

PUBLIC

MINUTES of a meeting of **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 5 June 2024 at Committee Room 1, County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, B Bingham, M Foster, G Musson, L Care and C Ashby.

Also in attendance was S Bond, A Fletcher (independent investment advisor), V Kinder, D Kinley, A Nelson, N Smith, S Webster, E Whysall.

Apologies for absence were submitted for Councillor N Atkin and N Read (trade union representative).

18/24 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

19/24 MINUTES

The minutes of the meeting held on 06 March 2024 were confirmed as a correct record.

20/24 PUBLIC QUESTIONS

1. Question submitted from Lisa Hopkinson on behalf of Divest Derbyshire:

At the March Pensions Committee meeting it was agreed that no changes to the draft Climate Strategy were required. This is despite the fact that more than 50% of respondents to the consultation did not agree that the investment framework was the right approach to managing ESG factors, and the vast majority stating that the Fund should do more to manage climate-related risks.

Given that the Committee only consults on the Climate Strategy every 3 years, and given that since the last strategy we have seen a number of disturbing events that indicate rapid worsening of climate breakdown, does the Committee think it's appropriate to wait another 3 years to consult on its climate strategy and consider divesting from climate wrecking investments?

As the questioner was not in attendance at the meeting, it was confirmed by the Chair that a written response would be provided.

2. Question submitted from Laura Stevens:

At the March Pensions and Investment Committee the Pension Fund managers suggested that the fund may consider offsetting its carbon emissions in future, for example using carbon credits. Is the Council aware that offsetting carbon has been widely discredited, and that offsetting is no substitute for reducing emissions which can be easily done through divestment from fossil fuels? According to research from the Guardian and Corporate Accountability the vast majority of environmental projects most frequently used to offset greenhouse gas emissions have fundamental failings. Is the Council aware that other Pension Funds such as Wiltshire and West Yorkshire have already committed to divestment from fossil fuels and that 6 out of 9 Derbyshire councils also support this? If those councils have now passed motions to divest, how does DCC plan to accommodate their requests to do this if your Pension Board is managing their pensions?

As the questioner was not in attendance at the meeting, it was confirmed by the Chair that a written response would be provided.

21/24 INVESTMENT REPORT

The Committee were provided with a report and presentation, reviewing the Fund's asset allocation, investment activity since the last meeting, and long-term performance analysis that sought approval for the investment strategy in the light of recommendations from the Director of Finance and the Fund's independent external adviser.

A copy of Mr Fletcher's report, incorporating his view on the global economic position, factual information for global market returns, the performance of the Fund and his recommendations on investment strategy and asset allocation was attached as an appendix to 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.

22/24 STEWARDSHIP REPORT

The Committee were provided with a report, providing an overview of the stewardship activity carried out by Derbyshire Pension Fund's (the Fund) external investment managers.

Two reports had been attached as appendices to ensure that the Pensions & Investments Committee was aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and by LGPS Central Limited (the Fund's pooling company) (LGPSC):

- Q1 2024 LGIM ESG Impact Report
- Q4 2023-24 LGPSC Quarterly Stewardship Report

LGIM managed around £1.9bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities; and Global Sustainable Equities. LGPSC managed around £1.1bn of assets (£1.2bn on a committed basis) on behalf of the Fund through its Global Emerging Market Equities Sub-Fund, Global Investment Grade Bonds Sub-Fund, All World Climate Factor Equity Sub-Fund, Global Sustainable Equities Broad Strategy, Global Sustainable Equities Targeted Strategy, Primary Private Equity Fund, Private Debt Fund and UK Indirect Residential Property Fund. It was expected that LGPSC would manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project.

The two reports provided an overview of the investment managers' key stewardship themes and voting and engagement activity.

RESOLVED:

That the Committee note the stewardship activity of LGIM and LGPSC.

23/24 HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT

The Committee were provided with a report detailing the pension 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 2023/2024.

Pension administration is the practice of undertaking a number of essential processes and actions towards the core objective of paying pension benefits to scheme members in a timely and accurate manner.

The administration team continued through the second half of 2023/24 to maintain strong results against key performance indicators which were based on regulatory timescales for providing scheme members with information at certain points of their participation in the Local Government Pension Scheme (LGPS).

The Fund would hold the first meeting of its Member Engagement Forum in July 2025.

RESOLVED:

That the Committee note the workloads and performance levels outlined in the report.

24/24 CLIMATE RELATED DISCLOSURES

The Committee were provided with a report presenting the Derbyshire Pension Fund's (the Pension Fund/Fund) fourth Climate-Related Disclosures Report (Disclosure Report).

The Fund published its first disclosures report in March 2020, followed by a second report in November 2021, and a third report in January 2023. The report covered the Fund's fourth Disclosures Report and described the way in which climate-related risks were managed by the Fund. It included the results of climate scenario analysis and carbon risk metrics analysis undertaken on the Fund's assets as part of LGPSC's preparation of an annual Climate Risk Management Report for the Pension Fund.

In future, it was expected that the reporting of LGPS governance of climate change risks would be covered by guidance issued by the Department for Levelling Up, Housing & Communities (DLUHC). DLUHC launched a consultation on 'Local Government Pension Scheme (England & Wales): Governance and Reporting of Climate Change Risks' on 1 September 2022. The Fund responded to the consultation in November 2023. DLUHC was yet to respond to the consultation responses and issue final guidance. Once published in final form, the Fund planned to comply with the DLUHC guidance to the extent possible.

RESOLVED:

That the Committee note the Climate-Related Disclosures Report attached as Appendix 2 to the report.

25/24 DERBYSHIRE PENSION FUND RISK REGISTER

The Committee were provided with a report detailing the Derbyshire Pension Fund (the Fund) Risk Register.

The Risk Register identified:

- 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 was kept under constant review by the risk owners, with quarterly review by the Director of Finance. Derbyshire Pension Board (the Pension Board) also undertakes a detailed review of the Risk Register on an annual basis. Changes from the Committee's last consideration of the Risk Register were highlighted in blue font in the Summary and Main Risk Registers, which were attached to the report as Appendix 2 and Appendix 3 respectively.

RESOLVED:

That the Committee note the risk items identified in the Risk Register.

26/24 EXCLUSION OF THE PUBLIC

27/24 LOCAL GOVERNMENT PENSION SCHEME INVESTMENT POOLING

The Committee were provided with a report providing an update on matters in respect of Local Government Pension Scheme (LGPS) investment pooling.

The report sought approval for the delegation of the administering authority's response to a Letter from the Minister for Local Government with respect to the management of the LGPS (dated 15 May 2024) to the Director of Finance in consultation with the Chair of Committee.

RESOLVED:

That the Committee:

- a) note the contents of the report; and
- b) delegates approval of the administering authority's response to the Letter from the Minister for Local Government dated 15 May 2024 to the Director of Finance in consultation with the Chair of Committee.

28/24 SUMMARY OF AADPS AND OMBUDSMAN ESCALATIONS DURING 2023/24

The Committee were provided with a summary report as the administering authority of Derbyshire Pension Fund (the Pension Fund/Fund). Committee Members were requested to note the appeals which were adjudicated by the authority at Stages 1 and 2 of the Application for the Adjudication of Disagreements Procedure (AADP), and separately, those which were submitted to and/or determined by The Pensions Ombudsman (the Ombudsman) during the period 1 April 2023 to 31 March 2024.

All appeals were analysed, and improvement action had been taken, where required, to reduce the risk of future appeals. Committee Members were asked to note actions carried out in this regard.

Payment of sums had been noted in recognition of distress and inconvenience where appropriate, where maladministration had been identified.

RESOLVED:

That the Committee note:

- a) the summary of adjudications by the administering authority;
- b) cases escalated to, and determined by The Pensions Ombudsman during 2023/2024;
- c) cases escalated to The Pensions Ombudsman earlier than 2023/24 and where a determination is still outstanding;
- d) the payment of sums in recognition of distress and inconvenience where appropriate, where the Fund has identified maladministration; and
- e) adjustments and planned developments as a result of lessons learned from appeals received during 2023/24.