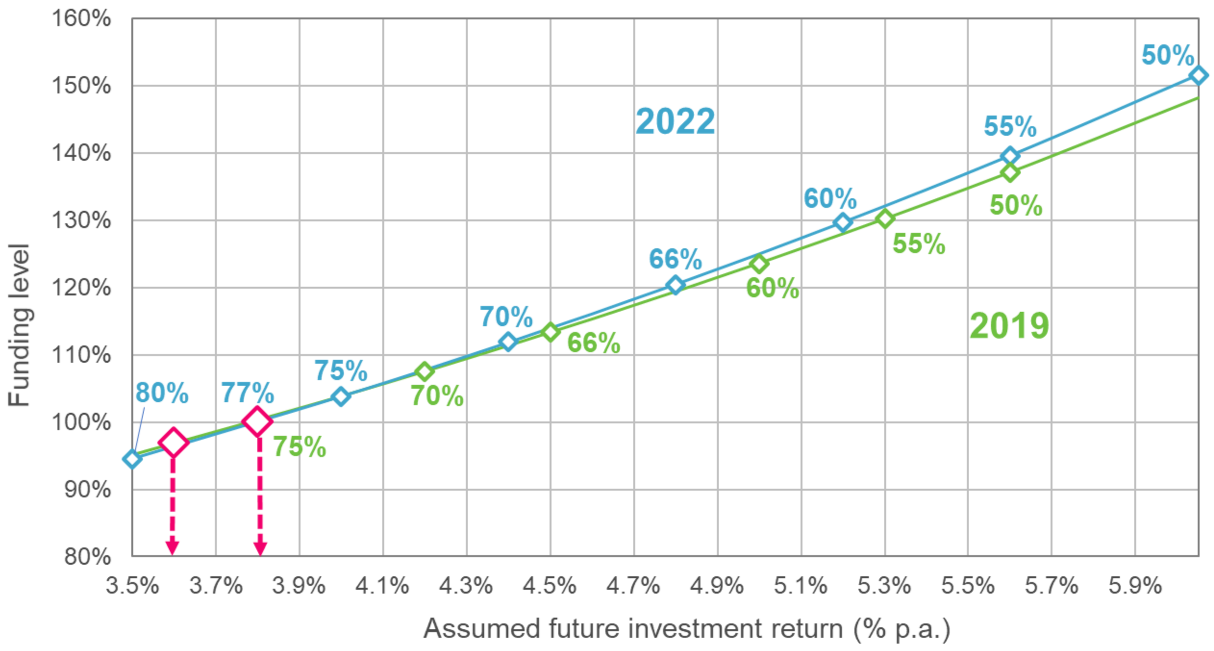
Therefore, the liabilities and funding level have been calculated across a range of different investment returns (the discount rate).

To help better understand funding risk, the likelihood of the Fund's investment strategy (detailed in Appendix 1) achieving certain levels of return has also been calculated.

Chart 2 shows how the funding level varies with future investment return assumptions at 31 March 2022 (blue line). The green line shows the same analysis at 31 March 2019.

- **The funding position at 2022 is stronger than 2019.**
- **The funding level is 100% if future investment returns are c.3.8% pa.**
- **The likelihood of the Fund's assets yielding at least this return is around 77%.**
- **The comparator at 2019 was also a return of 3.8% pa however this had a lower likelihood of 75%.**
- **There is a 50% likelihood of an investment return of 6.1% pa. So the best-estimate funding level is 152% at 31 March 2022 (137% at 2019).**

Chart 2: funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that level of return over the next 20 years

Single funding level as at 31 March 2022

Whilst the chart on the previous page provides a better understanding of the past service funding position, there is still a requirement to report a single funding level at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 3.8% pa has been used. There is a 77% likelihood associated with a future investment return of 3.8% pa.

Table 4 details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2022, however there are limitations:

- The past service liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change on a daily basis.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation actually occur, employers pay contributions in line with the R&A certificate and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2025) will be approximately 104%.

Table 4: single reported funding level

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	2,470	2,019
Deferred Pensioners	1,116	923
Pensioners	2,545	2,150
Total Liabilities	**6,131**	**5,092**
Assets	**6,132**	**4,929**
Surplus/(Deficit)	**1**	**(163)**
Funding Level	**100%**	**97%**

Important: *the reported funding level does not directly drive the contribution rates for employers. The contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and also reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The experience analysis below shows that there has sadly been a slightly higher than expected number of deaths over the period. However, the impact on the funding position has been small. This is likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

Financial

Table 5: analysis of financial experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on surplus
3 year period	11.2%	24.3%	13.1%	+£655m
Annual	3.6% pa	7.5% pa	3.9% pa	

Membership

Table 6: analysis of membership experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on surplus
Early leavers	11,630	11,243	-387	-£2m
Ill-health retirements	190	224	34	<£1m
Salary increases	3.7% pa	4.4% pa	0.7% pa	-£27m
Benefit increases	2.3% pa	1.8% pa	-0.5% pa	+£71m
Pension ceasing	£10.6m	£10.9m	£0.3m	+£1m

Changes since the last valuation

Future outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at 2019 due to the current level of high inflation.
- Investment returns: future investment returns are now expected to be higher than at the last valuation.

Table 7: summary of change in future outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns are assumed to be slightly higher at 2022 than at 2019. The assumed return is now 3.8% pa vs. 3.6% pa at 2019. This is due to slightly higher return expectations.	Decrease of £235m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £446m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	Increase in assumption from CPI + 0.7% to CPI + 1.0%, reflecting strong job market, higher inflation and pressure from National Living Wage increases.	Increase of £26m
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £5m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Increase of £38m

Reconciling the overall change in funding position

The tables below provide insight into the funding position change between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen (Table 8), which relate mostly to items on the asset side. Then the impact of actual experience (Table 9), which mainly affects the liabilities.

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Expected development

Table 8: expected development of funding position between 2019 and 2022 valuations

Change in the surplus/deficit position	Surplus / Deficit
	£m
Last valuation at 31 March 2019	**(163)**
Cashflows	
Employer contributions paid in	415
Employee contributions paid in	130
Other cashflows (e.g. expenses, transfers)	(20)
Expected changes	
Expected investment returns	557
Interest on benefits already accrued	(576)
Accrual of new benefits	(646)
Expected position at 31 March 2022	**(303)**

Numbers may not sum due to rounding

Impact of actual events

Table 9: impact of actual events on the funding position at 31 March 2022

Change in the surplus/deficit position	Surplus / Deficit
	£m
Expected position at 31 March 2022	**(303)**
Events between 2019 and 2022	
Salary increases greater than expected	(27)
Benefit increases lower than expected	71
Early retirement strain (and contributions)	(8)
Ill health retirement strain	0
Early leavers less than expected	(2)
Commutation less than expected	(8)
Pensions ceasing greater than expected	1
McCloud remedy	(27)
Other membership experience	(101)
Higher than expected investment returns	655
Changes in future expectations	
Investment returns	235
Inflation	(446)
Salary increases	(26)
Longevity	(33)
Other demographic assumptions	18
Actual position at 31 March 2022	**1**

Sensitivity & risk analysis

Sensitivity and risk analysis: assumptions

There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

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This section discusses some of the most significant sources of funding risk (assumptions, regulatory, administration and governance and climate change). Further information of the Fund's approach to funding risk management, including monitoring, mitigation and management, is set out in the Funding Strategy Statement.

The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means it's important to understand their sensitivity and risk levels.

Contribution rates

The risk-based approach to setting employer contribution rates mitigates the limitation of relying on one set of assumptions. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions. The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Funding level

Financial assumptions

On page 10, we have already set out how the results vary with the assumed future investment return. The table below considers inflation.

Table 10: sensitivity of funding position to inflation assumption

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
2.5%	189	103%
2.7%	**1**	**100%**
2.9%	(193)	97%

Demographic assumptions

The main area of demographic risk is if people live longer than expected. The table below shows the impact of longer term longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results)

Table 11: sensitivity of funding position to longevity assumption

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
1.5%	**1**	**100%**
1.75%	(54)	99%

Sensitivity and risk analysis: other risks

Regulatory, Administration and Governance risks

Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

- **McCloud:** the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1].
- **Goodwin:** the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1-0.2% of liabilities). Therefore, no allowance has been made for this case at the 2022 valuation.
- **Cost Cap:** a legal challenge is ongoing in relation to the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.
- **GMP indexation:** it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Post valuation events

Since 31 March 2022, there has been significant volatility in the financial markets, short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

- The Fund's investment return between 31 March 2022 and 28 February 2023 is estimated to be somewhere between -2% and -5%.
- Liability valuations at 28 February 2023 are likely to be lower now than at 31 March 2022 due to rises in expected future investment returns more than offsetting the higher than expected (10.1%) pension increase at April 2023.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

Sensitivity and risk analysis: climate change

Background
Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. Therefore, the Fund has explicitly explored the resilience of its funding and investment strategy to future potential climate change outcomes.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios have been considered as a stress-test (instead of trying to predict how climate change affects the funding level in the future).

All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption will lead to high volatility in financial markets, and the later the disruption, the more pronounced it will be.

Further detail on the scenarios is shown on the next page and in our guide 10 of Hymans Robertson's LGPS 2022 valuation toolkit[1]

Outcome of analysis
The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics:

- Likelihood of success – the chance of being fully funded in 19 years' time
- Downside risk – the average worst 5% of funding levels in 6 years' time

When exploring the potential impact of climate change, the Fund has compared how these risk metrics change under each climate change scenario (against the '*Core'* model used when setting the funding and investment strategy). The stress test results for the Fund are shown in Table 12 below.

Table 12: stress test results of climate change scenarios

Scenario	Likelihood of success	Downside risk
Core	**76%**	**50%**
Green Revolution	71%	47%
Delayed Transition	73%	47%
Head in the Sand	76%	51%

The results are worse in the climate scenarios. This is to be expected given that they are purposefully stress-tests and all the scenarios are bad outcomes. The stress tests illustrated that across a broad range of scenarios the funding strategy was shown to be robust. This analysis does not represent the worst impacts that the Fund may suffer as a result of climate risk. The Fund will continue to monitor this risk as more information emerges and climate change modelling techniques evolve.

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

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Final comments

Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated
- The Investment Strategy Statement, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan etc
- The Fund's risk register

New employers joining the Fund
Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers
Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund, or
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to the Fund Actuary to consider the impact on the Fund.

Valuation frequency
Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2025 where contribution rates payable from 1 April 2026 will be set.

Barry Dodds FFA
29 March 2023
For and on behalf of Hymans Robertson LLP

Richard Warden FFA

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Appendices

APPENDIX 1

Data

Membership data
A summary of the membership data provided by the Fund for the 2022 valuation is set out in Table 13. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data
To check the membership data and derive employer asset values, we have used asset and accounting data and employer level cashflow data provided by the Fund.

Table 13: Whole fund membership data as at 31 March 2022 and 31 March 2019

Whole Fund Membership Data	This Valuation 31 March 2022	Last Valuation 31 March 2019
Employee members		
Number	37,959	37,033
Total actual pay (£000)	702,661	626,894
Total accrued pension (£000)	133,307	114,858
Average age (liability weighted)	52.1	51.7
Future working lifetime (years)	7.6	8.2
Deferred pensioners (including undecideds)		
Number	36,950	36,160
Total accrued pension (£000)	58,263	50,035
Average age (liability weighted)	51.5	50.9
Pensioners and dependants		
Number	33,366	29,860
Total pensions in payment (£000)	152,881	131,207
Average age (liability weighted)	68.7	68.3

APPENDIX 1

Data

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future assumed investment return is set out in Table 14.

This information was provided by Fund Officers.

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Table 14: Investment strategy used for the 2022 valuation

Asset class	Allocation
UK Equities	12%
Global Equities (unhedged)	34%
EM equities (unhedged)	5%
Infrastructure equity (listed)	2%
Infrastructure equity (unlisted)	8%
Private Equity	4%
Total growth assets	65%
BBB Credit (14 yr)	2%
BBB Credit (4 yr)	4%
Cash	2%
Fixed interest gilt (14 yr)	6%
Index linked gilt (14 yr)	6%
Total protection assets	20%
Multi Asset Credit	6%
Property	9%
Total income generating assets	15%
Total	**100%**

APPENDIX 2

Assumptions

To set and agree assumptions for the valuation, the Fund carried out an in-depth review in July 2022 with the final set agreed by Fund Officers on 25 August 2022.

Financial assumptions – setting employer contribution rates

An asset-liability model is used to set employer contributions at the 2022 valuation. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables. In the short term (first few years), the models are fitted with current financial market expectations. Over the longer term, models are built around views of fundamental economic parameters, for example equity risk premium, credit spreads and long term inflation. The table below shows the calibration of the ESS at 31 March 2022. Further information on the assumptions used for contribution rate setting is included in the Funding Strategy Statement.

Table 15: ESS individual asset class return distributions at 31 March 2022

		Asset class annualised total returns													Inflation/Yields		
Time period	Percentile	Cash	Index Linked Gilts (Medium)	Fixed Interest Gilts (Medium)	UK Equity	Private Equity	Property	Emerging Market Equity	Listed Infra-structure Equity	Unlisted Infra-structure Equity	Developed World Equity	Multi Asset Credit	Corp Short BBB	Corp Medium BBB	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th	0.8%	-1.9%	-0.3%	-0.4%	-1.2%	-0.6%	-2.5%	-1.1%	0.7%	-0.6%	1.7%	1.3%	0.0%	1.6%	-1.7%	1.1%
	50th	1.8%	0.2%	1.1%	5.7%	9.4%	4.4%	5.8%	4.9%	5.9%	5.6%	3.5%	2.7%	1.9%	3.3%	-0.5%	2.5%
	84th	2.9%	2.4%	2.4%	11.6%	20.1%	9.5%	14.4%	10.9%	11.2%	11.6%	5.2%	3.9%	3.6%	4.9%	0.7%	4.3%
20 years	16th	1.0%	-1.5%	0.7%	1.7%	2.4%	1.4%	0.1%	1.2%	2.6%	1.6%	2.8%	2.2%	1.3%	1.2%	-0.7%	1.3%
	50th	2.4%	0.1%	1.5%	6.2%	10.0%	5.0%	6.3%	5.6%	6.5%	6.1%	4.4%	3.5%	2.5%	2.7%	1.1%	3.2%
	84th	4.0%	1.9%	2.2%	10.6%	17.6%	8.9%	12.8%	10.1%	10.6%	10.8%	6.0%	5.0%	3.6%	4.3%	2.7%	5.7%
40 years	16th	1.2%	-0.3%	1.5%	3.2%	4.7%	2.6%	2.1%	2.6%	3.9%	3.2%	3.6%	2.6%	2.3%	0.9%	-0.6%	1.1%
	50th	2.9%	1.2%	2.3%	6.7%	10.3%	5.5%	6.8%	6.1%	7.0%	6.6%	5.3%	4.2%	3.4%	2.2%	1.3%	3.3%
	84th	4.9%	3.1%	3.5%	10.2%	16.1%	8.8%	11.7%	9.8%	10.3%	10.2%	7.1%	6.2%	4.9%	3.7%	3.2%	6.1%
	Volatility (5yr)	2%	7%	6%	18%	30%	15%	26%	18%	15%	18%	6%	4%	7%	3%		

APPENDIX 2

Assumptions

Financial assumptions – calculating the funding level

The table below summarises the assumptions used to calculate the funding level at 31 March 2022, along with a comparison at the last valuation.

Table 16: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

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Assumption	31 March 2022	Required for	31 March 2019
Discount rate	3.8% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 77% likelihood of returning above the discount rate.	3.6% pa
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.7% pa*	To determine the size of future final-salary linked benefit payments.	3.0% pa*

*plus a promotional salary scale

Allowing for the McCloud remedy

Allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1]. Further technical detail about this assumption is set out in guide 13 of Hymans Robertson's LGPS 2022 valuation toolkit[2]

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

2 www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

APPENDIX 2

Assumptions

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding level.

Longevity

Table 17: Summary of longevity assumptions

	This valuation 31 March 2022	Last valuation 31 March 2019
Baseline assumption	VitaCurves based on member-level lifestyle factors	VitaCurves based on member-level lifestyle factors
Future improvements	**CMI 2021 model** Initial addition = **0.25% (both Female and Male)** Smoothing factor = **7.0** **1.5% pa** long-term rate of improvement	**CMI 2018 model** Initial addition = **0.25% (Female), 0.5% (Male)** Smoothing factor = **7.0** **1.25% pa** long-term rate of improvement

Further information on these assumptions can be provided upon request. Sample rates are included on the next page.

Other demographic assumptions

Table 18: Summary of other demographic assumptions

Death in service	See sample rates in Tables 19 & 20
Retirements in ill health	See sample rates in Tables 19 & 20
Withdrawals	See sample rates in Tables 19 & 20
Promotional salary increases	See sample rates in Tables 19 & 20
Commutation	60% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0.5% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

APPENDIX 2

Assumptions

Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	343.66	731.71	0.00	0.00	0.00	0.00
25	117	0.17	227.00	483.32	0.00	0.00	0.00	0.00
30	131	0.20	161.06	342.88	0.00	0.00	0.00	0.00
35	144	0.24	125.84	267.86	0.10	0.07	0.02	0.01
40	150	0.41	101.32	215.59	0.16	0.12	0.03	0.02
45	157	0.68	95.17	202.46	0.35	0.27	0.07	0.05
50	162	1.09	78.45	166.70	0.90	0.68	0.23	0.17
55	162	1.70	61.78	131.34	3.54	2.65	0.51	0.38
60	162	3.06	55.06	117.02	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

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Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	264.32	373.90	0.00	0.00	0.00	0.00
25	117	0.10	177.85	251.55	0.10	0.07	0.02	0.01
30	131	0.14	149.09	210.83	0.13	0.10	0.03	0.02
35	144	0.24	128.67	181.90	0.26	0.19	0.05	0.04
40	150	0.38	107.09	151.34	0.39	0.29	0.08	0.06
45	157	0.62	99.94	141.21	0.52	0.39	0.10	0.08
50	162	0.90	84.26	118.92	0.97	0.73	0.24	0.18
55	162	1.19	62.87	88.83	3.59	2.69	0.52	0.39
60	162	1.52	50.67	71.50	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

APPENDIX 3

Reliances and limitations

We have been commissioned by Derbyshire County Council ("the Administering Authority") to carry out a full actuarial valuation of the Derbyshire Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2022 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2022 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to Fund Officers dated 24 October 2022 which discusses the funding strategy for the Fund's stabilised employers
- Our paper to Fund Officers dated 5 July 2022 which discusses the valuation assumptions
- Our initial results report dated 14 October 2022 which outlines the whole fund results and inter-valuation experience
- Our data report, dated March 2023 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Asset-liability modelling	An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forward into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Deferred pensioners	A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

APPENDIX 4

Glossary

Term	Explanation
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
Employee members	Members who are currently employed by employers who participate in the fund and paying contributions into the fund.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Pensioners	A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

APPENDIX 4

Glossary

Term	Explanation
Primary rate	The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund's expenses.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Secondary rate	An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

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Rates & Adjustments certificate

Rates and Adjustments Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the Derbyshire Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated 8 March 2023 and in Appendix 2 of the report on the actuarial valuation dated 29 March 2023. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund primary and secondary contribution rates for the period 1 April 2023 to 31 March 2026. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

		This valuation 31 March 2022	
Primary rate		21.1% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£1,578,000	0.2%
	2024/25	£2,774,000	0.4%
	2025/26	£4,055,000	0.5%

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this certificate.

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Councils									
1	Derbyshire County Council	20.8%	£582,000	£582,000	£582,000	20.8% plus £582,000	20.8% plus £582,000	20.8% plus £582,000	
133	Derby City Council	20.3%	£883,000	£883,000	£883,000	20.3% plus £883,000	20.3% plus £883,000	20.3% plus £883,000	
130	Amber Valley Borough Council	21.1%	£631,000	£566,000	£501,000	21.1% plus £631,000	21.1% plus £566,000	21.1% plus £501,000	
131	Bolsover District Council	20.8%	£262,000	£262,000	£262,000	20.8% plus £262,000	20.8% plus £262,000	20.8% plus £262,000	
132	Chesterfield Borough Council	20.4%	£726,000	£726,000	£726,000	20.4% plus £726,000	20.4% plus £726,000	20.4% plus £726,000	
134	Erewash Borough Council	20.7%	£502,000	£502,000	£502,000	20.7% plus £502,000	20.7% plus £502,000	20.7% plus £502,000	
135	High Peak Borough Council	20.9%	£1,227,000	£1,147,000	£1,068,000	20.9% plus £1,227,000	20.9% plus £1,147,000	20.9% plus £1,068,000	
136	North East Derbyshire District Council	20.6%	£901,000	£901,000	£901,000	20.6% plus £901,000	20.6% plus £901,000	20.6% plus £901,000	
137	South Derbyshire District Council	20.3%	£174,000	£174,000	£174,000	20.3% plus £174,000	20.3% plus £174,000	20.3% plus £174,000	
138	Derbyshire Dales District Council	20.5%	£192,000	£192,000	£192,000	20.5% plus £192,000	20.5% plus £192,000	20.5% plus £192,000	
Other Scheduled Bodies									
40	Peak District National Park Authority	20.8%	-2.0%	-2.0%	-2.0%	18.8%	18.8%	18.8%	
123	Derby Homes Ltd	20.1%	-3.9%	-3.9%	-3.9%	16.2%	16.2%	16.2%	
139	Chesterfield Crematorium	20.7%	£24,000	£24,000	£24,000	20.7% plus £24,000	20.7% plus £24,000	20.7% plus £24,000	
126	Rykneld Homes	20.3%	-2.9%	-2.9%	-2.9%	17.4%	17.4%	17.4%	
401	Police & Crime Commissioner for Derbyshire	19.9%	-2.0%	-2.0%	-2.0%	17.9%	17.9%	17.9%	
403	Derbyshire Fire & Rescue	20.2%	-2.5%	-1.5%	-0.5%	17.7%	18.7%	19.7%	
Further Education Establishments									
192	Chesterfield College	24.7%	-5.8% plus £181,000	-4.5% plus £186,000	-3.2% plus £191,000	18.9% plus £181,000	20.2% plus £186,000	21.5% plus £191,000	
198	Derby College Group	25.0%	-5.5% plus £382,000	-4.5% plus £392,000	-3.4% plus £402,000	19.5% plus £382,000	20.5% plus £392,000	21.6% plus £402,000	
169	University of Derby	24.2%	-3.5%	-1.2%	1.1%	20.7%	23.0%	25.3%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Town and Parish Councils (Pre-2001)									
144	Shirebrook Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
145	New Mills Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
147	Clay Cross Parish Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
148	Eckington Parish Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
150	Pinxton Parish Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
151	Wirksworth Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
152	Old Bolsover Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
157	Belper Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
160	Killamarsh Parish Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
171	Ashbourne Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
172	Dronfield Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
173	Whitwell Parish Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
175	Staveley Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
178	Matlock Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
179	Whaley Bridge Town Council	21.2%	-2.0%	-1.0%	-1.0%	19.2%	20.2%	20.2%	
Town and Parish Councils (Post-2001)									
161	Burnaston Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
165	North Wingfield Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
186	Alfreton Town Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Town and Parish Councils (Post-2001) (Continued)									
187	Wingerworth Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
188	Heanor & Loscoe Town Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
234	Tibshelf Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
235	Kilburn Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
236	Codnor Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
239	Stenson Fields Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
240	Heath & Holmewood Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
241	Bretby Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
242	Breaston Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
243	Woodville Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
245	Hatton Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
248	Clowne Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
249	South Normanton Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
250	Draycott Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
251	Blackwell Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
252	Repton Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
253	Somercotes Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	
254	Chapel-en-le-Frith Parish Council	21.3%	-1.5%	-0.5%	-0.5%	19.8%	20.8%	20.8%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Community Admission Bodies									
120	Futures Housing	33.4%	£95,000	£95,000	£95,000	33.4% plus £95,000	33.4% plus £95,000	33.4% plus £95,000	
124	East Midlands Housing and Regeneration Ltd	41.0%	-16.7%	-13.5%	-10.4%	24.3%	27.5%	30.6%	
128	Platform Housing Limited	42.8%	0.7%	0.7%	0.7%	43.5%	43.5%	43.5%	
170	Crich Tramway Museum	40.7%	-4.2%	-4.2%	-4.2%	36.5%	36.5%	36.5%	
185	Belper Leisure Centre Ltd	36.6%	-29.4%	-29.4%	-29.4%	7.2%	7.2%	7.2%	
404	Derbyshire Student Residences Ltd	28.7%	-4.6%	-4.6%	-4.6%	24.1%	24.1%	24.1%	
457	Derby Museums & Art Trust	35.5%	£66,000	£66,000	£66,000	35.5% plus £66,000	35.5% plus £66,000	35.5% plus £66,000	
Transferee Admission Bodies									
184	Chesterfield Care Group	33.9%	-30.6%	-30.6%	-30.6%	3.3%	3.3%	3.3%	
414	Veolia (Chesterfield Refuse)	34.5%	-29.5%	-29.5%	-29.5%	5.0%	5.0%	5.0%	
416	VINCI (ex Norwest Holst)	35.4%	-25.9%	-25.9%	-25.9%	9.5%	9.5%	9.5%	
418	Mitie Integrated Services Limited	36.3%	-15.5%	-15.5%	-15.5%	20.8%	20.8%	20.8%	
419	Mitie Catering Services Limited	35.5%	-11.1%	-11.1%	-11.1%	24.4%	24.4%	24.4%	
424	Balfour Beatty Living Places (Balfour Beatty)	36.1%	-31.1%	-31.1%	-31.1%	5.0%	5.0%	5.0%	
425	MacIntyre Care	33.0%	-33.0%	-33.0%	-33.0%	0.0%	0.0%	0.0%	
443	Mitie Facilities Services Ltd	35.4%	-19.1%	-19.1%	-19.1%	16.3%	16.3%	16.3%	
446	Active Nation	35.6%	-30.6%	-30.6%	-30.6%	5.0%	5.0%	5.0%	
451	Compass Services (City)	31.6%	-14.6%	-14.6%	-14.6%	17.0%	17.0%	17.0%	
453	Clean Slate (Pottery)	36.1%	3.1%	3.1%	3.1%	39.2%	39.2%	39.2%	
468	Aspens Services Ltd	33.5%	-7.7%	-7.7%	-7.7%	25.8%	25.8%	25.8%	

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Transferee Admission Bodies (Continued)									
471	NSL Limited	33.4%	-14.7%	-14.7%	-14.7%	18.7%	18.7%	18.7%	
482	Derbyshire Building Control Partnership Ltd	28.5%	-0.5%	1.4%	3.3%	28.0%	29.9%	31.8%	
483	Amber Valley School Sports Partnership	27.5%	-5.2%	-5.2%	-5.2%	22.3%	22.3%	22.3%	
502	Caterlink Ltd (Cavendish Learning Trust)	34.2%	-19.4%	-19.4%	-19.4%	14.8%	14.8%	14.8%	
503	Parkwood Leisure (HPBC - Buxton Pavillion)	30.5%	-23.2%	-23.2%	-23.2%	7.3%	7.3%	7.3%	
504	LEX Leisure	33.1%	-17.2%	-17.2%	-17.2%	15.9%	15.9%	15.9%	
506	Churchill Contract Services (Hilton SA Trust)	30.0%	14.6%	14.6%	14.6%	44.6%	44.6%	44.6%	
507	Aspens Services (Kirk Hallam Nova Trust)	34.2%	-10.8%	-10.8%	-10.8%	23.4%	23.4%	23.4%	
508	Mellors Catering (Two Counties Trust)	34.4%	6.3%	6.3%	6.3%	40.7%	40.7%	40.7%	
510	Churchill Contract Services (SA Trust)	30.0%	14.6%	14.6%	14.6%	44.6%	44.6%	44.6%	
511	Caterlink Ltd (Parkview & Redwood Schools)	35.0%	0.0%	0.0%	0.0%	35.0%	35.0%	35.0%	
513	Churchill Contract Services Ltd (Kirk Hallam)	32.0%	0.2%	0.2%	0.2%	32.2%	32.2%	32.2%	
514	Mellors Catering (Shirebrook & Stubbin Wood)	33.9%	-6.8%	-6.8%	-6.8%	27.1%	27.1%	27.1%	
521	Vertas Derbyshire (Odyssey Collaborative Trust)	27.8%	0.0%	0.0%	0.0%	27.8%	27.8%	27.8%	
522	Caterlink (Derby Cathedral School)	30.2%	11.8%	11.8%	11.8%	42.0%	42.0%	42.0%	
545	NIC Services Ltd (Hady Primary School)	30.5%	0.0%	0.0%	0.0%	30.5%	30.5%	30.5%	
Multi-Academy Trusts									
	Djanogly Learning Trust								
638	Langley Mill Academy	21.6%	-3.7%	-3.7%	-3.7%	17.9%	17.9%	17.9%	
683	Laceyfields Academy	21.6%	-3.7%	-3.7%	-3.7%	17.9%	17.9%	17.9%	
718	Kensington Junior Academy	21.6%	-3.7%	-3.7%	-3.7%	17.9%	17.9%	17.9%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Multi-Academy Trusts (Continued)									
	Cavendish Learning Trust								
350	Netherthorpe School	21.5%	0.6%	1.6%	2.6%	22.1%	23.1%	24.1%	
399	Barrow Hill Primary Academy	21.5%	0.6%	1.6%	2.6%	22.1%	23.1%	24.1%	
640	Whittington Moor Nursery & Infant Academy	21.5%	0.6%	1.6%	2.6%	22.1%	23.1%	24.1%	
643	Dunston Primary & Nursery Academy	21.5%	0.6%	1.6%	2.6%	22.1%	23.1%	24.1%	
	Esteem Multi-Academy Trust								
651	Esteem Multi-Academy Trust (Central Staff)	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
652	Holbrook School for Autism	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
653	Peak School	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
654	Bennerley Fields School	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
655	Stanton Vale School	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
656	South Derbyshire Support Centre	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
680	Amber Valley & Erewash Support Centre	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
720	North East Derbyshire Support Centre	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
721	St Clare's School	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
738	Elmsleigh Infant and Nursery School	20.6%	-4.0%	-4.0%	-4.0%	16.6%	16.6%	16.6%	
	QEGSMAT								
335	Chellaston Academy	20.7%	2.7%	2.7%	2.7%	23.4%	23.4%	23.4%	
343	Queen Elizabeth's Grammar School	20.7%	2.7%	2.7%	2.7%	23.4%	23.4%	23.4%	
369	City of Derby Academy	20.7%	2.7%	2.7%	2.7%	23.4%	23.4%	23.4%	
620	Springfield Junior School	20.7%	2.7%	2.7%	2.7%	23.4%	23.4%	23.4%	
642	Castle View Primary School	20.7%	2.7%	2.7%	2.7%	23.4%	23.4%	23.4%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Multi-Academy Trusts (Continued)									
	Odyssey Collaborative Trust								
694	Springfield Primary School	20.5%	-0.8%	-0.8%	-0.8%	19.7%	19.7%	19.7%	
695	Borrow Wood Primary School	20.5%	-0.8%	-0.8%	-0.8%	19.7%	19.7%	19.7%	
696	Asterdale Primary School	20.5%	-0.8%	-0.8%	-0.8%	19.7%	19.7%	19.7%	
701	Portway Junior School	20.5%	-0.8%	-0.8%	-0.8%	19.7%	19.7%	19.7%	
702	Cherry Tree Hill Primary	20.5%	-0.8%	-0.8%	-0.8%	19.7%	19.7%	19.7%	
703	Beaufort Community Primary School	20.5%	-0.8%	-0.8%	-0.8%	19.7%	19.7%	19.7%	
757	Oakwood Junior School	20.5%	-0.8%	-0.8%	-0.8%	19.7%	19.7%	19.7%	
	Ormiston Ilkeston Enterprise Academy								
370	Ormiston Ilkeston Enterprise Academy	21.4%	6.3%	7.3%	8.3%	27.7%	28.7%	29.7%	
Academies									
199	UTC Derby Pride Park	22.2%	-5.1%	-6.1%	-7.1%	17.1%	16.1%	15.1%	
336	The Ecclesbourne School	21.0%	3.6%	2.6%	1.6%	24.6%	23.6%	22.6%	
337	Kirk Hallam Community Academy	20.3%	1.1%	1.1%	1.1%	21.4%	21.4%	21.4%	
338	John Port Spencer Academy	20.8%	2.6%	2.6%	2.6%	23.4%	23.4%	23.4%	
340	Brookfield Academy	20.8%	2.2%	2.2%	2.2%	23.0%	23.0%	23.0%	
341	The Long Eaton School	20.4%	2.5%	2.5%	2.5%	22.9%	22.9%	22.9%	
342	West Park School	20.8%	3.4%	3.4%	3.4%	24.2%	24.2%	24.2%	
345	Hope Valley College	20.9%	5.4%	5.4%	5.4%	26.3%	26.3%	26.3%	
347	Pennine Way Junior Academy	21.0%	1.7%	1.7%	1.7%	22.7%	22.7%	22.7%	
348	Heanor Gate Science College	20.9%	2.6%	2.6%	2.6%	23.5%	23.5%	23.5%	
349	Lees Brook Community School	20.6%	3.1%	4.1%	5.1%	23.7%	24.7%	25.7%	
351	Redhill Primary School	21.8%	2.9%	3.9%	4.9%	24.7%	25.7%	26.7%	

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Academies (Continued)									
352	St John Houghton Catholic VA	19.6%	4.0%	4.0%	4.0%	23.6%	23.6%	23.6%	
353	Allestree Woodlands School	20.9%	3.0%	4.0%	5.0%	23.9%	24.9%	25.9%	
354	Grampian Primary Academy	20.7%	1.5%	1.5%	1.5%	22.2%	22.2%	22.2%	
360	Saint Benedict Catholic VA	20.9%	5.1%	6.1%	7.1%	26.0%	27.0%	28.0%	
361	St Mary's Catholic VA (Newbold Chesterfield)	21.0%	2.4%	1.4%	0.4%	23.4%	22.4%	21.4%	
362	St John Fisher Catholic Voluntary Academy	21.4%	3.3%	3.3%	3.3%	24.7%	24.7%	24.7%	
363	St Georges Voluntary Catholic Academy	20.8%	2.3%	2.3%	2.3%	23.1%	23.1%	23.1%	
364	Wyndham Primary Academy	19.9%	0.8%	1.8%	2.8%	20.7%	21.7%	22.7%	
365	The Bolsover School	21.3%	3.6%	4.6%	5.6%	24.9%	25.9%	26.9%	
366	Landau Forte Academy Moorhead	20.4%	2.2%	2.2%	2.2%	22.6%	22.6%	22.6%	
367	Derby Pride Academy	19.9%	-1.4%	-1.4%	-1.4%	18.5%	18.5%	18.5%	
368	Alvaston Moor Academy	20.2%	5.3%	5.3%	5.3%	25.5%	25.5%	25.5%	
371	English Martyrs Catholic Voluntary Academy	22.3%	-0.8%	-0.8%	-0.8%	21.5%	21.5%	21.5%	
372	Newbold Church of England Primary School	20.3%	0.0%	0.0%	0.0%	20.3%	20.3%	20.3%	
373	Bishop Lonsdale CofE Primary & Nursery	22.2%	0.6%	0.6%	0.6%	22.8%	22.8%	22.8%	
374	Zaytouna Primary School	20.2%	-0.2%	-0.2%	-0.2%	20.0%	20.0%	20.0%	
376	St Joseph's Catholic Primary	21.1%	-0.5%	-0.5%	-0.5%	20.6%	20.6%	20.6%	
377	Dovedale Primary School	21.3%	-0.4%	-0.4%	-0.4%	20.9%	20.9%	20.9%	
378	Sawley Infant and Nursery School	21.8%	1.2%	1.2%	1.2%	23.0%	23.0%	23.0%	
379	Sawley Junior School	21.3%	-0.1%	-0.1%	-0.1%	21.2%	21.2%	21.2%	
380	Shardlow Primary School	22.5%	-1.2%	-0.2%	0.8%	21.3%	22.3%	23.3%	
381	Immaculate Conception Catholic Primary	20.5%	-2.8%	-2.8%	-2.8%	17.7%	17.7%	17.7%	
382	Allenton Primary School	20.8%	3.1%	2.1%	1.1%	23.9%	22.9%	21.9%	
383	Outwood Academy Newbold	20.9%	2.3%	2.3%	2.3%	23.2%	23.2%	23.2%	
384	Turnditch Church of England Primary School	21.4%	1.8%	1.8%	1.8%	23.2%	23.2%	23.2%	

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Academies (Continued)									
385	William Gilbert Endowed CofE Primary	22.4%	1.8%	1.8%	1.8%	24.2%	24.2%	24.2%	
386	St Laurence CofE VA Primary School	21.7%	-0.5%	-0.5%	-0.5%	21.2%	21.2%	21.2%	
387	Akaal Primary School	20.9%	-4.4%	-4.4%	-4.4%	16.5%	16.5%	16.5%	
388	Inkersall Primary School	20.7%	2.5%	2.5%	2.5%	23.2%	23.2%	23.2%	
389	St Philip Howard Catholic Voluntary Academy	19.9%	0.3%	0.3%	0.3%	20.2%	20.2%	20.2%	
390	St Giles CofE Aided Primary School (Matlock)	21.0%	2.3%	2.3%	2.3%	23.3%	23.3%	23.3%	
391	Walter Evans CofE Primary & Nursery School	20.2%	1.0%	1.0%	1.0%	21.2%	21.2%	21.2%	
392	Swanwick Hall School	21.2%	2.0%	2.0%	2.0%	23.2%	23.2%	23.2%	
395	David Nieper Academy	19.8%	1.0%	1.0%	1.0%	20.8%	20.8%	20.8%	
396	Christ Church CofE Primary School	21.3%	0.2%	0.2%	0.2%	21.5%	21.5%	21.5%	
397	Walton Peak Flying High Academy	21.4%	-0.3%	-0.3%	-0.3%	21.1%	21.1%	21.1%	
398	Poolsbrook Primary Academy	21.2%	-0.1%	-0.1%	-0.1%	21.1%	21.1%	21.1%	
422	Landau Forte College	19.4%	-3.9%	-3.9%	-3.9%	15.5%	15.5%	15.5%	
439	Shirebrook Academy	20.9%	2.5%	2.5%	2.5%	23.4%	23.4%	23.4%	
601	Holbrook CE Primary School	22.0%	0.4%	0.4%	0.4%	22.4%	22.4%	22.4%	
602	St Edwards Catholic Academy	21.1%	-0.1%	0.9%	1.9%	21.0%	22.0%	23.0%	
603	St Joseph's Catholic Primary (Matlock)	21.5%	1.5%	1.5%	1.5%	23.0%	23.0%	23.0%	
604	Mary Swanwick Primary School	21.9%	-0.7%	0.3%	1.3%	21.2%	22.2%	23.2%	
605	Brimington Manor Infant School	22.3%	-0.4%	-0.4%	-0.4%	21.9%	21.9%	21.9%	
606	Brimington Junior School	21.6%	-0.3%	-0.3%	-0.3%	21.3%	21.3%	21.3%	
607	Noel-Baker Academy	20.5%	3.0%	3.0%	3.0%	23.5%	23.5%	23.5%	
608	All Saints CofE Infant School (Matlock)	19.8%	-2.0%	-2.0%	-2.0%	17.8%	17.8%	17.8%	
609	St Giles CE Primary School (Killamarsh)	20.5%	-3.6%	-3.6%	-3.6%	16.9%	16.9%	16.9%	
612	All Saints Junior School (Matlock)	20.5%	-1.4%	-1.4%	-1.4%	19.1%	19.1%	19.1%	
613	Heritage High School	21.4%	-2.4%	-1.4%	-0.4%	19.0%	20.0%	21.0%	

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Academies (Continued)									
614	New Whittington Primary	21.1%	-3.9%	-2.9%	-1.9%	17.2%	18.2%	19.2%	
615	Eckington Junior School	19.6%	-0.2%	-0.2%	-0.2%	19.4%	19.4%	19.4%	
616	Darley Churchtown Primary School	21.4%	-2.9%	-1.9%	-0.9%	18.5%	19.5%	20.5%	
617	Temple Normanton Junior Academy	21.0%	2.8%	1.8%	0.8%	23.8%	22.8%	21.8%	
618	Da Vinci Academy	19.8%	4.3%	4.3%	4.3%	24.1%	24.1%	24.1%	
619	The Pingle Academy	21.4%	-1.5%	-0.5%	0.5%	19.9%	20.9%	21.9%	
621	Derwent Community Primary School	20.8%	0.0%	0.0%	0.0%	20.8%	20.8%	20.8%	
622	Breadsall Hill Top Primary	21.3%	0.1%	1.1%	2.1%	21.4%	22.4%	23.4%	
623	Pear Tree Junior School	21.5%	1.1%	2.1%	3.1%	22.6%	23.6%	24.6%	
624	Granville Academy	20.7%	-4.2%	-3.2%	-2.2%	16.5%	17.5%	18.5%	
625	St Georges CofE Primary (New Mills)	21.5%	-2.3%	-2.3%	-2.3%	19.2%	19.2%	19.2%	
626	Scargill CofE Primary	21.6%	-1.7%	-1.7%	-1.7%	19.9%	19.9%	19.9%	
627	Cavendish Close Junior Academy	21.3%	-0.8%	0.2%	1.2%	20.5%	21.5%	22.5%	
628	Cloudside Academy	21.7%	-4.3%	-4.3%	-4.3%	17.4%	17.4%	17.4%	
629	Somercotes Infant and Nursery School	21.3%	-5.2%	-5.2%	-5.2%	16.1%	16.1%	16.1%	
630	Somerlea Park Junior	21.4%	-0.4%	0.6%	1.6%	21.0%	22.0%	23.0%	
631	Bolsover CofE Junior School	21.1%	-2.2%	-1.2%	-0.2%	18.9%	19.9%	20.9%	
632	Frederick Gent School	20.9%	-1.6%	-0.6%	0.4%	19.3%	20.3%	21.3%	
633	Firs Primary School	21.8%	-2.3%	-1.3%	-0.3%	19.5%	20.5%	21.5%	
634	Hardwick Primary School	20.4%	0.0%	1.0%	2.0%	20.4%	21.4%	22.4%	
635	Derby Moor Academy	20.3%	-1.9%	-0.9%	0.1%	18.4%	19.4%	20.4%	
636	John King Infant Academy	21.5%	-3.2%	-2.2%	-1.2%	18.3%	19.3%	20.3%	
637	Longwood Infant Academy	21.4%	-4.1%	-3.1%	-2.1%	17.3%	18.3%	19.3%	
639	Kirkstead Junior Academy	21.3%	-3.3%	-3.3%	-3.3%	18.0%	18.0%	18.0%	
641	Ironville and Codnor Park Primary School	20.9%	-2.9%	-1.9%	-0.9%	18.0%	19.0%	20.0%	

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Academies (Continued)									
644	Chaddesden Park Primary School	21.2%	2.1%	2.1%	2.1%	23.3%	23.3%	23.3%	
645	Eckington School	21.0%	-1.8%	-1.8%	-1.8%	19.2%	19.2%	19.2%	
646	Village Primary Academy	21.0%	0.1%	1.1%	2.1%	21.1%	22.1%	23.1%	
648	Ash Croft Primary Academy	21.7%	-0.3%	0.7%	1.7%	21.4%	22.4%	23.4%	
649	Langwith Bassett Junior Academy	21.7%	-4.6%	-3.6%	-2.6%	17.1%	18.1%	19.1%	
650	Friesland School	20.9%	-3.4%	-2.4%	-1.4%	17.5%	18.5%	19.5%	
657	All Saints Catholic Voluntary Academy (Glossop)	20.1%	-3.1%	-2.1%	-1.1%	17.0%	18.0%	19.0%	
658	Christ the King Catholic Voluntary Academy	20.5%	-3.1%	-3.1%	-3.1%	17.4%	17.4%	17.4%	
659	St Alban's Catholic Voluntary Academy (Derby)	20.6%	-0.3%	-0.3%	-0.3%	20.3%	20.3%	20.3%	
660	St Anne's Catholic Voluntary Academy (Buxton)	21.7%	-2.5%	-2.5%	-2.5%	19.2%	19.2%	19.2%	
661	St Charles Catholic Voluntary Academy (Hadfield)	21.1%	-2.6%	-1.6%	-0.6%	18.5%	19.5%	20.5%	
662	St Elizabeth's Catholic Voluntary Academy (Belper)	21.7%	-3.4%	-2.4%	-1.4%	18.3%	19.3%	20.3%	
663	St Joseph's Catholic Voluntary Academy (Derby)	21.6%	-1.5%	-1.5%	-1.5%	20.1%	20.1%	20.1%	
664	St. Margaret's Catholic Voluntary Academy (Glossop)	21.6%	-4.1%	-3.1%	-2.1%	17.5%	18.5%	19.5%	
665	St Mary's Catholic Voluntary Academy (Derby)	20.2%	0.1%	0.1%	0.1%	20.3%	20.3%	20.3%	
667	St Mary's Catholic Voluntary Academy (New Mills)	21.0%	-4.5%	-3.5%	-2.5%	16.5%	17.5%	18.5%	
668	St Thomas Catholic Voluntary Academy (Ilkeston)	21.7%	-3.2%	-2.2%	-1.2%	18.5%	19.5%	20.5%	
669	St Thomas More Voluntary Academy (Buxton)	21.5%	-2.3%	-1.3%	-0.3%	19.2%	20.2%	21.2%	
670	Derby Cathedral School	21.1%	-1.8%	-1.8%	-1.8%	19.3%	19.3%	19.3%	
671	St Mary's Catholic Voluntary Academy (Glossop)	21.4%	-2.4%	-2.4%	-2.4%	19.0%	19.0%	19.0%	
672	Alvaston Junior Academy	21.1%	1.6%	1.6%	1.6%	22.7%	22.7%	22.7%	
673	Reigate Park Primary Academy	20.8%	-1.1%	-0.1%	0.9%	19.7%	20.7%	21.7%	
674	Cottons Farm Primary Academy	20.8%	1.7%	2.7%	3.7%	22.5%	23.5%	24.5%	
675	Hilton Primary School	21.2%	-3.2%	-2.2%	-1.2%	18.0%	19.0%	20.0%	
676	Loscoe CofE Primary School and Nursery	20.7%	-4.0%	-4.0%	-4.0%	16.7%	16.7%	16.7%	

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Academies (Continued)									
677	Ashwood Spencer Academy	20.4%	-0.1%	-0.1%	-0.1%	20.3%	20.3%	20.3%	
678	Wilsthorpe School	20.8%	-1.8%	-1.8%	-1.8%	19.0%	19.0%	19.0%	
682	Lakeside Primary Academy	19.8%	-0.7%	-0.7%	-0.7%	19.1%	19.1%	19.1%	
684	Walton on Trent CofE Primary & Nursery	20.3%	-1.3%	-1.3%	-1.3%	19.0%	19.0%	19.0%	
685	Griffe Field Primary School	21.7%	1.7%	2.7%	3.7%	23.4%	24.4%	25.4%	
686	Horsley Woodhouse Primary School	21.6%	-2.9%	-2.9%	-2.9%	18.7%	18.7%	18.7%	
687	Kilburn Junior School	21.3%	-3.5%	-2.5%	-1.5%	17.8%	18.8%	19.8%	
688	Aldercar Infant School	20.6%	-1.3%	-0.3%	0.7%	19.3%	20.3%	21.3%	
689	Heath Primary School	20.0%	-3.6%	-3.6%	-3.6%	16.4%	16.4%	16.4%	
690	Howitt Primary Community School	21.9%	-2.7%	-1.7%	-0.7%	19.2%	20.2%	21.2%	
691	Derby St Chad's CofE (VC) Nursery & Infant	20.8%	-0.5%	0.5%	1.5%	20.3%	21.3%	22.3%	
693	Arboretum Primary School	20.5%	-0.9%	0.1%	1.1%	19.6%	20.6%	21.6%	
704	Holme Hall Primary School	20.5%	-1.3%	-1.3%	-1.3%	19.2%	19.2%	19.2%	
705	Brookfield Primary	20.8%	2.4%	2.4%	2.4%	23.2%	23.2%	23.2%	
706	Richardson Endowed Primary School	22.5%	0.4%	0.4%	0.4%	22.9%	22.9%	22.9%	
707	Woodthorpe CofE Primary	20.5%	0.0%	0.0%	0.0%	20.5%	20.5%	20.5%	
708	Ashgate Croft Primary	21.3%	0.1%	0.1%	0.1%	21.4%	21.4%	21.4%	
709	Old Hall Junior School	21.7%	1.6%	1.6%	1.6%	23.3%	23.3%	23.3%	
710	Walton Holymoorside Primary	21.9%	0.4%	0.4%	0.4%	22.3%	22.3%	22.3%	
711	Westfield Infant School	22.5%	1.2%	1.2%	1.2%	23.7%	23.7%	23.7%	
713	Brooklands Primary School	21.2%	-1.3%	-1.3%	-1.3%	19.9%	19.9%	19.9%	
714	Tupton Primary and Nursery Academy	21.3%	-0.1%	-0.1%	-0.1%	21.2%	21.2%	21.2%	
716	Carlyle Infant & Nursery School	20.9%	0.5%	0.5%	0.5%	21.4%	21.4%	21.4%	
717	Hodthorpe Primary School	22.4%	-1.1%	-1.1%	-1.1%	21.3%	21.3%	21.3%	
719	Longford CofE Primary School	22.4%	-0.6%	-0.6%	-0.6%	21.8%	21.8%	21.8%	

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Academies (Continued)									
722	St Andrews Academy	20.8%	3.8%	3.8%	3.8%	24.6%	24.6%	24.6%	
723	Church Gresley Infant and Nursery School	21.1%	0.7%	0.7%	0.7%	21.8%	21.8%	21.8%	
724	Ravensdale Junior School	22.1%	5.1%	5.1%	5.1%	27.2%	27.2%	27.2%	
725	Chellaston Fields Spencer Academy	19.5%	-1.1%	-1.1%	-1.1%	18.4%	18.4%	18.4%	
726	The Mease at Hilton	20.9%	-0.4%	-0.4%	-0.4%	20.5%	20.5%	20.5%	
727	Hackwood Primary Academy	20.8%	3.1%	3.1%	3.1%	23.9%	23.9%	23.9%	
728	Ivy House School	21.1%	4.1%	4.1%	4.1%	25.2%	25.2%	25.2%	
729	Tupton Hall School	21.1%	-0.7%	-0.7%	-0.7%	20.4%	20.4%	20.4%	
730	St Werburgh's CofE Primary School	21.5%	3.0%	3.0%	3.0%	24.5%	24.5%	24.5%	
731	St Giles' Spencer Academy	19.7%	0.3%	0.3%	0.3%	20.0%	20.0%	20.0%	
732	The Green Infant School	21.0%	-2.8%	-2.8%	-2.8%	18.2%	18.2%	18.2%	
733	Lawn Primary School	21.0%	3.5%	3.5%	3.5%	24.5%	24.5%	24.5%	
734	St Peter’s CofE Aided Junior School	21.6%	9.3%	9.3%	9.3%	30.9%	30.9%	30.9%	
735	Springwell Community College	21.6%	2.2%	2.2%	2.2%	23.8%	23.8%	23.8%	
736	North Wingfield Primary & Nursery Academy	21.0%	-0.9%	-0.9%	-0.9%	20.1%	20.1%	20.1%	
737	Chaucer Junior School	21.4%	-0.3%	-0.3%	-0.3%	21.1%	21.1%	21.1%	
739	Chaucer Infant School	21.1%	-0.3%	-0.3%	-0.3%	20.8%	20.8%	20.8%	
740	St Martins School	19.6%	-0.6%	-0.6%	-0.6%	19.0%	19.0%	19.0%	
741	Whaley Thorns Primary School	21.2%	-2.7%	-2.7%	-2.7%	18.5%	18.5%	18.5%	
742	Stubbin Wood School	20.6%	-2.6%	-2.6%	-2.6%	18.0%	18.0%	18.0%	
743	Model Village Primary School	21.1%	-2.2%	-2.2%	-2.2%	18.9%	18.9%	18.9%	
744	Gamesley Primary Academy	20.8%	-1.9%	-0.9%	0.1%	18.9%	19.9%	20.9%	
745	Ashbrook Junior School	22.8%	1.0%	1.0%	1.0%	23.8%	23.8%	23.8%	
746	Bakewell CofE Infant School	21.1%	-3.9%	-3.9%	-3.9%	17.2%	17.2%	17.2%	
747	Bishop Pursglove CofE (A) Primary	21.7%	0.3%	0.3%	0.3%	22.0%	22.0%	22.0%	

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Academies (Continued)									
748	Highfields Spencer Academy	19.1%	-0.6%	-0.6%	-0.6%	18.5%	18.5%	18.5%	
749	Hague Bar Primary	21.9%	8.7%	8.7%	8.7%	30.6%	30.6%	30.6%	
750	Glossopdale School	21.6%	-0.3%	-0.3%	-0.3%	21.3%	21.3%	21.3%	
751	Field House Infant School	22.2%	-0.8%	-0.8%	-0.8%	21.4%	21.4%	21.4%	
752	Ladywood Primary School	21.2%	-1.5%	-1.5%	-1.5%	19.7%	19.7%	19.7%	
753	Waingroves Primary School	21.9%	-1.3%	-1.3%	-1.3%	20.6%	20.6%	20.6%	
754	St James' CofE Aided Junior School	21.9%	-1.6%	-1.6%	-1.6%	20.3%	20.3%	20.3%	
755	Outwood Academy Hasland Hall	21.5%	-1.6%	-1.6%	-1.6%	19.9%	19.9%	19.9%	
756	Brackensdale Spencer Academy	20.6%	-1.9%	-1.9%	-1.9%	18.7%	18.7%	18.7%	
758	Hollingwood Primary School	20.5%	-2.1%	-2.1%	-2.1%	18.4%	18.4%	18.4%	
759	Castleward Spencer Academy	21.0%	-0.2%	-0.2%	-0.2%	20.8%	20.8%	20.8%	
760	Clover Leys Spencer Academy	19.9%	-0.2%	-0.2%	-0.2%	19.7%	19.7%	19.7%	
762	Riddings Junior School	20.9%	-0.9%	-0.9%	-0.9%	20.0%	20.0%	20.0%	
763	William Rhodes Primary & Nursery School	20.3%	-1.5%	-1.5%	-1.5%	18.8%	18.8%	18.8%	
Pass-through Employers (Academies)									
500	Caterlink Ltd (De Ferrers Trust)	30.5%	1.2%	1.2%	1.2%	31.7%	31.7%	31.7%	
505	Accuro FM Ltd (Swanwick Hall School)	27.5%	0.0%	0.0%	0.0%	27.5%	27.5%	27.5%	
517	Mellors Catering Services (Learners' Trust)	23.2%	0.0%	0.0%	0.0%	23.2%	23.2%	23.2%	
518	Accuro FM Ltd (De Ferrers Trust)	27.2%	0.0%	0.0%	0.0%	27.2%	27.2%	27.2%	
519	Accuro FM Ltd (St Andrew's Academy)	30.7%	0.0%	0.0%	0.0%	30.7%	30.7%	30.7%	
523	Busy Bee (The Harmony Trust)	13.8%	0.0%	0.0%	0.0%	13.8%	13.8%	13.8%	
526	Caterlink (Ivy House School)	21.1%	0.0%	0.0%	0.0%	21.1%	21.1%	21.1%	
527	Easy Clean Contractors (Allestree Woodlands)	27.7%	-5.8%	-5.8%	-5.8%	21.9%	21.9%	21.9%	
528	Aspens Services Ltd (St Joseph's Primary)	24.1%	0.0%	0.0%	0.0%	24.1%	24.1%	24.1%	
529	Accuro FM Ltd (Friesland School)	26.6%	0.0%	0.0%	0.0%	26.6%	26.6%	26.6%	

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Pass-through Employers (Councils)									
	Derbyshire County Council								
515	Vertas Derbyshire Ltd	27.6%	-6.6%	-6.6%	-6.6%	21.0%	21.0%	21.0%	
516	Concertus Derbyshire Ltd	22.6%	-1.6%	-1.6%	-1.6%	21.0%	21.0%	21.0%	
444	Compass Services (DCC)	30.2%	0.0%	0.0%	0.0%	30.2%	30.2%	30.2%	
	Derby City Council								
460	EQUANS Services Ltd	19.7%	0.0%	0.0%	0.0%	19.7%	19.7%	19.7%	
520	Action For Children (Derby City Council)	22.9%	0.0%	0.0%	0.0%	22.9%	22.9%	22.9%	
	Amber Valley Borough Council								
512	Amber Valley Norse Ltd	28.8%	0.0%	0.0%	0.0%	28.8%	28.8%	28.8%	
420 / 421	Leisure Amber Valley	30.2%	-16.4%	-16.4%	-16.4%	13.8%	13.8%	13.8%	
	Derbyshire Dales District Council								
493	Wealden Leisure Ltd (Freedom Leisure)	20.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	
	Erewash Borough Council								
499	Legacy Leisure (Erewash)	24.4%	0.0%	0.0%	0.0%	24.4%	24.4%	24.4%	
	High Peak Borough Council								
485	Alliance Environmental Services	25.7%	-4.8%	-4.8%	-4.8%	20.9%	20.9%	20.9%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Post 2022 Valuation Employers									
	Academies								
764	St George's CofE Primary (Church Gresley)	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
765	Sale and Davys CofE Primary School	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
767	William Allitt School	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
769	Aldercar High School	22.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	
770	Morton Primary School	21.6%	-3.7%	-3.7%	-3.7%	17.9%	17.9%	17.9%	
	Admitted Bodies								
534	Enviroserve (Norbriggs Primary School)	21.8%	0.0%	0.0%	0.0%	21.8%	21.8%	21.8%	
540	DCS Cleaning (Dronfield Infant & Junior)	31.7%	0.0%	0.0%	0.0%	31.7%	31.7%	31.7%	
	Pass-through Employers								
543	Alliance in Partnership (Ashgate Primary)	20.3%	0.0%	0.0%	0.0%	20.3%	20.3%	20.3%	
548	Alliance Norse (High Peak Borough Council)	20.9%	0.0%	0.0%	0.0%	20.9%	20.9%	20.9%	

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Further comments to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions. If an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the Administering Authority, then their certified contribution rate may be reduced by the value of their insurance premium, for the period the insurance is in place.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.
- The monetary contributions set out in the certificate above can be prepaid in advance with appropriate adjustments for interest as and when agreed with the Administering Authority. Under these circumstances a revised Rates and Adjustments certificate may be issued reflecting any advance payments.

Barry Dodds FFA

Richard Warden FFA

29 March 2023

For and on behalf of Hymans Robertson LLP

Section 13 dashboard

Section 13 dashboard

Metric	Unit	2022 valuation
2022 funding position – local funding basis		
Funding level (assets/liabilities)	%	100%
Funding level (change since previous valuation)	%	3% increase
Asset value used at the valuation	£m	6,132
Value of liabilities (including McCloud liability)	£m	6,131
Surplus (deficit)	£m	1
Discount rate – past service	% pa	3.8%
Discount rate – future service	% pa	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% pa	2.7%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 77% likelihood that the Fund's assets will return at least 3.8% over the 20 years following the 2022 valuation date. This is the same methodology used for the 2019 valuation.

Section 13 dashboard

Metric	Unit	2022 valuation
Assumed life expectancy at age 65		
Life expectancy for current pensioners – men age 65	years	21.3
Life expectancy for current pensioners – women age 65	years	24.3
Life expectancy for future pensioners – men age 45	Years	22.2
Life expectancy for future pensioners – women age 45	years	25.8
Past service funding position – SAB basis (for comparison purposes only)		
Market value of assets	£m	6,132
Value of liabilities	£m	5,145
Funding level on SAB basis (assets/liabilities)	%	119%
Funding level on SAB basis (change since last valuation)	%	3% increase

Section 13 dashboard

Metric6.43	Unit	2022 valuation	2019 valuation
Contribution rates payable			
Primary contribution rate	% of pay	21.1%	18.5%
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)			
1st year of rates and adjustments certificate	£m	1.578	20.805
2nd year of rates and adjustments certificate	£m	2.774	17.675
3rd year of rates and adjustments certificate	£m	4.055	17.834
Giving total expected contributions			
1st year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	160.893	140.371
2nd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	168.043	140.873
3rd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	175.501	144.774
Assumed payroll (cash amounts in each year)			
1st year of rates and adjustments certificate	£m	754.330	645.936
2nd year of rates and adjustments certificate	£m	782.520	665.557
3rd year of rates and adjustments certificate	£m	811.764	685.774
3 year average total employer contribution rate	% of pay	21.5%	21.3%
Average employee contribution	% of pay	6.3%	6.3%
Employee contribution rate (£ figure based on assumed payroll of £754m)	£m pa	47.569	40.420

Section 13 dashboard

Metric	Unit	2022 valuation	2019 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2040	2038
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	78%	80%
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Additional information			
Percentage of total liabilities that are in respect of Tier 3 employers	%	11%	
Included climate change analysis/comments in the 2022 valuation report		Yes	
Value of McCloud liability in the 2022 valuation report (on local funding basis)	£m	26.8	

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DERBYSHIRE County Council

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 26 APRIL 2023

Report of the Director - Finance and ICT

UK Stewardship Code 2020

1. Purpose

1.1 To obtain Pensions and Investments Committee approval for Derbyshire Pension Fund's (the Fund) application to become a signatory to the UK Stewardship Code 2020.

2. Information and Analysis

2.1 The Financial Reporting Council (FRC) promotes transparency and integrity in business. It regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.

2.2 The FRC launched the UK Stewardship Code 2020 (the Code) in 2019. The Code sets high stewardship standards for asset owners and asset managers, and for the service providers that support them.

2.3 The Code comprises a set of twelve 'apply and explain' Principles for Asset Managers and Asset Owners, covering purpose and governance, investment approach, engagement and exercising rights and responsibilities.

2.4 The Code does not prescribe a single approach to effective stewardship. It allows an organisation to meet the expectations in a manner that is aligned with its own business model and strategy. A copy of the FRC's UK Stewardship Code 2020 is set out at Appendix 2.

2.5 Whilst the Code is voluntary, the Fund's In-house Investment Management Team (IIMT) believes that becoming a signatory to the Code represents best practice and is in line with the Fund's approach to responsible investment as set out in the Fund's Responsible Investment Framework.

2.6 A copy of the Fund's proposed application for 2022 is attached at Appendix 3. The deadline for submission is 31 May 2023. The application has been prepared by the IIMT, drawing on information provided from the Fund's largest external investment managers, including LGPS Central Limited and Legal & General Investment Management. The IIMT believes that the application is aligned with the aims of the Code and demonstrates the importance that the Fund places on responsible investment and constructive stewardship and engagement with its investment managers and investee companies.

2.7 The application is subject to an annual update and reapplication process.

2.8 Whilst the application is substantially complete and no significant changes are anticipated prior to submission to the FRC, the application contains a number of square brackets where outstanding information is required. These square brackets will be finalized prior to final submission. It is recommended that approval for the final submission is delegated to the Director of Finance & ICT, in consultation with the Chair of the Pensions and Investments Committee.

2.9 The Code requires that the application is reviewed by the applicant's governing body (i.e. the Fund's Pensions and Investments Committee), and signed by the chair, chief executive or chief investment officer.

2.10 Once the applicant has been accepted as a Code signatory and the application is approved by the FRC, the application will be a public document.

2.11 If the Fund’s application is approved, it will be published on the Pension Fund’s website.

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Papers held by the Pension Fund Team.

5. Appendices

5.1 Appendix 1 – Implications
5.2 Appendix 2 – UK Stewardship Code 2020
5.3 Appendix 3 – The Fund’s UK Stewardship Code 2020 application

6. Recommendation(s)

That Committee:

a) approves the Fund’s proposed UK Stewardship Code 2020 application (attached as Appendix 3) for submission to the FRC by 31 May 2023.

b) delegates approval of the Fund’s final UK Stewardship Code 2020 application, and approval of its submission to the FRC, to the Director of Finance & ICT, in consultation with the Chair of the Pensions and Investments Committee.

7. Reasons for Recommendation(s)

7.1 The rationale for the recommendations is set out in Section 2.

Report Author:	**Neil Smith**	**Contact details:**	**neil.smith2@derbyshire.gov.uk**

Appendix 1

Implications

Financial

1.1 None

Legal

2.1 The Code is voluntary. A party can be removed as a signatory if incorrect or misleading representations are made as part of the application. Approval of signatories is solely at the discretion of the FRC. An annual submission must be made and there is no obligation on the Fund to reapply should it wish to cease being a signatory to the code.

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Financial Reporting Council

THE UK STEWARDSHIP CODE 2020

PRINCIPLES AT A GLANCE

PRINCIPLES FOR ASSET OWNERS AND ASSET MANAGERS
Purpose and governance
1. Purpose, strategy and culture
2. Governance, resources and incentives
3. Conflicts of interest
4. Promoting well-functioning markets
5. Review and assurance
Investment approach
6. Client and beneficiary needs
7. Stewardship, investment and ESG integration
8. Monitoring managers and service providers
Engagement
9. Engagement
10. Collaboration
11. Escalation
Exercising rights and responsibilities
12. Exercising rights and responsibilities

PRINCIPLES FOR SERVICE PROVIDERS
1. Purpose, strategy and culture
2. Governance, resources and incentives
3. Conflicts of interest
4. Promoting well-functioning markets
5. Supporting client's stewardship
6. Review and assurance

CONTENTS

The FRC's mission is to promote transparency and integrity in business. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

Registered in England number 2486368.

Registered Office: 8th Floor, 125 London Wall, London EC2Y 5AS

INTRODUCTION

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The UK Stewardship Code 2020 (the Code) sets high stewardship standards for asset owners and asset managers, and for service providers that support them.

The Code comprises a set of 'apply and explain' Principles for asset managers and asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

The investment market has changed significantly since the publication of the first UK Stewardship Code. There has been significant growth in investment in assets other than listed equity, such as fixed income bonds, real estate and infrastructure. These investments have different terms, investment periods, rights and responsibilities and signatories will need to consider how to exercise stewardship effectively in these circumstances.

Environmental, particularly climate change, and social factors, in addition to governance, have become material issues for investors to consider when making investment decisions and undertaking stewardship. The Code also recognises that asset owners and asset managers play an important role as guardians of market integrity and in working to minimise systemic risks as well as being stewards of the investments in their portfolios.

HOW TO REPORT

All Principles are supported by reporting expectations. These indicate the information that organisations should include in their Stewardship Report and will form the basis of assessment of reporting quality.

When applying the Principles, signatories should consider the following, among other issues:

- the effective application of the UK Corporate Governance Code and other governance codes;
- directors' duties, particularly those matters to which they should have regard under section 172 of the Companies Act 2006;
- capital structure, risk, strategy and performance;
- diversity, remuneration and workforce interests;
- audit quality;
- environmental and social issues, including climate change; and
- compliance with covenants and contracts.

Each Principle has reporting expectations under the headings Activity and Outcome. Some Principles also include reporting expectations under the heading Context, which require disclosure of background information or policies that are necessary in order to understand and assess the approach taken to stewardship.

Some reporting expectations will be more relevant for asset managers or those investing directly, while others will be more relevant to asset owners or those using intermediaries. Organisations must determine which reporting expectations are relevant and appropriate to their business or role in the investment community.

In Principle 6, for example, "signatories should disclose an approximate breakdown of: the size and profile of their membership, including number of members in the scheme and the average age of members; OR their client base, for example, institutional versus retail, and geographic distribution".

The Code contains more detailed reporting expectations for listed equity assets. This reflects the relative maturity of stewardship for listed equity assets. However, signatories should use the resources, rights and influence available to them to exercise stewardship, however capital is invested.

Reports should be engaging, succinct and in plain English. They should be as specific and as transparent as possible without compromising effective stewardship.

The Report should be a single document structured to give a clear picture of how the organisation has applied the Code. Relevant data, diagrams, tables, examples and case studies should be used appropriately. It should focus on activities and outcomes and provide enough information to enable the reader to have a good understanding of the application of the Code without having to refer to information elsewhere. However, the Report may link to more detailed policies and disclosures, including against other reporting requirements. Any additional information should be clear and accessible.

Reports should be fair, balanced and understandable. For example, reporting should acknowledge setbacks experienced and lessons learned, as well as successes. Activities to achieve desired outcomes may take more than a year and may not be completed within an organisation's reporting period. Where this is the case, this should be indicated and progress reported.

The Code recognises that signatories differ by size, type, business model and investment approach, and do not exercise stewardship in an identical way. The reporting expectations do not require disclosure of stewardship activities on a fund-by-fund basis or for each investment strategy. However, the information provided should give a clear indication of how stewardship activities differ across funds, asset classes and geographies proportionately to their operations.

Reports must be reviewed and approved by the applicant's governing body, and signed by the chair, chief executive or chief investment officer.

Once the applicant has been accepted as a Code signatory and the Report is approved by the FRC, the Report will be a public document and must be made available on the signatory's website or, if they do not have a website, in another accessible form.

Further information on how to submit the Report and the assessment process can be found on the FRC website.

PRINCIPLES FOR ASSET OWNERS AND ASSET MANAGERS

Asset owners and asset managers cannot delegate their responsibility and are accountable for effective stewardship. Stewardship activities include investment decision-making, monitoring assets and service providers, engaging with issuers and holding them to account on material issues, collaborating with others, and exercising rights and responsibilities.

Capital is invested in a range of asset classes over which investors have different terms and investment periods, rights and levels of influence. Signatories should use the resources, rights and influence available to them to exercise stewardship, no matter how capital is invested.

PURPOSE AND GOVERNANCE

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

REPORTING EXPECTATIONS

Context

Signatories should explain:

- the purpose of the organisation and an outline of its culture, values, business model and strategy; and
- their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why.

Activity

Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.

Outcome

Signatories should disclose:

- how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and
- an assessment of how effective they have been in serving the best interests of clients and beneficiaries.

PURPOSE AND GOVERNANCE

Principle 2

Signatories' governance, resources and incentives support stewardship.

REPORTING EXPECTATIONS

Activity

Signatories should explain how:

- their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach;
- they have appropriately resourced stewardship activities, including:
  - their chosen organisational and workforce structures;
  - their seniority, experience, qualifications, training and diversity;
  - their investment in systems, processes, research and analysis;
  - the extent to which service providers were used and the services they provided; and
- performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making.

Outcome

Signatories should disclose:

- how effective their chosen governance structures and processes have been in supporting stewardship; and
- how they may be improved.

PURPOSE AND GOVERNANCE

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

REPORTING EXPECTATIONS

Context

Signatories should disclose their conflicts policy and how this has been applied to stewardship.

Activity

Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.

Outcome

Signatories should disclose examples of how they have addressed actual or potential conflicts.

Conflicts may arise as a result of:

- ownership structure;
- business relationships between asset owners and asset managers, and/or the assets they manage;
- differences between the stewardship policies of managers and their clients;
- cross-directorships;
- bond and equity managers' objectives; and
- client or beneficiary interests diverging from each other.

PURPOSE AND GOVERNANCE

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- how they have identified and responded to market-wide and systemic risk(s), as appropriate;
- how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets;
- the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and
- how they have aligned their investments accordingly.

Outcome

Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include but are not limited to:

- changes in interest rates;
- geopolitical issues; and
- currency rates.

Systemic risks are those that may lead to the collapse of an industry, financial market or economy and include but are not limited to:

- climate change; and
- the failure of a business or group of businesses.

Stakeholders may include investors, issuers, service providers, policymakers, audit firms, not-for-profits, regulators, associations and academics.

PURPOSE AND GOVERNANCE

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- how they have reviewed their policies to ensure they enable effective stewardship;
- what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and
- how they have ensured their stewardship reporting is fair, balanced and understandable.

Outcome

Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.

Internal assurance may be by given by senior staff, a designated body, board, committee, or internal audit and external assurance by an independent third party.

INVESTMENT APPROACH

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

REPORTING EXPECTATIONS

Context

Signatories should disclose:

- the approximate breakdown of:
  - the scheme(s) structure, for example, whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution, etc;
  - the size and profile of their membership, including number of members in the scheme and the average age of members;

  OR

  - their client base, for example, institutional versus retail, and geographic distribution;
  - assets under management across asset classes and geographies;
- the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.

Activity

Signatories should explain:

- how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach;

OR

- how they have sought and received clients' views and the reason for their chosen approach;

- how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon;

OR

- how assets have been managed in alignment with clients' stewardship and investment policies;

- what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication;

OR

- what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfil their stewardship reporting requirements.

Outcome

Signatories should explain:

- how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries;

- how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result;

OR

- how they have taken account of the views of clients and what actions they have taken as a result;

- where their managers have not followed their stewardship and investment policies, and the reason for this;

OR

- where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.

INVESTMENT APPROACH

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

REPORTING EXPECTATIONS

Context

Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.

Activity

Signatories should explain:

- how integration of stewardship and investment has differed for funds, asset classes and geographies;
- how they have ensured:
  - tenders have included a requirement to integrate stewardship and investment, including material ESG issues; and
  - the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries;

OR

- the processes they have used to:
  - integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and
  - ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

Outcome

Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.

INVESTMENT APPROACH

Principle 8

Signatories monitor and hold to account managers and/or service providers.

REPORTING EXPECTATIONS

Activity

Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

Outcome

Signatories should explain:

- how the services have been delivered to meet their needs;

OR

- the action they have taken where signatories' expectations of their managers and/or service providers have not been met.

For example:

- asset owners monitoring asset managers and investment consultants to ensure that assets have been managed in alignment with their investment and stewardship strategy and policies; or
- asset managers monitoring proxy advisors to ensure, as far as can reasonably be achieved, that voting has been executed according with the manager's policies; and
- asset managers monitoring data and research providers to ensure the quality and accuracy of their products and services.

ENGAGEMENT

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- the expectations they have set for others that engage on their behalf and how;

OR

- how they have selected and prioritised engagement (for example, key issues and/or size of holding);
- how they have developed well-informed and precise objectives for engagement with examples;
- what methods of engagement and the extent to which they have been used;
- the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and
- how engagement has differed for funds, assets or geographies.

Examples of engagement methods include but are not limited to:

- meeting the chair or other board members;
- holding meetings with management;
- writing letters to a company to raise concerns; and
- raising key issues through a company's advisers.

Outcome

Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.

For example:

- how engagement has been used to monitor the company;
- any action or change(s) made by the issuer(s);
- how outcomes of engagement have informed investment decisions (buy, sell, hold); and
- how outcomes of engagement have informed escalation.

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

ENGAGEMENT

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

REPORTING EXPECTATIONS

Activity

Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.

For example:

- collaborating with other investors to engage an issuer to achieve a specific change; or
- working as part of a coalition of wider stakeholders to engage on a thematic issue.

Signatories should provide examples, including

- the issue(s) covered;
- the method or forum;
- their role and contribution.

Outcome

Signatories should describe the outcomes of collaborative engagement.

For example:

- any action or change(s) made by the issuer(s);
- how outcomes of engagement have informed investment decisions (buy, sell, hold); and
- whether their stated objectives have been met.

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

ENGAGEMENT

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- the expectations they have set for asset managers that escalate stewardship activities on their behalf;

OR

- how they have selected and prioritised issues, and developed well-informed objectives for escalation;
- when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and
- how escalation has differed for funds, assets or geographies.

Outcome

Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.

For example:

- any action or change(s) made by the issuer(s);
- how outcomes of escalation have informed investment decisions (buy, sell, hold);
- whether their stated objectives have been met; and
- any changes in engagement approach.

Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

EXERCISING RIGHTS AND RESPONSIBILITIES

Principle 12

Signatories actively exercise their rights and responsibilities.

REPORTING EXPECTATIONS

Reporting expectations for listed equity and fixed income investments are below. In addition, signatories should report on how they have exercised their rights and responsibilities across other asset classes they are invested in, where they have the ability to do so, as disclosed in their reporting against Principle 6.

Context

Signatories should:

- state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf;

OR

- explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies.

In addition, for listed equity assets, signatories should:

- disclose their voting policy, including any house policies and the extent to which funds set their own policies;
- state the extent to which they use default recommendations of proxy advisors;
- report the extent to which clients may override a house policy;
- disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and
- state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate ‘empty voting’.

Activity

For listed equity assets, signatories should:

- disclose the proportion of shares that were voted in the past year and why;
- provide a link to their voting records, including votes withheld if applicable;
- explain their rationale for some or all voting decisions, particularly where:
  - there was a vote against the board;
  - there were votes against shareholder resolutions;
  - a vote was withheld;
  - the vote was not in line with voting policy.
- explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and
- explain how they have monitored what shares and voting rights they have.

For fixed income assets, signatories should explain their approach to:

- seeking amendments to terms and conditions in indentures or contracts;
- seeking access to information provided in trust deeds;
- impairment rights; and
- reviewing prospectus and transaction documents.

Outcome

For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months.

PRINCIPLES FOR SERVICE PROVIDERS

Service providers play a key role in the investment community as they provide services that support clients to fulfil their stewardship responsibilities. Service providers applying these Principles include, but are not limited to, investment consultants, proxy advisors, and data and research providers.

Activities service providers undertake to support their clients' stewardship may include, but are not limited to, engagement, voting recommendations and execution, data and research provision, advice, and provision of reporting frameworks and standards.

Principle 1

Signatories' purpose, strategy and culture enable them to promote effective stewardship.

REPORTING EXPECTATIONS

Context

Signatories should explain the purpose of the organisation, what services it offers, and an outline of its culture, values, business model and strategy.

Activity

Signatories should explain what actions they have taken to ensure their strategy and culture enable them to promote effective stewardship.

Outcome

Signatories should disclose an assessment of how effective they have been in serving the best interests of clients.

Principle 2

Signatories' governance, workforce, resources and incentives enable them to promote effective stewardship.

REPORTING EXPECTATIONS

Activity

Signatories should explain how:

- their governance structures and processes have enabled oversight and accountability for promoting effective stewardship and the rationale for their chosen approach;
- the quality and accuracy of their services have promoted effective stewardship;
- they have appropriately resourced stewardship, including:
  - their chosen organisational and workforce structure(s);
  - their seniority, experience, qualification(s), training and diversity;
  - their investment in systems, processes, research and analysis*; and
  - how the workforce is incentivised appropriately to deliver services;
- they have ensured that fees are appropriate for the services provided.

Outcome

Signatories should disclose:

- how effective their chosen governance structures and processes have been in supporting their clients stewardship; and
- how they may be improved.

* see Annex - Regulatory requirements for Proxy advisors

Principle 3

Signatories identify and manage conflicts of interest and put the best interests of clients first.

REPORTING EXPECTATIONS

Context

Signatories should disclose their conflicts policy, which seeks to put the interests of clients first and minimises or avoids conflicts of interest when client interests diverge from each other.

Activity

Signatories should explain how they have identified and managed any instances in which conflicts have arisen as a result of client interests.

Outcome

Signatories should disclose examples of how they have addressed actual or potential conflicts.

Conflicts of interest may arise from, but are not limited to:

- ownership structure;
- business relationships;
- cross-directorships; and
- client interests diverging from each other.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- how they have identified and responded to market-wide and systemic risk(s) as appropriate;
- how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets; and
- the role they played in any relevant industry initiatives they have participated in.

Outcome

Signatories should disclose the extent of their contribution and an assessment of their effectiveness in identifying and responding to systemic risks and promoting well-functioning financial markets.

Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include but are not limited to:

- changes in interest rates;
- geopolitical issues; and
- currency rates.

Systemic risks are those that may cause the collapse of an industry, financial market or economy, such as climate change.

Stakeholders may include investors, issuers, service providers, policymakers, audit firms, not-for-profits, regulators, associations and academics.

Principle 5

Signatories support clients' integration of stewardship and investment, taking into account, material environmental, social and governance issues, and communicating what activities they have undertaken.

REPORTING EXPECTATIONS

Context

Signatories should disclose client base breakdown, for example, institutional versus retail, and geographic distribution.

Activity

Signatories should explain:

- how their services best support clients' stewardship as appropriate to the nature of service providers' business;
- whether they have sought clients' views and feedback and the rationale for their chosen approach; and
- the methods and frequency of communication with clients.

Outcome

Signatories should explain:

- how they have taken account of clients' views and feedback in the provision of their services; and
- the effectiveness of their chosen methods for communicating with clients and understanding their needs, and how they evaluated their effectiveness.

Principle 6

Signatories review their policies and assure their processes.

REPORTING EXPECTATIONS

Activity

Signatories should explain:

- how they have reviewed their policies and activities to ensure they support clients' effective stewardship;
- what internal or external assurance they have received in relation to activities that support their clients' stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and
- how they have ensured their stewardship reporting is fair, balanced and understandable.

Outcome

Signatories should explain how the feedback from their review and assurance has led to continuous improvement of stewardship practices.

ANNEX

UK regulatory requirements

The Code is voluntary and sets a standard that is higher than the minimum UK regulatory requirements. Signatories may choose to use their Report to meet the requirements of the Code and disclose information to meet other stewardship-related UK regulatory requirements or international stewardship codes. However, the FRC cannot provide assurance against all other requirements in assessing reporting against the Code.

For asset owners

Occupational pension schemes are required under pension regulations[1] to develop and explain how they have implemented policies for the exercise of the rights and engagement for all investments, including how they monitor investee companies and their voting behaviour. They will also be required to explain how their equity investment strategy is consistent with their liabilities and provide information on their arrangements with asset managers.

Insurers and reinsurers are required under the Senior Management Arrangements, Systems and Controls (SYSC) sourcebook from the Financial Conduct Authority (FCA) to develop and explain how they have implemented an engagement policy for their listed equity investments, including how they monitor investee companies, their voting behaviour and their use of proxy advisors.

They will also be required to provide information on their arrangements with asset managers and explain how their equity investment strategy is consistent with their liabilities. The Pensions Regulator encourages adherence to the Code in its guidance for trustees of defined benefit and defined contribution schemes.

[1] The Department for Work and Pensions (DWP) issues regulations for occupational pension funds and the Ministry of Housing, Communities and Local Government (MHCLG) issues regulations for local government pension schemes. See table in Annex.

Asset managers

Asset managers are required under the FCA Conduct of Business Sourcebook (COBS) to develop and explain how they have implemented an engagement policy for their listed equity investments, including how they monitor investee companies, their voting behaviour and their use of proxy advisors.

Firms are required under the FCA COBS to disclose the nature of their commitment to the Code or, where they do not commit to the Code, their alternative investment strategy (COBS Rule 2.2.3).

Proxy advisors

Proxy advisors are required under the Proxy Advisors (Shareholders' Rights) Regulations 2019 (PA Regulations), supervised by the FCA, to publicly disclose a code of conduct and explain how they have followed it. Proxy advisors may wish to use the Principles for Service Providers as their code of conduct.

They are also required to disclose and implement a conflicts of interest policy and give assurance about the accuracy and reliability of their advice.

<table>
<tr><th>Signatory Type</th><th>Regulation or rule</th><th>Regulator</th></tr>
<tr><td>Asset owners – trustees of occupational pension schemes</td><td>Great Britain
The Occupational Pension Schemes (Investment) Regulations 2005
The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
As amended by:
The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018
The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019
Northern Ireland
The Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005
The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (Northern Ireland) 2014
As amended by:
The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations (Northern Ireland) 2018
The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (Northern Ireland) 2019</td><td rowspan="2">The Pensions Regulator</td></tr>
<tr><td>Asset owners – trustee boards</td><td>Investment guidance for defined benefit pension schemes
A guide to investment governance (for defined contribution pension schemes)</td></tr>
<tr><td>Asset owners – insurers and reinsurers</td><td>Senior Management Arrangements, Systems and Controls (SYSC) sourcebook 3.4 SRD Requirements</td><td rowspan="3">Financial Conduct Authority</td></tr>
<tr><td>Asset managers</td><td>Conduct of Business Sourcebook (COBS) 2.2B SRD requirements and 2.2.3 Disclosure of commitment to the FRC’s Stewardship Code</td></tr>
<tr><td>Proxy advisors</td><td>The Proxy Advisors (Shareholders’ Rights) Regulations 2019
Decision Procedure and Penalties Manual
Enforcement Guide</td></tr>
</table>

Financial Reporting Council

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DRAFT
The UK Stewardship Code 2020 Signatory Application

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

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Derbyshire Pension Fund

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Glossary of Terms and Abbreviations

Abbreviation	Term
AA	Administering Authority or Administering Authorities
ABS	Annual Benefit Statement
AGM	Annual General Meeting
AUM	Assets Under Management
CA100+	Climate Action 100+
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
CIPFA	Chartered Institute of Public Finance Accountants
Committee	Pensions & Investments Committee
CIP	Conflicts of Interest Policy
CS	Climate Strategy
CSP	Climate Stewardship Plan
DCC or County Council	Derbyshire County Council
DPF	Derbyshire Pension Fund or Fund
DLUHC	Department for Levelling Up, Housing and Communities
ESG	Environmental, Social and Governance
FOI	Freedom of Information
FRC	Financial Reporting Council
FSS	Funding Strategy Statement
Fund	Derbyshire Pension Fund or DPF
IIGCC	Institutional Investors Group on Climate Change
IIMT	In-House Investment Management Team
ISS	Investment Strategy Statement
IWG	Investment Working Group
Joint Committee	LGPS Central Pool Joint Committee

LAPFF	Local Authority Pension Fund Forum
LGA	Local Government Association
LGIM	Legal & General Investment Management
LGPS	Local Government Pension Scheme
LGPSC	LGPS Central Limited
LGPS Central Pool	LGPS Central Pool comprising the LGPS Central Partner Funds
LGPS Central Partner Fund	The LGPS pension funds of Cheshire, Derbyshire Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands; the collective owners of the LGPS Central Pool and the shareholders of LGPS Central Limited
LGPSC	LGPS Central Limited
PAF	LGPS Central Pool Practitioners' Advisory Forum
RI / RI Framework	Responsible Investment / Responsible Investment Framework
RI&E	Responsible Investment & Engagement
RIWG	Responsible Investment Working Group
SAAB	Strategic Asset Allocation Benchmark
SAB	LGPS Scheme Advisory Board
SDG	United Nations Sustainable Development Goal
SEC	US Securities and Exchange Commission
SF	LGPS Central Pool Shareholders'' Forum
TCFD	Taskforce for Climate-related Financial Disclosures
The Fund	Derbyshire Pension Fund
TPR	The Pensions Regulator
UN	United Nations

INTRODUCTION

Derbyshire Pension Fund (DPF / the Fund / the Pension Fund) is an open-ended defined benefit Local Government Pension Scheme (LGPS) covering the Derbyshire region. With assets under management of around £6 billion, split across multiple asset classes, the Fund's primary responsibility is to meet the pension entitlements of its 90,000 scheme members. DPF is a member of the LGPS Central Pool.

The Fund is a long-term investor and believes that responsible investment can positively contribute towards investment returns and enhance shareholder value. The Fund continues to build its responsible investment capabilities and actively integrates Environmental, Social & Governance factors into its investment philosophy and processes.

Over the last three years, the Fund has developed both a Responsible Investment Framework and Climate Strategy, which support and enhance, the Fund's Investment Strategy Statement.

The Fund's Responsible Investment Framework uses a three-pillar approach to monitor responsible investment, covering selection, stewardship and transparency & disclosure. The Fund also believes that collaboration with other-liked minded investors, either through the LGPS Central Pool or other collaborative bodies such as the Local Authority Pension Fund Forum or the Institutional Investors Group on Climate Change, can promote positive change, increases engagement coverage and scale and can enhance long-term investment returns.

The Fund's Climate Strategy sets out how the Fund manages climate-related risks and opportunities, together with supporting the aims of the Paris Agreement. The Fund aims to achieve a portfolio of assets with net zero carbon emissions by 2050. This aim is supported by the following two initial Climate Strategy targets:

- reduce the carbon footprint (Scope 1 & 2) of the Fund's listed equity portfolio by at least 30% relative to the weighted benchmark in 2020 by the end of 2025; and
- invest at least 30% of the Fund portfolio in low carbon & sustainable investments by the end of 2025.

The Fund has already achieved the first target and made significant progress towards the second target. The Fund expects that its targets will evolve over time as both the level of consistency and completeness of carbon metric reporting improves. In line with best practice, the Fund publishes an annual Taskforce for Climate Related Financial Disclosures Report.

This document sets out the Fund's application to become a signatory to the UK Stewardship Code 2020. The application has been developed in alignment with the UK Stewardship Code 2020, and the content reflects guidance given by the Financial Reporting Council (FRC) contained within its 'Review of Stewardship Reporting 2022' and 'Effective Stewardship Reporting: Examples from 2021 and expectations for 2022' reports and the 'Investment Stewardship – What's new in 2022?' webinar.

The document has been through a robust evaluation process where it has been reviewed by the Investments Manager, Head of Pension Fund, the DCC Director of Finance & ICT and [the Fund's Pensions & Investments Committee]. It has also been reviewed for comment by the responsible investment team at LGPS Central Limited, the Fund's LGPS investment pooling operating company. The Fund is confident that its reporting is fair, accurate and balanced.

The Fund is pleased to apply to become a signatory to the Stewardship Code, and believes that the application, which has been [unanimously approved by the Fund's Pensions & Investments Committee], demonstrates the Fund's commitment to long-term and sustainable responsible investment.

Approved by the Fund's Pensions & Investments Committee: [26 April 2023]

Derbyshire Pension Fund

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Purpose and Governance: Principle 1
Purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for employers and beneficiaries leading to sustainable benefits for the economy, the environment and society

1.1 Background and Context

Membership

DPF had 106,860 membership records on 31 December 2022 covering just over 90,000 individual members. These fall into three categories:

- Active members, who are currently employed by a local government employer or other organisation that offers LGPS membership within Derbyshire.
- Deferred members, who previously paid into the LGPS within Derbyshire and since leaving the scheme have left their pension on hold with the Fund.
- Pensioners and Dependents, who are currently in receipt of their pension benefits.

A breakdown of the Fund's membership is included in the table below.

Membership Records – 31 December 2022	Members	Share %
Active	37,650	35.2%
Deferred	34,680	32.5%
Pensioners and Dependents	34,530	32.3%
Total	**106,860**	**100.0%**

Employers

The Fund had 342 Scheme Employers on 31 December 2022. The majority of the Fund's Scheme Employers, by number, are Academies (62.0%), which are maintained schools that have converted to Academy status. However, the bulk of the scheme member records (68%) on 31 December 2022 related to the 10 main Councils participating in the Fund.

A breakdown of the Fund's Scheme Employers is included in the table below.

Scheme Employers – 31 December 2022	Employers	Share%
Main Councils	10	2.9%
Universities & FE Colleges	3	0.9%
Academies	212	62.0%
Maintained Schools	6	1.8%
Housing Associations	5	1.5%
Other Scheduled Bodies	4	1.2%
Admission Bodies	66	19.3%
Town & Parish Councils	36	10.4%
Total Scheme Employers	**342**	**100.0%**

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Fund Assets

DPF’s assets under management were valued at £5,821m on 31 December 2022. The Fund’s assets are broadly split between three categories: Growth assets; Income assets; and Protection assets. These categories are described in more detail under **Principle 4.**

Total DPF Assets
£5,821m 100%

Growth Assets
£3,227m 55.4%

Listed Equity
£2,935m 50.4%

UK	£807m	13.9%
US	£59m	1.0%
Japan	£312m	5.4%
Emerging	£322m	5.5%
Global Sustainable	£1,435m	24.6%

Private Equity
£292m 5.0%

Unquoted	£194m	3.3%
Quoted	£98m	1.7%

Income Assets
£1,507m 25.9%

Infrastructure
£631m 10.8%

Unquoted	£509m	8.7%
Quoted	£122m	2.1%

Multi-Asset Credit
£412m 7.1%

Diversified MAC Funds	£226m	3.9%
Private Debt	£186m	3.2%

Property
£464m 8.0%

UK Direct Property	£307m	5.3%
Indirect Property	£157m	2.7%

Protection Assets
£1,087m 18.7%

Conventional Sovereign Bonds
£258m 4.4%

Index-Linked Sovereign Bonds
£287m 4.9%

Non-Government investment Grade Bonds
£329m 5.7%

Cash
£213m 3.7%

Geographic Exposure

The geographical breakdown of DPF's assets is shown below, at an overall Fund level, and at an asset class level. The portfolio is well diversified by geographic region.

The Fund's largest exposure to a specific region is to the UK at 44% of assets on 31 December 2022 followed by North America at 27% and Europe at 14%.

Total Fund

£5,821m	100.0%
UK	44%
North America	27%
Europe	14%
Asia Pacific	9%
Emerging Markets	6%

Growth Assets

£3,227m	55%
UK	31%
North America	34%
Europe	10%
Asia Pacific	14%
Emerging Markets	11%

Income Assets

£1,507m	26%
UK	55%
North America	16%
Europe	26%
Asia Pacific	3%
Emerging Markets	0%

Protection Assets

£1,087m	19%
UK	68%
North America	22%
Europe	9%
Asia Pacific	1%
Emerging Markets	0%

1.2 Purpose

The LGPS is a national pension scheme for people working in local government or for other employers that participate in the scheme. Although the scheme itself is national, it is administered locally in England and Wales through 86 local funds or sub-schemes.

Derbyshire County Council (County Council / DCC) is the administering authority for the LGPS within Derbyshire, investing and administering Derbyshire Pension Fund (DPF or the Fund) on behalf of over 340 employers and over 90,000 scheme members. The responsibilities of the administering authority include liaising with stakeholders, collecting and investing contributions, maintaining member records and paying pension benefits.

The primary objective of the Fund is to ensure that DPF will be able to meet all member benefit payments as and when they fall due (i.e. to ensure that sufficient assets and/or funding is available to meet the Fund's long term liabilities). Alongside this, the Fund has five other core objectives:

- To deliver secure, accurate and efficient administration of the LGPS
- To ensure sound governance arrangements for the pension fund
- To deliver a high-quality service to scheme members and employers
- To enable employer contribution rates to be kept as constant as possible and at reasonable cost to the taxpayer
- To deliver clear, timely and relevant communication to all stakeholders

1.3 Investment Beliefs and Strategy

The Fund has four key investment related documents:

- Investment Strategy Statement

- Funding Strategy Statement
- Responsible Investment Framework
- Climate Strategy (supported by an annual Taskforce for Climate Related Financial Disclosures Report)

The Investment Strategy Statement (ISS) and the Funding Strategy Statement (FSS) are inextricably linked, as the primary objective of the Fund (to meet all benefit payments as and when they fall due) will be met through a combination of employer contributions resulting from the funding strategy and asset returns and income resulting from investment strategy. The Responsible Investment Framework (RI Framework) works in tandem with the Fund's Climate Strategy (CS), and both policies help to align the Fund's investment beliefs with its fiduciary duty to members and employers.

DPF's Pensions & Investments Committee (Committee) oversees the management and administration of Derbyshire Pension Fund on behalf of DCC. The Committee is responsible for reviewing and approving the Fund's policies and strategies, approving quarterly asset allocation, monitoring investment performance, overseeing the Fund's involvement in investment pooling and the overall stewardship of the Fund.

The Committee has agreed a long-term investment strategy that aims to maximise the returns from investments within acceptable levels of risk, contributes to the Fund having sufficient assets to cover the accrued benefits, and enables employer contributions to be kept as stable as possible.

The ISS takes into account the following beliefs:

- A long-term approach to investment will deliver better returns
- The long-term nature of LGPS liabilities allows for a long-term investment horizon
- Asset allocation is the most important factor in driving long term investment returns
- Liabilities influence the asset structure; funds exist to meet their obligations
- Risk premiums exist for certain investments; taking advantage of these can help to improve investment returns
- Markets can be inefficient, and mispriced for long periods of time; therefore, there is a place for active and passive investment management
- Diversification across investments with low correlation improves the risk/return profile
- Secure and growing income streams underpin the ability to meet future liabilities
- Responsible investment can enhance long term investment performance
- Investment management costs should be minimised where possible but net investment returns after costs are the most important factor

The FSS is prepared in collaboration with the Fund's actuary, and after consultation with the Fund's employers. The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay for their own liabilities. A key objective of the FSS is to ensure the long-term solvency of the Fund.

The RI Framework sets out the Fund's approach to responsible investment which includes the integration of Environmental, Social and Governance (ESG) considerations into the investment process and the Fund's stewardship and governance activities. RI is a core part of the Fund's fiduciary duty. Effective management of financially material ESG risks should support the requirement to protect and enhance investment returns over the long term.

The Climate Strategy sets out the Fund's approach to addressing the risk and opportunities related to climate change. The Fund supports the ambitions of the Paris Agreement (to hold the increase in the global temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C) and aims to achieve a portfolio of assets with net zero carbon emissions by 2050. The Fund aims to ensure that its investment portfolio will be as resilient as possible to climate related risks over the short, medium and long term. The development of a separate Climate Strategy in 2020 reflects the potential material effect of climate change, and the response to climate change, on the assets and liabilities of the Fund.

To support the Fund in addressing the risks and opportunities surrounding Climate Change, the Fund has commissioned LGPS Central Limited (LGPSC), the Fund's investment pooling operating company, to produce an annual Climate Risk Report. The first report was commissioned in 2019 and the third annual report was considered at the January 2023 Pensions & Investments Committee. The Fund has also complied with disclosure requirements of the Task Force on Climate-Related Financial Disclosures (TCFD) since 2020. The Fund's third annual TCFD report was noted by the Pensions & Investments Committee in January 2023.

1.4 Culture and Values

The Fund's culture & values are consistent with DCC's (as administering authority for Derbyshire Pension Fund) Code of Conduct for Employees. The DCC Code of Conduct for Employees notes that everyone who uses Council services is entitled to expect the highest standards of conduct from Council employees and all employees are responsible for improving life for local people by delivering high quality services. To achieve this, all employees, whilst at work, must:

- Act fairly, honestly, objectively and to the best of their ability;
- Not allow personal or private interest to influence their work;
- Not do anything as an employee that may discredit the Council.

The DCC Code of Conduct sets values that underpin employee behaviour, including the need to be open minded, honest & accountable, political neutrality; equality; ensuring that decisions are fair and transparent; maintaining standards; personal relationships & interests; corruption; the use of information; and gifts and hospitality.

1.5 Outcome Reporting

The Fund is committed to always serving the best interests of its beneficiaries and stakeholders, adhering to its fiduciary duty to members and employers. One of the core objectives of the Fund is to deliver clear, timely and relevant communication to all stakeholders. DPF meets this objective by sending regular news updates and monthly Employer Newsletters to participating employers and also posting these on the Fund's website at www.derbyshirepensionfund.org.uk.

The Fund also seeks member and employer feedback on material policy and strategy updates, to ensure that the best interests of our beneficiaries and stakeholders are being met. Some examples of recent consultations are included under **Principle 6**.

Purpose and Governance: Principle 2
Signatories' governance, resources and incentives support stewardship

2.1 Governance Arrangements

Governance Structure

The Fund is managed and administered by Derbyshire County Council in accordance with the Local Government Pension Scheme Regulations 2013 (2013 LGPS Regulations). Under the terms of the Council's Constitution, responsibility for the functions of Derbyshire Pension Fund is delegated to the Pensions & Investments Committee. A Local Pension Board, set up in 2015 in accordance with the 2013 LGPS regulations, assists the Council with the governance and administration of the Fund.

The day-to-day management of the Fund is delegated to the Director of Finance & ICT who is supported by the Head of Pension Fund and in-house investment and administration teams. A significant proportion of the Fund's investment assets are managed by LGPSC (the Fund's investment pooling operating company) and by other external fund managers.

The Fund's governance objectives are to:

- Meet the highest standards of good governance through the application of the key principles of openness and transparency, accountability, integrity, clarity of purpose and effectiveness
- Ensure robust governance arrangements are in place to facilitate informed decision making supported by appropriate advice, policies and strategies, which do not unreasonably favour one group of stakeholders over another
- Ensure the Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise
- Comply with all appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance

The identification and management of conflicts of interest is integral to the Fund achieving its governance objectives. A Conflicts of Interest Policy has been developed for the Fund and was approved by the Pensions and Investments Committee in November 2020. This is discussed in more detail under **Principle 3**.

Pensions and Investments Committee

The Committee comprises eight voting Councillors representing Derbyshire County Council as the administering authority for the Derbyshire Pension Fund, and two voting Councillors representing Derby City Council, a major participating employer. Two trade union representatives are also entitled to attend Committee meetings as non-voting members. Officers of the Council and an independent investment adviser also attend meetings as required to provide advice and support to members of the Committee. Members of Derbyshire Pension Board are invited to attend the Committee's meetings as observers.

The Committee formally meets at least six times a year, with a further two training sessions.

The Committee's responsibilities include:

- Approving and monitoring performance targets
- Reviewing and approving statements, strategies and policies, including: the Investment Strategy Statement; Quarterly tactical asset allocation; Funding Strategy Statement; Treasury Management Strategy; and other statutory policies required by the LGPS Regulations and strategy/policy statements in line with best practice
- Reviewing and considering reports, including triennial actuarial valuation report; annual report; administration and investment performance reports; and the risk register
- Ensuring arrangements are in place for communicating with the Fund's stakeholders and considering admission body applications
- Making appointments for the Fund, including the actuary; independent investment advisor; external fund managers for segregated mandates in advance of the management of the investment assets transitioning to the investment pool; and Additional Voluntary Contribution providers
- Overseeing DPF's involvement in investment pooling

Committee considered, noted or approved, 30 reports in 2022-23.

Copies of public Committee reports can be found on the Derbyshire Democracy website.

Committee meetings are open to the public, albeit there are some reserved matters (e.g. where they contain confidential information) which are discussed in a closed part of meetings, which the public is not allowed to attend.

A record of Committee attendance in 2022-23 Committee year is set out in the table below.

Derbyshire Pension Fund

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Register of Attendance at 2022-23 Pensions and Investment Committee Meetings									
Committee Meeting	**May-22**	**Jun-22**		**Sep-22**	**Oct-22**	**Dec-22**	**Jan-23**	**Mar-23**	
Training Meeting			**Jul-22**				**Jan-23**		
Derbyshire County Council									**Attendance**
Cllr Ron Ashton (C)	✓	✓	✓	✓	✓	✓	✓	✓	100.0%
Cllr Neil Atkin (C)	✓	✓	✓	✗	✓	✓	✓	✓	87.5%
Cllr Peter Smith (C) - **Vice Chair**	✓	✓	✓	✓	✓	✓	✓	✗	87.5%
Cllr Gary Musson (C)	✗	✓	✓	✓	✓	**S_{Cllr}**	✓	✓	75.0%
Cllr Mark Foster (C)	✗	✓	✓	✓	✓	✗	✓	✓	75.0%
Cllr Mick Yates (L)	✓	✓	✓	✓	✓	✗	✓	✗	75.0%
Cllr Barry Bingham (LD)	✓	✓	✓	✓	✓	✓	✗	✓	87.5%
Cllr David Wilson – (C) - **Chair**	✓	✓	✓	✓	✓	✓	✓	✓	100.0%
Substitute Members						✓			
Derby City Council									**Attendance**
Cllr Lucy Care (LD)	✗	✓	✓	✓	✓	✓	✓	✓	87.5%
Cllr Mike Carr (LD)	✓	✓	✓	✓	✗	✗	✓	✓	75.0%
Derbyshire Pension Board Representative									**Attendance**
Derbyshire Pension Board Member	✓	✓	✓	✓	✓	✓	✓	✗	87.5%
									Attendance
Trade Union Rep	✓	✓	✓	✓	✓	✓	✗	✗	75.0%
									Attendance
Head of Pension Fund	✓	✓	✓	✓	✓	✓	✓	✓	100.0%
Investments Manager	✓	✓	✓	**S_{AFM}**	**NR**	✓	✓	✓	85.7%
Regulations and Communications Officer	✓	✓	**NR**	**NR**	✓	✓	✓	✓	100.0%
Substitute Officers				✓					
Fund Adviser									**Attendance**
Anthony Fletcher	**NR**	✓	**NR**	✓	**NR**	✓	✓	✓	100.0%

DCC: *Derbyshire County Council*
C: *Conservative* ***L:*** *Labour* ***LD:*** *Liberal Democrat*
(S_{Cllr}): *Represented by Substitute (Councillor)*
(S_{AFM}): *Represented by Substitute (Assistant Fund Manager)*
NR: *Not required to attend*

Pensions and Investments Committee Training

The Fund's Training Policy was adopted in August 2017 and applies to all members of the Pensions & Investments Committee, Derbyshire Pension Board and senior officers involved in the management and administration of the Fund.

In relation to training for those involved in the governance and the day-to-day management and administration of the Fund, the objectives are to ensure that:

- Those persons charged with the financial management and decision making with regard to the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them
- Those persons responsible for the day-to-day administration and running of the Fund have the appropriate level of knowledge and skills required to discharge their duties and responsibilities
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based
- Members of Derbyshire Pension Board have sufficient knowledge and understanding to challenge any failure to comply with the Regulations and other legislation relating to the governance and administration of Derbyshire Pension Fund and/or any failure to meet the standards and expectations set out in the Regulator's Codes of Practice

To assist in achieving these objectives, the Fund aims to comply with:

- CIPFA Pensions Finance Knowledge and Skills Frameworks
- Knowledge and skills requirements of the Public Service Pensions Act 2013
- The Pensions Regulator's Code of Practice No. 14, Governance and Administration of Public Service Pension Schemes 2015

CIPFA responded to the implementation of Local Pension Boards by issuing an expanded Knowledge and Skills Framework which identified a requirement for knowledge of eight core technical areas for those involved in the governance of public sector pension funds:

- Pensions legislation
- Public sector pensions governance
- Pensions administration
- Pensions accounting and auditing standards
- Financial services procurement and relationship management Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standards and practices.

Members of the Committee and Derbyshire Pension Board complete self-evaluation forms on an annual basis assessing their knowledge of the eight core areas and also their knowledge about individual investment asset classes. The last self-evaluation exercise was completed in Q4-22. A Training Plan is then developed based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund (e.g. additional training in advance of the consideration of new asset classes).

The following training sessions have recently been held for members of the Pensions and Investments Committee:

- **January 2022:** Actuarial Valuations, Pensions Administration, Global Sustainable Equities
- **July 2022:** Direct Property, Financial Management and Budgetary Control, Pensions Administration: i-Connect and Member Self Service
- **December 2022:** Actuarial Valuations

- **January 2023:** Climate Stewardship (Climate Risk Report and TCFD Report), Contracts and Procurement

All new members of either Committee or Derbyshire Pension Board also receive standalone induction training.

Although it falls outside of the 2022-23 reporting period, training sessions were also held for Committee members in 2020-21 on the Fund's revised Investment Strategy and Strategic Asset Allocation Benchmark, Responsible Investment Framework and the introduction of a new Climate Strategy. These strategies are scheduled to be reviewed in 2023-24 and further training sessions will be arranged for Committee members as part of the review process.

Derbyshire Pension Board

The Public Service Pensions Act 2013 introduced a framework for regulatory oversight by the Pensions Regulator and introduced a new governance structure for the LGPS which came into effect in April 2015 and included the requirement for administering authorities to establish Local Pension Boards. Derbyshire Pension Board consists of two Scheme Member representatives and two Scheme Employer representatives together with a non-voting Independent Chair.

Officers of the County Council attend Derbyshire Pension Board meetings to provide advice and support to members of the Derbyshire Pension Board. The role of Derbyshire Pension Board is to assist the administering authority to ensure the effective and efficient governance and administration of the LGPS, including:

- Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme

Members of Derbyshire Pension Board are invited to attend Committee meetings as observers and receive all papers ahead of each meeting. The members of the Derbyshire Pension Board are also invited to attend the Pensions and Investments Committee training sessions noted earlier.

Independent Investment Advisor

In line with best practice, the Fund has an independent investment advisor, Anthony Fletcher of MJ Hudson Allenbridge, to provide advice to the Pensions & Investments Committee on an ongoing basis, including attending Committee meetings to provide an update on investment markets, investment strategy and provide quarterly tactical asset allocations recommendations.

The appointment of the Fund's independent investment advisor is subject to an open and transparent public procurement process and was last completed in 2022.

The Fund's external investment advisor has a broad range of experience across investments, economics and markets, in addition to possessing ESG related knowledge and skills, to ensure that ESG advice, including advice on climate change, is provided in the context of the broader range of risk and reward considerations.

Derbyshire Pension Fund

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Key Governance Documents

DPF’s key investment related governance documents comprise: Investment Strategy Statement; Funding Strategy Statement; Responsible Investment Framework; Climate Strategy; Taskforce for Climate Related Financial Disclosures Report; Annual Report; Pension Fund Service Plan; Investment Procedures Manual; Governance Policy & Compliance Statement; Treasury Management Strategy; and Conflicts of Interest Policy.

LGPS Central Pool

Derbyshire County Council as the administering authority for Derbyshire Pension Fund, has partnered with the administering authorities for the LGPS pension funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands & Worcestershire (also referred to as Partner Funds) to form a collective investment pool, known as the LGPS Central Pool (the Pool), in accordance with Government guidance on the pooling of LGPS investment assets.

Each of the eight administering authorities is a one-eighth shareholder in LGPS Central Limited (LGPSC), the FCA authorised and regulated operating company set up by the eight shareholders, to manage pooled investment products on behalf of the eight LGPS pension funds.

The governance arrangements of the LGPS Central Pool include the following bodies:

The Joint Committee is a public forum for the Administering Authorities within the LGPS Central Pool to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the Pool’s business case and to deal with common investor issues. The Joint Committee provides assistance, guidance and recommendations to the individual administering authorities, taking into consideration the conflicting demands and interests of the participants within the Pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the administering authorities. Membership of the Joint Committee consists of one elected member from each of the administering authorities. The Chair of the Fund’s Pensions & Investments Committee, or their nominee, represents Derbyshire County Council on the LGPS Central Pool Joint Committee

The Shareholders’ Forum (SF) oversees the operation and performance of LGPSC and represents the ownership rights and interests of the eight shareholders within the LGPS Central Pool. Collective shareholder discussions take place in the Shareholders’ Forum and aim to ensure that the shareholders act in a unified way in LGPSC company meetings, having agreed to a common set of principles.

Membership of the Shareholders’ Forum consists of one representative from each shareholder. The Director of Finance & ICT or his/her nominee represents Derbyshire County Council at the Shareholders’ Forum and at LGPSC company meetings, with delegated authority to make decisions on any matter which requires a decision by the shareholders of LGPSC.

The Practitioners’ Advisory Forum (PAF) is a working group of officers appointed by the administering authorities within the LGPS Central Pool to support the delivery of the objectives of the Pool and to provide support for the Joint Committee and Shareholders’ Forum. The Director of Finance and ICT, the Head of Pension Fund, the Investments Manager and the Assistant Fund Manager represent Derbyshire County Council on the Practitioners’ Advisory Forum as required. PAF is supported by four sub-working groups: Finance Working Group, Governance Working

Group, Investment Working Group, and Responsible Investment Working Group. The Investment Working Group and Responsible Investment Working Group are discussed in more detail under **Principle 8**.

Purpose and Governance: Principle 3
Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

3.1 Conflicts of Interest Policy

The Fund's Conflicts of Interest Policy (CIP) sets out the process for identifying, monitoring and managing conflicts of interest in the governance and management of the Fund. The CIP is an aid to good governance, in conjunction with the Fund's other governance documents, encouraging transparency and minimising the risk of any matter prejudicing decision making or the management of the Fund.

The current legislative background largely relates to managing conflicts of interest with respect to members of Local Pension Boards. In the interests of best practice, the Fund's Policy relates to all individuals involved in the management and governance of the Fund, including Committee members, Derbyshire Pension Board members, Fund senior officers, Fund advisors and suppliers.

DPF encourages a culture of openness and transparency and encourages individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and of how potential conflicts should be managed.

A summary of the policy is included in the table below:

Conflicts of Interest Policy

Purpose and Objectives
The aim of the Policy is to provide guidance to members of the Pensions and Investments Committee and the Derbyshire Pension Board, officers, advisers and suppliers on how to manage conflicts when undertaking their roles and in relation to Fund. It is also intended to provide assurance to the Fund's members, employers and wider stakeholders that conflicts are managed appropriately.

Along with the County Council's other constitutional documents, including Codes of Conduct for members and for officers, it aims to ensure that individuals involved in the governance and management of the Fund do not act improperly or create a perception that they may have acted improperly.

To whom the Policy applies
The Conflicts of Interest Policy is established for the guidance of:

- All members of Derbyshire Pension Board
- All members of the Pensions and Investments Committee, including trade union observers and any other representatives
- Senior officers involved in the governance and management of the Pension Fund (such as the Director of Finance & ICT and the Head of Pension Fund)
- All advisers and suppliers to the Fund, whether providing advice or supplies to the Derbyshire Pension Board, the Committee or Fund officers

In addition to the requirements of the Conflicts of Interest Policy, elected members and officers are also required to adhere to the County Council's Code of Conduct and to the Member and Officer Relationships Protocol, which both form part of the County Council's Constitution.

Reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Fund, including but not limited to the asset pool operator, dispute adjudicators, actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers.

3.2 Operational Procedures for Managing Conflicts of Interest

The Fund takes a three-stage approach to managing conflicts:

Identifying a conflict of interest

- All individuals to whom the CIP applies are provided with a copy of the CIP upon appointment to their role
- It is the responsibility of the individual to identify if a conflict exists and to seek advice from the Head of Pension Fund or County Council's Monitoring Officer, if required
- Members of the Pensions & Investments Committee, members of Derbyshire Pension Board and senior officers involved in the governance and management of the Fund will be required to complete a Declaration Form, on their appointment to their role
- It is the responsibility of members of the Committee, the Derbyshire Board, and relevant senior officers to keep their declarations of interest up to date
- In advance of any formal meeting, any individual who considers they may have a conflict of interest related to an item of business on the agenda should advise the Chair of the meeting and the Head of Pension Fund as soon as possible
- At the start of any meetings of the Pensions & Investments Committee meetings, Derbyshire Pension Board, or any other formal Pension Fund meetings, the Chair will ask all individuals present who are covered by this Policy to declare any interests

Managing a conflict of interest

- Where an actual conflict of interest on an agenda item is identified, an individual will be expected to exclude themselves from participating in the discussion and from voting on the relevant matter
- Where a potential conflict of interest on an agenda item is identified, advice will be sought from the Monitoring Officer, who will provide guidance regarding the individual's participation in the relevant discussion and vote based on all the available information
- If an actual or potential conflict of interest is identified outside of a meeting, the Head of Pensions will consult with the Monitoring Officer to consider any necessary action

Monitoring a conflict of interest

- All interests declared in meetings of the Committee, the Derbyshire Pension Board and any other formal Pension Fund meetings, will be recorded in the minutes of the meeting and noted in the Pension Fund's Register of Interests
- All actual or potential conflicts of interest identified outside of meetings will also be recorded in the Fund's Register of Interests
- The Register will be kept under review by the Head of Pension Fund and the Monitoring Officer. All relevant individuals will be required to confirm in writing to the Head of Pension Fund that the information held in respect to them is correct
- The Fund's Register of Conflicts of Interest may be viewed by any interested party

On 31 December 2022, the Fund's Conflict of Interests Register contained fifteen notifications, principally in respect of connections with Scheme Employers. Each of the notifications has been reviewed and assessed by the Head of the Pension Fund, together with a member of the County Councils in-house legal team under delegation from the County Council's Monitoring Officer. If required, the notification is also escalated to the County Councils Monitoring Officer.

Purpose and Governance: Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

4.1 Our Approach to Risk

DPF recognises the importance of effective risk management, including the identification and management of key risks. Risk management is a process by which the Fund identifies, assesses and seeks, to the extent possible, to mitigate the risks associated with its activities.

Effective risk management is a clear indicator of good governance. The Fund's Risk Register is the primary document for identifying, assessing and monitoring risks. The Fund's Risk Register is reviewed by the Director of Finance & ICT, the Pensions & Investments Committee and Derbyshire Pension Board on a regular basis and identifies the nature of the risk, the probability of the risk occurring, the potential impact, a current risk score, risk mitigation controls and procedures, a target risk score and a risk owner.

An example of one of the Fund's current high-risk items, together with planned mitigation, is set out in the table below:

Key Risk	Comments and Mitigation
Funding and fluctuation in assets and liabilities	➢ There is a risk that assets may be insufficient to meet liabilities; funding levels fluctuate from one valuation to the next, principally reflecting external risks around both market returns, and the discount rate used to value the Fund's liabilities ➢ Every three years, the Fund undertakes an actuarial valuation to determine the expected cost of providing the benefits built up by members at the valuation date in today's terms (the liabilities) compared to the funds held by the Pension Fund (the assets), and to determine employer contribution rates ➢ As part of the valuation exercise, the Fund's FSS is reviewed, to ensure that an appropriate funding strategy is in place. The FSS sets out the funding policies adopted, the actuarial assumptions used, and the time horizons considered for each category of employer ➢ DPF's 2020 FSS was approved by Committee in March 2020. An updated 2023 FSS is expected to be approved by the Committee in March 2023, following the completion of a consultation with Scheme Employers. ➢ DPF was 97% funded on 31 March 2019. Using a risk-based approach to determine the appropriate investment return assumption for reporting the whole Fund results, there was an improvement in the funding level of the Pension Fund to 100% at March 2022, with a reduction in the deficit from £163m to a surplus of £3m. This compares to a funding level of 87% in 2016 and a deficit of £564m. ➢ The funding level provides a high-level snapshot of the funding position at a particular date and could be very different the following day on a sharp move in investment markets ➢ Whilst DPF has a significant proportion of its assets in growth assets, the last two reviews of the Strategic Asset Allocation Benchmark have introduced a lower exposure to growth assets and a higher exposure to income assets with the aim of protecting the improvement in the Fund's funding position

Investment Risk

The Committee aims to balance risk and reward by apportioning the Fund's assets over a range of asset classes to achieve the Fund's goals, to manage risk and to match the investment horizons. The Fund's Strategic Asset Allocation Benchmark (SAAB) takes into account the required level of return and an appropriate balance between generating long term investment returns and exposure to investment risk. The SAAB includes a wide variety of asset classes, in order to diversify sources of risk and return. It takes into account the future expected returns from the different asset classes, the historic levels of volatility of each asset class and the level of correlation between the asset classes.

The Fund's asset classes are allocated into three broad categories, which are set out in more detail in the table below.

Asset Class	Comprise	Asset Class Characteristics
Growth Assets	➢ Quoted Equities ➢ Private Equity	○ **Publicly Quoted Equities** are classed as growth assets with the potential to provide returns in excess of inflation from growth in both capital values and income ○ As equity returns are linked to company revenues and profits, investing in equities increases exposure to volatility. Investors expect to be compensated for that volatility by higher returns ○ **Private Equity** investment refers to investment in unquoted, privately owned companies ○ Investors expect to receive an illiquidity premium for investing in this asset class and target returns above those expected from publicly quoted equities
Income Assets	➢ Infrastructure ➢ Multi-Asset Credit ➢ Property	○ Income Assets are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of these assets ○ **Infrastructure** offers access to long term predictable cash flows, which are often linked to inflation ○ A low correlation to the business cycle and the other major asset classes provides diversification benefits and long investment horizons ○ **Multi-Asset Credit** typically relates to sub-investment grade corporate bonds and includes private debt, high yield debt and asset-backed securities ○ Multi-Asset Credit offers a predictable income stream and a yield pick-up relative to sovereign bonds and investment grade corporate bonds reflecting the increased risk of default ○ **Property** returns come from rental income and change in market values, with rental income accounting for the largest proportion of total returns over the long term ○ Given the relative stability of rental income, which gives property bond like characteristics, the returns from property are generally expected to fall between the returns from equities and those from bonds
Protection Assets	➢ Government Bonds ➢ Index-Linked Bonds ➢ Non-Government Bonds ➢ Cash	○ **Bonds** (sovereign and corporate) offer predictable streams of income and predictable returns if held to maturity. They are held as stabilising assets to reduce volatility and to provide diversification ○ As pension funds mature, they can be used to provide liquidity and to match liabilities as they fall due ○ **Cash** is primarily held by the Fund to fulfil its daily liquidity and operational requirements ○ Depending on market conditions, cash can also act as a Protection Asset in falling markets

The asset allocation of the Fund is reviewed on a quarterly basis, and tactical positions around the SAAB are agreed by Committee following advice from the Fund's in-house investment managers and the Fund's Independent Adviser, Anthony Fletcher, of MJ Hudson Allenbridge. The Fund's SAAB was formulated in consultation with the Independent Adviser following the completion of the 2019 triannual valuation conducted by Hymans Robertson, the Fund's actuary, and was approved by Committee in November 2020, after a consultation with Pension Fund stakeholders.

To implement the SAAB, it required several significant asset class transitions relative to the previous SAAB, increasing the Fund's exposure to transition risk. To manage the transition risk, the implementation of the SAAB was split into two parts, an Intermediate SAAB, which came into effect on 1 January 2021, and a Final SAAB, which came into effect on 1 January 2022. The Intermediate SAAB was effectively set half-way towards the Final SAAB. For example, in the Final SAAB, the Fund would completely divest from its regional North America, European and Asia-Pacific Equity holdings, taking the exposure to 0%. The Intermediate SAAB reduced the Fund's neutral weight to those regions by 50% relative to the previous SAAB.

The Fund's Intermediate and Final SAAB's are set out in the table below. The arrows indicate the direction of change from the previous SAAB.

SAAB	Previous SAAB	Intermediate SAAB	Final SAAB
Growth Assets	**57.0%**	**56.0%** ↓	**55.0%** ↓
Global Sustainable Equities	3.0%	16.0% ↑	29.0% ↑
UK Equities	16.0%	14.0% ↓	12.0% ↓
Japanese Equities	5.0%	5.0%	5.0%
Emerging Market Equities	5.0%	5.0%	5.0%
North American Equities	12.0%	6.0% ↓	0.0% ↓
European Equities	8.0%	4.0% ↓	0.0% ↓
Asia-Pacific Ex-Japan Equities	4.0%	2.0% ↓	0.0% ↓
Private Equity	4.0%	4.0%	4.0%
Income Assets	**23.0%**	**24.0%** ↑	**25.0%** ↑
Infrastructure	8.0%	9.0% ↑	10.0% ↑
Property	9.0%	9.0%	9.0%
Multi-Asset Credit	6.0%	6.0%	6.0%
Protection Assets	**20.0%**	**20.0%**	**20.0%**
Government Bonds	6.0%	6.0%	6.0%
Index Linked Bonds	6.0%	6.0%	6.0%
Non-Government Bonds	6.0%	6.0%	6.0%
Cash	2.0%	2.0%	2.0%

4.2 The Principal Risks Faced by the Fund

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The FSS, which is developed as part of the triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, DPF is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the Fund to control these risks are reviewed quarterly by the Committee through the Fund's Risk Register.

The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The assumed long-term investment return included in the actuarial valuation is a prudent estimate of expected future returns, reducing the risk of the Fund's investment assets underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are partially estimated with reference to future expected investment returns) as well as the valuation of the Fund's assets. Measures taken to control/mitigate investment risks are set out in detail in the table below:

Risk Category	Risk Description
Concentration Risk	➢ The Fund manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified equity portfolio, spread by both geography and market sectors ➢ Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the SAAB, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes
Volatility Risk	➢ The SAAB contains a high proportion of equities with a commensurate high degree of volatility ➢ The strong covenant of the major employing bodies enables Committee to take a long-term perspective and to access the forecast inflation plus returns from equities
Performance Risk	➢ The Fund uses a mix of active and passive management ➢ Active investment managers are expected to outperform the individual asset class benchmarks detailed in the overall SAAB ➢ Manager performance is monitored on an on-going basis by the Fund's Inhouse Investment Management Team (IIMT) ➢ The Fund's performance is measured by an independent provider and reported to the Committee on a quarterly basis ➢ Committee takes a long-term approach to the evaluation of investment performance but will take steps to address persistent underperformance
Currency Risk	➢ The Fund's liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk ➢ Committee regards the currency exposure associated with investing in overseas equities as part of the return on the overseas equities; the currency exposure in respect of the Fund's Income Assets and Protection Assets is hedged back to sterling
Stock Lending Risk	➢ The Fund does not currently participate in any standalone stock-lending arrangements ➢ As part of the LGPS Central Pool, the funds managed by LGPSC participate in stock-lending arrangements. LGPSC is responsible for ensuring that appropriate controls are place to protect the security of the Fund's assets
Custody Risk	➢ The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets, regular scrutiny of the Fund's providers, and the maintenance of independent investment accounting records

Climate Risk

The Fund recognises that financial markets will be impacted by climate change and by the response of policy makers. Risks and opportunities related to climate change are likely to be experienced across all asset classes and consequently the whole of the Fund's portfolio. Climate change therefore represents a long-term financial material risk for the Fund. It has the potential to affect the funding level through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy.

The current understanding of the potential long-term risks posed by climate change, together with the development of climate- related measurements and disclosures, are still at an early stage, and there is considerable variability in the quality and comparability of carbon emission estimates. It is recognised that it will take time for companies to adapt to the changing regulatory and market positions.

Reflecting the potential material effect of climate change, and the policy responses to climate change, on the assets and liabilities of the Fund, the Fund has developed and published a Climate Strategy. The Climate Strategy sets out the Fund's approach to addressing the risks and opportunities related to climate change. The Climate Strategy works in tandem with the Fund's Responsible Investment Framework, Investment Strategy Statement and Funding Strategy Statement.

To support the Fund in addressing the risks and opportunities surrounding climate change, the Fund has commissioned LGPSC to produce an annual Climate Risk Report. The first report was presented to Committee in early 2020, followed by a second report in December 2021 and a third report in January 2023. The Fund also complies with disclosure requirements of the Task Force on Climate-Related Financial Disclosures (TCFD). The Fund's third TCFD report was presented to Committee in January 2023 and is has been uploaded to the Fund's website.

Climate-Related Objectives

- DPF supports the ambitions of the Paris Agreement and aims to achieve a portfolio of assets with net zero carbon emissions by 2050. This will be achieved through its selection of investments and investment managers
- DPF aims to have access to the best possible information available on the risk and opportunities presented by climate change
- DPF aims to ensure that its investment portfolio will be as resilient as possible to climate related risks over the short, medium and long term. For an effective first line of defence, the Fund aims to integrate climate-related factors into the investment process, including the selection of investment managers

Climate-Related Strategic Actions: Measurement and Observation

The Fund makes regular measurements and observations on climate-related risks and opportunities relevant to the Fund, including:

- The identification of material climate-related risks
- An investment return assessment of the Fund's asset allocation against plausible climate-related scenarios
- A suite of carbon metrics to allow the Fund to assess progress in responding to climate-related risks and opportunities, including carbon intensity, weight in companies with fossil fuel reserves, weight in companies with thermal coal reserves, percentage of investee companies with a net-zero target and weight in companies with clean technology
- Assessment of progression against the Fund's carbon footprint and low carbon & sustainable investment targets

Climate-Related Strategic Actions: Asset Allocation and Targets

The Fund believes that portfolio-wide 'top down' targets are an important means to set direction and appropriate ambition for an investment strategy towards net zero, and to monitor whether that strategy is achieving expected outcomes. However, a focus on just a single top-down portfolio emissions reduction target can incentivise a shift of assets within a portfolio from high to already lower carbon assets and sectors, rather than driving additional 'real world' emissions reductions from increasing investments in climate solutions that contribute to the achievement of the net zero goal. The Climate Strategy includes the following aims:

- reduce the carbon footprint (Scope 1 & 2) of the Fund's listed equity portfolio by at least 30% relative to the weighted benchmark in 2020 by the end of 2025; and
- invest at least 30% of the Fund portfolio in low carbon & sustainable investments by the end of 2025.

Outcome Reporting: Progress against the Fund's Climate Targets on 31 March 2022

- The Fund's Total Equities Carbon Footprint was 102.2 (tCO_2e/\$m revenue) on 31 March 2022, 44.1% lower than the 2020 weighted benchmark of 182.8 (tCO_2e/\$m revenue), and 14.1 percentage points higher reduction than set out in the 2025 Climate Strategy Target

- 27% of the Fund's total assets were also invested in low carbon and sustainable investments (29% on a committed basis), representing an 8.0 percentage point improvement from 31 March 2021 reporting date. The Fund expects to achieve the 2025 Climate Strategy Target of 30% in 2023-24

- 7.3% of the Total Equity portfolio was invested in fossil fuel companies on 31 March 2022, 3.0 percentage points lower than 2020 weighted benchmark and 1.0 percentage points lower than the benchmark on 31 March 2022

- DPF had close to £300m invested into renewable energy assets on 31 March 2002, including onshore & offshore wind, solar, hydro and associated supporting assets (e.g. battery storage and transition assets)

4.3 Participation in Industry initiatives

Organisation/Initiative Name	About the Organisation / Initiative
Local Authority Pension Fund Forum	➢ The Fund was a founding member of the Local Authority Pension Fund Forum (LAPFF) ➢ LAPFF conducts engagements with companies on behalf of over 80 local authority pension funds, with combined assets under management of £350 billion ➢ Officers of the Fund, together with the Chair of the Pensions & Investments Committee, regularly attend the quarterly LAPFF business meetings, where LAPFF's on-going engagement work is discussed ➢ LAPFF engaged with multiple companies in 2022, through meetings across a spectrum of material ESG issues, including climate change, human-rights and fair tax practices
IIGCC The Institutional Investors Group on Climate Change	➢ The Fund became a member of the Institutional Investors Group on Climate Change (IIGCC) in January 2023 ➢ The IIGCC is an influential asset owner and asset manager group, which has a mission to support and enable the investment community to drive significant and real progress by 2030 towards a net zero and resilient future
Local Government Pension Scheme: Governance and Reporting of Climate Change Risks Consultation	➢ The Department for Levelling Up, Housing and Communities (DLUHC) opened a consultation to seek views on policy proposals to require administering authorities of the Local Government Pension Scheme to have effective governance, strategy, risk management and accompanying metrics and targets for the assessment and management of climate risks and opportunities ➢ It also invited responses on proposals to disclose these in line with the recommendations of the international industry-led Taskforce on Climate-related Financial Disclosures ➢ The Fund's officers prepared a detailed response to each of the twelve consultation questions. The consultation response was approved by the Director of Finance and ICT and the Chair of the Pensions & Investments Committee ➢ An example of the Fund's response to question 3, in relation to the suggested requirements for scenario analysis, is included at Appendix 1

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Climate Action 100+	➢ On behalf of the LGPS Central Pool, LGPSC is a member of Climate Action 100+ (CA100+), an engagement collaboration of more than 700 investors with a combined $68 trillion assets under management ➢ CA100+ engages with companies on climate risk that are responsible for 80% of global industrial GHG emissions ➢ LGPSC Head of Stewardship is a member of the CA100+ Mining and Metals Sector Group
LGPS Central Limited	➢ The Fund is a one-eighth owner of LGPSC, which has identified four stewardship themes that are the primary focus of engagement (climate change, plastics pollution, fair tax payment and tax transparency, and human rights ➢ These themes are viewed as likely to be material to the Partner Funds' investment objectives and time horizons, likely to have broader market impact, and to be of relevance to stakeholders ➢ LGPSC was directly involved in multiple engagements across these themes in 2022 ➢ In 2022, LGPSC voted on 41,747 resolutions at 3,410 meetings. At 2,200 of those meetings, LGPSC voted against management's recommendation or abstained from voting on at least one resolution. LGPSC voted with management by exception at 159 meetings and supported management on all resolutions at 1,051 meetings
Federated Hermes	➢ EOS at Federated Hermes is contracted by LGPSC to expand the scope of its engagement programme, especially to reach non-UK companies ➢ In 2022, EOS at Federated Hermes engaged with 833 companies on 3,477 environmental, social, governance, strategy, risk and communication issues and objectives. EOS attended 13 shareholder meetings and asked questions at eight of these, including BP, Volkswagen, BMW, Royal Bank of Canada, Bank of Nova Scotia, Siemens Energy and Canadian Imperial Bank of Commerce. At Berkshire Hathaway, EOS made a statement and co-filed a shareholder resolution ➢ EOS takes a holistic approach to engagement and typically engages with companies on more than one topic simultaneously
ISS	➢ The Fund's specialist third party voting service provider. ISS research includes recommendations on casting votes on climate-related shareholder resolutions
Cross-Pool Responsible Investment Group within LGPS	➢ Collaboration group across the LGPS Pools ➢ Includes individual funds and pool operators ➢ LGPSC Head of Stewardship was Chair of the group in 2022, after working as Vice Chair in 2021

Purpose and Governance: Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

5.1 Review and Assurance Processes

The Fund's policies, strategies, statements and governance arrangements are available to view on the Fund's website at www.derbyshirepensionfund.gov.uk.

All policies, strategies and statements have a formal review date of at least every three years, though in practice they are kept under regular review to reflect wider market and regulatory developments and to ensure the Fund's policies remain fit for purpose.

Sources of assurance for the Fund are described in more detail in the table below.

Sources of Assurance	Remit/Description
Internal Review Process	➢ All of the Fund's strategy and policy statements relating to investment, stewardship and responsible investment are subject to a rigorous internal review process that involves the IIMT, Head of Pension Fund, Director of Finance & ICT and an Assistant Director of the Legal services team. Internal challenge is a key step in the assurance process before strategies are presented to Committee for approval. Strategy documents relating to investment, stewardship and responsible investment are formally reviewed every 3 years, or as required reflecting changes to regulations and guidance, best practice, and wider developments in investment markets and responsible investing policy
Formal Consultations with Members and Scheme Employers	➢ The Fund seeks input and feedback from pension fund stakeholders when changes are made to key existing strategies and policies, or new strategies or policies are being developed. Views of stakeholders are carefully considered and where necessary and relevant, changes are made to the strategy or policy before being presented to Pensions & Investment Committee for approval ➢ Recent consultation examples include: a consultation with scheme employers on draft updates to the Fund's Funding Strategy Statement; a consultation with scheme employers on a revised version of the Fund's Pension Administration Strategy; and a consultation with Fund stakeholders, which includes scheme employers and scheme members, on the Fund's updated Investment Strategy Statement, and the creation of a standalone Responsible Investment Framework and Climate Strategy ➢ The consultation examples above are described in more detail in **Principle 6**

Independent Advisor	➢ The Fund's ISS, SAAB, RI Framework and Climate Strategy were developed with support from the Fund's independent advisor ➢ The Fund's independent advisor brings specialist knowledge, technical skills and expertise in markets, investment products, economics and responsible investment ➢ The Fund's independent advisor attends Committee on a quarterly basis to present a market update and quarterly tactical asset allocation recommendations, together with responding to questions from Committee members
Pensions and Investment Committee	➢ Committee is responsible for the management and administration of the Fund on behalf of Derbyshire County Council as the administering authority for the Derbyshire Pension Fund ➢ There are at least six formal Committee meetings a year where the Fund's Officers present an update on a number of matters, including: investment performance; administration performance; stewardship activities, including stewardship reports from LGPSC and LGIM and engagement reports from LAPFF; governance arrangements; and new or updated policies and strategies ➢ Committee is responsible for either noting or approving the Fund's: Investment Strategy Statement; Responsible Investment Framework; Climate Strategy; TCFD Report; Funding Strategy Statement; Treasury Management Strategy; Quarterly Tactical Asset Allocation; Communications Policy; Pensions Administration Strategy; Governance Policy & Compliance Statement; and Annual Report
Derbyshire Pension Board	➢ The role of Derbyshire Pension Board is to assist the administering authority to ensure the effective and efficient governance and administration of the LGPS in Derbyshire, including securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the scheme; and securing compliance with any requirements imposed by the Pensions Regulator in relation to the scheme ➢ Derbyshire Pension Board plays a leading role in providing assurance that the Fund is undertaking its governance responsibilities ➢ Members of Derbyshire Pension Board are invited to attend Committee meetings as observers and receive all Committee papers
Climate Risk Report	➢ LGPSC has produced an annual Climate Risk Report (CRR) for the Fund since 2020. The first report was received in February 2020, followed by a second report in November 2021 and a third report in January 2023 ➢ Through a combination of bottom-up and top-down analysis, the CRR is designed to allow the Fund to form a view on climate risk running through the entire asset portfolio, to assess the financially material risks and opportunities the Fund may be exposed to and to identify a series of measures by which the Fund can continue to manage material climate risks ➢ The report is complementary to the climate-related work being carried out by the Fund and as a source of assurance on the progress the Fund is making against its climate targets
External Audit	➢ The Fund's Annual Report and Financial Statements are externally audited by Mazars ➢ The most recently audited accounts for financial year 2021-22 were, in Mazars opinion: *['Consistent with the audited financial statements of Derbyshire County Council for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021-22]'[awaiting Mazars sign-off]*

Internal Audit	➢ The role of the County Council's internal audit function is to provide independent, objective assurance to enhance and protect organisational value by evaluating and improving the effectiveness of risk management, control and governance processes ➢ The Fund is routinely audited by the County Council's internal audit team, which provides assurance that overall best practice is being followed in governance matters, including those relating to responsible investment and stewardship activities
LGPSC	**LGPSC Internal Reviews** ➢ Prior to the launch of LGPSC in April 2018, LGPSC's Board approved three RI-related policy documents: LGPSC RI&E Framework; LGPSC RI&E Policy; and LGPSC Voting Principles. Each document is subject to an annual review by the LGPSC Board at the start of every year. Ahead of each annual review, LGPSC consults its Partner Funds to solicit their views. Revisions will then be taken through LGPSC's Investment Committee and Executive Committee for discussion and approval before the LGPSC Board finally assesses and approves them **Externally Assessed Audit and Assurance Faculty (AAF) Technical Standard** ➢ The sections in LGPSC's report and accounts that relate to responsible investment are reviewed by LGPSC's external auditors, Deloitte. Particular attention is paid to voting and engagement activities. The Responsible Investment Team at LGPSC works with its Enterprise Risk Team to maintain a responsible investment risk register. Net risk levels are agreed following the consideration of controls and outstanding actions. **LGPSC Review of EOS at Federated Hermes** ➢ LGPSC conducts an annual review of EOS' stewardship services, which is based on multiple interactions with EOS throughout the year. The results of the review are reviewed by the LGPSC Chief Investment Officer and the LGPSC Investment Committee. EOS has its voting process independently assured on an annual basis (AAF 01/06) **On-going Discussions with Investor Peers** ➢ LGPSC discusses trends and developments in responsible investment with investor peers on a continuous basis, in particular with the other LGPS Pools across England & Wales. LGPSC's Head of Stewardship was Chair of the Cross Pool Responsible Investment Group in 2022, after working as the Vice Chair of the Group in 2021
Actuary	➢ The Actuary carries out a valuation of the Fund every 3 years to review the financial position of the Fund to set employer contribution rates ➢ The actuary estimates the amount of assets that will be required to meet the benefit payments owed to members as they fall due ➢ The actuary makes recommendations to the Fund on the financial demographic assumptions to be used in the actuarial valuation and recommends funding strategies for different categories of employers
LGPSC Partner Fund Collaboration	➢ The Fund works in collaboration with the other seven LGPS pension funds in LGPS Central Pool, including participating in monthly Investment Working Group (IWG) and quarterly Responsible Investment Working Group (RIWG) meetings. These working groups allow for open discussion, information and knowledge sharing, and checks on LGPSC's provision of responsible investment services and the investment performance of the LGPSC funds ➢ The IWG and RIWG meetings are discussed in more detail under **Principle 8**

Investment Approach: Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

6.1 Our Membership and Employer Profile

As discussed in **Principle 1**, DPF had 106,860 membership records on 31 December 2022, covering just over 90,000 individual scheme members. The membership base is split approximately one-third each between active, deferred and pensioner members. The Fund is open to new members and in the 12 months to 31 December 2022, membership records increased by 2,134.

The liability weighted average age of the membership base, calculated at the previous actuarial valuation in 2019, is set out in the table below.

Membership Category	Average Age
Active Members	51.7
Deferred Members	50.9
Pensioners and Dependents	68.3
All members	**56.2***

*Source: Fund 2019 Actuarial Valuation. *Implied weighted average by membership numbers*

In the March 2022 Actuarial Valuation (not yet finalised), Hymans Robertson LLP, the Fund's Actuary, used the following life expectancy assumptions for measuring the funding position: male pension 21.3 years, female pensioner 24.3 years.

Employer Profile

DPF had 342 Scheme Employers on 31 December 2022. Most scheme employers, by number, relate to Academies (maintained schools that have converted to Academy status). However, the 10 main councils accounted for over 68% of scheme member records on 31 December 2022. Future scheme employer growth is expected to be driven by schools transitioning from maintained status to Academy status. There are over 300 maintained schools within Derbyshire County Council and Derby City Council which are yet to academise.

Scheme Employers – 31 December 2022	Employers	Share
Main Councils	10	2.9%
Universities & FE Colleges	3	0.9%
Academies	212	62.0%
Maintained Schools	6	1.8%
Housing Associations	5	1.5%
Other Scheduled Bodies	4	1.2%
Admission Bodies	66	19.3%
Town & Parish Councils	36	10.4%
Total Scheme Employers	**342**	**100.0%**

6.2 Investment Time Horizon

The primary objective of the Fund is to ensure that over the long term the Fund will be able to meet all benefit payments as and when they fall due. As the Fund is still open to new employers and members, the timescale over which benefit payments will be made continues to extend well into the future. The long-term nature of the Fund's liabilities allows for a long-term investment horizon. This approach is further supported by the fact that the Fund is net cash flow positive, with member contributions, together with investment income, being in excess of member pension payments. The Fund believes that a long-term approach to investment will deliver better risk-adjusted returns.

However, although the Fund's overall investment time horizon is fundamentally long-term in nature, at an asset class level the Fund's investment time horizon can range from short term (e.g. cash), medium term to long term (e.g. growth assets) and long term to very long term (e.g. infrastructure and property) depending on the characteristics of the asset class.

6.3 Diversification

As shown in Table 1 below, DPF aims to diversify its investments across a mixture of asset classes with low correlations and differing risk characteristics and performance drivers, that are expected to perform at different times during an economic cycle. The IIMT strongly believe that diversification will improve the long term risk/return profile of the Fund, resulting in lower volatility and higher risk-adjusted returns.

Table 2 below shows the Fund's long term correlation expectations for the major asset classes that the Fund invests in. Although the Fund generally expects correlations to be higher within an asset class, as is the case within Equities and within Fixed income, there are additional steps the Fund can take which can help to reduce the level of correlation and improve diversification. For example, within the Growth Assets portfolio the Fund diversifies its holdings by investing across:

- Countries and regions, that will transition through the economic cycle at different rates and durations and be subject to different sector compositions
- Stages of economic development (e.g. Developed Markets vs Emerging Markets)
- Investment Styles (e.g. Growth and Value)
- Investment Factors (e.g. Value, Quality, Low Volatility, Momentum & Size)
- Company size (e.g. Large-Cap, Mid-Cap and Small-Cap)
- ESG and Climate Factors

Table 1 - Investment Horizon by Asset Class

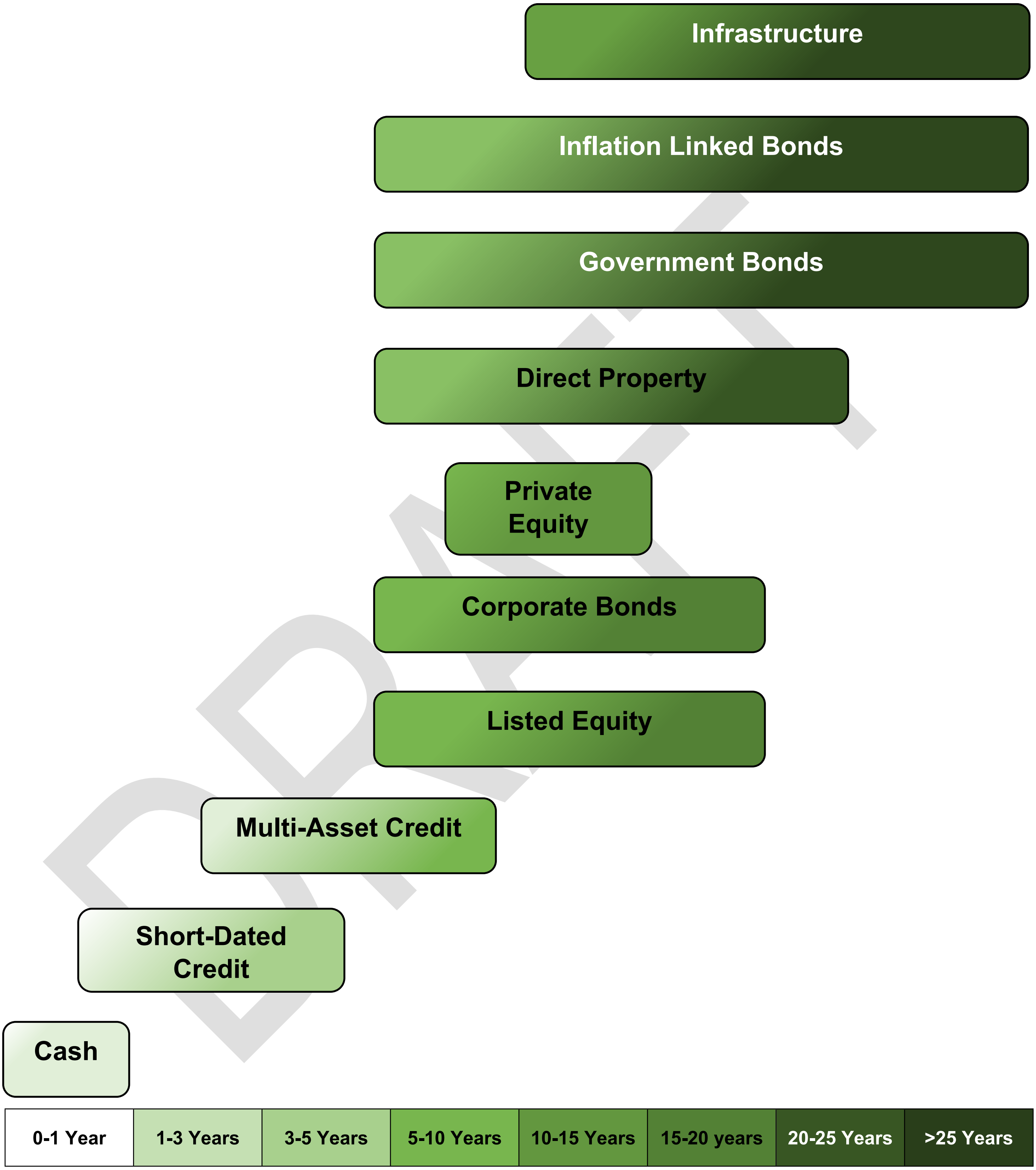


Table 2 - Long Term Asset Class Correlation Expectations Matrix

Long Term Asset Class Correlation Expectations Matrix		Equities			Alternatives (Unquoted)				Fixed Income		
		Global Equity	Global Sustainable Equity	UK Equity	Private Equity	Infrastructure	Property	Private Debt	Government Bonds	Corporate Bonds	Multi-Asset Credit
Equities	Global Equity										
	Global Sustainable Equity	● Purple									
	UK Equity	● Purple	● Purple								
Alternatives (Unquoted)	Private Equity	● Yellow	● Yellow	● Yellow							
	Infrastructure	● Yellow	● Yellow	● Yellow	● Yellow						
	Property	● Yellow	● Red	● Red	● Yellow	● Yellow					
	Private Debt	● Red	● Red	● Red	● Red	● Red	● Red				
Fixed Income	Government Bonds	● Red	● Red	● Red	● Red	● Red	● Red	● Red			
	Corporate Bonds	● Red	● Red	● Red	● Red	● Red	● Red	● Red	● Purple		
	Multi-Asset Credit	● Red	● Red	● Red	● Red	● Red	● Red	● Yellow	● Purple	● Purple	

Low to Negative Correlation ● Red

Low to Medium Correlation ● Yellow

Medium to High Correlation ● Purple

6.3 Seeking the Views of Beneficiaries

Communications Policy

The Fund's Communications Policy sets out how the Fund communicates and engages with its stakeholders. The most recent iteration was approved by the Pensions & Investments Committee in April 2021, and the policy also incorporates the Fund's plan for developing its communications over the 3-year period to 2024.

The Fund's stakeholders and audience

The Fund's stakeholders and other organisations with which it regularly communicates include:

- Active, Deferred and Pensioner members
- Representatives of scheme members
- Prospective scheme members (employees who can join the LGPS within Derbyshire, but who are not currently paying in)
- Scheme employers
- The internal Pension Fund team
- Elected Councillors on the Pensions and Investments Committee
- Members of the Local Pension Board
- Other external bodies, including the Department for Levelling Up, Housing and Communities (DLUHC), The Scheme Advisory Board (SAB), The Local Government Association (LGA), The Pensions Regulator (TPR) and other LGPS pension funds

Communications Policy Objectives

The Fund's overriding communications objective is to ensure that it delivers clear, timely and accessible communications to its stakeholders. The Fund aims to achieve this by delivering communications to its stakeholders which are:

- **Targeted** - with the aim of delivering clear, accurate and effective communications to each different audience group, in terms of the style of content and the method of delivery
- **Easy to understand** – providing clear and easy to follow explanations of pension issues, particularly where pension related decisions are being made
- **Accessible** - ensuring that all scheme members and other stakeholders can access the Fund's services, online content, and communications equally

➢ **Cost effective** – providing value for money by utilising technology to its fullest potential

Communication Methods

Derbyshire Pension Fund Website: The Fund's website (www.derbyshirepensionfund.org.uk) is its primary source of general LGPS information and Fund specific material, with sections providing an extensive information resource for all existing and prospective members and Fund employers. The website has sections dedicated to the Fund's governance arrangements including its policies, strategies and other statements. Other resources also include easy to understand content, videos on specific LGPS matters, forms and guides on a range of topics, links to other official websites and an online pension calculator tool. The website has been designed to be easily browsed, accessible and user friendly from desktop, laptop, tablet and smartphone devices.

Pension & Investments Committee Reports: Copies of all public Committee reports can be found on the Derbyshire Democracy website. Members of the public can also attend the public parts of Committee meetings and are also able to submit questions to Committee in advance of a Committee meeting.

Policy and Strategy Documents: The Fund's policy and strategy documents are published on the Fund's website and printed copies are available on request. News items are posted on the Fund's landing page when new or updated policy/strategy documents are published.

Annual Report: In line with best practice and CIPFA guidance, the Fund prepares an Annual Report which sets out details of the Fund's investment and administration performance, together with a copy of the Fund's financial statements.

Communications to Scheme Members: Each year, the Fund provides Annual Benefit Statements (ABS) to active and deferred members. These statements summarise a member's pension account balance to the previous 31 March.

The Fund also produces an active member newsletter each year in collaboration with a regional Joint Communications Group, which is published on the Fund's website. Active members are directed to the newsletter by a link provided in their annual benefit statement. The content comprises current pension topics within the LGPS and the pensions industry in general, plus important Fund messages.

Face-to-face meetings with active members are arranged when it is appropriate to do so. These are delivered by the Fund's Regulations and Communications Team in the form of 'Understanding your LGPS pension' presentations and drop-in sessions at various venues around the County hosted by scheme employers. The presentations help to explain the significant changes in the LGPS regulations over time, and to assist where an employer is going through a restructuring or outsourcing exercise that will have pension-related implications. Drop-in sessions are targeted to coincide with events, such as the issue of the annual benefit statements. The nature of the drop-in sessions means that members can meet the team informally and ask questions they may have about their pension at a convenient time for them.

The Fund also produces a deferred member newsletter each year, which is also published on the Fund's website. Deferred members are directed to the newsletter by a link provided in their Annual Benefit Statement.

My Pension Online: In 2021, the Fund developed and rolled-out My Pension Online, a member self-service portal where scheme members can access their pension information. The online portal is a secure area allowing members to view and update some of their personal details held by the Fund. Active and deferred members are also able to view their latest, and previous, Annual Benefit Statements. Members continue to have the option to request a paper copy of their Annual Benefit Statement.

Scheme Employer Monthly Newsletters: The Fund sends a monthly Scheme Employer Newsletter to employers and publishes it on the Fund's website.

Pensions Help Desk: The Fund operates a pension helpline which is open weekdays Monday to Friday between 9am and 5pm to deal with scheme member and scheme employer queries.

TCFD Report: The Fund publishes an annual Taskforce for Climate-Related Financial Disclosures Report on its website, which sets out how the Fund is managing climate-related risks and opportunities, together with carbon metrics and progress relative to the Fund's Climate Strategy.

6.4 Stakeholder Consultations

The Fund regularly seeks the views of scheme members, scheme employers and other stakeholders when significant changes are made to its key policies and strategies through consultations.

Two recent consultation examples have been included below, which were originally posted as news updates on the Fund's website. The first relates to a consultation in respect of the Fund's FSS, which opened in December 2022. The second relates to a consultation in respect of the Fund's ISS, RI Framework and CS, which opened in October 2020. Whilst the 2020 ISS, RI Framework and CS consultation falls outside of this application reporting window, it reflects the most recent date at which these strategies were updated, and subject to consultation. These strategies are reviewed on at least a three-year basis and the next review is scheduled to take place in 2023-24 period, at which time a new consultation will be opened. Although not included in the examples, there has also been a recent consultation in respect of the Fund's Pension Administration Strategy, which opened in June 2022.

Funding Strategy Statement – December 2022 Consultation

As part of the March 2022 triennial actuarial valuation the Fund has updated its Funding Strategy Statement. The Funding Strategy Statement (FSS) sets out the guidelines for the valuation exercise including how each employer's LGPS liabilities are measured; the pace at which the liabilities are funded; and how employers, or pools of employers, pay for their own liabilities.

As required by The Local Government Pension Scheme Regulations 2013, the draft revised Funding Strategy Statement is subject to review through consultation with appropriate stakeholders. The consultation papers highlighted the key changes relative to the Fund's previous FSS to help stakeholders. The consultation opened in December 2022 and closed on 31 January 2023.

Consultation Result: The Fund actively encouraged consultation engagement by writing to +330 participating employers via email to make them aware of the consultation. The Fund received 6 responses on behalf of 17 scheme employers. All the responses were reviewed by the Fund and the results of the consultation were reported back to the Pensions & Investments Committee in March 2023. There were no changes to the Funding Strategy Statement resulting from the consultation responses, albeit an additional paragraph was added to the Funding Strategy Statement at the request of the

Fund's actuary in respect of the expected regulations around the LGPS remedy following the McCloud ruling.

In addition to the consultation, the Fund arranged an update presentation via Microsoft Teams for scheme employers in December 2022. On the update, the Fund's actuary, explained the main changes to the Funding Strategy Statement. The update presentation was attended by 70 attendees, representing around 160 scheme employers. The update presentation was also recorded and made available to all Fund stakeholders.

Investment Strategy, Responsible Investment Framework and Climate Strategy Consultation – October 2020 Consultation

Following Committee approval in October 2020, the Fund launched a consultation in respect of the Fund's updated Investment Strategy Statement, together with the Fund's first Responsible Investment Framework and Climate Strategy. Given the potentially sensitive nature of the consultation (e.g. Responsible Investment and Climate Strategy), the Fund sent around 80,000 letters to its scheme members and over 300 emails to scheme employers, to notify them of the consultation and encourage participation.

Consultation Results: The Fund received 49 responses to the consultation, which were presented to Committee in November 2020. Most responses related to the proposed Climate Strategy, principally in respect of the pace of the Fund's initial decarbonisation targets and the Fund's continued investment in fossil fuel companies. As a result of the consultation, Committee agreed to change the review period for the initial decarbonisation targets from five years to three years.

6.5 Freedom of Information Requests and Enquiries from Pension Fund Members and Stakeholders

DPF regularly receives freedom of information (FOI) requests about the Fund and replies to such requests as and when they arise in line with the statutory deadlines. During 2022, the Fund received 30 FOI requests, comprising 23 investment related requests, 5 subject matter requests and 2 multi-departmental requests. These covered matters including ESG topics such as the carbon transition and geopolitical issues, in particular the Fund's exposure to Russian investments following the start of the conflict between the Ukraine and Russia. In response to the Russian investment FOI requests, together with wider scheme member queries, the Fund uploaded a news article to the Fund's website on 9 March 2022, quantifying the Fund's Russian investments, together with the Fund's approach to managing these assets moving forward.

DPF also regularly receives communications and enquiries from scheme members and stakeholders on a range of ESG and stewardship topics, to which the Fund responds to in a timely manner. These enquiries frequently relate to climate change, human rights and responsible investment themes. At the January 2023 Pensions & Investments Committee meeting, three scheme members attended the public section of the Committee meeting to ask questions about the Fund's approach to climate change. A copy of the questions, together with the response from the Pensions & Investments Committee, is attached at Appendix 2.

Investment Approach: Principle 7
Signatories systematically integrate stewardship and investment, including environmental, social, and governance issues, and climate change, to fulfil their responsibilities

7.1 Responsible Investment

Our Approach to Responsible Investment

The Fund's RI Framework sets out the Fund's approach to responsible investment which includes the integration of ESG considerations into the investment process and Fund stewardship and governance activities.

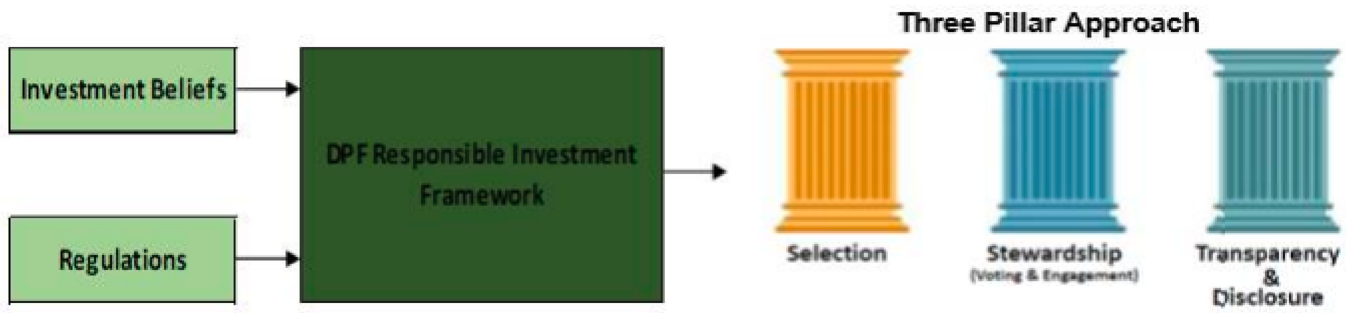
The RI Framework works in tandem with the Fund's Climate Strategy, Investment Strategy Statement and Funding Strategy Statement. This holistic approach helps to align the Fund's investment beliefs with its fiduciary duty. A fundamental belief underpinning the Fund's investment strategy is that RI can enhance long term investment performance and help to better manage risk.

The Pensions & Investments Committee is responsible for reviewing and approving the RI Framework. The RI Framework is kept under regular review by the Fund and is formally reviewed by Pensions & Investments Committee at least every three years. Responsibility for the implementation of the Framework resides with the Head of Pension Fund and the Investments Manager.

The Fund uses a three-pillar approach to responsible investment, which covers:

- **Investment Selection** - which ensures that ESG factors are taken into consideration when investments are chosen for the fund.
- **Stewardship Activities** - which involves voting on shareholder resolutions and engaging with companies that the fund invests in.
- **Transparency and Disclosure** - keeping stakeholders informed about the fund's responsible investment activities.

The Fund's Responsible Investment Three Pillar Approach



Engagement and Collaboration

The Fund supports a strategy of engagement with companies to influence behaviour and enhance shareholder value, rather than adopting a divestment approach, believing that this is more compatible with the Fund's fiduciary duties and supports responsible investment. Engagement allows the Fund to use its influence as an active owner, with other like-minded investors, to improve ESG practices in investee companies (an influence that would be lost through a divestment approach). It is recognised that change takes time, and therefore as a long-term investor the Fund takes a long-term approach to its stewardship activities.

DPF also aims to increase the effectiveness of engagement by working collaboratively with other investors and bodies.

Local Authority Pension Fund Forum

DPF was a founding member of the Local Authority Pension Fund Forum (LAPFF), a voluntary association of the majority of Local Authority pension funds based in the UK with combined assets of over £350bn[1]. Membership of LAPFF provides the Fund with independent research and advice on RI risks of companies to inform further stakeholder engagement; advice on the governance practices of companies; and a forum to engage with companies to improve governance practices.

Collective pressure from investors via organisations such as the LAPFF helps to encourage listed companies to enhance their corporate governance and improve their environmental and social impacts.

DPF officers and the Chair of the Pensions & Investments Committee regularly attend quarterly LAPFF business meetings, where LAPFF's on-going engagement work is discussed.

The Institutional Investors Group on Climate Change

The Fund became a member of the Institutional Investors Group on Climate Change (IIGCC) in January 2023. The IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future.

IIGCC's mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change.

During 2022, IIGCC formulated 10 climate change themed consultation responses on topics ranging from green financing strategy, climate and investing reporting and disclosures and asset class specific net-zero frameworks and pathways.

Furthermore, IIGCC plays a key role in the delivery of global investor initiatives and collaborations. Climate Action 100+ engagements directly supported by IIGCC accounted for 48% of all global improvements in corporate net-zero commitments between March and October 2022.

Legal & General Investment Managers (LGIM)

A significant proportion of the Fund's growth assets (listed equities) are managed by LGIM through passive index funds covering UK, Japanese and Emerging Markets Equities. Under the Fund's Global Sustainable Equity allocation, the Fund has also invested in a LGIM low carbon index fund.

[1] On 31 December 2021

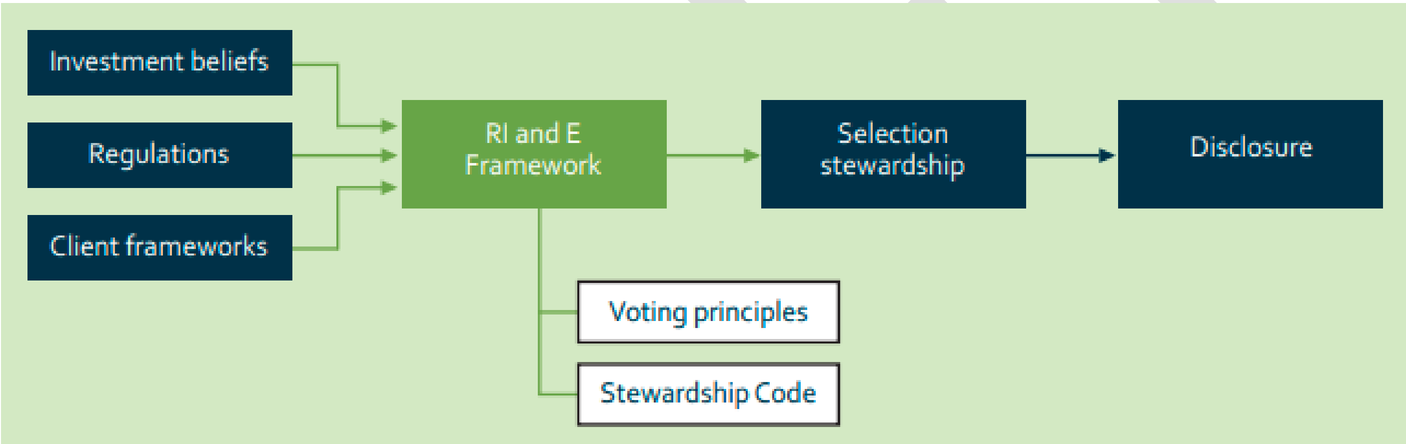
On a quarterly basis, LGIM produces an ESG Impact Report, which covers its engagement activity and significant votes. The LGIM ESG Impact Report is presented to, and considered by, the Pensions & Investments Committee on a quarterly basis.

LGIM's Voting Policy is discussed in more detail later.

<u>LGPS Central Pool & LGPSC</u>

Following the launch of the LGPS Central Pool in April 2018, an increasing portion of the Fund's investments are expected to be transitioned into products managed by LGPSC. LGPSC has developed a Responsible Investment and Engagement Framework. It incorporates the responsible investment beliefs of the LGPS pension funds within the LGPS Central Pool, which is applied to both internally and externally managed investments. LGPSC has also appointed EOS at Federated Hermes to expand the scope of its engagement activities, especially to reach non-UK companies.

A high-level depiction of LGPSC's RI&E Framework is shown below:



LGPSC produces Stewardship Updates three times a year, alongside an Annual Stewardship Report, which covers its engagement activity and significant votes. These reports are presented to, and considered, by the Pensions & Investments Committee.

Examples of engagement pieces by LGPS Central are included under **Principle 8.**

LGPSC's Voting Policy is discussed in more detail later.

7.2 Responsible Investment Implementation

The Fund aims to put its RI strategy into practice through actions both before (asset allocation & manager selection) and after the investment decision (stewardship). As a largely externally managed pension fund, the identification and assessment of RI factors is also the responsibility of individual investment managers appointed by the Fund. The Fund aims to be transparent to its stakeholders through regular, high-quality disclosure.

Asset Allocation: The Fund's SAAB reflects the Fund's RI Framework and Climate Strategy, in particular the Fund's allocation to Global Sustainable Equities (i.e. targeting long-term sustainable businesses, together with a meaningful reduction in the Fund's carbon footprint) and Infrastructure (which has been tilted towards renewable energy assets).

Selection: ESG factors are integrated into the Fund's investment decision making process where those factors are financially material within the context of the investment mandate. As part of the investment manager due diligence process, the Fund obtains a copy of the potential investment manager's RI or stewardship policies which sets out how RI factors are integrated into the investment manager's investment process. The Fund obtains (and discuss) real life examples of how investment managers integrate ESG factors into their investment process, and examples of engagement and any corresponding engagement outcomes.

External Investment Manager Monitoring: The Fund's external investment managers are monitored on a regular basis to review the integration of ESG risks into portfolio management, and to understand their engagement activities. During the 2022, the IIMT held 50 external investment manager meetings across a range of the Fund's asset classes including: UK Equities, Global Sustainable Equities, Emerging Market Equities, Private Equity, Direct Property, Multi-Asset Credit and Private Debt, Infrastructure and Corporate Bonds. Key discussions focussed on investment performance and ESG integration including climate change risk. Most of the Fund's investment managers now produce quarterly or six-monthly ESG reports, and these are reviewed by the IIMT on an ongoing basis,

Company Engagement and Engagement through Partnership

As discussed in **Principle 7**, the Fund's strategy is to engage with its investee companies either on its own or through partnerships on a range of financially material ESG investment factors to protect and increase shareholder value. Engagement activities during the 2022-23 period are discussed in more detail under **Principle 9**.

Voting

A significant proportion of the Fund's assets are managed through pooled products, where the voting activity is carried out by external investment managers. These principally relate to funds managed by LGIM, LGPSC, two Global Sustainable Equity Managers procured through a collaboratively procured LGPS pension fund framework and legacy managers in transition and winddown.

Examples of the approach to engagement and responsible investment by some of the Fund's external managers (LGIM, RBC, Graphite Capital, Baillie Gifford, CQS, Janus Henderson and Colliers Global) are set out below. On a combined basis, together with LGPSC, these managers accounted for 61% of the Fund's total assets under management on 31 December 2022.

External Manager - LGIM – Passive Equities

Active ownership forms a key part of how LGIM embeds ESG considerations into its business. LGIM is committed to using its scale and influence to encourage companies to improve its management of ESG issues and LGIM has dedicated significant resources to their stewardship obligations. LGIM has established a fully integrated framework for responsible investing, across both public and private assets, to strengthen long-term returns and raise market standards. This is based on stewardship with impact and collaborative, active research across asset classes.

Together, these activities enable LGIM to conduct engagement that helps drive positive change and to deliver integrated solutions for clients.

Ongoing dialogue with companies is a fundamental aspect of LGIM's commitment to responsible investment. Engagement will be triggered in a variety of ways, such as a regular catch-ups;

analysis of responsible investment themes and voting issues; general knowledge of the company; or a media report.

Voting activity is carried out in accordance with LGIM's voting policy and is based on a set of corporate governance principles.

Previous engagement with an investee company also determines the manner in which voting decisions are made and cast. Voting activity is combined with direct engagement with the investee company to ensure that the investee company fully understands any issues and concerns that LGIM may have and to encourage improvement.

LGIM utilises the voting information services of ISS and Institutional Voting Information Services (IVIS) to conduct thorough analysis and research on investee companies. The voting principles of ISS cover the four key tenets of accountability, stewardship, independence, and transparency. IVIS does not provide voting recommendations but instead it highlights issues or concerns for its subscribers to consider prior to voting.

An example of LGIM's approach to board composition is included below:

Company Board[2]

Board leadership: LGIM believes that having the right board composition is an essential element of a company's success. LGIM expects each director on the board to fully exercise their duties and promote the long-term success of the company.

The board chair and the chief executive officer (CEO): The responsibilities of the chair include leading the board, setting the agenda for board meetings, and ensuring directors receive accurate and timely meeting information. Under their direction, there should be a good flow of information between the board and the board committees. The chair is also responsible for leading the appointment process for the CEO.

The chair should be able to challenge the executive directors and encourage the non-executive directors to actively participate in board discussions. It is the chair's role to regularly assess whether the board members have the adequate skills, commitment and are sufficiently diverse to make a positive contribution. By contrast, the CEO has the responsibility of executing the strategy agreed by the board and of leading the business. Given the importance of the role, we expect the chair to be independent. LGIM would therefore not expect a retiring CEO to take on the role of chair.

These two roles involve different responsibilities and a different approach to board relations and the company. Additionally, we have concerns that a hands-on CEO may find it difficult to become a hands-off chair. Where a company would find the presence of the former CEO on the board beneficial in times of transition, LGIM would encourage the CEO to be consulted by the board, but not to be a formal board member and would stipulate for this to be for a maximum period of one year.

There are also some instances where a company may, for a short period, be governed by an executive chair. This tends to be when the company is undergoing a shift in its structure, management or is under severe stress. In such circumstances, LGIM expects companies to commit to separating the roles within a short, pre-set timetable. In addition, LGIM expects a deputy chair to be appointed to ensure that no person has unfettered decision-making powers.

[2] LGIM 2022 – UK Corporate Governance and Responsible Investment Policy

Senior independent director

The senior independent director plays an essential role on the board and should lead the succession process of the chair and appraise their performance. Additionally, they should meet investors regularly to stay well informed of any concerns. They can also be a key contact for investors, especially when the normal channels of the chair, CEO or chief financial officer have failed to address concerns or are not the appropriate avenues. LGIM expects senior independent directors to be fully independent non-executive directors. This is of extra importance when the company has a combined chair and CEO.

Non-executive directors
LGIM expects non-executive directors to use their skills and experience to constructively contribute to board discussions and help develop proposals on strategy. They are expected to oversee management performance and to provide a constructive challenge at board meetings. Given the responsibility the role entails, non-executive directors must make sure they have sufficient time to perform their duties. LGIM expects non-executive directors to take this into account when they take on outside board roles.

Non-executive directors should continually update their skills and knowledge and agree on their specific training and developmental needs, which should include all aspects of social, environmental, ethical and reputational risks faced by the business.

LGIM Climate Impact Pledge

LGIM's Climate Impact Pledge is a targeted engagement campaign which began in 2016 to address the systemic issue of climate change. Initially targeted at 84 companies, which LGIM deemed to have the most significant role in transitioning to a low carbon future, LGIM has since increased the ambition of the Pledge to now include almost 1,000 companies world-wide in 20 climate critical sectors. Companies are assessed against 70 metrics and scored under a 'traffic light system', drawing on independent data and research providers and proprietary climate modelling.

These metrics are used to inform LGIM's engagements. LGIM will take action against companies that fail to demonstrate adequate climate commitments, through its voting rights across its entire holdings and investment decisions within some of its funds.

In June 2022, LGIM reported that engagement work via the Climate Impact Pledge had resulted in a 35% reduction in the number of companies not meeting its minimum climate standards over the past 12 months. LGIM also disclosed that during the 2022 proxy season, a total of 80 companies were currently subject to voting sanctions for not meeting LGIM's minimum climate-change standards.

External Manager - RBC – Global Sustainable Equities

DPF invests in a Global Equity fund managed by RBC, as part of the Fund's Global Sustainable Equity allocation. RBC's approach to engagement and investment is noted below.

RBC's Responsible Investment beliefs:

- Being an active, engaged, and responsible investor empowers us to enhance the long-term, risk-adjusted performance of our portfolios and is part of our fiduciary duty
- Issuers that manage their material ESG risks, and opportunities effectively are more likely to outperform on a risk-adjusted basis, over the long-term Engagement through direct dialogue is

often effective at facilitating change & Initiatives that increase transparency and foster fair, and efficient markets benefit all investors and clients globally
- Collaboration with like-minded investors may give us greater influence on issues that are material to our investments.

RBC's approach to RI is comprised of three pillars: ESG integration, Active Stewardship and Client-Driven Solutions and Reporting. The approach for Active Stewardship is discussed in more detail below.

Active Stewardship

RBC is committed to ensuring that the issuers in which it invests act in alignment with the long-term interests of clients. RBC addresses topics such as board structure, executive compensation, gender diversity, and climate change with issuers and regulatory bodies, through proxy voting, engagement, and participating in collaborative initiatives.

Proxy Voting

Voting responsibly at the general meetings of public equity holdings is an important way RBC acts in the best interest of clients. RBC makes each voting decision independently, in accordance with its Proxy Voting Guidelines and through engagements with proxy voting advisors, to decide on a voting position for each individual ballot item. The company's Proxy Voting Guidelines provide an overview of the principles that RBC supports and how it will vote on particular issues. The guidelines cover how RBC will vote on matters such as the board of directors, management and director compensation, and shareholder proposals covering environmental issues, human rights, and employee rights, amongst many others. They are updated yearly to reflect views on emerging trends in corporate governance and responsible investment.

An example of RBC's Proxy Voting Guideline for Say-on-Climate votes is included below:

Say-on-Climate[3]
The impacts of climate change are systemic and unprecedented. The quality of disclosure on how companies are understanding, assessing, and managing material climate-related risks and opportunities is being heavily scrutinized by shareholders. Many companies are now seeking regular advisory votes from shareholders on their climate transition plans and progress made on these plans (i.e. a "say-on-climate" vote).

Voting guideline
RBC evaluates say-on-climate management proposals on a case-by-case basis, but will generally not support proposals where the climate-related plans have: a lack of clear and appropriately detailed disclosure of their climate change emissions governance, strategy, risk mitigation efforts, and metrics and targets, for example such as according to the TCFD; a lack of improvement on disclosure and performance; a lack of targets and emissions reductions at least in line with industry peers; and a lack of reporting showing that the company's corporate and trade association lobbying activities are in alignment (or are not in contradiction) with limiting global warming in line with Paris Agreement goals, where material.

When evaluating say-on-climate management proposals, RBC considers newly disclosed climate transition plans that do not meet these minimum criteria if there is demonstrable evidence and commitments indicating the minimum criteria will be met.

[3] RBC GAM Proxy Voting Guidelines

Engagement

RBC engages with issuers, regulatory bodies, lawmakers and other stakeholders with a view to the best interests of its clients. The majority of the engagements are with issuers, where it seeks to understand how an issuer is addressing its ESG risks and opportunities, and to convey its views. Typically, engagement includes:

1. Information gathering on ESG risks and opportunities and the steps the issuer is taking to address them. This may result in continued monitoring of an existing or emerging ESG risk or opportunity, or an update to the analysis and assessment of an issuer.
2. Seeking better public disclosure of material ESG risks and opportunities and the steps the issuer is taking to address them.
3. Encouraging more effective management of material ESG factors when RBC believe they may impact the value of an investment.
4. Where an issuer is lagging its peers on a material ESG issue, requesting a commitment for change, monitoring any changes, and encouraging continued improvements that are expected to positively impact the long-term value of an investment.

Collaboration

RBC works closely with other like-minded investors to maximise the impact in improving ESG-related disclosure and corporate practices. The strategic collaborations allow RBC to address the issues that are becoming increasingly important to its clients.

RBC notes that '*We participate in initiatives that will increase transparency, protect investors, and foster fair and efficient capital markets. We recognize that advocating for regulatory and legal reform can be more effective when market participants work together. Where interests are aligned, collaboration with like-minded investors can give us greater influence on issues specific to our investments and on broader, market-wide considerations. In either case, we work to encourage changes that are in the best interests of our clients*.'[4]

RBC's strategic collaboration includes Carbon Disclosure Project, Climate Action 100+, Council of Institutional Investors, Global Impact Investing Network, International Corporate Governance Network, Investor Stewardship Group, Responsible Investment Association, UN Principles for Responsible Investment, The Forum for Sustainable and Responsible Investment.

External Manager - Graphite Capital – Private Equity

One of DPF's external Private Equity Managers is Graphite Capital, which focuses on mid-market firms, predominantly within the UK. Graphite Capital's approach to responsible investment, and the ways in which the company has integrated responsible investment into the life cycle of an investment, is discussed in more detail below.

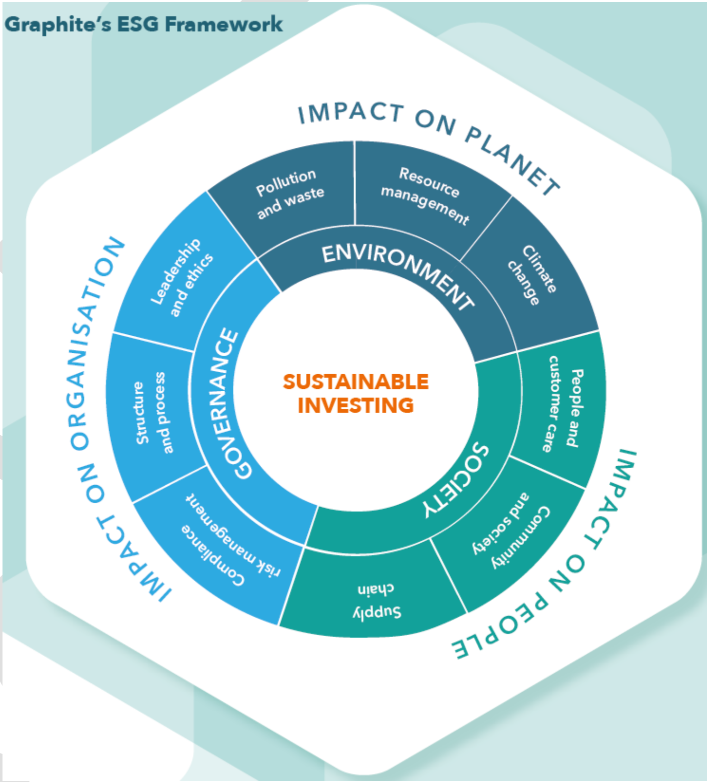
Graphite has developed an ESG framework that is fully integrated over the life cycle of an investment, that covers the following areas: Sustainable Investment Framework; Initial Screening; Portfolio Management; and Exit. Each is discussed in turn below:

[4] RBC GAM Our Approach To Responsible Investment

Sustainable Investing Framework: Graphite has developed a Sustainable Investing Policy and Framework which sets out the overall approach, ambition and methodology in relation to sustainable investment.

Initial Screening: Graphite has developed a proprietary deal screening tool which guides the deal team through questions to ensure that all potentially material ESG considerations are evaluated. It has also created thematic ESG mind maps which provide structure and prompts for deeper evaluation of ESG issues. This aids the team in identifying and profiling potentially material ESG risks and opportunities during the due diligence phase.

Portfolio Monitoring: Graphite's post-investment review process helps it to secure ongoing engagement of directors within each portfolio company. ESG is a subject matter at every board meeting, and Graphite instil new ESG disciplines where improvements are required. Graphite gather on-going ESG data from portfolio companies using structured questionnaires, which are reviewed and followed up by investment team. Graphite report findings in a structured format, using a bespoke template that helps them identify material key risks and opportunities. It shares the findings with the Board of each Portfolio Company, to help it understand where they are doing well and where further opportunity for performance improvement exists.



Exit: Graphite undertake ESG due diligence where appropriate, when preparing portfolio companies for exit. Graphite believes that substantiating value creation by integrating material ESG topics throughout their ownership supports this goal. Graphite evidence impact through the life of the investment in a post-exit impact assessment.

External Manager - Baillie Gifford – Global Sustainable Equities

The Fund invests in a Positive Change fund managed by Baillie Gifford. The Positive Change fund invests into four key themes: Social Inclusion & Education; Environmental & Resource Needs; Healthcare & Quality of Life; and Base of the Pyramid. Baillie Gifford maps the Positive Change fund's investments against the UN Sustainable Development goals.

Baillie Gifford's SDG mapping is underpinned by the use of 169 targets which sit below the 17 SDGs. SDG mapping is the output of Baillie Giffords investment philosophy and process and will change as the composition of the portfolio changes. The portfolio currently addresses 16 SDGs. Baillie Giffords SDG mapping incorporates significant contributions that investee companies are making via their products and services only. It does not encompass the business practices of the fund's holdings. Baillie Gifford's explicit aim is to identify and hold companies for their positive contributions.

Some examples of the investee company positive change impacts are shown below:

Coursera: Coursera is an online learning platform hosting education content including Massive Open Online Courses, guided projects, professional certification, and online degrees. Its scale, with 97 million registered learners, helps to attract academic and corporate partners to produce content for Coursera, which in turn attracts more learners. Coursera has the potential to improve education by lowering costs, improving accessibility, and providing accredited qualifications relevant to the ever-changing job market.

HDFC: HDFC provides housing finance products that promote home ownership in India and offers loans for the development of better quality and more affordable housing. Through expanding its customer base, particularly among lower-income households and women, HDFC helps to deliver positive social outcomes that are attributed to stable ownership of safe housing, such as improved health and wellbeing.

Ecolab: Across hundreds of industries, Ecolab's products help minimise harm to human health from infection, protect local water resources and mitigate climate change. Ecolab is the partner of choice for millions of companies striving to achieve safer, more efficient and more sustainable operations.

External Manager – CQS – Diversified Multi-Asset Credit

CQS manages part of the Fund's diversified Multi-Asset Credit allocation. An example of CQS's responsible investment work is shown below:

CQS is striving to increase its engagement on social issues. Poor mental health costs employers billions of pounds each year, and the cost has risen since the Covid-19 pandemic. To tackle this, CQS is a supporter of the Corporate Mental Health Benchmark by CCLA and associated corporate engagements. CQS was one of 29 founding signatories of the Global Investor Statement on Workplace Mental Health, representing $7 trillion in assets under management. CQS has also co-signed letters to 100 UK companies and 100 global companies, which have received a positive response and led to improved mental health disclosures over the last six months of 2022. In 2023, CQS plan to support CCLA in direct corporate engagement on mental health with two companies that were ranked bottom tier in the CCLA Corporate Mental Health Benchmark Global report.

External Manager – Janus Henderson – Diversified Multi-Asset Credit

Janus Henderson manages part of the Fund's diversified Multi-Asset Credit allocation. An example of Janus Henderson's responsible investment work is shown below:

Janus Henderson engaged with VW, the global car manufacturer, following a move by MSCI to flag the company as a 'FAIL' in respect of Global Compact Compliance Principle 4 'Businesses should uphold the elimination of all forms of forced and compulsory labour'. This stemmed from allegations, refuted by the company, of the use of forced labour, specifically Uyghur minorities, at one of its JV plants in China, and in the plant's supply chain. The objective for the engagement was to gain further background to the issue. Janus Henderson discussed what direct oversight the company had of the factory given it is operated by another entity and what steps are being taken directly by the company's senior management to investigate the claims and ensure policies are in force. The company states that it is not aware of any cases where employees were in internment camps, however, the company accepts that they have limited oversight of the plant. A board management visit to the plant is planned. The company has notified the United Nations Global Compact, and MSCI's decision is based on its own methodology of compliance with the principles and is not endorsed by the UN. Whilst the plant produces a very small number of vehicles per annum, the matter could become financially material to the company if future financing is hampered by the 'FAIL' flag from MSCI as funds with ESG restrictions are unable to invest in the company's bonds.

External Manager - Colliers Global – Direct Property

The Fund's Direct Property allocation is managed by Colliers Global. The portfolio comprised 21 UK commercial properties on 31 March 2022, spread across the retail, office, industrial and alternative (e.g. travel and leisure) sectors. As part of the ongoing management of the property portfolio, Colliers Global is upgrading the portfolio wherever possible to reduce the portfolio's carbon footprint.

Case study: In 2022-23, Colliers Global completed a major refurbishment of some office accommodation in London to bring it up to a modern standard and to improve its ESG credentials. The floors were completely refurbished including new suspended ceilings, new partitioning, new carpeting and complete redecoration throughout. In particular, to improve on the buildings "green" credentials, the following was undertaken: Installation of energy saving lighting with PIR sensor activation; Installation of energy saving LED lamps within the light fittings in the offices; Installation of new energy efficient air conditioning to heat/cool the building; Improved thermal carpeting throughout; Installation of new suspended ceilings with additional insulation above; Installation of new tap and flush sensors in the WC's to reduce water waste; A reduction of data cabling for Wi-Fi connectivity; Electricity provision from 100% renewable energy sources. The refurbishment also included improved provision for office workers who cycle to work, an increasingly important aspect of office life which reduces reliance on cars and public transport and encourages physical activity. The refurbishment included installation of additional shower cubicles and new changing rooms and a new larger cycle storage area to the rear of the property. The refurbishment improved the EPC rating in the building from D to B.

7.3 IIMT Responsible Investment

The Fund's IIMT continues to directly manage a small proportion of the Fund's investment assets and the IIMT embeds ESG considerations into its investment process and monitoring process as demonstrated below:

Case study: DPF Sovereign Bond investments are managed in-house by the IIMT and relate entirely to UK or US conventional or index-linked bonds. DPF made its first investment in respect of the recently launched UK Government 'Green Gilt' programme in 2022. The Fund further increased its allocation to UK Government 'Green Gilts' in Q1-23. UK Green Gilts are used by the UK Government to finance expenditure in clean transportation, energy efficiency, renewable energy, pollution prevention and control, living and natural resources, and climate change adaptions. Subject to performance, debt security and valuation, the Fund expects to make further investments in green bonds moving forward.

As set out in this report, the Fund's IIMT is also responsible for monitoring the responsible investment practices of the Fund's external managers.

7.4 Climate Stewardship Plan

The Fund maintains a Climate Stewardship Plan (CSP) which monitors the stewardship and engagement activities with those companies which account for a significant proportion of the Fund's carbon footprint. Progress against the Fund's CSP forms part of the annual LGPSC Climate Risk Report. For 2023-24, the Fund's CSP includes seven companies (BP, Shell, CRH, Taiwan Semi-Conductors, Rio Tinto, Anglo American, Glencore).

The companies included in the Fund's 2023-24 CSP accounted for 22.7% of the Fund's Total Quoted Equity carbon footprint on 31 March 2022 on a weighted average carbon intensity basis, and 33.5% of the Fund's Total Quoted Equity financed emissions at the same date.

Each of the companies on the 2023-24 CSP is tracked using the Transition Pathway Initiative (TPI). The TPI is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The assessments provide a rating for each company that can be used to target engagements to specific issues relating to climate change.

All the companies on the forward Climate Stewardship plan have committed to net zero by 2050.

7.5 Updating Stakeholders on the Fund’s Responsible Investment Activities

The Fund aims to keep its stakeholders aware of RI activities through:

- Making its Responsible Investment Framework, together with the supporting Climate Strategy, public documents, available on the Fund’s website
- Reporting to the Pensions & Investments Committee on the stewardship activities (including voting decisions) of the Fund’s principal investment managers on a quarterly basis
- Providing a summary of the Fund’s Responsible Investment activities in the Annual Report
- Reporting annually using the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), as well as publishing the annual public Climate Risk Report commissioned from LGPSC

Investment Approach: Principle 8

Signatories monitor and hold to account managers and/or service providers

8.1 Monitoring Investment Performance and Responsible Investment of External Managers

Although underlying investment decisions have largely been delegated to external investment managers, the Fund is ultimately responsibility for the RI and stewardship of the Fund's assets. As a result, the Fund sets clear RI expectations for its external investment managers to consider ESG factors when selecting investments and ensuring good stewardship practices are followed through engagement and voting. Monitoring external investment managers is a fundamental aspect of the Fund's approach to good stewardship.

Manager monitoring enables the Fund to assess, on an on-going basis, whether its needs are being met in terms of performance objectives and RI integration. As set out in **Principle 7**, RI fully is integrated into the Fund's investment decision making and investment manager selection processes.

Investment manager performance is reviewed by the IIMT on a quarterly basis against benchmark and target returns, in addition to annual and longer-term performance. The Fund receives, and reviews, external investment manager factsheets and reports, together with holding regular review meetings with its external investment managers to discuss investment performance and to review the integration of ESG risks into portfolio management, and to understand engagement activities.

The frequency of review meetings depends on the investment horizon for the asset class, the management style (active or passive) and the liquidity of the underlying investments. Meetings with investment managers that cover active equities and active fixed income, which tend to be more liquid, are typically held on a quarterly or semi-annual basis, whereas meetings with managers who cover illiquid asset classes such as infrastructure, property and private debt are generally held on a semi-annual to annual basis. For illiquid asset classes, meetings are often arranged on an ad-hoc basis when significant new investments are made or when existing investments are exited, which means in practice the Fund is in regular contact with its private market managers.

As noted in **Principle 7**, the IIMT held 50 meetings with its investment managers over the course of 2022, averaging 4 to 5 meetings a month. Meetings were held with managers covering UK Equities, Global Sustainable Equities, Emerging Market Equities, Private Equity, Infrastructure, Direct Property, Indirect Property, Diversified Multi-Asset Credit and Private Debt, Investment Grade Bonds and Short-Dated Credit. ESG is a standard agenda item.

Investment manager performance, ESG risks and developments and engagement and voting activity are formally discussed in detail by the IIMT at the quarterly investment strategy meeting, which feeds into the Fund's tactical asset allocation changes.

Internal control reports are also received on an annual basis from investment managers and the Fund's custodian. These are reviewed by the IIMT and the in-house administration team to identify potential areas of concern.

8.2 Monitoring of LGPSC

PAF Investment Working Group (IWG)

IWG is a Partner Fund led forum which includes representatives from each of the eight LGPS pension funds forming the LGPS Central Pool.

IWG meets monthly, with the meeting split into two parts. The first part of the meeting provides an opportunity for the Partner Funds to work collaboratively to share knowledge, discuss developments in economic and market conditions and to review investment performance. It also provides an opportunity for collaborative discussion about the pooling process, LGPSC investment performance and LGPSC product development. For the second part of the meeting, the IWG invites LGPSC to provide updates on product investment performance and product development.

Updates are presented by the LGPSC Chief Investment Officer, the LGPSC Investment Directors responsible for each LGPSC investment product and the LGPSC Director of Responsible Investment & Engagement.

The IWG is the principal mechanism through which administering authorities engage with, and hold, LGPSC to account on investment performance, product development and the evolution of the LGPS Central Pool, to ensure each Fund's investment needs are being met.

The IIMT uses the IWG meetings to reiterate expectations around investment performance, to gain a better understanding of the drivers of performance and how LGPSC act to hold the underlying investment managers to account. When necessary, the IIMT escalates issues directly with LGPSC on a one-to-one basis.

For example, in the 2022-23 period, the IIMT escalated its monitoring in respect of an active equity product manged by LGPSC by: submitting written questions in respect of the product to the LGPSC Active Equities Director, and requesting additional analysis and supporting evidence, together with further meetings with the LGPSC Active Equities Team to discuss the fund.

The IIMT also provided direct input into the product's scheduled three-year review process.

PAF Responsible Investment Working Group (RIWG)

RIWG is a Partner-Fund led forum which includes representatives of the eight LGPS pension funds forming the LGPS Central Pool, together with representatives from the LGPSC Responsible Investment Team, including the LGPSC Director of Responsible Investment & Engagement and members of the LGPSC Responsible Investment & Engagement Team.

RIWG meets quarterly to discuss Responsible Investment matters.

LGPSC provides updates and works with the group on topics such as climate change, the use of plastics, voting issues and climate risk reporting. EOS at Federated Hermes, LGPSC's Responsible Investment Engagement partner, also provides updates on the progress and outcomes of its engagements with non-UK companies, and discussions on emerging responsible investment and ESG trends.

The RIWG is the principal mechanism through which Partner Funds engage with, and hold, LGPSC to account on stewardship, voting and the integration of RI, to ensure client needs are being met.

Pensions & Investments Committee – Review of LGPSC Active Mandates

Representatives from LGPSC were invited to attend the Fund's October 2022 Pensions & Investments Committee meeting to present an update on LGPSC, together with providing details in respect of two LGPSC active products used by the Fund.

LGPSC representatives at the meeting included the Chief Executive Officer, Chief Investment Officer, Chief Stakeholder Officer, and the lead fund managers for the two active products.

The LGPSC product presentations covered product objectives, product construction and composition, RI integration and product performance.

Committee found the product presentations helpful and engaged in a series of questions with the lead fund managers, particularly focusing on product performance; LGPSC performance expectations; LGPSC views on each of the underlying external investment managers; and the process by which LGPSC holds the underlying external investment managers to account. Subsequent to the meeting, there have been further meetings between the IIMT and the LGPSC lead fund managers to cover some of the material in the LGPSC presentations in more detail.

8.3 LGPSC External Manager Monitoring Process

Active Equities

LGPSC monitors external fund managers to ensure the ongoing application and efficacy of its approaches to RI and stewardship. External fund managers are required to report to LGPSC on a regular basis in respect of how engagement activities have been discharged during the period in review. LGPSC's external managers conducted 272 direct engagements with 172 investee companies in 2022 covering several LGPSC active products.

LGPSC believes that the engagement undertaken by its external managers in 2022 has been comprehensive and robust. These managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, giving them excellent access to company management which they used effectively to drive company change.

There were a few occasions where LGPSC viewed the level of engagement disclosure from external managers as unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear. In these instances, fund managers were marked down during their RAYG rating (red – amber – yellow – green) review and LGPSC discussed its concerns in the quarterly manager meetings.

An example of LGPSC changing the RAYG rating occurred in Q3-21. Going into 2021, one of its managers achieved only a 'yellow' status due to concerns around the level of engagement being conducted. Compared to other managers, the number of engagements appeared low, and the accompanying description was poor. LGPSC initiated a dialogue with the manager around this issue and reiterated their expectations for managers' stewardship activities. Following this, the level of disclosure greatly improved. The manager now provides a full summary of its interactions with investee companies, and LGPSC is able to gain greater confidence that the manager is using their ownership position to maximum effect. LGPSC subsequently upgraded the managers engagement rating from a 'yellow' to a 'green'.

LGPSC Engagement Example: Engagement with External Manager Regarding ESG Methodology Changes
Reason for Engagement: One of LGPSC's external managers updated its methodology for evaluating companies on ESG issues and the categories used to assess them.
Scope and Process/Actions Taken: LGPSC integrates responsible investment into its investments and regularly engages with external managers on ESG and responsible investment issues. During one of these meetings, the external manager informed LGPSC of changes to its sustainability research methodology. As a result, several positions in the portfolio were affected.
Escalation: As ESG and responsible investment are integrated into LGPSC's investments, it is important to understand how external managers incorporate ESG into their portfolios. LGPSC arranged a follow-up meeting to discuss the implications of the changes in methodology and their impact on future investment opportunities.
Outcomes: The external manager presented the changes to its sustainability research methodology, which included several new categories that rendered certain investment opportunities ineligible. While the methodology was not intended to be more stringent, it resulted in the exiting of companies that were previously eligible. LGPSC gained an understanding of how investment opportunities were being assessed and was pleased to see the external manager upholding high ESG standards.
Next Steps: LGPSC continues to meet with external managers on a quarterly basis and more frequently as needed. This monitoring process enables LGPSC to remain comfortable with the processes, people, and policies of external managers as significant changes occur following the initial selection process.

LGPSC Engagement Example: Emerging Market Equities
External Manager: UBS
Company: Undisclosed
Region: Asia
Sector: Electronics
Issue:
- The UBS ESG Dashboard flagged for elevated ESG risk for a breach of UNGC principles as MSCI had moved the company's UNGC compliance status to 'Fail' in November 2022. This was based on an allegation, made by the Australian Strategic Policy Institute (ASPI) back in March 2020, that the company may have benefited from the use of Uyghur workers outside Xinjiang through labour transfer programs
- The MSCI downgrade was made following the conclusion by the United Nations Office of the High Commissioner for Human Rights in August 2022 that 'serious human rights violations' against the Uyghur and 'other predominantly Muslim communities' have been committed in the Xinjiang region. Following MSCI's downgrade the company Chair issued a letter to shareholders claiming that the company had not employed any forced labour (i.e. upholding to the principle of voluntary employment), and that internal and independent audits were conducted for confirmation

Action taken:
- The Sustainable Investment and the Investment Teams at UBS had two bilateral dialogues with the company to better understand the evidence the company had collected before issuing the letter to shareholders, and the quality of its internal human rights management systems

Outcome:
- The company confirmed to UBS that its HR department had again validated the background and voluntary declarations of all its Uyghur workforce
- Through this exercise, the company also confirmed that none of the Uyghur workforce had ever entered or participated in any vocational education and training centre (i.e. the alleged re-education camp). UBS was also satisfied with the quality of the company's internal human right management systems
- The company has been applying relevant policies to its direct and indirect hiring, in line with the International Labour Organisation best practices
- Two additional safeguards were also in place at the time of the allegation: 1. company claims that it did not work with governmental hiring agencies, nor prison labour programs, and that all external hiring agencies are expected and engaged to uphold its human right policies; and, equally importantly, 2. plant general managers are subject to performance reviews and internal audits which consider human rights

- Responding to the allegation, the company has been actively communicating with both the ASPI and MSCI. The company has provided a third party onsite human right audit report in line with the Responsible Business Alliance standards, confirming the non-existence of forced labour. The company is committed to publicly disclose future audit results
- UBS will continue to engage with the company on progress made with respect to their bilateral conversations with relevant parties

Fixed Income

LGPSC monitors engagements undertaken by fixed income managers during quarterly meetings. It seeks to determine whether the manager is fulfilling the level of engagement that was pitched, and challenge accordingly if the response is unsatisfactory. These discussions subsequently feed into LGPSC's manager scoring system.

LGPSC considers its fixed income managers to have conducted meaningful and effective engagement in 2022. Throughout the year, LGPSC's external managers conducted 299 direct engagements with 213 companies held in the Global Active Investment Grade Corporate Bond Multi Manager Fund, Global Active Emerging Market Bond Multi Manager Fund and Multi Asset Credit Fund.

LGPSC Engagement Example: Active Global Investment Grade Bonds
External Manager: Neuberger Berman
Company: Anheuser-Busch InBev
Sector: Consumer Discretionary
Objective: Establish and publicly disclose ESG objectives around smart agriculture goals, water stress, circular packaging, product portfolio, and diversity and inclusion. As well as disclose more information on water stress improvement.
ESG Topics Addressed: Disclosure of climate and diversity objectives.
Issue/Reason for Engagement: The Anheuser-Busch InBev S.A.'s Company's ESG reporting practices lagged sector peers, making it difficult to analyse and benchmark performance on material metrics.
Scope and process/actions taken: Neuberger Berman undertook due diligence with the members of company's Treasury Team and the Head of Sustainability. Neuberger Berman sought to educate the issuer on the importance of disclosing key metrics such as water intensity and diversity performance.
Outcomes and Next Steps: Following this engagement, Anheuser Busch published its first ever standalone ESG report and implemented feedback on publicly disclosing more detailed information around water sourcing and geographic priority areas. While this is a positive outcome, Neuberger Berman is continuing to engage with the issuer for even greater disclosure on additional information and goals regarding diversity and inclusion.

Engagement: Principle 9
Signatories engage with issuers to maintain or enhance the value of assets

9.1 Engagement Examples

DPF largely accesses investment markets indirectly through pooled products managed by external investment managers, including LGPSC, and as such, voting and engagement activity has largely been delegated to the external investment managers selected. However, as set out in **Principle 8**, the Fund is ultimately responsibility for the RI and stewardship of the Fund's assets, and therefore the Fund sets clear RI expectations for its external investment managers to consider ESG factors when selecting investments and ensuring good stewardship practices are followed through engagement and voting. Some examples of external investment manager engagement are set out below.

Listed Equities: LGIM Active Ownership and Engagement
Protecting Shareholder Rights in Mergers and Acquisitions
Company: Aveva
Sector: Technology
Issue Identified: The UK-listed software company, AVEVA Group plc, is 59% owned by Schneider Electric. In September 2022, the AVEVA board recommended a takeover by Schneider Electric. LGIM and several other shareholders were not satisfied with the bid, as they believed it to significantly undervalue the company, particularly given that the AVEVA business was in a period of transition. The initial EGM (Extraordinary General Meeting) was set for 17 November 2022, however, following shareholder concerns about the deal and a raised offer from Schneider Electric, the meeting was adjourned to 25 November 2022.
How LGIM voted: Against the proposal (i.e. against management's recommendation).
Rationale for the vote decision: LGIM joined the collaborative engagement established and led by an investor forum. LGIM's Stewardship Team also engaged internally with LGIM's Investment Team regarding the proposed deal. LGIM voted against the resolution as they considered the proposed acquisition to significantly undervalue the company.
Outcome: The bidder was forced to increase its offer by 4% in order to gain sufficient support, despite an AVEVA board recommendation. This case illustrates that potential takeover deals are not a foregone conclusion and that target boards are prepared to recommend a bid and then hand the decision over to their shareholders. It also illustrates the power of collaborative shareholder engagement, where the bidder increased their offer due to shareholder dissatisfaction. Given the acquirer, Schneider Electric, already controlled 60% of the AVEVA share capital, there was little chance of the deal not being approved. The deal was approved, and the acquisition is expected to close in 2023.
Why is this vote 'significant'?: Mergers and acquisitions – this vote demonstrates the power of collaborative shareholder engagement in a takeover situation where LGIM believed the original offer undervalued the company significantly.

<u>Listed Equities: LGIM Active Ownership and Engagement</u>
Governance Arrangements
Company: Microsoft
Sector: Technology
Issue Identified: In 2021, without seeking prior shareholder approval, Microsoft took the decision to recombine the roles of chair and CEO, which had previously been separate for many years.
How LGIM voted: At the December 2022 AGM, LGIM voted against the proposal (and against management recommendation).
Rationale for the vote decision: LGIM expects companies to have a separate chair and CEO on account of risk management and oversight considerations, and because the roles are substantially different and require different skills. Previously, in Microsoft's 2021 AGM, LGIM voted against both the re-election of the chair and of the board nomination committee chair/lead independent director, and LGIM has conveyed their disappointment at this change.
Outcome: 94.8% shareholders voted for the resolution (for the re-election of Satya Nadella). Nevertheless, LGIM maintain its belief in the importance of the separation of the chair and CEO roles, on account of the different skillsets and different responsibilities of these roles. LGIM was disappointed that Microsoft took the decision to recombine these roles and will continue to engage with them on this and other topics.
Why is this vote 'significant'?: LGIM believes that, within the broader topic of board effectiveness, the roles of chair and CEO should be separate.

<u>Private Equity: Graphite Capital Active Ownership and Engagement</u>

- Ten10 is a Graphite Capital's portfolio company. Ten10 is an independent UK quality engineering and software testing services provider that Graphite Capital originally acquired in 2020. Key highlights of ESG improvements that have occurred since the investment include:

Ten10 Case Study: Driving ESG Improvements

- Signing up to become a member of the UN's Global Compact, agreeing to align itself to ten principles in the areas of human rights, labour, the environment and anti-corruption
- Ten10 also aligned to the UN's Sustainable Development Goals (SDGs). The company is currently positively impacting 16 out of 17 SGDs and is working to explore options to widen and deepen their commitment to each SDG
- 60% of Ten10's energy is now sourced from renewables across its operational sites. Beyond this, Ten10's offices also have energy-efficiency features, including LED lighting and light sensors to reduce electricity usage
- Ten10 has also created a supplier Code of Conduct and it is in the process of rolling this out across its material suppliers. By doing this, the company is making a clear statement that leaves no place for discrimination, harassment or bullying within its supply chain. Ten10 will only work with suppliers who commit to upholding human rights and those seeking to protect the environment
- Working with Future Plus, a specialist carbon consultancy, Ten10 has signed up to several climate-related commitments. It has agreed to monitor, record and report energy use and carbon emissions and to set significant targets to reduce its energy consumption and carbon emissions. Ten10 has committed to offsetting its residual scope 1 & 2 emissions, which cannot be reduced or eliminated

Infrastructure: Macquarie Asset Management (MAM) Active Ownership and Engagement

- One of MAM's companies is Beauparc Utilities

Turning waste into energy for the Republic of Ireland

- Beauparc Utilities is an Irish waste management company acquired by MAM in June 2021. The company is active in professionalising the waste industry in the Republic of Ireland and is transitioning to be a low-carbon and circular economy company
- The Republic of Ireland was previously dependent on landfill as a waste management solution, which cause odour, pest nuisance, ground and surface water pollution. Since the late 1990s the Republic of Ireland has gradually closed non-engineered landfills and replaced them with waste-to-energy facilities and modern landfills compliant with stringent EU environmental directives
- Beauparc Utilities operates the Knockharley landfill site in county Meath. One of only three operating MSW landfills in the Republic of Ireland, the site was selected for its highly impermeable soils. The facility operates on a 135-hectare landscaped site which was built to comply with the EU landfill directive, and it operates under an Industrial Emissions licence from the Environmental Protection Agency
- On launch in 2004, Beauparc Utilities was initially authorised to accept up to 88,000 tonnes of waste per annum. In 2021 it received planning permission to increase capacity by 500%, up to 440,000 tonnes per annum
- Landfills were historically a source of odour nuisance due to the gases produced by the decay of organic materials in the core of the landfill. This gas was comprised primarily of methane, a greenhouse gas up to 80 times more potent than CO_2
- To prevent odours, Knockharley captures landfill gases under a gas impermeable liner which forms part of a complex multilayer landfill cap
- The gas is then directed through an extensive network of pipes, captured and pumped to onsite gas engines which can produce up to 4.2MW of instantaneous output which is fed to the Republic of Ireland's national electrical grid. A novel gas cleaning system was added to the site's landfill gas treatment system in 2021. Placed upstream of the gas engines, it removes unwanted components in the gas, improving the efficiency of the gas engines and further reducing emissions. By capturing the gas and combusting in the gas engines, the facility creates a triple win: eliminating local odour nuisance, generating renewable electricity and eliminating methane emissions

Private Debt: CVC Capital Partners Active Ownership and Engagement

- One of the Fund's external Private Debt managers is CVC Capital Partners (CVC). This investment forms part of the Fund's Multi-Asset Credit allocation. In 2021, CVC further integrated ESG into the investment process by introducing ESG margin ratchets to incentivise companies to improve their ESG programmes by way of a margin reduction on their loans, typically ranging from five to fifteen basis points
- As part of the investment process, when a company confirms it wishes to enter an ESG margin ratchet, the CVC Private Credit team assesses the proposed ESG Key Performance Indicators (KPIs) and the suitability of the KPI hurdles that the company is required to address to meet the required threshold for a margin reduction. For example, a company can achieve a reduction by commissioning an ESG report from a third party, such as EcoVadis, and can receive a further reduction if the report shows the company meeting certain ESG metrics
- Since introducing the ESG margin ratchet, CVC Private Credit had arranged the financing of over €2.4bn ESG-linked loans by 30 June 2022
- Case study: Company A *[name redacted]* specialise in motor insurance products. At the time of investment, the company had some processes in place to address ESG and corporate social responsibility, but it was noted that reporting, governance and KPI tracking should be improved following acquisition. To incentivise management to improve ESG standards, a margin ratchet was negotiated and built into the financing documents, that would be worth 10 basis points if obtained. The company was awarded a 5-basis point margin reduction for undergoing an ESG audit by EcoVadis, a third-party provider of business sustainability ratings. Company A were awarded a 'Bronze' award by EcoVadis, and the company will be awarded an additional 5 basis point margin reduction if they achieve a 'Silver' rating, which would place Company A in the top 25% of more than 100,000 firms

globally that are audited by EcoVadis. On the back of ESG ratchet being agreed, Company A have built out an ESG team and they are now working on designing a company roadmap to achieve Net Zero status by 2050. To that end, Company A has partnered with a Net Zero consultancy. During 2022, Company A supplied data enabling the consultant to undertake full scope 1, 2 and 3 carbon footprint analysis across Company A. Company A is committed to reducing its energy use, generating its energy needs from lower and zero carbon solutions and ultimately offsetting the balance

9.2 LGPSC Engagement

LGPSC continued engagement on four, core Stewardship Themes: climate risk, plastic pollution, responsible tax behaviour and tech sector risks in 2022. Alongside LGPSC's direct engagements, the LGPSC also has several partners which engage with companies on LGPSC's behalf, including EOS at Federated Hermes (Stewardship provider to LGPSC) and LAPFF. Through these partnerships, the LGPS Central Pool was able to engage more than 308 companies on material ESG related issues in 2022. An example of LGPSC's engagement is set out below.

LGPSC: Active Ownership and Engagement

Company: Glencore

Theme: Climate change

Objective: LGPSC expects companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. It also compares those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

Engagement:

- LGPSC sent a letter to the CEO of Glencore from LGPSC, outlining concerns that led the company to vote against Glencore's climate progress report at the 2022 AGM. Glencore's total carbon footprint is highly correlated with coal production. LGPSC takes the view that the company should seek alignment with the International Energy Agency's (IEA) Net Zero Emissions 2050 coal pathway rather than an overall fossil fuel pathway.
- Based on Glencore's current disclosures, LGPSC is concerned that Glencore's current plans to reduce coal production over the next decade appear inconsistent with a 1.5C trajectory
- In a letter to Glencore's CEO in December 2022, signed by eight investors including LGPSC, they reiterated this concern asking for clarification on the expansionary capital expenditure for thermal coal and whether this is consistent with a 1.5C trajectory

Outcome:

- Glencore has responded to the letters stating that the company will provide further detail in the upcoming 2022 report against the climate strategy, and that they welcome our feedback to these disclosures
- In December 2022, Glencore decided to withdraw a coal project in Australia from the current approvals process. LGPSC is seeking a meeting with the company to discuss how this will affect Glencore's achievement of climate targets and the responsibly managed decline of coal assets, alongside other issues raised

LGPSC: Active Ownership and Engagement
Company: Amazon
Theme: Responsible tax behaviour
Objective:

- LGPSC recognises the importance of companies being accountable for and transparent about their tax practices. LGPSC expects portfolio companies to have a tax policy that outlines the company's approach to taxation and how it aligns with the overall business strategy. It also expects companies to have a robust tax governance and management framework in place, to pay taxes where economic value is created and to provide country-by-country reporting
- Through its engagement with companies on tax, LGPSC aims to support investor expectations (e.g. as expressed by the GRI tax standard and the UK Fair Tax Mark) in dialogue with companies

Engagement:

- In March 2022, in support of a shareholder proposal at Amazon asking for tax transparency, LGPSC signed a letter to the US Securities and Exchange Commission (SEC), alongside over 100 other investors. The company had earlier in January 2022 written to the SEC requesting approval for the shareholder resolution to be excluded from voting at the AGM

Outcome:

- The SEC ruled in favour of the shareholders and hence the proposal was put to a vote. This represented one of the first times the regulator granted a shareholder request on tax matters. The proposed tax transparency report had to be in line with the Global Reporting Initiative's (GRI) Tax Standard. LGPSC voted in favour of this resolution, and it received 17.5% shareholder support which is reflective of shareholder concerns

9.3 DPF Monitoring

Details about how the Fund monitors the responsible investment activities of its external investment managers is set out under Principle 7 and Principle 8. As noted in Principle 7, the Fund receives quarterly stewardship reports, including voting activity, from both LGIM and LGPSC (the Fund's two largest asset managers) and these reports are reviewed by the Fund's IIMT. These stewardship reports are also presented to, and considered by, the Pensions & Investments Committee on a quarterly basis.

Engagement: Principle 10

Signatories, where appropriate, participate in collaborative engagement to influence issuers

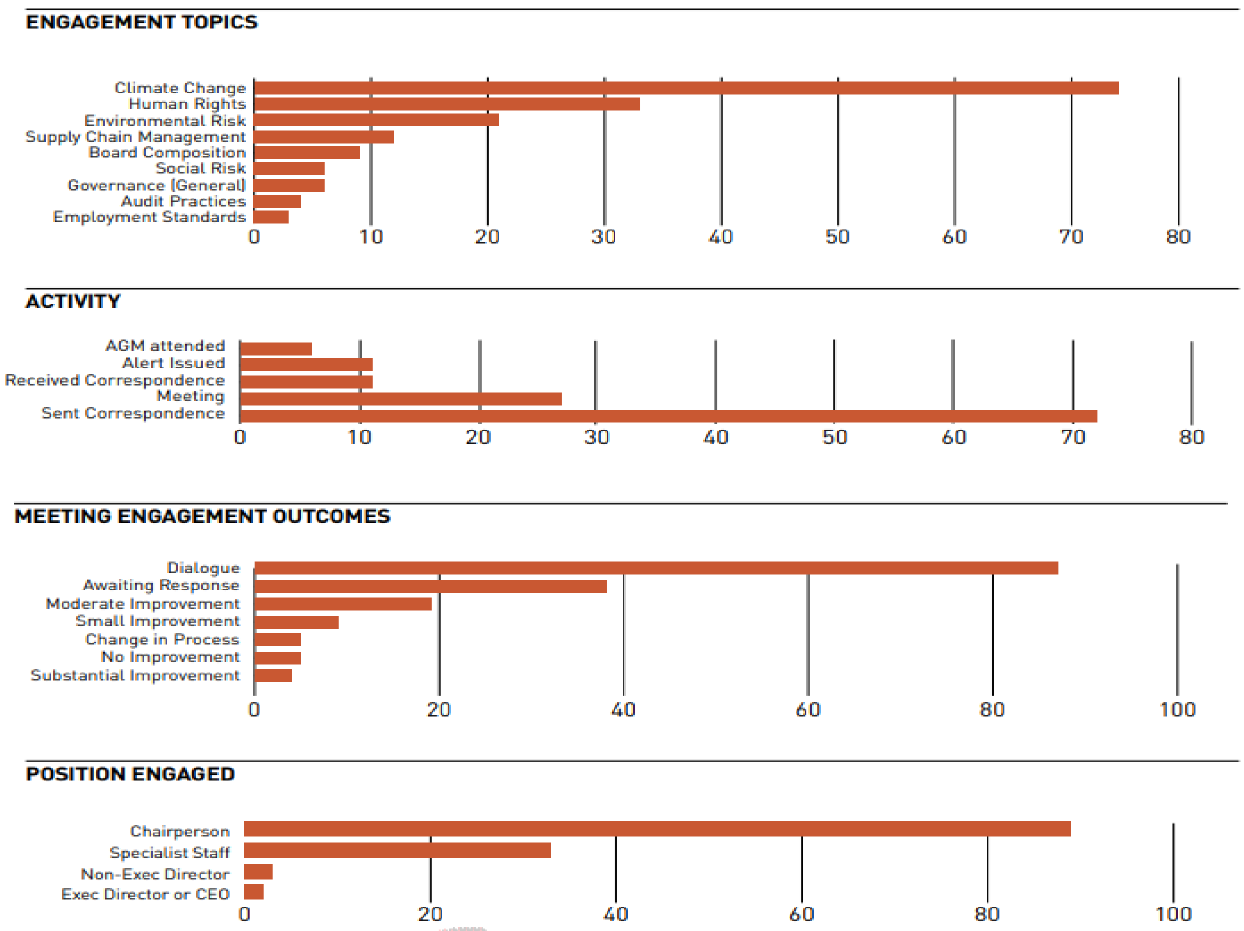
10.1 Collaborative Engagements

LAPFF Engagement Work

- LAPFF engages with companies on behalf of its 85 local authority LGPS pension fund members and 6 LGPS Investment Pools
- LAPFF's mission is to protect local authority pensions by promoting the highest standards of corporate governance and corporate responsibility
- With members' assets exceeding £350bn, the Forum engages directly with company chairs and boards to affect change at investee companies
- Through collaboration and collective action, the Forum can realise significant and tangible improvements in the practices of some of the world's biggest corporations

In Q2-22, LAPFF engaged with over 90 companies on a range of topics including climate change, human rights, board composition and governance, audit practices and employment standards. A summary of its engagement activities is included below.

LAPFF Engagement Activities, Q2-22



Source: LAPFF Quarterly Engagement Report, Q2-22

LAPFF Long Term Engagement Example: Rio Tinto
Issue identified
- LAPFF became increasingly concerned over corporate governance failings at Rio Tinto after the company destroyed 46,000-year-old Aboriginal caves in the Juukan Gorge region of Western Australia in May 2020, through its mining exploration operations in the region. In Q3-20, LAPFF began engaging with the company to review its corporate governance arrangements, particularly in relation to the lack of engagement with indigenous communities

Engagement methods
- In 2020, LAPFF issued press releases citing its concerns over its lack of engagement with indigenous communities and wider corporate governance failings at Rio Tinto to improve awareness, garner investor support and to pressure the company to improve its governance arrangements
- LAPFF also made repeated attempts to obtain meetings with Rio Tinto's Chair to discuss the Juukan Gorge incident. However, LAPFF was disappointed in Rio Tinto's unwillingness to engage as it took more than six months after the incident had occurred to secure a meeting
- LAPFF was pleased to meet with Rio Tinto's CFO in 2021 at the company's AGM to discuss the issue further, noting that the company had made substantial improvements in its willingness to engage, having previously attended a meeting with the Chair and CEO during the year. LAPFF noted that the CFO appeared to understand and agree that social impacts affect financial materiality
- LAPFF continued to engage and liaise with other interested investors, Rio Tinto, and affected communities, but acknowledged that improved engagement in itself is not progress, and that the company had some way to go to regain investor and affected community trust in its operations
- In February 2022, Rio Tinto published a comprehensive external review of its workplace culture, commissioned as part of its commitment to ensure sustained cultural change across its global operations. Rio Tinto announced that it would implement all the report's recommendations. LAPFF described the report's findings as 'not flattering'
- Following the release of the report, Rio Tinto reached out directly to LAPFF to offer a meeting with the company CFO. LAPFF's aim for the meeting was to assess the extent to which Rio Tinto was accounting for social and environmental factors in its financial considerations. LAPFF's view was that that the company still had some work to do to create a culture whereby its staff understands that social and environmental impacts are the basis for financial resilience, but the improvement in the company's openness will ultimately help to build a company that is financially resilient
- At the 2022 AGM, LAPFF representatives asked whether Rio Tinto would be willing to review its processes for undertaking social and environmental impact assessments. LAPFF had follow up conversations with CEO, incoming Chair and outgoing Chair, and they extended further invitations for engagement to LAPFF. LAPFF will seek to discuss the topic of impact assessments further with company representatives at the highest level of decision-making
- In October 2022, Rio Tinto published a progress report updating investors on its commitments for community engagement, as part of efforts to increase transparency in its approach to cultural heritage protection
- In Q4-22, LAPFF also attended an ESG briefing which discussed the report's findings. Given Rio Tinto's description of increased cultural heritage assessments, LAPFF asked if the company has also committed to independent environmental and social impact assessments as part of its approach

The Institutional Investors Group on Climate Change – IIGCC

DPF is a member of the Institutional Investors Group on Climate Change (IIGCC).

IIGCC Mission Statement: *'Our mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors.'*

The IIGCC is a European membership body for investor collaboration on climate change and investor action towards a low-carbon future. The Group is made up of over 350 members, mainly pension funds and asset owners, with combined assets under management of over €51tn.

IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change. The IIGCC's work is split into 4 sections:

- Policy programme helps shape sustainable finance and climate policy, and regulation for key sectors of the economy
- Corporate programme is focused on listed equity and corporate bonds. It supports members in effective stewardship and active ownership of investments
- Investor practices programme helps members and the broader investment sector better integrate climate risks and opportunities into their investment processes and decision-making
- Paris Aligned Investment Initiative looks at how investors can align their portfolios to the goals of the Paris Agreement

The Fund looks forward to working with IIGCC members to plan for a sustainable transition to net zero. An example of the work carried out by the IIGCC is shown below.

At the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (COP15) in 2022, a group of institutional investors announced the formation of Nature Action 100, a new global engagement initiative which focuses on investors driving urgent action on the nature-related risks and dependencies in the companies they own.

Nature Action 100 aims to drive greater corporate ambition and action on tackling nature loss and biodiversity decline, and will complement the United Nations Convention on Biological Diversity's Global Biodiversity Framework by identifying the private sector actions that need to be undertaken to protect and restore nature and seek to catalyse these actions via investor-company engagements. A formal launch of the Nature Action 100 initiative will take place in 2023.

More than half of the world's GDP ($44 trillion of economic value generation) is either moderately or highly reliant on nature's services, and by some estimates, tens of billions of dollars in assets could be at risk of stranding over the next five to 10 years if companies continue to produce deforestation-linked commodities. In addition, wildlife populations have declined by an average of 69% since 1970, with an estimated one million plant and animal species at risk of extinction by 2050 – approximately 25% of all species on Earth. By the end of the century, 50% or more is at risk.

Ceres and IIGCC will co-lead the initiative's Secretariat and Corporate Engagement workstreams; the Finance for Biodiversity Foundation and Planet Tracker will co-lead the Technical Advisory Group. The Secretariat will be responsible for setting up the initiative's Steering Group and supporting administrative, communications and fundraising activities. The Corporate Engagement workstream will focus on developing a multi-year engagement plan to engage companies deemed most important to stemming nature and biodiversity loss, while the Technical Advisory Group will help to identify priority engagements and develop science-based investor guidance and tools.

Investors will focus on companies in key sectors that are deemed to be systemically important to the goal of reversing nature and biodiversity loss by 2030. They will work to ensure companies are taking timely and necessary actions to protect and restore nature and ecosystems. Specifically, the initiative will:

- Map sector pathways and identify a list of 100 focus companies for investor engagement
- Support engagements between investor teams and focus company executives and board members around initiative priorities
- Identify corporate actions that need to be undertaken to protect and restore nature
- Track the progress of focus companies against key indicators and provide annual progress updates
- Support investor and corporate advocacy efforts with relevant policymakers on nature-focused policies

The group of launching investors consists of the following firms: AXA Investment Managers, Columbia Threadneedle Investments, BNP Paribas Asset Management, Church Commissioners for England, Domini Impact Investments, Federated Hermes Limited, Karner Blue Capital, Robeco, Storebrand Asset Management, Christian Brothers Investment Services, and Vancity Investment Management.

Climate Action 100+

Through LGPSC and IIGCC, DPF is a member of Climate Action 100+ (CA100+). CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Over 700 investors, responsible for over $68 trillion in assets under management, are engaging companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures.

The work of the initiative is coordinated by five regional investor networks: the Asia Investor Group on Climate Change (AIGCC), Ceres, Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC) and Principles for Responsible Investment (PRI). It is supported by a global Steering Committee.

Two examples of the engagement carried out by Climate Action 100+ are set out below:

BP: EOS at Federated Hermes acting as lead investor engaging with BP as part of Climate Action 100+ welcomed BP's announcement of its plans to accelerate its net zero ambition. EOS at Federated Hermes has been engaging with BP through the initiative for several years. BP now aims to reduce its operational emissions by 50% by 2030, compared with an aim of 30-35% previously. It is also aiming for net zero lifecycle emissions from the energy products it sells by 2050 or sooner, including Scope 3 emissions, expanding on a previous target of a 50% reduction.

Duke Energy: Duke Energy expanded its net zero by 2050 target to include indirect emissions from the procurement of fossil fuels used for generation, the electricity purchased for its own use, the methane and carbon from production of natural gas, and the carbon emissions from customers' consumption. At the same time, Duke Energy, a focus company of the Climate Action 100+ initiative, committed to exiting coal by 2035 and reducing the amount of power the company produces from coal to just 5% of generation by 2030.

10.2 LGPSC Collaborative Engagements

LGPSC has, and continues, to participate in several investor collaborations that pursue better corporate standards across ESG issues, including for several Stewardship Themes. LGPSC has also supported theme-relevant industry standards and benchmarks, which clarify investor expectations of companies and provide a mechanism for measurement of progress.

Examples of collaborative initiatives that form part of LGPSC's stewardship activities are set out below:

LGPSC: Collaborative Engagements and Initiatives
Company: Experian
Theme: Responsible tax behaviour
Objective:
- LGPSC aims for positive interactions at senior levels of target companies encouraging robust tax governance and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks

Engagement:
- Following engagement with LGPSC and a group of four other European investors, Experian published its first standalone tax report in 2022. LGPSC expects companies to disclose tax-relevant Country-by-Country-Reporting (CBCR), which would facilitate analysis of their tax behaviour. The report should show jurisdiction-wise activities of a company and disclose how the activities correspond to tax paid. The underlying aim is to ensure that multinational enterprises are taxed where their economic activities take place, and value is created
- LGPSC commends Experian for taking this important step to provide shareholders and wider stakeholders an overview of their approach to tax and how the company manages its tax affairs in an easily explained and accessible format. In feedback to Experian, LGPSC has suggested that they consider using the Global Reporting Initiative (GRI) Tax Standard 207, which covers key elements that should be included in tax reporting such as approach to tax, tax governance/controls/risk management, stakeholder engagement and CBCR. LGPSC believes that the company is well on its way to meet core elements of the standard, while there is further scope related to CBCR

Outcome:
- LGPSC appreciates the company's effort in disclosing a tax contribution report. Experian has found the collective feedback constructive and has expressed its plans to take the feedback into account in its tax report next year

Engagement: Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

Escalation is a key component of stewardship. Should engagement with an investment manager prove unsuccessful (or in the case of one of the Fund's external investment managers, unsuccessful engagement with an investee company), the Fund or the external investment manager may consider using its voting rights accordingly, or potentially reducing its investment.

Some examples of engagement escalation by the Fund's external investment managers are set out below, together with escalation through LAPFF.

11.1 LGIM Escalation of Engagement

External Manager: LGIM
Escalation Example: Royal Mail

- LGIM extended its gender diversity policy in 2022 to include the executive committee, as well as the company board. The new policy sees LGIM apply voting sanctions to FTSE 100 companies that do not have at least one woman on the executive committee, with the expectation that there should be a minimum of 33% over time
- At Royal Mail's AGM in July 2022, LGIM voted against the re-election of Keith Williams as a Director because the company had an all-male executive committee
- Outcome: 92.7% of shareholders supported the resolution to re-elect. LGIM continues to engage with companies on gender diversity, and to implement their global and regional voting policies on this issue
- LGIM believes that this vote is significant as it relates to the escalation of their activities on one of their core stewardship themes, gender diversity

External Manager: LGIM
Escalation Example: Informa

- LGIM has noted concerns about Informa's remuneration practices for many years, both individually and collaboratively. Due to continued dissatisfaction, LGIM had already voted against the company's pay proposals at its December 2020 and June 2021 meetings
- At the 2022 AGM, LGIM voted against the management recommendations for four resolutions covering the Remuneration Report, the Remuneration Policy, and the re-election of two incumbent Remuneration Committee members
- Rationale for the Vote Decision: The Remuneration Policy was put to a vote again at this AGM, with the main changes being the re-introduction of the performance based long-term incentive plan, which was under a separate resolution, to come into force from 2024. Although this is a positive change, the post-exit shareholding requirements under the policy do not meet LGIM's minimum standards and with regard to pensions, it is unclear whether reductions will align with the wider workforce. Given previous and continuing dissatisfaction as outlined, LGIM also voted against incumbent remuneration committee member
- Outcome: More than 70% of shareholders voted against the Remuneration Report. The Remuneration Policy was approved by 93.5% of shareholders, and 20% of shareholders voted against the re-election of Helen Owers, incumbent member of the remuneration committee. The resolution to re-elect Stephen Davidson, former chair of the remuneration committee, was withdrawn due to him stepping down from the board entirely. Although the Remuneration Report failed to pass, such votes are advisory and not binding. LGIM will continue to engage both individually and collaboratively with the company to help push for improvements
- LGIM considers this vote to be significant as it is in application of an escalation of their voting policy on the topic of remuneration (escalation of engagement by vote)

11.2 LGPSC Escalation of Engagement

The Stewardship Themes that LGPSC has identified as priority areas for engagement are all long-term and systemic in nature. Against that backdrop, LGPSC will often use escalation tactics to enhance the chances of achieving long-term engagement outcomes. Examples of how LGPSC might escalate include, but are not limited to:

- Additional meetings with the management or the directors of an investee company
- Escalating the dialogue from the executive to the board of directors or from one board member to the Chair and/or a more amenable board member
- Collaboration with fellow investors and/or with partnership organisations
- Public statement
- Voting against management (e.g. against the annual report, the appointment of directors or the auditors)
- Filing and/or co-filing shareholder resolutions
- Attendance and raising questions at the company AGM

Through its involvement in collaborative engagement projects, like CA100+, LGPSC is continuously assessing the need for escalation depending on individual companies' response to expectations from investors. Going into 2021, CA100+ had established a Benchmark Framework which allows evaluation of company progress against Paris alignment on key parameters, such short/medium/long-term targets, decarbonisation strategy, capital expenditure plans, remuneration and disclosures.

LGPSC: Escalation
Company: Shell
Theme: Climate Change
Objective:
- LGPSC expects companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. LGPSC also compares those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations

Engagement:
- In November 2022, LGPSC sent a letter to the Chair of the Board at Shell, outlining why LGPSC voted against the company's Energy Transition Strategy in the 2022 AGM. The letter outlined the strategy's misalignment with the Paris Agreement; a lack of targets which would facilitate the achievement of the Strategy; and questioned whether Shell's capital expenditure plans were genuinely aligned with a 1.5˚C temperature rise scenario. Following receipt of this letter, a 1-1 meeting was scheduled between LGPSC and the head of Investor Relations at Shell
- This meeting allowed a detailed discussion on Shell's climate strategy, highlighting the risks and opportunities the company has focussed on ahead of the energy transition. LGPSC was happy to hear that Shell recognises the key role it must play in addressing climate risk on a global level and was encouraged by the company's progress in decreasing its oil production. However, Shell expressed a reluctance to set absolute short- and medium-term Scope 3 targets for its upstream emissions. Shell also stressed the fact that it believes it is currently a leader in the global transition, and that now the responsibility must shift towards governments and consumers to continue progress towards net zero

Outcome:
- LGPSC very much appreciates Shell's desire to have a meaningful and open dialogue with its shareholders, and LGPSC believes that Shell is a sector leader in the climate transition. However, significant doubts remain regarding the feasibility and robustness of Shell's transition strategy, evidenced by a lack of meaningful targets which detail how Shell will achieve its long-term goals. LGPSC is therefore considering further engagement or escalation in early 2023. In February, the

environmental charity ClientEarth filed a derivative claim against the Board of Directors at Shell, stating that the Board is mismanaging climate risk, evidenced by an insufficient Energy Transition Strategy and a fundamental misalignment with the goals of the Paris Agreement

- Following an assessment of the potential risks and benefits associated with supporting the claim, LGPSC provided a copy of a recent engagement with Shell to the Court as evidence of LGPSC's concerns. This escalation was made in recognition of the significant overlap between the points raised in the ClientEarth claim and LGPSC's own engagement objectives for dialogue with Shell

LGPSC Expectations for External Managers to Escalate on Their Behalf

LGPSC expects its external managers to be ready to escalate any engagement where there is lack of progress relative to engagement objectives, on any material ESG topic.

LGPSC: External Manager Escalation of Engagement Activities
Sub-Fund: LGPSC Multi Asset Credit Fund
External Manager: CTI
Company: Stellantis
Sector: Automotive
Objective: Improve climate-related disclosures.
ESG Topics Addressed: Strategy and business model; transparency and disclosure; climate change.
Issue / Reason for Engagement: The company was slow to publish publicly released details on its climate ambition, strategy, and management.
Scope and Process / Action Taken: CTI engaged with Stellantis six times over a 12-month period on climate change. Main asks include an ambitious net zero target and Battery Electric Vehicle (BEV) strategy.
Escalation strategy: Repeated engagements with different people in the company, including the Head of Sustainability, the Strategy Lead, and the CFO.
Outcomes and next steps:

- Following these escalations, the company has unveiled a strategy plan to achieve net zero by 2038 across its entire value chain and cut emissions intensity by 50% by 2030
- It also includes a sales target of 100% BEV passenger cars in Europe by 2030. Going forward, CTI will focus engagement on shifting from climate targets to strategy, climate lobbying and sustainable sourcing

LGPS Central: External Manager Escalation of Engagement Activities
Sub-Fund: LGPSC Global Sustainable Equity Broad Strategy
External Manager: Mirova
Company: Orpea
Sector: Residential Care
Objective: Improve the social aspects of the business which had been the subject of controversies.
ESG Topics Addressed: Social issues and governance.
Issue/Reason for Engagement: Mirova has a long history of successful engagement with Orpea related to processes implemented to address serious social risks. Following allegations made against the company during early 2022, this engagement and the expectations of the company have been materially strengthened.
Scope and Process/Action Taken:

- Mirova sent a letter to the President of the Board regarding specific points related to potential social risks as well as Mirova's expectations of the company
- The company responded stating that it was willing to consider Mirova's demands and committed to answer concerns. Mirova was able to escalate this engagement, and arranged two meetings, the first with the CEO and Board members and the second with CSR representatives
- Mirova followed up, arranging a further three meetings with the company, firstly meeting the recently appointed Transition Manager - HR Strategy. Mirova also had a meeting with current CEO, future CEO and Board members, where they discussed proposed AGM resolutions. In May 2022, financial

malpractices by Orpea's former management team were revealed. Mirova immediately advocated for a change of management and a new board

Outcomes and Next Steps:

- Following this engagement, at the Orpea's AGM, the new CEO expressed the company's commitment to transition the company towards more consideration of residents and employees
- However, in conjunction with an unexpected conciliation plan, which would leave Mirova with less influence with the company, together with the fact that Mirova had no guarantee that Orpea was going to align on social issues which had dominated the engagements, Mirova decided to divest from its holding in the company

11.3 LAPFF Escalation of Engagement

Each year the LAPFF engages with many companies, often directly with company chairs.

When company dialogue is deemed to be too slow, LAPFF escalates its engagement. This escalation may include voting recommendations to LAPFF members in respect of a company's AGM to directly promote change or filing shareholder resolutions with companies to progress action on a given topic. To leverage engagement outcomes, the LAPFF often works with other asset owners and managers. An example, of LAPFF engagement was set out under **Principle 10** in respect of Rio Tinto.

Exercising Rights and Responsibilities: Principle 12

Signatories actively exercise their rights and responsibilities

12.1 Exercising Voting Rights

As discussed in **Principle 7,** the Fund believes that voting is an integral part of the responsible investment and stewardship process. The responsibility for exercising voting rights has largely been delegated to Fund's external investment managers, including LGPSC.

The level of direct voting by the Fund has reduced significantly over the last few years as the Fund has increasingly transitioned into pooled investment products, largely managed by either LGIM or LGPSC. However, DPF continues to exercise its voting rights where it retains a direct voting responsibility. These largely relate to some small allocations in respect of listed private equity investment trusts, listed infrastructure investment trusts and real estate investment trusts. The Fund's approach to voting is set out in the Fund's Responsible Investment Framework, a copy of which is published on the Fund's website. The Fund uses ISS, a specialist third party specialist voting provider, to provide voting research and recommendations.

12.2 LGIM Exercising Voting Rights

The Fund's single largest investment manager is LGIM, which manage assets for the Fund on a passive index basis. Votes for these products are therefore cast in accordance with LGIM's voting policies. As one of the largest asset managers in the world, with over £1.3 trillion of assets under management, LGIM has the scale and influence to enact tangible positive change in corporate behaviour, improving environmental, social and governance outcomes and promoting sustainable investment returns. LGIM's voting policy is discussed in greater detail under **Principle 7**, and examples of some its voting, engagement and escalation activities are discussed under **Principle 9** and **Principle 11**. The voting principles, and LGIM's broader voting activity during 2022, is summarised below.

LGIM Voting Principles

- Active ownership forms a key part of how LGIM embed ESG considerations into their business
- LGIM's voting principles are based on a set of corporate governance principles
- Previous engagement with an investee company also determines the way voting decisions are made and cast
- Voting activity is combined with direct engagement with the investee company to ensure that the investee company fully understands any issues and concerns that LGIM may have and to encourage improvement

The Fund also receives a quarterly ESG impact report from LGIM which contains a summary of key engagements and significant voting activity.

Some of LGIM's voting and engagement activity in 2022 is noted below:

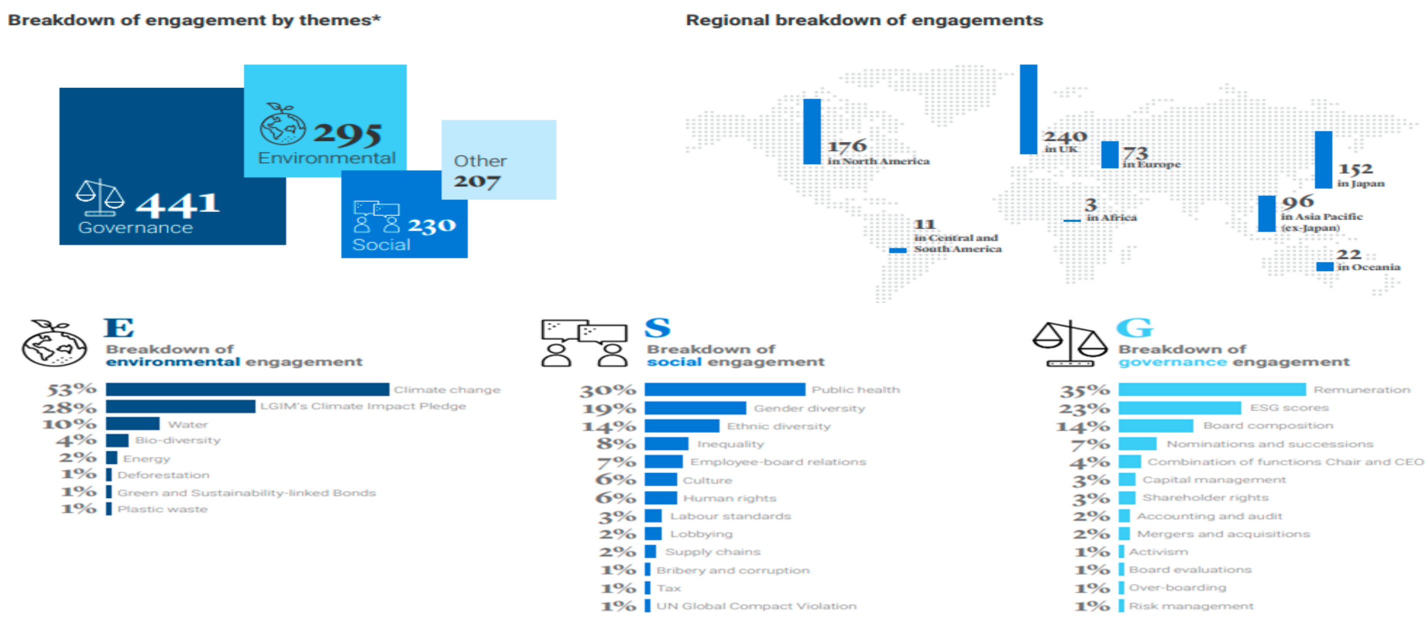
- Globally, LGIM voted on [ ] resolutions in 2022, voting on [ ] individual companies
- In the UK, LGIM voted on [ ] resolutions on [ ] individual companies
- In the UK, LGIM opposed [ ] companies in 2022
- [ ]% of UK companies received at least one vote against management in 2022, compared to [ ]% for North America, [ ]% for Europe, [ ]% for Japan and [ ]% for Emerging Markets

A breakdown of the votes against management for UK companies, including abstentions, is included in the charts below [to be updated to show 2022]. Governance issues were the most common reason for voting against management in UK companies, particular in relation to Directors and non-salary compensation.

LGIM Global Stewardship Activities

LGIM UK Stewardship Activities: Votes Against Management

Breakdown of LGIM's Global Engagement Activities in 2021



Source: LGIM Active Ownership Report 2021

12.3 LGPSC Exercising Voting Rights

The Fund's second largest investment manager is LGPSC. Voting is a core part of LGPSC's overall Stewardship effort as a shareholder in investee companies.

LGPSC Voting Objectives

High-level objectives

LGPSC views voting as a core component of its stewardship activities. In a long-term perspective, all voting activities they undertake aim to:

- support the long-term economic interests of our stakeholders
- ensure boards of directors are accountable to shareholders
- encourage sustainable market behaviour across companies and sectors

Principles-based approach

LGPSC take a principles-based approach to voting is guided by LGPSC's established Voting Principles. At high level, it expects companies to:

- Adhere to essential standards of good governance for board composition and oversight
- Be transparent in their communication with shareholders
- Remunerate executives fairly
- Protect shareholder rights and align interests with shareholders
- Promote sustainable business practices and consider the interests of other stakeholders

Voting Watch List

LGPSC has established a voting 'watch list' that consists of around 50 companies which cover larger holdings and/or core engagements in and outside of Stewardship Themes. Votes at these companies are scrutinised ahead of the AGM. The Voting Watch List serves a further purpose, in allowing LGPSC to test whether its votes are generally cast in alignment with their Voting Principles.

Interaction with EOS at Federated Hermes

Ahead of each voting season, LGPSC shares its Voting Watch List with EOS to ensure that it receives a more detailed analysis to substantiate the voting recommendations for companies on this list ahead of relevant AGMs. LGPSC also seeks ad-hoc interactions/meetings with EOS regarding core engagements, where either LGPSC or the Partner Funds would like further input from the other ahead of a vote.

In 2022, LGPSC and EOS at Federated Hermes voted on 41,747 resolutions at 3,410 meetings. At 2,200 of those meetings, LGPSC voted against managements' recommendation or abstained from voting on at least one resolution. LGPSC voted with management by exception at 159 meetings and supported management on all resolutions at 1,051 meetings.

In 2022, EOS at Federated Hermes engaged with 833 companies on 3,477 environmental, social, governance, strategy, risk and communication issues and objectives. EOS attended 13 shareholder meetings and asked questions at eight of these, including BP, Volkswagen, BMW, Royal Bank of Canada, Bank of Nova Scotia, Siemens Energy and Canadian Imperial Bank of Commerce. At Berkshire Hathaway, EOS made a statement and co-filed a shareholder resolution.

An example of LGPSC's voting activities is set out below:

LGPSC: Exercising Voting Rights
Company: Barclays Bank
Theme: Climate change
Objective:
- LGPSC expects companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. LGPSC also compares those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations

Vote decision and rationale:
- Barclays Bank published its updated Climate Strategy, Targets and Progress Report for an advisory vote at its AGM on 4 May 2022. Following an analysis of the report as well as a review of LGPSC's long-standing engagement with the bank, LGPSC decided to vote against the resolution
  While Barclays has taken some positive steps on climate, LGPSC analysis shows that Barclay Bank has yet to fully align with a 1.5C trajectory. LGPSC were concerned with Barclay Bank's target ranges for emissions intensity for several high emitting sectors which in their view were not aligned with IEA Net Zero Emissions and may not lead to absolute emission reductions
- Barclay Bank's planned exit from US coal power generation is also later than the limit set by IEA Net Zero Emissions

Outcome:
- Following the AGM, LGPSC sent a letter to Barclay Bank explaining why it had voted against Barclays Bank's Climate Strategy, Targets and Progress 2022 report and subsequently engaged on the same alongside a group of other investors
- LGPSC appreciates Barclays Bank's positive approach towards engagement. While the company initially set a 2035 timeline for phasing out financing of US thermal coal power generation, LGPSC welcomes their recent commitment to bring forward this deadline from 2035 to 2030. This took effect at the time of Barclays Bank's 2022 year-end climate update and aligns with the company's approach in the UK and the EU
- LGPSC continues to engage with the company on their climate transition efforts, including on targets to reduce absolute emission in the period to 2030

12.3 Other External Managers Exercising Voting Rights

DPF expects all its external investment managers to fully exercise their voting rights and responsibilities. For example, part of the Fund's cash allocation is managed through a Short-Dated Investment Grade Bond Funds managed by Aegon Asset Management. An example of Aegon Asset Management exercising its voting rights is set out below:

Aegon Asset Management (AAM): Exercising Rights and Responsibilities in Fixed Income
- Company B *[name redacted]* had an unexpected guidance downgrade and management change, which was subsequently compounded by the Covid-19 crisis causing significant financial stress ahead of key debt maturities and potential covenant breaches. AAM was invested across the near-dated maturities, which were themselves a potential default trigger, and the longest-dated maturities, which were exposed to the greatest risk of a credit negative outcome
- AAM engaged with financial and legal advisors, as well as other investors, to re-underwrite the credit risk and seek to optimise outcomes for AAM's investment in the structure. This engagement culminated in forming a creditor group of similarly aligned creditors, engaging with Company B, and eventually supporting a transaction
- AAM formed a group with other investors that shared a similar risk profile and had similar interests to AAM. As part of a group, AAM hired a legal advisor to act as a holder of confidential information between investors, act as a party that could theoretically work on inside information while allowing the investors to stay public, and as a key advisor to help diligence process and legal risks
- Through the group's legal representation, AAM and the other investors wrote letters to Company B's Board of Directors, outlining transactions that they would support and transactions that they would

not support. AAM sought to assert their position that a transaction that would substantially subordinate AAM's position and expose AAM to higher risk in a default scenario would not be viewed favourably by AAM

- Outcome: The situation was resolved by Company B proposing a market-based solution to issue new securities that would clear all maturities and default triggers (bar liquidity) until 2024. While AAM's longer-dated position was ultimately subordinated, it was to a significantly lessor extent than initially feared and the risk of material value leakage to other creditors was closed. AAM's position in the near-dated maturities was redeemed at par, while the longer-dated maturity remained outstanding, and its terms were unchanged
- After further engagement with Company B, AAM supported the new market-based transaction and continues to be positioned as a constructive creditor to Company B

12.3 Private Markets Exercising Voting Rights

DPF has a large portfolio of private markets investments spanning Private Equity, Infrastructure, Diversified Multi-Asset Credit, Private Debt and Property, with commitments to these asset classes totalling over £1 billion. Most of the Fund's private market investments are through closed-ended Limited Partnership arrangements which do not have automatic voting rights, except where the Fund is a member of Limited Partnership Advisory Committee (LPAC), albeit the matters considered by an LPAC largely relate to potential conflict of interests and changing partnership terms (see examples below). To the extent that DPF is an LPAC member, it actively attends meetings to discharge its responsibilities in the best interests of DPF.

Examples of LPAC matters considered by DPF in 2022-23:

- Extension to a property fund's re-investment period
- Extension to an infrastructure fund's geographical investment parameters
- Approval of changes to an infrastructure fund's Key Person provisions
- Approval of an infrastructure fund's fees payable to an associated undertaking of the investment manager
- Extension of a private equity fund's termination date

Derbyshire Pension Fund

lgps

Appendix 1: DPF DLUHC TCFD Consultation Response – Question 3

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

The Fund agrees that at a minimum, two climate related scenarios should be considered.

It would also be beneficial for AAs to have the flexibility to consider a range of different temperature scenarios.

The Fund's latest 2022 Climate Risk Report, produced by LGPS Central Ltd (LGPSC), with Scenario Analysis from Mercer, considers three scenarios: A rapid transition (<1.5°C temperature rise); An orderly transition (1.6°C temperature rise); and A failed transition (4°C temperature rise).

The outcome for global warming and the transition to net-zero is highly uncertain. There is, therefore, significant value in considering a range of temperature rises and the Fund broadly supports the approach taken by Mercer to consider 3 scenarios (rapid, orderly and failed transitions).

A requirement to carry out scenario analysis on at least a three-year basis to fit in with the triennial valuation cycle makes sense, as does a requirement to consider whether scenario analysis should be repeated on any material change in strategy.

It is important that the current limitations of climate scenario analysis, which is a relatively new discipline, are recognised, particularly if such analysis is expected to increasingly inform strategic asset allocation and funding decisions.

In its current form, Scenario Analysis is at its most useful when used as a directional indicator. As with any forecasting model, small changes to the methodology, or the underlying assumptions and inputs, can result in significant changes to model outputs. Scenario analysis is likely to be directionally accurate, but with low levels of absolute precision.

It will be vital for the outputs of climate scenario analysis to be caveated when reported to stakeholders.

Further progress on the development of climate scenario expertise and methodologies to reach a position of greater consistency will be welcomed.

The Fund agrees with the consultation response from the Local Authority Pension Fund Forum (LAPFF) on a 1.5°C scenarios, which is summarised below:

There is broad consensus around the need to achieve temperature rises of no more than 1.5°C

- A scenario of 1.5°C would more closely align with the UK government's commitment to reduce greenhouse gas emissions by at least 100% by 2050, enshrined in the 2019 Climate Change Act.
- The objective of limiting warming to 1.5 degrees was also the clear message from the UK government after COP26 in Glasgow.

Using 2 degrees would therefore seem to undermine the ultimate objective of UK policy and would create transition risks for asset owners if they are not considering the ultimate objective of UK policy (i.e., regulatory risks).

Appendix 2: Committee – January 2023 Responses to Public Questions

Question 1

[Name redacted], on behalf of Derbyshire Pensioners Action Group

Your 2020 and 2021 Climate Related Disclosures reports have the following analysis of resilience of the Pension Fund's investment strategy:

- A 2°C scenario would have a positive impact on the Fund's returns considering both a timeline to 2030 and to 2050. This positive impact is boosted under the Strategic Asset Allocation reflecting the 3% allocation to Global Sustainable Equities.
- A 3°C scenario (which is in line with the current greenhouse gas trajectory) has a relatively muted impact on the Fund's annual returns.
- A 4°C scenario would reduce the Fund's annual returns, with most asset classes expected to experience negative returns

I am sure you are aware that currently the world is at 1.2 degrees of warming, which has resulted in unprecedented temperatures, e.g. 40 degrees in UK in 2022, unstoppable fires and devastating floods. This has resulted in trillions of pounds of damage globally. The world will have large areas that are uninhabitable by humans if we reach 3 degrees. There will be a shortage of fresh water and food, rising sea levels and hundreds of millions of climate refugees. Everything will change. The analysis that 3C warming will have a muted impact on the fund's returns seems to lack recognition of the reality of what will happen and seems incredibly complacent. Can you explain where this analysis has come from and whether you think it represents a realistic analysis of the future?

Fund Response

The climate scenario analysis conducted by Mercer LLC (Mercer) was included in LGPS Central Limited's 2020 Climate Risk Report, which was the first such report commissioned by the Fund. Mercer is widely regarded as a leading consultancy firm in terms of developing, and reporting on, climate change scenario analysis.

For the climate scenario analysis included in the 2022 LGPS Central Limited Climate Risk Report, which is being presented to Committee today, Mercer has partnered with Ortec Finance and Cambridge Econometrics to develop climate scenarios that are grounded in the latest climate and economic research.

As noted in the 2022 Climate Risk Report, there remains a great deal of uncertainty for investors around the market reaction to climate risks and to changing climate policies. Climate scenario analysis forecasts different possible eventualities across a range of scenarios. As a developing field, which by necessity uses assumptions about inherently unpredictable matters over long time horizons, it is prudent to view the outputs from the analysis as directional information on the sensitivity of the Fund's portfolio to different climate scenarios to be considered in tandem with all the other factors which have the potential to impact on investment returns.

Question 2

[Name redacted]

Does your advisor Mr A Fletcher have expertise relevant to the climate and ecological crisis and if so, is the level of his knowledge sufficient to the task of providing guidance on pensions investment to assure the security of many hundreds of people for years to come?

Fund Response

The Fund's external investment advisor has a broad range of experience across investments, economics and markets, in addition to possessing ESG (environment, social and governance) related knowledge and skills, to ensure that ESG advice, including advice on climate change, is provided in the context of the broader range of risk and reward considerations.

The Fund also has access to a wide range of climate related knowledge and research via its membership of the Local Authority Pension Fund Forum and via ongoing dialogue with the Fund's investment managers and with the Responsible Investment and Engagement Team at LGPS Central Limited which prepares the annual Climate Risk Report for the Pension Fund.

Additionally, the Fund has recently become a member of the Institutional Investors Group on Climate Change (IIGCC), the leading European membership body for investor collaboration on climate change. The IIGCC has around 375 members, representing around €60 trillion of assets under management. Membership will enable the Fund to work with other like-minded investors on the journey to a net zero future.

Question 3

[Name redacted]

Does the Committee know whether the Derbyshire Pension Fund's equities/shares portfolio has an average, above average or below average exposure to green companies, relative to the market as a whole? And for bonds, what part of the Derbyshire bonds portfolio are green bonds? If the Committee does not know the answer please could they ask their investment advisers to check?

Fund Response

The Fund uses a range of carbon measures to manage climate-related risks and opportunities, and these are set out in the Fund's annual TCFD report, a copy of which can be found on the Fund's website. One of these measures covers the weight of the Fund's listed equity portfolio invested in companies whose products and services include clean technology (Alternative Energy, Energy Efficiency, Green Buildings, Pollution Prevention, and Sustainable Water). The measure indicates that 33.2% of the Fund's listed equity portfolio at 31 March 2022 was invested in companies whose products and services include clean technology. Whilst this was slightly lower than the benchmark weight of 34.4% at the same date, it was 9.4% higher than the Fund's clean technology exposure at 31 July 2019.

UK sovereign green bonds are very much in their infancy, with the UK Government issuing its first green conventional bond in 2021, followed by the issue of a second green bond in 2022. These two issues currently account for around 1.5% of the total UK conventional gilt market. The Fund made its first investment into one of the two issues in 2022, and the investment currently accounts for just over 5% of the Fund's UK conventional gilt portfolio.

Question 4

[Name redacted], on behalf of Transition Chesterfield

In the response from Cllr Barry Lewis to a question from [name redacted] at the last council meeting, he stated that: "The Fund's in-house investment management team, together with the Fund's underlying investment managers, integrate ESG considerations, including climate related risks and opportunities, into the investment decision making process. Climate related risks and opportunities are considered alongside a wide range of factors that are likely to impact potential investment returns, including economic and market risks, volatility, liquidity, currency exposure and concentration risk." This statement suggests that the Fund has a "reactive" approach to managing risk, rather than a "proactive" one that mandates the investment managers to go out and search for climate related opportunities. As the energy system changes from high carbon to low carbon and we need to reduce emissions by 50% in a decade, this will create huge opportunities in the green economy which the Fund should be actively seeking out by regular reviews/calls for proposals". Has the Fund considered a more proactive policy, for example, for the equities part of the portfolio, running a simple test using something like the Green Revenue Data Model? And does the Fund know how many of the companies that it owns that meet the Green Energy Mark?

Fund Response

The Fund proactively manages climate-related risks and opportunities, being one of the first LGPS pension funds to publish a Climate Strategy, which included support for the aims of the Paris Agreement, and the Fund's first decarbonisation targets. Significant investments have subsequently been made into Global Sustainable Equities and renewable energy assets over the last three years, with these two asset classes now accounting for around 30% of the Fund's total investments.

There are a number of different climate-related models available to investors, including those developed by the index providers. The carbon risk metrics analysis in the Fund's Climate Risk Report is based on a dataset provided by MSCI ESG Research LLC and includes a measure of exposure to clean technology by revenue.

Only companies listed, or planning to list, on the London Stock Exchange are able to apply for the Green Economy Mark. The climate related analysis considered by the Fund covers a meaningful proportion of the Fund's investment universe and is considered in tandem with all the other factors which have the potential to impact on investment returns.

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 26 APRIL 2023

Report of the Director - Finance and ICT

Unquoted Investments

1. Purpose

1.1 To request that authorisation for approving all unquoted investment commitments, including commitment re-ups (i.e. an increase in a commitment to an existing unquoted investment), is delegated to the Director of Finance & ICT.

2. Information and Analysis

2.1 Derbyshire Pension Fund (the Pension Fund/Fund) invests in a wide variety of asset classes and across a large number of investment markets. This involves investing in both highly liquid quoted investments (e.g. listed equities and listed sovereign bonds) and investing in illiquid long-term unquoted investments (e.g. Infrastructure, Private Equity, Multi-Asset Credit (MAC) and Indirect Property).

2.2 In December 2014, to accompany a substantial forecast increase in allocations to unquoted investments, it was agreed that all unquoted investments above £15m would be subject to Committee approval. This reflected the illiquid long-term nature of these commitments, together with the limited experience of the Fund of investing in Infrastructure, Private Equity, MAC and Indirect Property at that time.

In March 2017, the threshold for seeking Committee approval for unquoted investments was increased to £25m and in August 2018 it was agreed that time critical unquoted investments over £25m could be approved by the Director of Finance & ICT in consultation with the Chair of the Pensions and Investments Committee.

2.3 Listed investments are carried out by the In-House Investment Management Team (IIMT) under the CST Scheme of Delegation, in accordance with the investment strategy determined by the Pensions and Investments Committee, and are not subject to individual Committee approval.

2.4 Since 31 March 2017, the valuation of Fund's investment assets has increased from £4.4bn to £5.9bn at 31 March 2023. In addition, the Fund's combined allocation to Infrastructure, Private Equity, MAC and Indirect Property has increased from 13.0% in March 2017 to 23.0% in March 2023. Further increases to the Fund's allocations to these asset classes is likely when the Fund completes its next strategic asset allocation benchmark review later in 2023. As a result, the level of unquoted investment commitments made by the Fund is expected to continue to increase significantly.

Recognising the significant build-up of experience within the Pension Fund of making unquoted investment commitments, and to support additional flexibility on the timing of making commitments, it is recommended that approval for all future unquoted commitments, including re-ups, should be delegated to the Director of Finance & ICT. It is proposed that any unquoted commitments made would subsequently be reported to Committee as part of the quarterly Investment Report.

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Papers held by the Pension Fund Team.

5. Appendices

5.1 Appendix 1 – Implications

6. Recommendation(s)

That Committee:

a) delegates approval for all future unquoted commitments, including re-ups, to the Director of Finance & ICT.

7. Reasons for Recommendation(s)

7.1 The rationale for the recommendations is set out in Section 2 of the report.

Report Author:	**Neil Smith**	**Contact details:**	**neil.smith2@derbyshire.gov.uk**

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 26 APRIL 2023

Report of the Director - Finance and ICT

Half-Year Pension Administration Performance Report
1 October 2022 to 31 March 2023

1. Purpose

1.1 To notify the Pensions and Investments Committee (the Committee) of the administration activity undertaken by the Pension Administration Team (the Administration Team/the Team) of Derbyshire Pension Fund (the Fund), and the performance levels achieved, in the second half of 2022/2023.

2. Information and Analysis

2.1 **Half-year report**

This report relates to the second half of 2022/2023 covering the period 1 October 2022 to 31 March 2023 and provides a summary of the Fund's performance in key areas of pension administration activity.

Maintaining operational stability through efficient administration forms an important part of retaining the confidence and trust of scheme members and employers.

The impact of poor administration can be reputational but may also include additional expenditure through the payment of inaccurate pension benefits, interest on late payments and delays in collecting contributions from employers. This report aims to provide the Committee with assurance that such risks are being managed adequately.

2.2 **The Administration Team**

The Administration Team's core role is to ensure that pension benefits are paid to members accurately and in a timely manner, and to provide clear information on pension options to members to help their planning for retirement.

The pension administration function covers a range of activities including:

- calculation, processing and payment of members' and survivors' pension benefits
- employer services, including data and contribution collection functions
- maintenance and development of the pension administration system (Altair), the Fund's website and the online member self-service provision (My Pension Online)
- implementation and communication of regulatory and procedural changes
- engaging with members and employers to answer queries, provide relevant accessible information and develop understanding of the LGPS

As at 31 March 2023, the administration team incorporated 50 individuals covering 45.3 full-time equivalent positions with 9 positions (8.8 fte) remaining vacant.

During 2022/23 recruitment to the Team has proved challenging, particularly at the Pensions Assistant (Grade 6) level where 6 positions were vacant as at 31 March 2023.

Reasons identified for the difficulty in recruiting new staff included a smaller pool of potential applicants and levels of pay being uncompetitive compared to pay rates available for roles seen as less demanding outside the local government sector.

2.3 **Working arrangements**

The Administration Team's hybrid working model, established as part of the Modern Ways of Working project, is now established and provides for all members of the team to divide their working time between home and County Hall.

2.4 **Workload data**

The Fund's Management Team reviews performance reports for key processes on a monthly basis.

The information in this report provides a summary of the Fund’s administrative activity during the period 1 October 2022 to 31 March 2023, including where applicable performance against key performance targets.

2.5 **Membership numbers**

The table shows the Fund’s membership totals at half-yearly intervals during the last two years.

Membership	31 March 2021	30 Sept 2021	31 March 2022	30 Sept 2022	31 March 2023
Actives	37,996	37,390	38,067	37,053	37,871
Deferred	30,807	31,052	31,640	32,327	33,228
Pensioners	31,930	32,618	33,178	33,848	34,404
Work in Progress	5,992	6,248	5,984	5,759	4,833
Totals	**106,725**	**107,308**	**108,869**	**108,987**	**110,336**

The membership figures shown reflect the total number of separate pension records. This includes scheme members with more than one pension record.

The actual number of individual members as at 31 March 2023 was 93,527 who between them had 110,336 membership records.

- **Active** members are those who are in employment and continuing to contribute to the scheme
- **Deferred** members are those who have ended their active participation as contributing members, but have yet to access their pension benefits
- **Pensioner members** are those who are already in receipt of pension benefits

The '**Work in Progress**' total of memberships includes:

- cases where active memberships have ended, and work is currently being undertaken to reassign them to deferred or pensioner membership

- recent and frozen refunds where active memberships have ended after a short period which is insufficient to qualify for a pension, and work is ongoing to contact members and arrange payment of a refund of contributions

- aggregation cases where a member's pension records for different jobs may be combined, but the work to complete the aggregating of records has yet to be completed

The active membership in the Fund is currently spread amongst 341 participating employers.

As at 31 March 2023, approximately **68% (25,679)** of the active membership were employed by the 10 largest employers (by membership numbers) in the Fund.

- Derbyshire County Council **14,602 (38.56%)**
- Derby City Council **4,241 (11.20%)**
- Derbyshire Constabulary **1,730 (4.57%)**
- University of Derby **1,698 (4.48%)**
- Chesterfield Borough Council **989 (2.61%)**
- Derby Homes Ltd **549 (1.45%)**
- Derby College **502 (1.33%)**
- Bolsover District Council **474 (1.25%)**
- North-East Derbyshire District Council **455 (1.20%)**
- Vertas Derbyshire Ltd **439 (1.16%)**

To demonstrate the wide landscape of different sized employers participating in the Fund, as at 31 March 2023 there were 89 employers with less than 10 active members.

2.5 **Pensioner deaths**

During the second half of 2022/23, there were a total of **442** reported deaths of pensioner members, the total for the year being 780. The total includes deaths of members who were in receipt of a survivor's pension.

The number of pensioner deaths reported to the Fund in 2021/22 was 758 which was a return to a level consistent with pensioner deaths before the pandemic. The total reported in 2020/21 had been 920.

Administration following a pensioner's death includes several processes including:

- reviewing eligibility for a death grant payment and survivor benefits
- gathering data of eligible beneficiaries for death grant and survivor benefits
- verifying beneficiaries' eligibility
- calculating ongoing benefits where a survivor pension is payable
- in those cases, preparing a separate pension record

2.6 **Achievement against standards**
The following table shows cases in selected key areas of work which were actioned in the period 1 October 2022 to 31 March 2023 and the amount completed within legislative timescales included in *The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013*.

Case type	Total number of cases	Target for completion (months)	Target achieved	Target missed	Target achieved %	Overall 2021/2022 Total Cases & Target achieved %	Overall 2022/2023 Total Cases & Target achieved %
Retirement Benefits Paid	**1,028**	1	**1,025**	**3**	**99.7%**	1,963 (98.7%)	2,061 (99.7%)
Death Cases	**601**	2	**596**	**5**	**99.2%**	1,063 (97.3%)	1,120 (98.4%)
Transfer Out Quotes	**235**	3	**235**	**0**	**100.0%**	661 (96.8%)	549 (100%)*
Transfer Out Paid	**59**	3	**59**	**0**	**100%**	81 (96.3%)	86 (100%)
Transfer In	**56**	3	**55**	**1**	**98.2%**	128 (89.8%)	133 (98.5%)
Estimate Requests	**537**	2	**537**	**0**	**100%**	895 (99.8%)	972 (100%)

Refunds Paid	**478**	2	**471**	**7**	**98.5%**	1,601 (87.0%)	1,202 (99.2%)

(restated figures from those provided in the previous half-year report)*

A brief description of the cases included in the figures shown in the table is set out below. A completed case reflects the completion of data gathering, calculation, documentation, processing, and payment (where applicable).

Retirement Benefits Paid –member retirements (voluntary, redundancy or business efficiency, ill-health, flexible and deferred).

Death Cases – deaths of active, deferred, pensioner and survivor beneficiary members.

Transfer Out Quotes – provision of transfer values to deferred members who have applied for the value of the benefits with a view to transferring to a different pension arrangement.

Transfer out quotes are also provided on request to active members, however, are not guaranteed due to their employment continuing.

Transfer Out Paid – completion of transfers where deferred members wish to proceed with their transfer to a different pension arrangement.

Transfer In – completion of transfers where new active members decided to transfer membership from other LGPS funds or a different pension scheme which is part of the Public Sector Transfer Club. The Fund currently only accepts transfers in from other 'Club' schemes.

Estimate Requests – provision of:

- written estimates of pension benefits for members considering accessing their pension benefits at a future date and
- shortfall costs for employers considering redundancies or business efficiencies

Refunds Paid – completion of refund payments to members whose active membership ended before they qualified for pension benefits.

2.7 **Quantity of work – incoming and completed**

The Administration Team has continued to experience consistently high workload levels but has been able to achieve casework turnaround times within the disclosure target timescales in the vast majority of cases, as reflected in the previous table.

These services, including transfers into and out of the Fund, refund actions, retirement quotes and aggregations, are included in the figures below which represent the total number of new work items received in the half year and overall actions completed in the same period.

For comparison purposes, the totals for the two 6 month periods in 2021/22 are included.

Number of work items processed

	Apr-Sept 2021/2022	**Oct-March 2021/2022**	**Apr-Sept 2022/2023**	**Oct-March 2022/2023**
New work items becoming due in the period	27,363	25,333	33,534	28,832
Work items completed during the period	23,510	27,713	30,955	26,398
Open cases at end of period	13,313	12,680	13,088	13,536

At the end of March 2023, a total of **13,536** work items were identified as remaining open and in progress. The table below summarises the main areas of open work, included in the above total:

Work area	**Open cases as at 31 March 2023**
Undecided leavers	896
Aggregations	2,107
i-Connect enquiries with employers	2,900
Other enquiries with employers	390
Address traces	1,543
Notification of deferred benefits	1,248
Refund quotes	683
Refunds to payment	602
Retirement quotes	234

Death administration (in progress)	254
Retirements (in progress)	95
Transfer In	38
Transfer Out quotes	64
Transfers Out to payment	19
Others	2,463
Total	**13,536**

The following provides a brief description of some of these work areas.

Undecided leavers – members who have left their employment but have not been moved to deferred status as leavers. This normally relates to cases where information from the employer remains outstanding.

Aggregations – the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record.

i-Connect enquiries – individual data enquiries with employers who have implemented the i-Connect secure data transmission service for the monthly submission of member data.

Other employer enquiries – ongoing queries with employers relating to:

- information on members whose active membership has ended and
- outstanding enquiries from year-end returns

Notification of deferred benefits – the calculation of a member's pension benefits at the point of ending active membership and becoming a deferred member.

Address traces – outstanding enquiries with tracing services for members' home addresses, where the Fund has not been notified of a change of home address.

2.8 **Data quality**

The Pension Regulator acknowledges that complete, accurate scheme records are a vital part of the administrative function. The Regulator defines two types of data held in scheme records:

Common Data used to identify scheme members and including name, address, national insurance number and date of birth.

Conditional Data essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history.

The latest available common and conditional data results for 2021/2022 prepared by the Fund's software provider, Heywood Pension Technologies, which measure the quality of the Fund's data, are shown in the table below, together with the results for the previous 4 years:

Year	Common data	Conditional data
2017/2018	95%	85%
2018/2019	97.6%	92.3%
2019/2020	98%	92.5%
2020/2021	98.2%	93.5%
2021/2022	97.7%	94.82%

The scores are reported annually to The Pensions Regulator and included in the Fund's Annual Report.

The data results for 2022/23 will be prepared by Heywood Pension Technologies in the autumn.

2.9 **Backlog Management Project**

An ongoing project to reduce and ultimately eliminate the numbers of backlog cases in two key areas (aggregations and deferred membership) of pension administration has continued throughout 2022/23.

The reduction of the backlog is part of the Fund's ongoing data cleansing work which supports preparations for the following developments in LGPS administration which are expected to be introduced in the next two years:

- the LGPS remedy following the 'McCloud' judgement in relation to rectifying age discrimination from the protections originally applied only to members closer to retirement when public sector schemes changed from final-salary to career average arrangements in 2014 (for the LGPS) and 2015 (for other public sector schemes), and

- the planned introduction of a national pensions dashboard to enable individuals to identify all of their pension provision in one place

The current backlog situation for each area is set out below.

Aggregations –the combining of previously accrued benefits in the LGPS with a new or ongoing active pension record. An aggregation process becomes a backlog case if it is not completed within 12 months.

Numbers of new aggregation cases have continued at high levels. Differing levels of complexity in aggregation cases means that there is not a consistent timescale in the actioning of each case.

At the end of March 2022, the total of backlogged aggregations was 963. The total had reduced to 102 by the end of September 2022.

The latest backlog total as at 31 March 2023 had further reduced to **56**.

Deferred membership – These relate to non-active memberships where the member, has qualified for pension benefits, but cannot access them yet due to age or has chosen not to access them. Details about a member's deferred membership should be provided within 2 months of leaving active membership. Therefore, cases where the 2 months has been exceeded become backlog cases.

At the end of March 2022 , the total of backlogged cases of members moving to deferred membership was 685. The total increased further by 30 September 2022 to 987.

As at 31 March 2023 the total was **951**.

Totals of backlogged deferred membership cases fluctuates when employers submit late notifications of members leaving active membership.

Recent work over the past two years to identify missing leaver notifications from the Fund's larger employers has resulted in backlog cases numbers increasing when late notifications are received by the Fund.

Available resource for working on the backlog of deferred cases is reviewed continually by the Fund's management team against workload pressures in other areas.

During the second half of 2022/23 additional pressures on resource which restricted time available for work on backlogged deferred membership cases included:

- additional workload caused by the requirement to recalculate and revise pension benefits for members who retired during since 1 April 2022 and subsequently received arrears of pay following the late agreement to the pay award backdated to 1 April 2022
- increases in enquiries to the Fund relating to members registering for the “My Pension Online” service
- the number of vacant posts in the administration team which required ongoing prioritisation of work within the resources available

2.10 **Monthly contribution returns**
Employers are required to submit monthly payments and contribution reports to the Fund by the 19th of the month following payment.

The Fund has continued to work with employers who experience difficulties with completing payments and submitting contribution reports by the monthly deadline.

Full data relating to contribution payments and reports from employers is currently only available to January 2023, however, the current averages for employer submissions received by the Fund by the monthly deadline reflect that during 2022/2023 to January 2023 92.8% of contribution payments, and 88.7% of related contribution reports were received on time.

The Fund has continued to work collaboratively with employers to help them avoid problems with late payments/submission of data and is continuing to engage with a small number of employers who have experienced ongoing difficulties particularly relating to staff turnover.

The Fund also monitors underperformance relating to consistently late payment of contributions/submission of data and has issued a charge for additional administration caused by non-compliance to one employer during 2022/23 to date.

The charge related to regular late payment of contributions to the Fund during 2021/22.

Regulation 70 of The Local Government Pension Scheme Regulations 2013 enables the administering authority to recover costs for additional administration caused by an employer’s non-compliance. The Fund’s application of this regulation is included in the Pension Administration Strategy which is available on the Fund's website and regularly signposted to employers.

2.11 **New academies, admission bodies, designating employers and other employer details**

Academies

When a Local Authority maintained school converts to an academy, it automatically becomes a scheduled body in the LGPS. Scheduled bodies are required to provide LGPS membership to their eligible employees.

The creation of academies has significantly increased the number of LGPS scheduled bodies in recent years which has generated additional administrative challenges for LGPS funds as scheme members have become spread across a much wider pool of employers.

Although the number of academisations slowed from previous levels during the pandemic, the Secretary of State for Education presented a Schools White Paper, 'Opportunity for All', to Parliament in March 2022 confirming that it aims for all schools to be part of, or in the process of joining or forming a 'strong trust' by 2030. The White Paper also included plans to allow councils to set up and run their own multi-academy trusts.

Although the Schools Bill which included plans to accelerate the academisation programme did not progress to a third reading in Parliament, the Secretary of State announced on 7 December 2022 that the Government "remain committed to the very many important objectives that underpinned the Bill".

As at 31 March 2023 there were 306 schools still maintained by Derbyshire County Council and Derby City Council.

If the government's target of full academisation by 2030 remains, the number of separate employers in the Fund would almost double.

Although it is not possible at this stage to estimate a timetable and whether numbers will accelerate annually, it is anticipated that local authority-maintained schools will continue to convert to academy status for the foreseeable future.

The Fund maintains separate records for each academy within a multi-academy trust on the advice of the Fund's actuary.

2 new academies and 2 new Multi-Academy Trusts joined the Fund as individual LGPS employers in the period 1 October 2022 to 31 March 2023.

Following a total of 37 academy conversions in 2019/20, numbers of conversions during the pandemic significantly reduced to 18 in 2020/21, 8 in 2021/22 and 7 in 2022/23.

Brief details of the recent 4 new joiners in the second half of 2022/23 are as follows:

Employer Ref	Employer Name	Start Date	Academy Trust
769	Aldercar High School	1 October 2022	Embark Multi-Academy Trust
768	Derby Diocesan Academy Trust	1 October 2022	Derby Diocesan Academy Trust
766	T.E.A.M. Education Trust	1 November 2022	T.E.A.M. Education Trust
770	Morton Primary Academy	1 March 2023	Djanogly Learning Trust

Admission Bodies

An organisation normally becomes an admission body as a result of securing a contract to provide a service or function from an employer which participates in the Local Government Pension Scheme (LGPS) and involves the transfer via TUPE of LGPS eligible staff.

Due to some applications being made retrospectively and not included in the previous half-year report, the totals for the whole of 2022/23 are noted.

During 2022/23 applications were received from 12 organisations for Admission Body status, based on commencing a contract during 2022/23 with a scheme employer which included the transfer of active scheme members.

Most of the new applications relate to the transfer of arrangements to a new provider for caretaking and cleaning at local authority-maintained schools or academies operated by Multi-Academy Trusts.

In addition, applications were also received in respect of Derby City Council's outsourcing of the management and operation of leisure facilities at Moorways Sports Village and High Peak Borough Council's outsourcing of repairs and maintenance services and also cleaning and caretaking services across its properties.

Designating employers
Designating bodies are employers who can nominate employees for access to the LGPS, including Town and Parish Councils.

During 2022/23, one Town Council commenced their active participation in the Fund: Ripley Town Council with effect from (wef) 9 May 2022.

Employer summary
The number of employers actively participating in the Fund as at 31 January 2023 (i.e. the latest date at which a full summary is available) was **341**, broken down as follows:

Type of Employer	Notes	Total
Main Councils	County, City, District & Boroughs	10
University & FE Colleges	University x 1, FE Colleges x 2	3
Academies	Individual academies, including those in MATs on a shared employer rate. Also includes 2 x Central MAT teams.	211
Maintained Schools using an external payroll provider	County & City Schools using external payroll providers *(County x 4, City x 2)*	6
Housing Associations	Scheduled x2 Admitted Bodies x 3 *(3 x CAB, 0 x TAB)*	5
Other Scheduled Bodies	Peak District National Park Authority, Police, Fire, Chesterfield Crematorium	4
Admitted Bodies	TABs x 60, CABs x 4 *(not including Housing Assn's)*	66
Town & Parish Councils	Pre 2001 Pool x 15 Post 2001 Pool x 21	36
Total		**341**

Please note that the total of Admitted Bodies includes employers whose participation in the Fund commenced in an earlier period, but payments of contributions had been delayed until the Admission Agreement was finalised.

Exits from the Fund
During the 2022/23 the following employers' active participation as separate employers in the Fund ended.

Employer Ref	Employer	Reason	Date of active participation ending
355	Harrington Nursery School	Returned to Derby City Council's payroll, therefore, period reporting separately to the Fund ended.	31 May 2022
235	Kilburn Parish Council	Last active member left	31 July 2022
481	Mellors Catering (catering provision at Murray Park School, Derby)	Contract ended	31 July 2022
495	Caterlink (catering provision at St Mary's Catholic High School, Chesterfield)	Employees transferred back to Derbyshire County Council	31 July 2022
491	Caterlink (catering provision at St Mary's Catholic Primary School, Chesterfield)	Employees transferred back to Derbyshire County Council	31 August 2022
467	Derby County Community Trust	Last active member left	31 August 2022
497	Churchill Contract Services Ltd (provision of cleaning services at St Mary's Catholic Primary School, Chesterfield)	Employees transferred back to Derbyshire County Council	5 September 2022
419	Mitie Catering Services Limited	Last active member left	22 October 2022
545	NIC Services Group Ltd (provision of cleaning services at Hady Primary School)	Employees transferred back to Derbyshire County Council	28 February 2023

A change to scheme regulations, which were subject to a judicial review in 2021, introduced an additional role for administering authorities of determining whether an exit credit is payable, and to which organisation/body any exit credit should be paid, if a participating employer's pension liabilities have been overfunded when it leaves the Fund.

The Fund is currently in the process of gathering information from employers who exited the Fund since the change in regulations, and from the relevant letting authorities, to determine eligibility for an exit credit payment where applicable.

2.12 **Complaints, compliments and appeals**

Complaints and expressions of dissatisfaction about the provision of, or failure to provide an administration service, whether written or received verbally are monitored and recorded by the Fund.

During 2022/2023 a total of 34 cases identified as complaints were submitted to the Fund by scheme members. The total includes complaints submitted to the Fund in writing, through the "My Pension Online" service and by telephone.

The following table reflects the totals submitted by each method.

Method	Half-Year Period 1 Apr 2022– Sept 2022	Half-Year Period 2 Oct 2022 – March 2023
Written	12	8
Via My Pension Online	8	4
Telephone	0	2

These complaints includes cases of members requesting updates or requiring clarification of scheme regulations.

Each member received a full response to their complaint submission.

Members' complaints covered:

- Delays with payments of Additional Voluntary Contributions (AVCs) paid to the Fund's in-house AVC provider, Prudential
- Delays with completion of transfer out of the Fund to alternative schemes
- Problems experienced by members following the transfer of their employment to an external contractor
- Requirement for evidence of interdependence with deceased scheme member to determine eligibility for co-habiting partner pension.
- Incorrect estimated figures provided to member

To date, following receipt of the Fund's response to their complaint, 2 members have escalated their complaint to a formal appeal against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP).

Compliments received from members and employers are also recorded by the Fund and shared with the team member who provided the service. During 2022/2023 a total of 31 compliments, (including 15 in the period October 2022 to March 2023) had been recorded as submitted by members and employers praising the level of service they had received.

Appeals
Appeals via AADP can be made by scheme members when they are dissatisfied with a decision made regarding their LGPS benefits. The most common decision for which appeals are submitted relates to dissatisfaction with an employer's decision regarding eligibility for ill-health retirement.

There are two possible AADP stages:

Stage 1:AADPs submitted against an employer's decision are considered at the first stage by the adjudicator appointed by that employer.

AADPs submitted against a decision made by the Fund are considered at the first stage by the Fund's adjudicator.

Stage 2: Where a member remains dissatisfied following the determination of their Stage 1 appeal, they may submit a Stage 2 appeal which is considered by the administering authority.

Where scheme members remain dissatisfied with the outcome of appeals submitted at AADP Stages 1 and 2, they have the right to refer their complaint to The Pensions Ombudsman to investigate by considering information from all the parties involved in a complaint before making a determination.

The Ombudsman's determinations are final, subject to a successful appeal to the courts on a point of law. They are binding on all the parties and enforceable in court.

Further details about the appeals which were adjudicated by the authority at Stages 1 and 2 of the Application for the Adjudication of Appeals Procedure, and about appeals that were submitted to and/or determined by The Pensions Ombudsman, during 2022-23 are included in a separate report that is being presented to Committee today.

2.13 **Communications and Training**

The Fund has maintained regular engagement with employers and scheme members during the second half of 2022/23.

Communications to employers

During the second half of 2022/2023, the Fund issued the following newsletters to employers to highlight news items, information of important topics and reminders about upcoming deadlines.

Date issued	Bulletin	Topics included
28 October 2022	189	• 2022 Actuarial valuation update • Impact of market volatility on LGPS Pensions • Bite-size training - Final Pay and Assumed Pensionable Pay • Queries from the Pension Fund • Employer training page • Annual Allowance
24 November 2022	190	• 2022 actuarial valuation update • Academy LGPS liabilities • Employer training • Ill health retirement
23 December 2022	191	• Christmas and New Year opening hours • Cost of living crisis • Message from the Pension Fund Team
30 January 2023	192	• Changes to contacts and signatories • i-Connect update • Data quality and accuracy • Funding Strategy Statement: Consultation • My Pension Online
24 February 2023	193	• APP for long term sick leave • Contribution bandings for 2023/2024 • Preparing your March i-Connect file • Outsourcing
29 March 2023	194	• Contribution bandings for 2023/2024 • 2022/2023 year-end return deadline • CR1 templates and guidance • What is pensionable pay? • Funding Strategy Statement • Derbyshire Pension Board vacancy

All Employer Newsletters are available on the Fund's website.

Communications with members
Active and Deferred Member Newsletters
The Fund has continued its collaboration with other LGPS Funds who participate in a Joint Communications Group. The collaboration includes the preparation of annual newsletters to active and deferred members.

The newsletters provide updates on topical pension related matters and include space for each to include its own bespoke content.

Members receive their newsletter electronically to their My Pension Online account. They are also available on the Fund's website.

Topics included in the 2022 newsletters included:

- Changes to transfer rules
- An update on McCloud
- The new national LGPS website for members
- Changes from April 2028 to the minimum age for LGPS members to access their pension benefits from 55 to 57

The Fund is currently collaborating with the other Funds involved in the Joint Communications Group on the 2023 newsletters

i-Connect training
During the second half of 2022/2023 the Fund continued to progress the onboarding of employers onto the i-Connect system **(see 2.15)** and has undertaken virtual training sessions for those in the early phases of implementation.

The sessions have also provided employers with an understanding of the benefits of submitting member data via i-Connect for themselves, scheme members and the Fund.

As at 31 March 2023, 254 actively participating employers were live on i-Connect, accounting for 88.26% of the Fund's active membership.

The Fund is working with the remaining participating employers towards all employers submitting data to the Fund wef 1 April 2023.

Other employer training
Additionally, virtual training sessions, and bespoke meetings on specific topics to support employers have continued on a range of issues including ill-health retirements and appeals, completion of leaver notifications and general employer responsibilities.

2.14 **Pension Administration Strategy**
Regulation 59 of The Local Government Pension Scheme Regulations 2013 allows administering authorities the opportunity to prepare a Pension Administration Strategy (PAS).

The PAS sets out the responsibilities for the Fund and participating employers in respect of administering the LGPS.

The latest version of the Fund's PAS was approved by the Committee on 8 June 2022 and applied without adjustment from 1 August 2022 following a period of consultation with employers.

The main purpose of the revised Strategy was to confirm the Fund's secure monthly data submission service, i-Connect, as the required method for employers submitting data to the Fund.

The PAS is subject to review annually.

An interim review of the PAS has not highlighted any required amendments, and therefore, it is proposed that the current version continues to apply until it is subject to a further review to be undertaken in 2024, unless any changes in regulations or procedures require amendments to be applied without delay.

2.15 **Projects**
i-Connect
The project for employers to implement the i-Connect system, part of the functionality linked to the Altair pension administration system, has continued to develop throughout 2022/2023.

Following the implementation of the revised Pension Administration Strategy which confirmed that i-Connect is the required method of data submission by employers to the Fund, all employers are expected to have commenced their implementation of i-Connect in order to submit data to the Fund through the system effective from 1 April 2023. .

Implementation of i-Connect commenced at the start of 2020, and 254 employers have securely transmitted member data to the Fund via i-Connect during 2022/23.

When employers commence implementation, virtual training is provided on using the i-Connect service.

The Fund engages with, and provides support for, each employer to ensure the accuracy and timeliness of their data transmissions.

Member Self-Service (My Pension Online)
The implementation of the member self-service website, ‘My Pension Online’, a further functionality linked to Altair was launched in June 2021.

My Pension Online (MPO) is available to all scheme members, with the main functionality being the member’s ability to view certain parts of their pension information, to undertake changes to some of their personal data and to carry out benefit projections online. Active members are able to undertake certain types of retirement estimates and adjust these instantly in line with varying estimated future retirement dates.

By the end of March 2023, a total of 19,031 active and deferred members had completed their registration for MPO. This represents 30.91% of the overall total of active and deferred members in the Fund.

Access has subsequently been disabled for 597 members due to forgotten logon details and the Fund will work with those members to re-establish access.

In addition, 2,375 members in receipt of pension benefits have registered for MPO. Therefore, the total number of members as at 31 March 2023 who had registered forMPO, including disabled accounts, was 21,406.

The Fund is continuing to engage with employers to seek their assistance with encouraging scheme members to register and issued a notification to each participating employer during March 2023 to highlight the proportion of their LGPS eligible employees who had registered.

McCloud Project
A McCloud Project Group was set up in July 2020 to prepare for the implementation of the remedy in respect of the McCloud and Sargeant judgements. In the case known collectively as McCloud, the Court of Appeal ruled that the government’s transitional protections in the reform of the firefighters and judicial pension schemes unlawfully treated existing scheme members differently based upon members’ age on 1 April 2012; younger members were not offered the same statutory underpin as older members closest to retirement. The government subsequently accepted that the Court’s judgement had implications for

all public service pension schemes which included similar transitional protections, including the LGPS.

In May 2021, the government confirmed the key elements of the changes to LGPS scheme regulations which will be made in due course as a result of the McCloud judgement. The main points confirmed are that:

- underpin protection will apply to all who meet the revised qualifying criteria
- the maximum period of protection will apply from 1 April 2014 to 31 March 2022
- where a member stays in active membership beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier

The Public Service Pensions and Judicial Offices Bill (the Bill) which became law in March 2022 is the enabling legislation which will allow LGPS regulations to implement the McCloud remedy by extension of the underpin protection.

On 6 April 2023, the government published its response to the 2020 consultation on its proposed changes to the LGPS to address the discrimination found in the McCloud judgement. The response highlighted that the government intends to consult further on issues where it has not yet made final decisions on how the underpin will work and on a number of issues that have arisen in the course of developing the government's response to the McCloud case.

The draft LGPS regulations are expected to be published with the next consultation which is expected to be undertaken 'in the coming months'. The government intends that the financial regulations will come into force on 1 October 2023.
The Fund is continuing to liaise with Heywood's, the software supplier, to ensure that solutions for implementing the McCloud remedy are as effective as possible.

The Fund has been actively working with participating employers and employers who exited the Fund after 1 April 2014 to ensure that all of the necessary data is collected to be able to properly implement the anticipated remedy.

Pensions Dashboards
The Pension Schemes Act 2021 provided the legal framework for the development of pensions dashboards including the power to direct pension schemes to provide member information for the dashboards.

The government's aim is that pensions dashboards will revolutionise the way that pension scheme members interact with their retirement savings enabling them to view a comprehensive summary of all of their pension entitlements, including the State Pension, merged into one place and easily accessible online.

The Department of Work and Pensions has announced that public sector pension schemes, including the LGPS, are now expected to be required to connect to pensions dashboards by 30 September 2024. Schemes will be required to meet connectivity, security and technical standards by the new deadline, and also be in a position to respond to data requests from members by the same date.

The Fund is keeping up to date with developments in respect of Pensions Dashboard and with the connectivity options available whilst continuing to focus on improving the quality of the Fund's data.

2.16 **Collaborations**
The Fund takes part in several regional and national groups with the aim of learning, sharing, influencing and networking with colleagues from other Funds and the wider pensions industry at meetings.

East Midlands Pension Officers' Group (Quarterly)
Officers from 5 East Midlands funds share and review current LGPS related issues including the interpretation of scheme regulations, the implementation of new and revised legislation, non-standard cases, and future developments. A representative from the Local Government Association also attends each meeting.

LGPS Joint Communications Group (Quarterly)
Membership of this group enables the Fund to work with other LGPS Funds, and provides the opportunity chance to share best practice, communication resources and develop joint projects, such as newsletters for scheme members.

LGPS Central - Strategic Administration Group (biannually)
Officers from the LGPS Central Pool's 8 Partner Funds discuss strategic matters impacting on the scheme administration role.

CLASS Local Authority Pensions Group
Officers from funds using the Altair pension administration system discuss software and technical issues, including priority developments.

3. Appendices

3.1 **Appendix 1 – Implications**

Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Recommendation

That Committee:

a) notes the workloads and performance levels outlined in this report.
b) notes the interim review of the Pension Administration Strategy.

5. Reasons for Recommendation

The Committee reviews the Pension Fund's workloads and performance levels in respect of its administration activity on a half-yearly basis.

6. Implications

6.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

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Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

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DERBYSHIRE County Council

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 26 APRIL 2023

Report of the Director - Finance and ICT

Risk Register

1. Purpose

1.1 To consider the Derbyshire Pension Fund (the Fund) Risk Register.

2. Information and Analysis

2.1 The Risk Register identifies:

- Risk item
- Description of risk and potential impact
- Impact, probability and overall risk score
- Risk mitigation controls and procedures
- Proposed further controls and procedures
- Risk owner
- Target risk score
- Trend risk scores

The Risk Register is kept under constant review by the risk owners, with quarterly review by the Director of Finance & ICT. Derbyshire Pension Board (the Board) also undertakes a detailed review of the Risk Register on an annual basis. The Board's comments following its early April 2023 review of the Risk Register, have been taken into consideration during the Fund's recent update of the Summary and Main Risk Registers which are attached to this report as Appendix 2 and Appendix 3 respectively. Changes from the Committee's last consideration of the Risk Register are highlighted in blue font.

2.2 Risk Score

The risk score reflects a combination of the risk occurring (probability) and the likely severity (impact). Probability scores range from 1 (rare) to 5 (almost certain) and impact scores range from 1 (negligible) to 5 (very high). A low risk classification is based on an overall risk score of 4 or less; a medium risk score ranges between 5 and 11; and a high risk score is anything with a score of 12 and above.

The Risk Register includes a target score which shows the expected risk score once the proposed additional risk mitigation controls and procedures have been implemented. The difference between the actual and target score for each risk item is also shown to allow users to identify those risk items where the proposed new mitigation and controls will have the biggest effect. Trend risk scores going back to the first quarter of 2020-21 provide additional context.

2.3 High Risk Items

The Risk Register currently has the following five high risk items:

(1) Systems failure/Lack of disaster recovery plan/Cybercrime attack (Risk No.13)

(2) Fund assets insufficient to meet liabilities (Risk No.20)

(3) LGPS Central Limited related underperformance of investment returns (Risk No.31)

(4) Insufficient cyber-liability insurance relating to the pensions administration system (Risk No.41)

(5) Impact of McCloud judgement on administration (Risk No.45)

2.4 Systems failure/Lack of disaster recovery plan/Cybercrime attack & Insufficient cyber-liability insurance relating to the pensions administration system.

The National Cyber Security Centre warned of a heightened cyber threat following Russia’s attack on Ukraine and advised organisations to bolster their online defences. Pension schemes hold large amounts of personal data and assets which can make them a target for cybercrime attacks. The trusted public profile of pension funds also makes them vulnerable to reputational damage.

Robust procedures are in place for accessing the systems used by the Fund and the Pension Fund’s Business Continuity Plan includes the Business Continuity Policy and Business Continuity Incident Management Plan of

Aquila Heywood (the provider of the Fund's pension administration system, Altair).

Detailed Data Management Procedures have been developed for the Fund which set out why members' data needs to be protected, how it should be protected (including a section on protecting against cybercrime) and what to do when things go wrong. These procedures have been rolled out to the Pension Fund team in a number of briefing sessions providing the opportunity for discussion and feedback.

The Fund's data mapping project is ongoing to map and document the Fund's data to ensure that it is understood where it is held, on what systems, how it is combined and how, and where, it moves; the related activities are being risk assessed as part of this process and a review of the information security arrangements of relevant suppliers to the Fund is being undertaken.

The contract with Aquila Heywood limits a cyber liability claim to a specified limit, unless a claim is based on an event caused by the contractor performing its services in a negligent manner. Separately, the Pension Fund is included in the Council's self-insurance arrangements with respect to managing cyber security risks, while the Council's cyber liability cover is being reviewed.

Given the heightened cybercrime threat and the review of the Council's cyber liability cover, the probability scores for both of the cyber related risks were increased in April 2022 from 2 (unlikely) to 3 (possible). The impact scores for both risks remained at 4 (high), giving total risk scores for both risks of 12.

Derbyshire County Council's Assistant Director of ICT is due to attend the next meeting of the Pension Board to discuss cyber-security arrangements.

2.5 Fund assets insufficient to meet liabilities

There is a risk for any pension fund that assets may be insufficient to meet liabilities; funding levels fluctuate from one valuation to the next, principally reflecting external risks around both market returns, and the discount rate used to value the Fund's liabilities. Every three years, the Fund undertakes an actuarial valuation to determine the expected cost of providing the benefits built up by members at the valuation date in today's terms (the liabilities) compared to the funds held by the Pension Fund (the assets), and to determine employer contribution rates.

The 31 March 2022 actuarial valuation has now been completed. The whole fund results reported an improvement in the funding level of the Pension Fund from 97% at 31 March 2019 to 100% at 31 March 2022, with the 2019 deficit of £163m moving to a small positive surplus of £1m. The funding level provides a high-level snapshot of the funding position at a particular date and could be very different the following day on a sharp move in investment markets.

Whilst the Fund has a significant proportion of its assets in growth assets, the last two reviews of the Strategic Asset Allocation Benchmark have introduced a lower exposure to growth assets and a higher exposure to income assets with the aim of protecting the improvement in the Fund's funding position.

As part of the valuation exercise, the Pension Fund's Funding Strategy Statement (FSS) was reviewed, to ensure that an appropriate funding strategy is in place. The FSS sets out the funding policies adopted, the actuarial assumptions used, and the time horizons considered for each category of employer. The method of setting contribution rates for different categories of employers was agreed and confirmed following a consultation on the FSS; the final FSS was approved by Committee in March 2023.

2.6 LGPS Central Limited

The Fund is expected to transition the management of a large proportion of its investment assets to LGPS Central Limited (LGPSC), the operating company of the LGPS Central Pool (the Pool), over the next few years. The Fund has so far transitioned around 10% of its assets into LGPSC active products and a further 5% into an LGPSC enhanced passive product. By March 2024, the Fund is forecast to have transitioned around 40% of its assets into LGPSC products.

The performance of LGPSC's active funds against their benchmarks has been mixed since the company launched its first investment products in April 2018. There is a risk that the investment returns delivered by the company will not meet the investment return targets against the specified benchmarks.

The Fund continues to take a role in the development of LGPSC and has input into the design and development of the company's product offering to try to ensure that it will allow the Fund to implement its investment strategy. The company's manager selection process is scrutinised by the Pool's Partner Funds and the Fund will continue to carry out its own due diligence on selected managers as confidence is built in the company's manager selection skills.

The performance of LGPSC investment vehicles is monitored and reviewed jointly by the Partner Funds under the Investment Working Group (a sub-group of the Partner Funds' Practitioners' Advisory Forum) and by the Pool's Joint Committee.

The Fund is also likely to maintain a large exposure to passive investment vehicles in the long term which will reduce the risk of total portfolio underperformance against the benchmark.

2.7 McCloud Judgement

The McCloud case relates to transitional protections given to scheme members in the judges' and firefighters' schemes which were found to be unlawful by the Court of Appeal on the grounds of age discrimination. The Department for Levelling Up, Housing and Communities (DLUHC, formerly MHCLG) published its proposed remedy related to the McCloud judgement in July 2020.

The proposed remedy involves the extension of the current underpin protection given to certain older members of the Scheme when the LGPS benefit structure was reformed in 2014. The underpin will give eligible members the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service.

The changes will be retrospective, which means that benefits for all qualifying leavers between 1 April 2014 and 31 March 2022 will need to be reviewed to determine whether the extended underpin will produce a higher benefit. This will have a significant impact on the administration of the Scheme. Analysis by Hymans Robertson (the Fund's actuary) suggested that around 1.2m members of the LGPS, roughly equivalent to a quarter of all members, may be affected by the revised underpin. Locally it has been estimated that around 26,000 members of the Fund would likely fall into the scope of the proposed changes to the underpin.

An amendment included in the Public Service Pensions and Judicial Offices Act 2022 (received Royal Assent in March 2022), the enabling legislation for the implementation of the McCloud remedy, has subsequently increased the number of records that will need to be reviewed. It brought the LGPS into line with the other public service pension schemes by extending the scope of the McCloud remedy to include members who were not active on 31 March 2012 but who have LGPS membership before that date and returned within five years and meet all other qualifying criteria. The criteria for a disqualifying break in service was also relaxed.

In early April 2023, DLUHC issued a response to the 2020 consultation on its proposed changes to the LGPS to address the discrimination found in the McCloud judgement. The response highlighted that the government intends to consult further on issues where it has not yet made final decisions on how the underpin will work and on a number of issues that have arisen in the course of developing the government's response to the McCloud case. Updated draft regulations are expected to be included in the further consultation which is due to be undertaken ‘in the coming months’. LGPS regulations to implement the remedy are expected to come into force in October 2023.

The uncertainty caused by the McCloud judgement is reflected on the Risk Register under two separate risks for clarity, one under Funding & Investments and one under Administration, although the two risks are closely linked.

The risk score for the impact of the McCloud judgement on funding was reduced to 9 in October 2022 following confirmation that for the March 2022 triennial valuation the benefits of members likely to be affected by the McCloud ruling would be valued in line with the expected remedy regulations. The administration risk relates to the enormous challenge that will be faced by administering authorities and employers in backdating scheme changes over such a significant period and remains a high risk; this risk has been recognised by DLUHC and the LGPS Scheme Advisory Board.

While the Fund continued to require employers to submit information about changes in part-time hours and service breaks post the introduction of the new scheme in April 2014, the collection of information about casual hours was not continued. Employers have been asked to supply any missing data and to retain all relevant employee records.

The Fund has tested the McCloud related tools provided by Aquila Heywood on the Altair pension administration system which will be used to identify, and subsequently bulk load, any required additional service history. Aquila Heywood has also completed and released a number of further McCloud related developments, although the delay in the release of full statutory guidance from DLUHC has caused a knock-on delay to the completion of all the required development work.

A McCloud Project Board has been set up to formalise the governance of this major project. The Fund will continue to collect any missing data and continue to keep up to date with news related to the McCloud remedy from DLUHC, the Scheme Advisory Board, the Local Government Association, the Government Actuary’s Department and the Fund’s actuary and with the development of relevant tools by Aquila Heywood.

2.8 New & Removed Risks/Changes to Risk Scores/Updated Risk Narratives

One new risk has been added to the Risk Register since it was last presented to Committee:

Risk No. 49: Failure to meet the required Pensions Dashboards deadlines.
Pensions Dashboards will enable individuals to access their pensions information from different schemes online, securely and all in one place to support better retirement planning. This will require multiple parties and systems to be connected to the Pensions Dashboards Programme (PDP) central digital architecture. There will be no central database holding personal information - the central digital architecture will function like a 'giant switchboard' connecting users with their pensions.

The Pensions Dashboards Regulations 2022 place a requirement on pension schemes to connect to the dashboard services and The Pensions Regulator has the power to issue a financial penalty for any breach of the regulations. In order to connect to the PDP central digital architecture, the Pension Fund will require the services of an Integrated Service Provider (ISP).

The staging deadline for the LGPS is 30 September 2024. Schemes will be expected to meet the required standards (connection, security and technical) by 30 September 2024. They must also, by that date, be able to respond to 'find' requests, complete matching and provide administrative data, signpost data, value data and contextual information on request.

The Fund has formed a Pensions Dashboards Programme Board to oversee the implementation of the PDP. Members of the team have attended information sessions on the PDP and investigations into the ISP options for connecting to the PDP have begun. Data cleansing is continuing to improve the quality of the Fund's data.

The risk has been attributed an impact score of 3 (medium) and a probability score of 3 (possible), giving an overall risk score of 9.

One risk has been removed from the Risk Register since it was last presented to Committee:

The UK's withdrawal from the EU results in high levels of market volatility or regulatory changes.
Three years after the UK's withdrawal from the EU it is now appropriate to remove this risk from the Risk Register.

There has been changes to two existing risk scores:

Risk No. 12: Lack of appropriate procurement processes/procurement support leads to a failure to procure a provider/poor supplier selection/legal challenge.

The probability score has been increased from 1 (rare) to 2 (unlikely) to reflect recruitment and retention issues in County Procurement and the increasingly resource intensive nature of the procurement process. The impact score has remained at 3 (medium), giving a total risk score of 6.

Risk No 25: Covenant of new/existing employers. Risk of unpaid funding deficit.
The probability score has been reduced from 3 (possible) to 2 (unlikely) recognising the additional covenant work undertaken as part of the March 2022 actuarial valuation. The impact score has remained at 3 (medium), giving a total risk score of 6.

The narratives for a number of risks have been updated with updates highlighted on the Risk Register in blue.

3. Implications

Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

Held by the Pension Fund.

5. Appendices

5.1 Appendix 1 – Implications

5.2 Appendix 2 – Summary Risk Register

5.3 Appendix 3 – Main Risk Register

6. Recommendation(s)

That Committee:

a) notes the risk items identified in the Risk Register.

7. Reasons for Recommendation(s)

One of the roles of Committee is to receive and consider the Fund's Risk Register.

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Appendix 1

Implications

Financial

1.1 None.

Legal

2.1 None.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 None.

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

Derbyshire Pension Fund Risk Register

Date Last Updated **14-Apr-23**

Changes highlighted in blue font.

Risk Number	Description: High Level Risk	Description: Description of risk and potential impact	Current score: Impact	Current score: Probability	Current score: Current Score	Risk Mitigation Controls & Procedures: Current	Risk Mitigation Controls & Procedures: Proposed	Risk Owner	Target Score: Impact	Target Score: Probability	Target Score: Target Score	Target Score: Actual Minus Target Score
Governance & Strategy												
1	Failure to implement an effective governance framework	Failure to provide effective leadership, direction, control and oversight of Derbyshire Pension Fund (DPF) leading to the risk of poor decision making/lack of decision making, investment underperformance, deterioration in service delivery and possible fines/sanctions/reputational damage . This risk could be amplified during a period of business disruption.	5	2	10	Derbyshire County Council (DCC) is the administering authority for the Pension Fund, responsible for managing and administering the Fund. Responsibility for the functions of the Council as the administering authority of DPF is delegated to the Pensions & Investments Committee (PIC). A Local Pension Board assists the Council with the governance and administration of the Fund (PB). Day to day management of the Fund is delegated to the Director of Finance & ICT (DoF) who is supported by the Head of Pension Fund (HOP) and in house investment and administration teams. The governance arrangements for the Fund are clearly set out in the Fund's Governance Policy and Compliance Statement which is reviewed each year. Both PIC & PB have detailed Terms of Reference. The Commissioning, Communities & Policy Scheme of Delegation sets out authorising levels for officers. The management team (POM) of the Pension Fund meets weekly and a Pension Fund Plan documents the ongoing workload of the Fund. A Pension Fund performance Dashboard has been developed to provide performance management information for POM; it is also reviewed on a quarterly basis by the Finance & ICT Management Team and at meetings of the Pension Board. A detailed Business Continuity Plan sets out the arrangements for maintaining the critical activities of the Fund during a period of business disruption. Arrangements have been developed to facilitate virtual PIC and virtual PB meetings for occasions when physical meetings are not possible. As part of DCC's Modern Ways of Working (MWW), the Fund has been allocated a Team Zone which will accomodate approximately 60% of the team on a daily basis. Following discussions with the Team, it has been agreed that staff will spend at least half of their working hours in the office to support the ongoing development of a cohesive team to efficiently deliver services to members and employers and to support both the structured and unstructured knowledge share/learning	The structure of the Pension Fund Team is being reviewed to enable it to support an agile, customer focussed operating model and to ensure appropriate management and stewardship of the Fund's investments assets, with the aim of providing development opportunities which will build the skills and resilience required for the future.	DOF/HoP	5	1	5	5
2	Failure to recruit and retain suitable Pension Fund staff/Over reliance on key staff.	Lack of planning, inadequate benefits package, location leads to failure to recruit and retain suitable investment and pension administration staff leading to the risk of inappropriate decision making, investment underperformance, deterioration in service delivery, over reliance on key staff and possible fines/sanctions/reputational damage. The risks related to over-reliance on key staff are amplfied during a period of business disruption.	3	3	9	Knowledge sharing takes place through Pension Fund governance groups including: Pension Officer Managers (POM); Regulation Update Meeting (RUM); Data Management; and Performance & Backlog Management, targeted internal training sessions, team briefings, internal communications and My Plans. The Fund also works with the LGA to support the development of Fund training and utilizes Heywood's TEC online training facilities. A staff rotation programme has been trialled to promote knowledge sharing. A Pension Fund Plan is available to all members of POM and includes a brief summary of the main onoing and forecast activities of the Fund. The investment staffing structure was reviewed post the implemenation of investment pooling. Market supplements for the HOP and the IM were extended from December 2019. A new Assistant Fund Manager joined the Fund at the beginning of May 20. he lifting of Covid restrictions, members of the Fund's team are working flexibly (partly at home and partly in the office) and managers are in regular contact with their teams.	The Fund will continue to identify and meet staff training needs and will consider further staff rotation to increase resilience. The Pension Fund staffing structure is currently being reviewed (see above).	HoP	3	2	6	3
3	Failure to comply with regulatory requirements for governance	Failure to match-up to recommended best practice leads to reputational damage, loss of employer confidence or official sanction.	4	2	8	DPF maintains current PIC approved versions of: Administering Authority Discretions; Admission, Cessation & Bulk Transfer Policy; Communications Policy; Exit Credits Policy; Governance Policy & Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Pension Administration Strategy. Detailed Data Management Procedures in place together with procedures to deal with statutory breaches. Lessons learnt from any breaches discussed at relevant governance group. Governance framework includes PIC and Pension Board. Appointment of third party advisor and actuary. Annual Report and Accounts mapped to CIPFA guidance. Fund membership of LAPFF. Internal and External Audit. Member training programme.	Regular review / Maintainence of central log of governance policy statements for the whole Fund. Ensure lesssons learnt from any breaches are considered by appropriate governance group and any resulting changes in procedures are implemented.	HoP	4	1	4	4
4	PIC / Pension Board members lack of knowledge & understanding of their role & responsibilities leading to inappropriate decisions	Change of membership (particularly following elections), lack of adequate training, poor strategic advice from officers & external advisors leads to inappropriate decisions being taken.	3	3	9	Implementation of Member Training Programme including induction training for new members of PIC & PB / Attendance at LGA training program / Advice from Fund officers & external advisors. Annual issuance of skills self-assessment forms to members of PIC & PB. Subsequent training plan based on responses.	On-going roll out of Member Training Programme in line with CIPFA guidance. Training Plan for 2023 is based on responses to skills self-assessment questions issued to members of PIC & PB in Oct 22.	HoP	3	2	6	3
5	An effective investment performance management framework is not in place	Poor investment performance goes undetected / unresolved.	4	2	8	PIC training; external performance measurement is reported to committee on a quarterly basis; Pension Board oversight of the governance of investment matters; My Plan Reviews. Review of the Pension Fund performance Dashboard.		HoP/IM	4	2	8	0
6	An effective pensions administration performance management framework is not in place	Poor pensions administration performance / service goes undetected / unresolved.	3	2	6	PIC training; Half year pension administration KPI reporting in line with Disclosure Regulations reviewed by PIC and PB; My Plan Reviews. A Pension Fund performance Dashboard has been developed to provide performance management information for POM; it wii also be reviewed on a quarterly basis by the Finance & ICT Management Team and at meetings of the Pension Board.		HoP/TL	3	2	6	0
7	An effective PIC performance management framework is not in place	Poor PIC performance goes undetected / unresolved.	3	2	6	Defined Terms of Reference; PIC training ;Support from suitably qualified officers and external advisor; Monitoring of effectiveness of PIC by Pension Board. A Pension Fund performance Dashboard has been developed to provide performance management information for POM; it will also be reviewed on a quarterly basis by the Finance & ICT Management Team and at meetings of the Pension Board.	Training as above (Risk No. 4).	HoP/IM	3	2	6	0
8	Failure to identify and disclose conflicts of interest	Inappropriate decisions for personal gain.	3	1	3	Members' Declaration of Interests. Officer disclosure of personal dealing and hospitality.Investment Compliance incorporated into updated Investments Procedures & Compliance Manual. Fund Conflicts of Interest Policy (COI) approved by PIC in November 2020 and fully implemented.		HoP	3	1	3	0
9	Failure to identify and manage risk	Failure to prepare and maintain an appropriate risk register results in poor planning, financial loss and reputational damage.	3	2	6	Risk Register maintained, reviewed on a regular basis, discussed at formal and informal POMs and reported to PIC and to PB. Risk Register subject to annual 'deep dive' by the Pension Board.		HoP/IM	3	2	6	0

Trend Scores

Risk Number	Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21	Q1 21-22	Q2 21-22	Q3 21-22	Q4 21-22	Q1 22-23	Q2 22-23	Q3 22-23	Q4 22-23
1	N/A	10	10	10	10	10	10	10	10	10	10	10
2	N/A	9	9	9	9	9	9	9	9	9	9	9
3	4	4	4	4	8	8	8	8	8	8	8	8
4	9	9	9	9	9	9	9	9	9	9	9	9
5	6	6	6	6	8	8	8	8	8	8	8	8
6	6	6	6	6	6	6	6	6	6	6	6	6
7	6	6	6	6	6	6	6	6	6	6	6	6
8	3	3	3	3	3	3	3	3	3	3	3	3
9	6	6	6	6	6	6	6	6	6	6	6	6

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Probability	Target Score	Actual Minus Target Score	Trend Scores: Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21	Q1 21-22	Q2 21-22	Q3 21-22	Q4 21-22	Q1 22-23	Q2 22-23	Q3 22-23	Q4 22-23
10	Pension Fund financial systems not accurately maintained	Increased risk of fraud, financial loss and reputational damage if financial systems are not accurately maintained.	4	2	8	Creation and documentation of Internal controls; internal/external audit; monthly key control account reconciliations; on-going training & CIPFA updates.	Development of Fund-wide Procedures Manual.	HoP	4	1	4	4	6	6	6	6	8	8	8	8	8	8	8	8
11	Pension Fund accounts not properly maintained	Unfavourable audit opinion, financial loss, loss of stakeholder confidence and reputational damage.	3	2	6	Compliance with SORP; Compliance with DCC internal procedures (e.g. accounts closedown process); Dedicated CIPFA qualified Pension Fund Accountant; Support from Technical Section; Internal Audit; External Audit.		DoF/HoP	3	2	6	0	6	6	6	6	6	6	6	6	6	6	6	6
12	Lack of appropriate procurement processes/procurement support leads to failure to procure a provider/ poor supplier selection/legal challenge.	Breach of Council Financial Regulations/challenge from alternative providers/reputational damage/service failure/service underperformance.	3	2	6	Database of external contracts maintained; Compliance with Financial Regulations; Procurement due diligence; Procurement advice; Quarterly review of contracts.	Ensure that procurement knowledge is shared amongst a wider number of team members. Continue to champion simplified procurement processes.	HoP	3	1	3	3	3	3	3	3	3	3	3	3	3	3	3	3
13	Systems failure / Lack of disaster recovery plan / Cybercrime attack	Service failure, loss of sensitive data, financial loss and reputational damage.	4	3	12	Robust system maintenance; Password restricted to IT systems; IGG Compliance; Business continuity plan. Fund's Data Management Procedures include a section on cyber crime/cyber risk. Mapping exercise commenced to map and document the Fund's data to ensure that it is understood where it is held, on what systems, how it is combined and how, and where, it moves.	Review of Cyber Security Arrangements/Policies. Data mapping exercise to be completed and risks to be assessed and reviewed. Review of the information security arrangements of 3rd party suppliers to the Fund to be undertaken.	HoP/IM/TL	4	2	8	4	8	8	8	8	8	8	8	8	12	12	12	12
14	Failure to comply with General Data Protection Regulations (GDPR)	Breaches in data security requirements could result in reputational damage and significant fines.	3	3	9	Privacy Notices and Memorandum of Understanding completed and published. GDPR requirements included in the Data Improvement Plan. Document Retention Schedule review completed (Oct 21); Pension Fund's updated information included in V6 of the Finance Retention Schedule published in Dec 21. The Fund's GDPR Working Group has been widened out to become a Data Management Working Group. Detailed Data Management Procedures have been developed, incorprating lessons learnt from previous data breaches, setting out: why the Fund needs to protect members' data; how the Fund should protect members' data; and what to do when things go wrong. The document includes pratical guidance for Fund officers to be applied in day to day working practices when processing personal data. Any data breaches are considered by the Fund's Data Management Group and any lessons learnt/required changes to procedures agreed. The procedures have been rolled out to all of the Team.	GDPR matters will be reviewed as part of the ongoing consideration of the Fund's Data Improvement Plan.	HoP/IM/TL	3	2	6	3	9	9	9	9	9	9	9	9	9	9	9	9
15	Failure to communicate with stakeholders	Employers being unaware of employer responsibilities could impact service levels to members or lead to statutory/data breaches. Employees being unaware of how the Fund is go+E59verned, the benefits of the scheme, how the Fund's assets are invested, the risk of breaching the annual pension savings allowance, the risk of pension scams and the importance of keeping contract details up to date could lead to disengagment between members and the Fund, financial impacts for members, and reputational damage to the Fund.	3	3	9	Communications Policy approved by PIC - April 2021. The Pension Administration Strategy (PAS) which sets out employer responsibilities is reviewed annually and highlighted to employers. For any material proposed changes to the PAS, employers are consulted. Stakeholders receive information and guidance in line with best practice discussed at the national LGPS Comms Forum, delivered by a fully resourced, specialist team. The Pension Fund website and clear Pension Fund branding helps stakeholders to be clear about the role of the Fund. The Fund's member self-service system 'My Pension Online' went live in June 2021. It gives registered members access to their Derbyshire LGPS pension information and allows them to carry out future benefit calculations.	Increase registrations to My Pension Online enabling more members to gain access to their Derbyshire LGPS information to improve their general understanding and support them with pension planning.	HoP/IM/TL	3	2	6	3	9	9	9	9	9	9	9	9	9	9	9	9
16	Failure of internal/external suppliers to provide services to the Pension Fund due to business disruption.	The Pension Fund is reliant on other DCC Sections for: the provision and support of core IT; treasury management of Fund cash; CHAPs & VIM & Standard SAP BACs payments; pensioner payroll; and legal advice and administration support to PIC & PB. The Fund is reliant on external providers for: the pension administration system; provision of custodial services; hedging services; performance measurement and actuarial services. External fund managers are responsible for management of a large proportion of the Fund's assets on both a passive and an active basis. Business continuity failures experienced by any of these providers could have a material impact on the Fund.	4	2	8	The business continuity arrangements of all of these providers have been sought and received by the Pension Fund. During the COVID 19 outbreak, continuity arrangements worked well.	The Fund will keep up to date with the continuity arrangments of these providers and will continue to assess the risk of exposure to particular organisations/providers.	HoP/IM	4	2	8	0	N/A	8	8	8	8	8	8	8	8	8	8	8
17	Risk of challenge to Exit Credits Policy/Determinations.	Exit credit payments were introduced into the LGPS in April 2018. Amending legislation came into force on 20 March 2020 allowing administering authorities to exercise their discretion in determining the amount of any exit credit due having regard to certain listed factors plus 'any other relevant factors'. This discretion is open to wide interpretation and potential challenge from employers.	3	3	9	Legal and actuarial advice was sought in the forumulation of the Fund's Exit Credit Policy and has been sought to assist the Fund's first exit credit determination. The outcome of a recent judical review (published May 2021) on the LGPS Amendment Regulations 2020 has been considered.	The Fund will keep up to date with developments with respect to exit credits. Further legal and actuarial advice will be sought where necessary.	HoP	3	2	6	3	N/A	9	9	9	9	9	9	9	9	9	9	9
18	Risks arising from a potential significant acceleration of the academisation of schools.	Any further division of LGPS members into an increasingly wider pool of employers will increse pressure on: employer onboarding; collection of data & contributions; employer training; & actuarial matters. Also likely to lead to an increasing in the outsourcing of functions and services involving LGPS members which in turn would lead to a further increase in the number of employers in the Fund. The evolving landscape of multi-academy trusts is alsp introducing increased administrative and funding challenges as academies move between trusts and trusts consolidate their academies into single LGPS funds.	2	4	8	The Fund has a robust effective procedure for admitting new academies to the Fund, treating them as individual participating employoers backed by robust administrative and actuarial arrangements; this helps to mitigate some of the issues that arise when academies move between trusts.	The Fund will continue to monitor local developments on academisation and the administrative resource required by the Fund to support any increase in participating employers. The funding implications of any academies consolidating in another LGPS fund will also be kept under review.	HoP/TL	2	4	8	0	N/A	N/A	N/A	N/A	N/A	8	8	8	8	8	8	8
19	Electronic Information delivered or made available in formats which fail to meet accessibility requirements.	The Fund is subject to the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018. Compliance with the regulations is monitored by the Central Digital and Data Office (CDDO). Failure to adhere to the regulations could result in breaches of the law and enforce action from the Equality and Human Rights Commission. Risk of complaints from scheme members and other stakeholders about the accessibility of electronic information. Publication of a decision by CDDO confirming failure to meet accessibility standards would be reputationally damaging.	3	3	9	Regular liaison with specialist Digital Communications colleagues within DCC towards ensuring that the Fund's electronic platforms are accessible to as many people as possible, whatever their individual needs are. Use of web accessibility testing software from Silktide, a specialist provider. The Fund's website and My Pension Online both include an accessibility statement.	Regular reviews of accessibility issues on the Fund's electronic platforms via internal checks and use of Silktide software, and continued liaison with specialist colleagues. Feedback to Aquila Heywood (AH) of any accessibility issues with AH content on My Pension Online.	HoP/TL	3	2	6	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	9	9	9

Funding & Investments

	Description		Current score			Risk Mitigation Controls & Procedures			Target Score				Trend Scores											
Risk Number	High Level Risk	Description of risk and potential impact	Impact	Probability	Current Score	Current	Proposed	Risk Owner	Impact	Probability	Target Score	Actual Minus Target Score	Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21	Q1 21-22	Q2 21-22	Q3 21-22	Q4 21-22	Q1 22-23	Q2 22-23	Q3 22-23	Q4 22-23
20	Fund assets insufficient to meet liabilities / Decline in funding level / Fluctuations in assets & liabilities	Objectives not defined, agreed, monitored and outcomes reported / Incorrect assumptions used for assessing liabilities / Investment performance fails to achieve expected target / Changes in membership numbers / VR & VER leading to structural problems in Fund / Demographic changes / Changes in pension rules and regulations (e.g. auto-enrolment and Freedom & choice). These factors could contribute to a decline in the funding level of the Fund and result in employers (funded in the majority of cases by taxpayers) needing to make increased contributions to the Fund.	4	3	12	Actuarial valuations and determination of actuarial assumptions; Funding Strategy Statement; Setting of contribution rates; Regular review of the Investment Strategy Statement (ISS) and the Strategic Asset Allocation Benchmark; Quarterly reviews of tactical asset allocation; Due diligence on new investment managers; Monitoring of investment managers' performance; Maintenance of key policies on ill health retirements; early retirements etc.	Continued implementation of the Fund's Strategic Asset Allocation Benchmark which aims to reduce investment risk following the improvement in the Fund's funding level.	HoP/IM	4	2	8	4	12	12	12	12	12	12	12	12	12	12	12	12
21	Mismatch between liability profile and asset allocation policy	Inaccurate forecast of liabilities / inappropriate Strategy leading to cashflow problems.	4	2	8	Actuarial reviews; Funding Strategy Statements; Annual funding assessment; Review by PIC; ISS ; Asset allocation reviews; Cash flow forecasting.	The Fund's actuary is due to undertake a cashflow foreasting exercise for the Fund following completion of the 2022 actuarial valuation.	HoP/IM	4	2	8	0	8	8	8	8	8	8	8	8	8	8	8	8
22	An inappropriate investment strategy is adopted / Investment strategy not consistent with Funding Strategy Statement /Failure to implement adopted strategy and PIC recommendations	Failure to set appropriate investment strategy / monitor application of investment strategy leading to possible impact on the funding level/investment underperformance/reputational damage.	4	2	8	The ISS, which includes the Fund's Strategic Asset Allocation Benchmark is formulated in line with LGPS Regulations and takes into account the Fund's liabilities/information from the Fund's actuary/advice from the Fund's external investment adviser. The ISS was approved by PIC in November 2020 following consultation with the Fund's stakeholders. A separate RI Framework and a separate Climate Strategy were also approved by PIC in November 2020 following consultation with the Fund's stakeholders. Quarterly review of asset allocation strategy by PIC with PIC receiving advice from Fund officers and external investment adviser.		HoP/IM	4	2	8	0	8	8	8	8	8	8	8	8	8	8	8	8
23	Failure to correctly assess the potential impact of climate change on investment portfolio and on funding strategy.	Failure to correctly assess potential financially material climate change risks when setting the investment and the funding strategy leading to possible impact on the funding level/investment underperformance/reputational damage. The outcome for global warming and the transition to net-zero is highly uncertain. Climate scenario analysis is a relatively new discipline and caution is required when using the output of such analysis to inform strategic asset allocation and funding decisions.	4	2	8	Inaugural Climate Risk Report received from LGPS Central Ltd (LGPSC)in February 2020, included carbon metrics data and climate scenario analysis. Taskforce on Climate-related Financial Disclosures (TCFD) report developed to set out the Fund's approach to managing climate related risks and opportunities, structured round: governance; strategy; risk management; and metrics and targets. Inaugural climate Risk Report and TCFD report presented to PIC in March 2020. Climate scenarios analysis carried out as part of contribution rate modelling by the Fund's actuary as part of the triennial valuation process. Climate Strategy setting out the Fund's approach to addressing the risks and opportunities related to climate change forumulated and approved by PIC in Nov 20 following consultation with stakeholders. The first phase of the transitions to the increased allocation to Global Sustainable Equities took place in January 2021 and the second phase began in in January 2022 and is ongoing. The transitions support the delivery of the targets included in the Climate Strategy. A measured approach has been taken to the intepretation of climate related data and the setting of climate related targets recognising the relative immaturity of much of the data and the need to monitor the impact of significant transitions on portfolio performance and risk. The 2022 Climate Risk Report from LGPSC showed that the Fund had reduced the the carbon footprint of the listed equity portfolio by 44% relative to the weighted benchmark in 2020 (target reduction of 30% by end of 2025) and had invested 27% of the Fund portfolio in low carbon & sustainable investments (target 30% by end of 2025); 29% including commitments. Updated TCFD reports were published in December 2021 and January 2023.	The second phase of the transitions to increase the allocation to Global Sustainable Equities is expected to be completed by the end of Q2 2023, subject to market conditions and the availability of suitable products. The carbon footprint & the low carbon and sustainable investment targets will be reviewed in 2023. The Fund will receive an annual Climate Risk Report from LGPS Central Ltd and will update its TCFD report on an annual basis. The Fund will continue to work collaboratively with its managers and with fellow investors towards the aim of achieving a portfolio of assets with net zero carbon emissions by 2050.	HoP/IM	4	2	8	0	N/A	12	12	12	8	8	8	8	8	8	8	8
24	Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio.	Failure to consider financially material ESG risks when making investment decisions leading to possible investment underperformance/reputational damage.	4	2	8	Actuarial reviews; Funding Strategy Statements; Annual funding assessment; Review by PIC; ISS ; Asset allocation reviews; Cash flow forecasting.	Develop an application for acceptance by the Financial Report Council as a signatory of the UK Stewardship Code (2020).	HoP/IM	4	2	8	0	N/A	N/A	N/A	N/A	8	8	8	8	8	8	8	8
25	Covenant of new/existing employers. Risk of unpaid funding deficit.	Failure to agree, review and renew employer guarantees and bonds/ risk of wind-up or cessation of scheme employer with an unpaid funding deficit which would then fall on other employers in the Fund. This risk could be amplified during a period of widespread business disruption/extreme market volatility. Failure to correctly assess covenant/put in place appropriate security as part of any debt spreading arrangement/Deferred Debt Agreement could increase the risk of an unpaid funding deficit falling on the other employers in the Fund.	3	2	6	Employer database holds employer details, including bond review dates. The information on the database is subject to ongoing review. Commenced contacting existing employer where bond or guarantor arrangement has lapsed, to renew arrangements. Four members of the team have attended employer covenant training and the Fund has liaised closely with other LGPS on this matter. An Employer Risk Management Framework has been developed and Health Check questionnaires were initially issued to all Tier 3 employers (those employers that do not benefit from local or national tax payer backing or do not have a full guarantee or other pass-through arrangement) in May 2019 and updated Covenant questionaires were issued to Admission Bodies in June 2022. The information received via the Covenant questionaires has informed March 2022 actuarial valuation conversations and decisions.	Processes are being developed to ensure that new contractors are aware of potential LGPS costs at an early stage. The Employer Risk Management Framework will continue to be developed. Employers who are close to cessation will be monitored and discussions with the Fund's Actuary will take place to determine if any further risk mitigation measures are necessary with respect to the relevant employers. Robust procedures will be developed to consider any requests for the Fund to enter into debt spreading arrangements /Deferred Debt Agreements. Covenant, actuarial and legal considerations will be taken into consideration in any decisions regarding debt spreading arrrangements/Deferred Debt Agreements and appropriate security will be obtained where necessary.	HoP/TL	3	2	6	0	9	9	9	9	9	9	9	9	9	9	9	9
26	Unaffordable rise in employers' contributions	Employer contribution rates could be unacceptable/unaffordable to employers leading to non-payment/delayed payment of contributions.	3	2	6	Consideration of employer covenant strength / scope for flexibility in actuarial proposals. The circumstances which the Fund would consider as potential triggers for a review of contribution rates between actuarial valuations are included in the Pension Fund's Funding Strategy Statement. The Fund's approach to employer flexibilities on cessation i.e. the potential for cessation debt to be spread over an agreed period (subject to certain conditions) as an exception to the default position of cessation debt being paid in full as a single lump sum and the potential for the Fund to enter into a Deferred Debt Agreement where a ceasing employer is continuing in business (subject to certain conditions), are set out in the Fund's Admission, Cessation & Bulk Transfer Policy (approved by PIC Dec 22).		HoP/TL	3	2	6	0	6	6	6	6	6	6	6	6	6	6	6	6

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Probability	Target Score	Actual Minus Target Score
27	Employer contributions not received and accounted for on time	Late information and/or contributions from employers could lead to issues with completing the year end accounts, satisfying audit requirements, breaches of regulations, and, in extreme cases, could affect the Fund's cashflow. This risk could be amplified during a period of widespread business disruption.	3	2	6	The Fund ensures that employers are clearly and promptly informed about their contribution rates. Monitoring of the provision of employer information and the payment of contributions takes place within Pensions Section and performance is monitored by POM and disclosed in the half yearly pensions administration performance report to PIC & PB. The Fund has developed a late payment charging policy.	Late payment charges applied to underperforming employers will be disclosed via PIC Reports and Employer Newsletters.	HoP/TL	3	1	3	3
28	The LGPS Central Ltd investment offering is insufficient to allow the Fund to implement its agreed investment strategy	Failure to provide sufficient and appropriate product categories results in inability to deliver investment strategy and increases the risk of investment underperformance.	4	2	8	Continue to take a meaningful role in the development of LGPS Central; On-going HoP/IM involvement design and development of the LGPS Central product offering and mapping to the Fund's investment strategy; Participation in key committees including PAF, Shareholders' Forum and Joint Committee.	LGPS Central Partner Funds have agreed their priorities for determining the timetable for sub-fund launches: Projected level of cost savings; LGPSC/Partner Fund resource; Asset allocation/investment strategy changes; Number of parties to benefit; Net performance; Ensuring every Partner Fund has some savings; Risk of status quo & surfacing opportunities. Ensure the priorities are regularly assessed and applied.	HoP/IM	4	1	4	4
29	The transition of the Fund's assets into LGPS Central Ltd.'s investment vehicles results in a loss of assets and/or avoidable or excessive transition costs	Failure to fully reconcile the unitisation of the Fund's assets and charge through of transition costs could have a financial impact on the Fund.	4	2	8	Reconcile the transition of the Fund's assets into each collective investment vehicle, including second review and sign-off. All costs and charges reconciled back to the agreed cost sharing principles. All transition costs to be signed off by HoP.	Obtain robust forecasts of transition cost as part of business case for transitioning into an LGPSC sub-fund. Continue to update control procedures now that LGPS Central has been launched and reporting structures have been established. Continue to take a meaningful role in PAF and support the Chair and Vice-Chair of the PIC to enable them to participate fully in the Joint Committee.	HoP/IM	4	1	4	4
30	LGPS Central Ltd fails to deliver the planned level of long term cost savings	LGPS Central Ltd fails to deliver the planned level of cost savings either through transition delays, poor management of its cost base or failure to launch appropriate products at the right price could delay the point at which the Fund breaks even (with costs savings outweighing the costs of setting up and running the company).	3	3	9	Review and challenge annual budget and changes to key assumptions; Review, challenge and validate LGPS Central product business cases; Reconcile charged costs to the agreed cost sharing principles; Terms of Reference agreed for PAF, Shareholders Forum and Joint Committee. The DOF & ICT will represent DCC on the Shareholders' Forum with delegated authority to make decisions on any matter which required a decision by the shareholders of LGPC Central Ltd. A new simplified Cost Savings Model has been developed for the LGPS Central Pool which will enable actual and forecast savings to be monitored more easily and on a more regular basis. The Cost Savings Model is accompanied by a detailed Guidance Note which provides assurance on the derivation of the model's inputs and outputs.	Continue to take a meaningful role in PAF. Support the Chair of the PIC to enable full participation in the Joint Committee.	HoP/IM	3	2	6	3
31	LGPS Central Ltd related underperformance of investment returns	LGPS Central Ltd related underperformance of investment returns against targets could lead to the Fund failing to meet its investment return targets.	4	3	12	Continuing to take a meaningful role in the development of LGPS Central Ltd; On-going HoP/IM involvement in design and development of the LGPS Central Ltd product offering and mapping to the Fund's investment strategy; Quarterly performance monitoring reviews by DPF and half yearly by Joint Committee. Monitor and challenge LGPS Central product development, including manager selection process, through the Joint Committee and PAF/IWG participation. Initially carry out due diligence on selection managers internally as confidence is built in the manager selection skills of the company.	Ensure the Partner Funds priorities for determining the sub-fund launch timetable listed under 28. are regularly assessed and applied. Hold LGPS Central Ltd to account for the investment performance of its products. Investigate alternative options if any underperformance is not addressed.	HoP/IM	4	2	8	4
32	Failure to maintain liquidity in order to meet projected cash flows	Failure to maintain sufficient liquidity to meet projected cashflows, due to either poor cashflow forecasting or the failure of counterparties to make timely repayments, which could lead to financial loss from the inappropriate sale of assets to generate cash flow and/or lead to reputational damage. The risk is amplified during periods of market volatility/dislocation.	3	2	6	The Fund carries out internal cash flow forecasting and works closely with DCC's Senior Accountant Treasury Management who manages the Fund's cash balances.	The Fund's actuary is due to undertake a cashflow foreasting exercise for the Fund. DPF Investment Manager to have monthly catch ups with DCC's Treasury Management Accountant.	HoP/IM	3	2	6	0
33	The introduction of The Markets in Financial Instruments Directive II (MiFID II) in January 2018 results in the investment status of the Fund being downgraded	Fund being unable to access a full range of investment opportunities and assets being sold at less than fair value should an external investment manager not opt-up the Fund to professional status.	4	1	4	Opt-up process complete; no issues identified.	Monitor ability to maintain opt-up status.	HoP/IM	4	1	4	0
34	Inadequate delivery and reporting of performance by internal & external investment managers	Could lead to expected investment returns not being achieved.	3	2	6	Rigorous manager selection; Quarterly PIC performance monitoring; Asset class performance reported to PIC; Internal Investments Manager performance reviewed by HoP; My Plan reviews.	Updating the Investment Compliance Manual & Procedures Manual.	HoP/IM	3	2	6	0
35	Investments made in complex inappropriate products and or unauthorised deals	Could lead to loss of investment return/assets.	4	1	4	Clear mandate for internal and external Investment Managers; Compliance Manual; HoP signs off all new investment; PIC approval required for unquoted investments in excess of £25m; PIC quarterly reports; On-going staff training and CPD; My Plans.	Updating Investment Compliance Manual & Procedures Manual	HoP/IM	4	1	4	0
36	Custody arrangements are insufficient to safeguard the Fund's investment assets	Could lead to loss of investment return/assets.	4	1	4	Use of reputable custodian. Regular internal reconciliations to check custodian records / Regular review of performance / Periodic procurement exercises.		HoP/IM	4	1	4	0

Risk Number	Trend Scores: Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21	Q1 21-22	Q2 21-22	Q3 21-22	Q4 21-22	Q1 22-23	Q2 22-23	Q3 22-23	Q4 22-23
27	3	9	9	9	9	9	6	6	6	6	6	6
28	8	8	8	8	8	8	8	8	8	8	8	8
29	8	8	8	8	8	8	8	8	8	8	8	8
30	8	8	8	8	9	9	9	9	9	9	9	9
31	12	12	12	12	12	12	12	12	12	12	12	12
32	6	6	6	6	6	6	6	6	6	6	6	6
33	4	4	4	4	4	4	4	4	4	4	4	4
34	6	6	6	6	6	6	6	6	6	6	6	6
35	4	4	4	4	4	4	4	4	4	4	4	4
36	4	4	4	4	4	4	4	4	4	4	4	4

Risk Number	Description		Current score			Risk Mitigation Controls & Procedures			Target Score				Trend Scores											
	High Level Risk	Description of risk and potential impact	Impact	Probability	Current Score	Current	Proposed	Risk Owner	Impact	Probability	Target Score	Actual Minus Target Score	Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21	Q1 21-22	Q2 21-22	Q3 21-22	Q4 21-22	Q1 22-23	Q2 22-23	Q3 22-23	Q4 22-23
37	Impact of McCloud judgement on funding	The proposed McCloud remedy involves the extension of the current underpin protection given to certain older members of the Scheme when the LGPS benefit structure was reformed in 2014. It removes the condition that requires a member to have been within ten years of their 2008 Scheme normal pension age on 1 Apr 2012 to be eligible for underpin protection. It is proposed that the McCloud remedy will be backdated to the commencement of transitional protections (April 2014). It is also proposed that underpin protection will apply where a members leaves with either a deferred or an immediate entitlement to a pension (previously it was just immediate). The underpin will give the member the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service (between 1 April 14 and 31 March 2022).All leavers between these two dates will need to be checked against the new underpin. On 6 April 2023, DLUHC issued a response to the 2020 consultation on its proposed changes to the LGPS to address the discrimination found in the McCloud judgement. The response highlighted that the government intends to consult further on issues where it has not yet made final decisions on how the underpin will work and on a number of issues that have arisen in the course of developing the government's response to the McCloud case. LGPS regulations to implement the remedy are expected to come into force in October 2023. There is, therefore, uncertainty regarding the level of benefits earned by members from 1st April 14 to 31st March 2022. The Government Actuary's Department (GAD) has estimated that the cost of implementing the McCloud remedy for the LGPS over the next several decades will be £1.8bn (down from an intital estimate of £2.5bn). The ultimate cost of the McCloud remedy will depend on confirmation of the proposed remedy and the future path of pay growth/promotion. The funding risk relates to the risk of there being insufficient assets within the Fund to meet the increased liabilities. In the short term, the impact of this uncertainty is greatest for exit payments and credits as at a cessation event, the cost of benefits is crystallised.	3	3	9	Keeping up to date with news from the LGPS Scheme Advisory Board, the LGA, the Government Actuary's Department (GAD) and the Fund's Actuary. The Actuary made an estimate of the potential impact of the judgement on the Fund's liabilities reflecting the Fund's local assumptions, particularly salary increases and withdrawal rates. The estimate as it applied to Derbyshire Pension Fund was that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be around 0.5% higher (as at 31 March 2020), an increase of approximately £31.1m. The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. In accordance with guidance from DLUHC, for the March 2022 actuarial valuation the Fund's actuary has valued the benefits of the members likely to be affected by the McCloud ruling in line with the expected remedy regulations.	DLUHC's April 2023 response to the 2020 consultation on proposed changes to the LGPS to address the discrimination found in the McCloud judgement will be considered. The Fund will keep up to date with any further announcements/advice from DLUHC, the LGPS Scheme Advisory Board, the LGA, GAD and from the Fund's Actuary.	HOP	3	3	9	0	12	12	12	12	12	12	12	12	12	12	9	9
Pensions Administration																								
38	Failure to adhere to HMRC / LGPS regulations and reflect changes therein	LGPS benefits calculated and paid inaccurately and/or late leading to possible fines/reputational damage.	3	2	6	Management processes, calculation checking, dedicated technical and training resource, working with the LGA and other Pension Funds regarding accurate interpretation of legislation, implemented more robust pensions administration system in March 19.	Consider additional sources of technical resource.	HoP	3	1	3	3	6	6	6	6	6	6	6	6	6	6	6	6
39	Failure of pensions administration systems to meet service requirements/information not provided to stakeholders as required	Replacement pensions administration system leads to implementation related work backlogs, diminished performance and complaints.	3	2	6	The Altair system has achieved 'Business as Usual' status. SLAs are in place with the provider as well an established fault reporting system, regular client manager meetings and a thriving User Group (CLASS). The provider has a robust business continuity plan.	Ensure the company's Business Continuity Plan is subject to regular review and continue to take an active part in the CLASS user group.	HoP/TL	3	1	3	3	9	6	6	6	6	6	6	6	6	6	6	6
40	Insufficient controls relating to the governance of pension administration system	Risk that insufficient controls relating to the governance of the pension administration system undermines confidence in the integrity of the system and increases the opportunity for erroneous transactions.	3	3	9	To access Altair, the pensions administration system, a user needs to be set up on PingOne and also on Altair, both require the user to successfully log on with a password. Monthly reports are run to monitor access to Altair, and any suspicious logons would be investigated. The same access controls are applied to the test environment. If a team member leaves the authority, access is removed promptly. On receipt of a new release of Altair the Fund completes rigorous testing of any updated calculations and new functionality detailed in the relevant Altair Release Guide. The Fund also regression test a varied sample of calculations. This testing is completed in the test environment prior to any update into the live environment. If any part of the release is deemed unsatisfactory then the update to live will not be authorised. In some exceptional circumstances, it is necessary to create a test record in the live system to provide additional assurance and to support the efficient and accrurate delivery of the service. Any test record is documented on a spreadsheet and deleted at the earliest opportunity. Data from any test records is deleted from performance information. Procedures have been developed to strengthen the controls related to the creation and use of test records in the live environment. A review of user profiles has been undertaken, with member copy functionality removed where appropriate. On an annual basis the Fund completes a year end exercise for active members which checks the data reasonableness in comparison to the previous year, and also identifies any records which have not had any pay or contributions posted for the current year. These records are referred back to the employer for further investigation.	Procedures will be developed to strengthen the controls related to the creation and use of test records in the live system. The number of test records in the live system will be limited to one which will be clearly documented and its test status will be easily idenfitiable. Only certain documented members of the team will be able to edit this record. In addition, a review of user profiles will be completed to access whether roles need 'member copy' functionality. User roles will be amended accordingly following the review.	HoP/TL	3	2	6	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	9	9	9
41	Insufficient cyber-liability insurance relating to the pensions administration system	The contract with the system supplier limits a cyber liability claim to a specified amount, unless a claim is based on an event caused by the contractor performing its services in a negligent manner. A catastrophic breach where scheme members' data is used fraudulently could lead to a claim in excess of the insurance cover.	4	3	12	DCC Internal Audit has carried out detailed testing of the supplier's data security arrangements. Liability cover in place via the supplier and separately the Pension Fund is included in DCC's self-insurance arrangements with respect to managing cyber security risks. The supplier is required to carry £5m of professional indemnity insurance as part of the contract.	Ongoing feedback to the new supplier on the level of supplier liability insurance. Further enhancement of procedures to protect against cyber risk.	HoP	4	2	8	4	8	8	8	8	8	8	8	8	12	12	12	12
42	Data quality inadequate	Incorrect benefit calculations, inaccurate information for funding purposes leading to possible complaints/ fines/reputation damage/uninformed decision making.	3	2	6	Apply current and short term measures in the Data Improvement Plan. A Data Management Working Group has been formed, and Terms of Reference agreed, with responsibility for the ongoing consideration and implementation of the Data Improvement Plan.	Continue to cleanse data; implement longer term measures in the Data Improvement Plan. Maintain regular meetings of the Data Management Group.	TL	3	2	6	0	6	6	6	6	6	6	6	6	6	6	6	6
43	Delayed Annual Benefit Statements and/or Pension Savings Statements (also know as Annual Allowance Statements)	Risk of complaints,TPR fines or other sanctions/reputational damaged caused by delays in issuing Annual Benefit Statements/Pensions Savings Statement. Possible delays caused by late employer returns, systems bulk processing issues, administration backlogs, and the roll-out of the member-self service system 'My Pension Online' (MPO).	3	3	9	Improved processes, clear messages to support employers to provide prompt accurate information, more efficient processing of ABSs on replacement system, exercise to trace addresses for missing deferred beneficiaries. Robust roll out plan for member self service system and back up plans in place for printing paper ABSs.	Continue work with employers to ensure better data quality, complete address checking exercise and reduce additional backlogs caused by migration. Improve process for identifying non-standard cases of annual pension savings breaches. Achieve MPO roll out targets.	HoP/TL	3	2	6	3	9	9	9	9	9	9	9	9	9	9	9	9
44	Insufficient technical knowledge	Failure to develop, train suitably knowledgeable staff leading to risk of negative impact on service delivery and risk of fines/sanctions together with risk of reputational damage.	3	2	6	Updates from LGA/LGPC, quarterly EMPOG meetings/on-site training events. The Fund has procured an additional service from the provider of the new pension administration system which provides flexible learning on demand.	Skills gap audit / formal training programme / Staff Development group/Performance Development Reviews.	HoP	3	2	6	0	6	6	6	6	6	6	6	6	6	6	6	6

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Probability	Target Score	Actual Minus Target Score	Trend Scores: Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21	Q1 21-22	Q2 21-22	Q3 21-22	Q4 21-22	Q1 22-23	Q2 22-23	Q3 22-23	Q4 22-23
45	Impact of McCloud judgement on administration	DLUHC and the LGPS SAB recognises the enormous challenge that could be faced by administering authorities and employers in potentially backdating scheme changes over a significant period. A full history of part time hour changes and service break information from 1 Apr 14 to 31 March 2022 will be needed in order to recreate final salary service. Implementation of the remedy could divert Fund resources and affect service deliivery levels. See Risk No. 37 for further information on the McCloud judgement.	3	4	12	Keeping up to date with news from the Scheme Advisory Board, the LGA, the Government Actuary's Department and the Fund's Actuary. Liasing with the provider of the Fund's pension administration system as it develops its bulk processes for implementing the McCloud remedy. Although the Fund continued to require employers to submit information about changes in part-time hours and service breaks, casual hours did not continue to be collected and the McCloud remedy may generate additional queries about changes since 1 Apr 14; employers have, therefore, been asked to provide information on casual hours and to retain all relevant employee records. A McCloud Project Team has been set up with initial workstreams of: governance; case identification; staffing/resources; & communications. The Fund has identified the likely members in scope of the proposed remedy. A response to the MHCLG (now DLUHC) consultation on Amendements to the Statutory Underpin was submitted by the Fund. Tools provided by Aquila Heywood Altair which will be used to identify and subsequently bulk load any required additional service history have been tested by the Fund.	Continue to collect information from employers on casual hours. Formulate a detailed plan of how to deal with the scheme changes (in particular setting out an order for calculations to be completed) as soon as they are confirmed and it is clear what bulk processes developed by the provider of the pension administration system will be utilised.	HoP	2	4	8	4	12	12	12	12	12	12	12	12	12	12	12	12
46	Lack of two factor authentication for Member Self Service	The Fund is implementing a member self-service solution (MSS) to improve the quality and efficiency of the service it provides to its members. MSS will allow members to view certain parts of their pension information (including Annual Benefit Statements), to undertake a restricted number of data amendments and to carry out benefit projections on-line. The member self-service solution provided by Aquila Heywood does not currently utilise a two-factor authentication method.	3	2	6	Robust registration and log-on procedures have been developed which have been approved by the Council's Information Governance Group (IGG). A further report on the setting of security questions has been taken to IGG for noting.	The Fund will continue to encourage Aquila Heywood to introduced two factor authentication for MSS (it has been introduced for the core Altair product).	HoP/TLs	3	2	6	0	N/A	N/A	6	6	6	6	6	6	6	6	6	6
47	Implications of Goodwin ruling.	Following the Walker v Innospec Supreme Court ruling, the government decided that in public service schemes, surviving male same-sex and female same-sex spouses and civil partners of public service pension scheme members will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages. A recent case brought in the Employment Tribunal (Goodwin) against the Secretary of State for Education highlighted that these changes may lead to direct sexual orientation discrimination within the Teachers' Pension Scheme, where male survivors of female scheme members remain entitled to a lower survivor benefit than a comparable same-sex survivor. The government concluded that changes are required to the TPS to address the discrimination and believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner or a female scheme member is in similar circumstances. A consultation will take place on the required regulatory changes for the LGPS. It is expected that the fund will need to investigate the cases of affected members, going back as far as 5 December 2005 when civil partnerships were introduced which will provide administration challenges.	2	3	6	The Fund is keeping up to date with developments on the implications of this ruling for the LGPS.	Further mitigating controls/procedures will be developed when more is known about this recently emerged risk.	HoP/TLs	2	3	6	0	N/A	N/A	6	6	6	6	6	6	6	6	6	6
48	Administration issues with AVC provider.	Following the implementation of a new system, the Fund's AVC provider, Prudential, has experienced delays in processing contributions, providing valuations and paying out claims which could lead to knock-on delays for the Fund in processing members' retirements. There is also a risk of associated reputational damage for the Fund which has appointed Prudential as its AVC provider.	2	4	8	The Fund is in regular correspondence with Prudential regarding the outstanding issues and is working with the company to try to ensure that any issues which could delay members' retirement dates are dealt with first. This matter is also on the agenda of the officer group of local LGPS funds' (EMPOG).	The Fund will continue to work closely with Prudential to support the resolution of outstanding issues.	HoP/TLs	2	2	4	4	N/A	N/A	N/A	N/A	8	8	8	8	8	8	8	8
49	Failure to meet the required Pensions Dashboards deadlines.	Failure to meet the required Pensions Dashboards deadlines, leading to potential fines/reputational damage.Pensions Dashboards will enable individuals to access their pensions information from different schemes online, securely and all in one place to support better retirement planning. This will require multiple parties and systems to be connected to the Pensions Dashboard Programme (PDP) central digital architecture (CDA). There will be no central database holding personal information - the CDA will function like a 'giant switchboard' connecting users with their pensions. The Pensions Dashboards Regulations 2022 place a requirement on pensions schemes to connect to the dashboard services and the Pensions Regulator has the power to issue a financial penalty for any breach of the regulations. In order to connect to the PDP CDA, the Pension Fund will require the services of an Integrated Service Provider. The staging deadline for the LGPS is 30 September 2024. Schemes will be expected to meet the required standards (connectivity, security and technical) by 30 September 2024. They must also, by that date, be able to respond to find requests, complete matching and provide administrative data, signpost data, value data and contextual information on request.	3	3	9	The Fund has formed a Pensions Dashboard Programme (PDP) Board to oversee the implementation of the PDP. Members of the team have attended information sessions on the PDP and investigations into the ISP options for connecting to the PDP have begun. Data cleansing is continuing to improve the quality of the Fund's data.	The Fund will continue to keep up to date with developments in respect of PDP and will continue to investigate the connectively options available whilst also continuing to focus on improving the quality of the Fund's data.	HOP/TL	3	2	6	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Derbyshire Pension Fund Risk Register

Date Last Updated **14-Apr-23** Changes highlighted in blue font.

Objectives

The objectives of the Risk Register are to:

- identify key risks to the achievement of the Fund's objectives;
- consider the risk identified; and
- access the significance of the risks.

Risk Assessment

- Identified risks are assessed separately and assigned a risk score. The risk score reflects a combination of the risk occurring (probability) and the likely severity (financial impact).
- A low risk classification is based on a score of 4 or less; a medium risk score ranges between 5 and 11; and a high risk score is anything with a score of 12 and above.
- The Risk Register also includes the target score; showing the impact of the risk occurring once the planned risk mitigations and controls have been completed.

Risk Assessment	**Impact**	**Probability**
Level 1	Negligible	Rare
Level 2	Low	Unlikely
Level 3	Medium	Possible
Level 4	High	Probable
Level 5	Very High	Almost certain

Officer Risk Owners	
DoF	Director of Finance & ICT
HoP	Head of Pension Fund
TL	Team Leader
IM	Investments Manager

Summary of Risk Scores	
Low Risk	5
Medium Risk	39
High Risk	5
Total Risks	**49**

Risk Score	
0 - 4	Low Risk
5 - 11	Medium Risk
12 and above	High Risk

Summary of Risk Scores Greater Than Eight

Risk Ranking	Main Risk Register No	Identification: Risk Area	Identification: High Level Risk	Current score: Impact	Current score: Probability	Current score: Current Score	Risk Owner	Target Score: Impact	Target Score: Probability	Target Score: Target Score	Actual Minus Target Score
1	13	Governance & Strategy	Systems failure/Lack of disaster recovery plan/Cybercrimeattack	4	3	12	HoP/IM/TL	4	2	8	4
2	20	Funding & Investments	Fund assets insufficient to meet liabilities / Decline in funding level / Fluctuations in assets & liabilities	4	3	12	HoP/IM	4	2	8	4
3	31	Funding & Investments	LGPS Central related underperformance of investment returns - failure to meet investment return targets against specified benchmarks	4	3	12	HoP/IM	4	2	8	4
4	41	Pensions Administration	Insufficient cyber-Liability Insurance relating to the pensions administration system	4	3	12	HoP	4	2	8	4
5	45	Pensions Administration	Impact of McCloud judgement on administration	3	4	12	HoP	2	4	8	4
6	1	Governance & Strategy	Failure to implement an effective governance framework	5	2	10	DoF/HoP	5	1	5	5
7	2	Governance & Strategy	Failure to recruit and retain suitable Pension Fund staff/Over reliance on key staff	3	3	9	HoP	3	2	6	3
8	4	Governance & Strategy	Pensions & Investments Committee (PIC)/Pension Board (PB) members lack of understanding of their role & responsibilities leading to inappropriate decisions.	3	3	9	HoP	3	2	6	3
9	14	Governance & Strategy	Failure to comply with General Data Protection Regulations (GDPR)	3	3	9	HoP/IM/TL	3	2	6	3
10	15	Governance & Strategy	Failure to communicate with stakeholders	3	3	9	HoP/IM/TL	3	2	6	3
11	17	Governance & Strategy	Risk of challenge to Exit Credits Policy/Determinations	3	3	9	HoP	3	2	6	3
12	19	Governance & Strategy	Failure to meet accessibility requirements	3	3	9	HoP/TL	3	2	6	3
13	30	Funding & Investments	LGPS Central Ltd fails to deliver the planned level of long term cost savings	3	3	9	HoP/IM	3	2	6	3
15	37	Funding & Investments	Impact of McCloud judgement on funding	3	3	9	HOP	3	3	9	0
16	40	Pension Administration	Insufficient controls relating to the governance of the pension administration system	3	3	9	HoP/TL	3	2	6	3
17	43	Pensions Administration	Delayed Annual Benefit Statements and/or Pension Savings Statements (also know as Annual Allowance Statements)	3	3	9	HoP/TL	3	2	6	3
18	49	Pensions Administration	Failure to meet the required Pensions Dashboards deadlines.	3	3	9	HOP/TL	3	2	6	3
19	3	Governance & Strategy	Failure to comply with regulatory requirements for governance	4	2	8	HoP	4	1	4	4
20	5	Governance & Strategy	An effective investment performance management framework is not in place	4	2	8	HoP/IM	4	2	8	0
21	10	Governance & Strategy	Pension Fund financial systems not accurately maintained	4	2	8	HoP	4	1	4	4
22	16	Governance & Strategy	Failure of internal/external suppliers to provide services to the Pension Fund due to business disruption	4	2	8	HoP/IM	4	2	8	0
23	18	Governance & Strategy	Risks arising from a potential significant acceleration of the academisation of schools.	2	4	8	HoP/TL	2	4	8	0
24	21	Funding & Investments	Mismatch between liability profile and asset allocation policy	4	2	8	HoP/IM	4	2	8	0
25	22	Funding & Investments	An inappropriate investment strategy is adopted/Investment strategy not consistent with Funding Strategy Statement/ Failure to implement adopted strategy and PIC recommendations	4	2	8	HoP/IM	4	2	8	0
26	23	Funding & Investments	Failure to correctly assess the potential impact of climate change on investment portfolio and on funding strategy	4	2	8	HoP/IM	4	2	8	0
27	24	Funding & Investments	Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio	4	2	8	HoP/IM	4	2	8	0
28	28	Funding & Investments	The LGPS Central investment offering is insufficient to allow the Fund to implement its agreed investment strategy	4	2	8	HoP/IM	4	1	4	4
29	29	Funding & Investments	The transition of the Fund's assets into LGPS Central's investment vehicles results in a loss of assets/and or excessive transition costs	4	2	8	HoP/IM	4	1	4	4
30	48	Pensions Administration	Administration issues with AVC provider	2	4	8	HOP/TLs	2	2	4	4

Trend Scores

Risk Ranking	Q1 20-21	Q2 20-21	Q3 20-21	Q4 20-21	Q1 21-22	Q2 21-22	Q3 21-22	Q4 21-22	Q1 22-23	Q2 22-23	Q3 22-23	Q4 22-23
1	8	8	8	8	8	8	8	8	12	12	12	12
2	12	12	12	12	12	12	12	12	12	12	12	12
3	12	12	12	12	12	12	12	12	12	12	12	12
4	8	8	8	8	8	8	8	8	12	12	12	12
5	12	12	12	12	12	12	12	12	12	12	12	12
6	N/A	10	10	10	10	10	10	10	10	10	10	10
7	N/A	9	9	9	9	9	9	9	9	9	9	9
8	9	9	9	9	9	9	9	9	9	9	9	9
9	9	9	9	9	9	9	9	9	9	9	9	9
10	9	9	9	9	9	9	9	9	9	9	9	9
11	N/A	9	9	9	9	9	9	9	9	9	9	9
12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	9	9	9
13	8	8	8	8	9	9	9	9	9	9	9	9
15	12	12	12	12	12	12	12	12	12	12	9	9
16	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	9	9	9
17	9	9	9	9	9	9	9	9	9	9	9	9
18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	4	4	4	4	8	8	8	8	8	8	8	8
20	6	6	6	6	8	8	8	8	8	8	8	8
21	6	6	6	6	8	8	8	8	8	8	8	8
22	N/A	8	8	8	8	8	8	8	8	8	8	8
23	N/A	N/A	N/A	N/A	N/A	8	8	8	8	8	8	8
24	8	8	8	8	8	8	8	8	8	8	8	8
25	8	8	8	8	8	8	8	8	8	8	8	8
26	N/A	12	12	12	8	8	8	8	8	8	8	8
27	N/A	N/A	N/A	N/A	8	8	8	8	8	8	8	8
28	8	8	8	8	8	8	8	8	8	8	8	8
29	8	8	8	8	8	8	8	8	8	8	8	8
30	N/A	N/A	N/A	N/A	8	8	8	8	8	8	8	8

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