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PUBLIC

To: Members of the Pensions and Investments Committee

Monday, 25 April 2022

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **10.30 am** on **Wednesday, 4 May 2022** in the Members Room, 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. To receive apologies for absence

2. To receive declarations of interest (if any)

3. To confirm the non-exempt minutes of the meeting held on 2 March 2022 (Pages 1 - 6)

To consider the reports of the Interim Director of Finance and ICT on:

4. Stewardship Report (Pages 7 - 44)

5. Derbyshire Pension Fund Risk Register (Pages 45 - 62)

6. Half-Year Pension Administration Performance Report - 1 October 2021 to 31 March 2022 (Pages 63 - 84)

7. Appointment of an External Advisor to Derbyshire Pension Fund (Pages 85 - 88)

8. Exclusion of the Public

   To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraphs 1,2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART II - EXEMPT ITEMS

9. To receive declarations of interest (if any)

To consider the exempt report of the Interim Director of Finance and ICT on:

10. Summary of Appeals and Ombudsman Escalations during 2021-22 (Pages 89 - 106)

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on 2 March 2022 at County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Derbyshire County Council

Councillors R Ashton, N Atkin, B Bingham, M Foster, G Musson, A Sutton (substitute Member) and M Yates

Derby City Council

Councillors L Care and M Carr

Derbyshire County Unison

Mr M Wilson

Also in attendance – M Fairman, D Kinley and N Smith (representing Derbyshire County Council)

S Ambler, R Graham, K Gurney and N Read (representing the Pension Board)

Apologies for absence were received on behalf of Councillor P Smith

Declarations of Interest

There were no declarations of interest.

1/22 **PUBLIC QUESTION** The following question had been received from a member of the public, Sue Owen, on behalf of Derbyshire Pensioners Action Group:

"On 8th February 2022 Derbyshire Pensioners Action Group organised a webinar with Mark Campanale of Carbon Tracker, about the Financial Risks of Fossil Fuel Investment. This authoritative presentation was attended by a number of County and District Derbyshire councillors. The webinar made a very informative and well researched case, explaining why, due to the transition away from the use of fossil fuels into renewable energy, fossil fuel investments are risky and volatile, and therefore a bad long term investment for any pension fund. This kind of information is now becoming widely discussed in the media and the public. We feel it is important that investment decisions about our pensions are based on a full risk analysis, and we hope that the Pension Committee would welcome opportunities to hear a variety of views.

Will the Derbyshire Pension Committee reconsider asking Carbon Tracker to return and make the presentation to the whole committee, allowing Councillors, officers and advisors to question Mark directly?"

The Chairman responded as follows:

"The Pension Fund is making good progress against the targets included in its Climate Strategy for reducing the carbon footprint of the Fund's listed equity portfolio and for increasing the Fund's investments in low carbon and sustainable equities. The Climate Strategy was based on information from a wide range of sources. In the run up to the review of the Climate Strategy in 2023, committee members will again have the opportunity to listen to, and ask questions of, external experts on the implications of climate change for pension funds. In the meantime, committee members continue to have access to information from a variety of sources. For example, a number of committee members participated in the Local Authority Pension Fund Forum's Say on Climate event last week where there was a wide range of presenters including Mr Campanale."

2/22 **<u>MINUTES</u> RESOLVED** that the minutes of the meeting held on 8 December 2021 be confirmed as a correct record and signed by the Chairman.

3/22 **<u>INVESTMENT REPORT</u>** Neil Smith, the Investments Manager provided the Committee with an update in relation to the Fund's investments in Russian companies. The Fund currently had approximately £12m in total of exposure to Russian investments which equated to 0.2% of assets out of a total investment portfolio of £6bn. The In-house Investment Management Team along with the Fund Managers, were monitoring the Fund's Russian investments and the impact of on-going sanctions. The In-house Investment Management Team were assessing the options available to the Fund for managing these assets and noted that these options would be brought back to the Committee at the next meeting.

Mr Anthony Fletcher, the external adviser from MJHudson Allenbridge Investment Advisers Limited, attended the meeting and presented his report to the Committee. The report incorporated Mr Fletcher's view on the global economic position, factual information for global market returns, the performance of the Derbyshire Pension Fund, and his latest recommendations on investment strategy and asset allocation. Mr Fletcher also provided an update and a general overview of the current market situation.

The Fund's latest asset allocation at 31 January 2022 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new final strategic asset allocation benchmark, which came into effect on 1 January 2022, were set out in the report. The value of the Fund's investment assets had increased by £70m between 31 October 2021 and 31 January 2022 to £6.105bn. Over the twelve months to 31 January 2022, the value of the Fund's investment assets had increased by £893m. The Fund's valuation could fluctuate significantly in the short term, reflecting market conditions and supported the Fund's strategy on the long term. A copy of the Fund's valuation at 31 January 2022 was attached at Appendix 3 to the report.

With the ongoing situation in the Ukraine and the prospect of rising inflation, the officers and Mr Fletcher confirmed to Committee that their respective proposed asset allocation weightings as set out in the Investment Report remained appropriate at this moment in time but this would be monitored by the officers of the Fund and the Fund had the flexibility to adapt and act quickly if needed. Any change in the investment strategy would be reported to Members.

RESOLVED that the Committee (1) note the report of the independent external advisor, Mr Fletcher;

(2) note the asset allocations, total assets and long-term performance analysis set out in the report of the Interim Director of Finance & ICT; and

(3) approves the IIMT recommendations outlined in the report of the Interim Director of Finance & ICT.

4/22 **DERBYSHIRE PENSION FUND SERVICE PLAN** Approval was sought for the Pension Fund's Service Plan for 2022-23, which included the annual budget for the year of £35.200m.

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 2021-22
- A review of 2021-22 performance indicators
- Forward plan of Pension Fund procurements to 31 March 2024
- The Fund's medium-term priorities
- The 2022-23 budget required to deliver the Fund's services
- 2022-23 key performance indicators

For 2022-23, a budget of £35.200m was sought to deliver the services of the Pension Fund, made up of operational costs of £5.657m and total investment management costs (IMEs) of £29.542m.

RESOLVED that the Committee approves the 2022-23 Service Plan for Derbyshire Pension Fund, attached at Appendix 2 to the report, including the annual budget of £35.200m.

5/22 **TREASURY MANAGEMENT STRATEGY 2022-23** Approval was sought for the Pension Fund's proposed Treasury Management Strategy for 2022-23, which was attached at Appendix 2 to the report.

The Committee was informed that 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 at 31 January 2022 was 4.7%, equating to £288m. Future commitments at 31 January 2022 totalled around £328m.

The proposed Treasury Management Strategy for 2022-23 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 set out in the Strategy.
- An increase in the overnight limit for the Fund's main operational bank account from £30m to £60m and an increase in the limit for the in house account of the Fund's custodian from £30m to £60m to minimise transaction risk; this reflected the material increase in transaction size as a result of the rise in the value of the portfolio in recent years.
- Investments should be limited by type as detailed in the Strategy.

RESOLVED that the Committee approves the Treasury Management Strategy for Derbyshire Pension Fund for 2022-23 attached at Appendix 2 to the report.

6/22 **RECRUITMENT OF AN EXTERNAL ADVISOR TO DERBYSHIRE PENSION FUND** The Consultancy Agreement with the Fund's current external advisor, Mr Anthony Fletcher of MJ Hudson, would expire on 30 June 2022. The report set out an overview of the proposed process for the recruitment of an external advisor which was being co-ordinated by the Fund's

In-house Investment Management Team with support from the Corporate Procurement Team.

The role was currently being advertised on Source Derbyshire and the closing date for written applications was 18 March 2022. The recruitment would be for an initial term of three years with an option for the county council to extend for a further two years on an annual basis.

Applicants would be required to submit a tender response and attend a presentation. Following the screening of the tender responses, the Head of Pension Fund and the Fund's Investments Manager, together with a representative from the Procurement Team, will attend the presentations of those candidates taken forward to that stage. These presentations are scheduled to take place the week commencing 11 April 2022 and the Chairman of the Committee will attend the presentations and confirm the final preferred candidate. A report seeking approval to appoint the preferred candidate will be presented to the Committee in June 2022.

RESOLVED that the Committee (1) notes the proposed process for the recruitment of an external advisor as set out in the report; and

(2) confirms the attendance of the Chairman at the presentation stage.

7/22 **EXCLUSION OF THE PUBLIC** **RESOLVED** to move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC HAD BEEN EXCLUDED FROM THE MEETING

1. To confirm the exempt minutes of the meeting held on 8 December 2021 (contains exempt information)

8/22 **MINUTES** **RESOLVED** that the exempt minutes of the meeting held on 8 December 2021 be confirmed as a correct record and signed by the Chairman.

The meeting ended at 12.30pm

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 4 May 2022

Report of the Interim Director of Finance & ICT

Stewardship Report

1. Purpose

1.1 To provide the Pensions & Investments Committee with an overview of the stewardship activity carried out by Legal & General Investment Management (LGIM), one of Derbyshire Pension Fund's (the Fund) external investment managers, in the quarter ended 31 December 2021.

1.2 To provide the Pensions & Investments Committee with an update in respect of the Fund's investments in Russia.

2. Information and Analysis

2.1 LGIM ESG Impact Report

2.1.1 This report attaches, at Appendix 2, the Q4 2021 LGIM ESG Impact Report to ensure that the Pensions & Investments Committee is aware of the engagement activity being carried out by LGIM. LGIM manages around £1.8bn of assets on behalf of the Fund through passive products covering: Low Carbon Global Sustainable Equities; UK Equities; Japanese Equities; and Emerging Market Equities. The report provides an overview of LGIM's current key stewardship themes and voting and engagement activity over the last quarter.

2.2 LGPS Central Limited Stewardship Report

2.2.1 The quarterly Stewardship Report to the Pensions & Investments Committee generally also includes a quarterly stewardship report from LGPS Central Limited (LGPSC), the Fund's pooling company. Following a change to the LGPSC stewardship reporting cycle, the annual stewardship report for the year to 31 December 2021 will not be available until late April 2022 / early May 2022. The LGPSC annual stewardship report will be presented to Committee in due course.

2.3 Investments in Russia

2.3.1 As reported to Committee in March 2022, the Fund had around £12m invested in Russian companies prior to the start of the conflict between Russia and Ukraine. These investments represented around 0.2% of the Fund's total investment portfolio of over £6bn and were managed through pooled investment vehicles, with a proportion in passive investments which track stock market indices provided by MSCI and FTSE Russell.

2.3.2 The Fund published a statement in respect of its Russian investments on the Fund's website on 9 March 2022, a copy of which is attached at Appendix 3.

2.3.3 As set out in the statement, the Fund, together with its fund managers, is continuing to monitor and assess developments in Russia and Ukraine. In March 2022, both MSCI and FTSE Russell announced that they were deleting Russian classified securities from their indices, meaning that these would be removed from their passive funds. As a result, around £7m of the Fund's Russian investments were written down to zero, albeit the passive funds still own the securities because the Russian domestic stock market remains closed and sanction restrictions limit the ability to sell these securities at present.

2.3.4 The remainder of the Fund's Russian investments largely relate to securities held in the LGPS Central Limited Global Active Emerging Markets Equity Fund. LGPS Central Limited (LGPSC) has instructed the three underlying external investment managers not to increase any of the existing Russian positions and is engaging with the managers regarding the unwinding of these investments, subject to markets reopening and any sanction restrictions. Any Russian investments have been written down to zero.

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 in the Investment Section.

5. Appendices

5.1 Appendix 1 - Implications.
5.2 Appendix 2 - Q4 2021 LGIM ESG Impact Report.
5.3 Appendix 3 - The Fund's Statement on Russian Investments

6 Recommendation(s)

That Committee:

(a) notes the stewardship activity of LGIM.
(b) notes the update in respect of the Fund's investments in Russia.

Report Author: Neil Smith
Investments Manager

Appendix 1

Implications

Financial

1.1 The Fund's investments in Russian companies, which were valued at around £12m prior to the start of the conflict between Russia and Ukraine, have been written down to zero. The write-down is not material in the context of the overall Fund.

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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Not to be distributed to retail investors. Capital at risk.

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Q4 2021

ESG Impact Report

Global engagement to deliver positive change

LGIM

Our mission

We aim to use our influence to ensure:

1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking

2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

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In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.

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Action and impact

From COP26 and the climate transition, to executive pay and ethnicity, we engaged with companies on a broad spectrum of topics during the final quarter of 2021. A summary of key activity, core themes and public policy focus points during the period, this report also contains detailed voting and engagement statistics.

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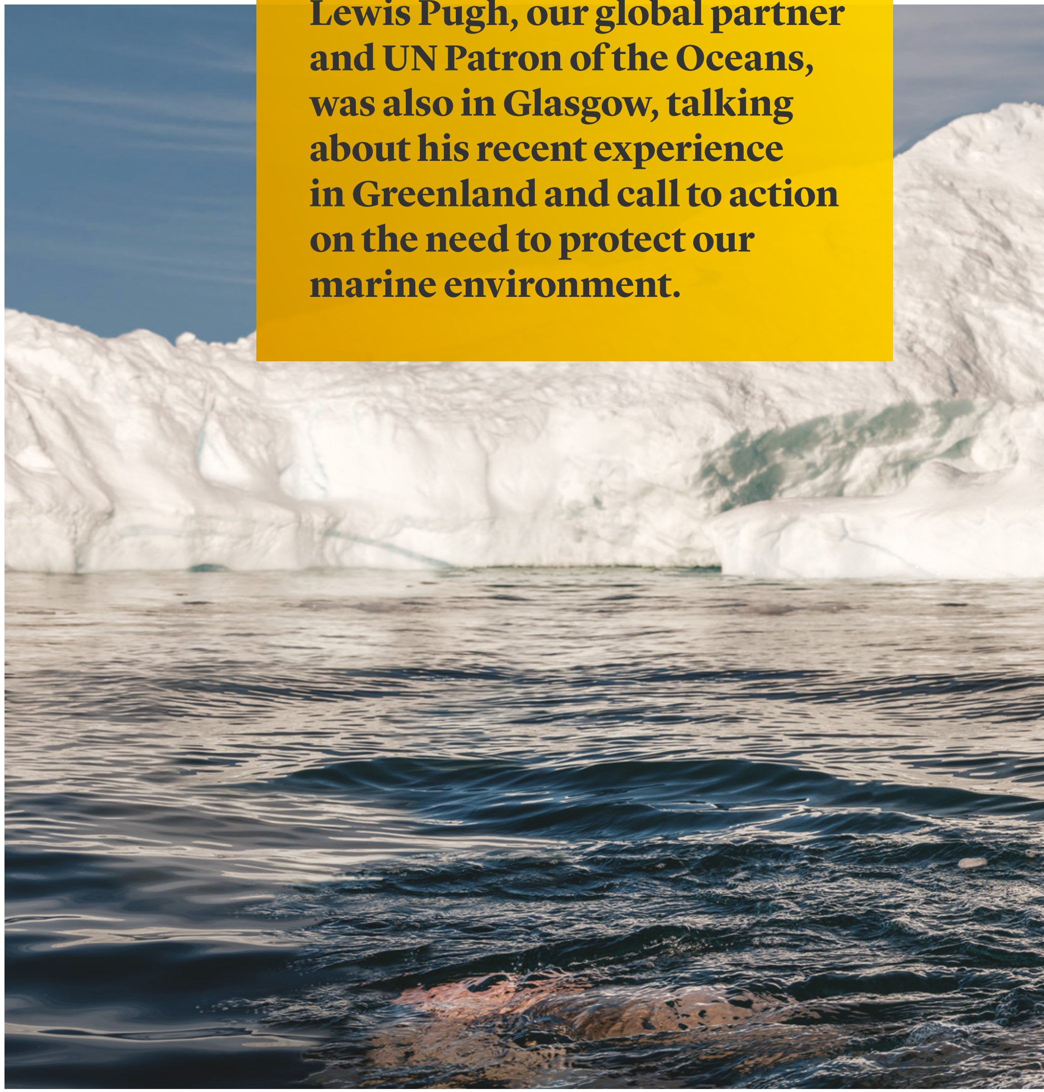
Environmental | Social | Governance

ESG: Environment

Lewis Pugh, our global partner and UN Patron of the Oceans, was also in Glasgow, talking about his recent experience in Greenland and call to action on the need to protect our marine environment.



COP 26

We firmly believe that international leadership and collaboration are key to delivering a decarbonised future. In November 2021, Glasgow played host to world leaders, heads of state, industry chiefs and civil organisations at the UN global climate summit, COP26. The acceleration of carbon pricing, fossil-fuel subsidy reform, phase-out of thermal coal and unlocking of capital to emerging markets were some of the important issues high on the agenda.

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LGIM was at the heart of the COP26 programme, helping to push the private sector to do more on the transition to net zero and to galvanise climate action in the public sector. Our CEO, Michelle Scrimgeour, represented LGIM at the summit and, as co-chair of the UK government's COP26 Business Leaders Group, addressed the audience on Finance Day.

Lewis Pugh, our global partner and UN Patron of the Oceans, was also in Glasgow, talking about his recent experience in Greenland and call to action on the need to protect our marine environment.

Our engagement at COP26 was a natural extension of the work we already do to influence change in our industry and across global markets where we have been part of a number of initiatives and commitments. Among these was our support for the Get Nature Positive campaign, in recognition of the role that protecting and restoring biodiversity will play in creating a more sustainable future, as well as the Deforestation-Free Finance commitment on agricultural commodity-driven deforestation.

Climate Impact Pledge – launch of the 5th engagement cycle

In October, we launched the fifth engagement cycle of the Climate Impact Pledge, our flagship climate engagement programme. From apparel and airlines to technology companies and utilities, we analyse and directly engage with around 60 companies in 15 climate-critical sectors on their strategic approach to climate change, and to what extent they are aligning their businesses with the constraints and opportunities of a net-zero transition.

The programme targets companies that are large and influential in their respective sectors, but who are not yet meeting ‘best practice’ expectations. These are companies who could have a significant positive trickle-down effect across their industries and value chains by setting and pursuing ambitious net-zero targets.

At this point in the engagement cycle, 75% of companies have responded to our engagement requests.

To date, we have been encouraged by the rapid growth in the number of companies with net-zero commitments, across sectors and markets. We are seeing financial institutions improve their emissions reporting practices, airlines set targets for the use of sustainable aviation fuels (SAF) and food companies establishing more stringent deforestation policies.

However, there is often a lack of detailed net-zero transition plans to support emissions reduction targets. In 2022, we will continue to press companies to establish robust decarbonisation strategies, with granular interim roadmaps out to 2050, to accompany their public announcements.

BHP* - Climate Transition Plan

BHP, one of the world's largest mining companies, had put its climate transition plan to a shareholder vote for the first time in its history – a trend we expect to gather pace across the extractives sector in the coming years.

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When assessing such plans, among other factors, we look closely at how aligned the emissions reduction targets are to Paris goals and whether the milestones set are credible and pragmatic.

While we note BHP has made a substantial progress in its environmental footprint, we opposed its climate transition plan as we deemed the targets to be insufficient and fall short of the level of ambition required to support a net zero pathway.

*For illustrative purposes only. Reference to any particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. Such references do not constitute a recommendation to buy or sell any security.

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Environmental | Social | Governance

ESG: Social

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Ethnicity campaign

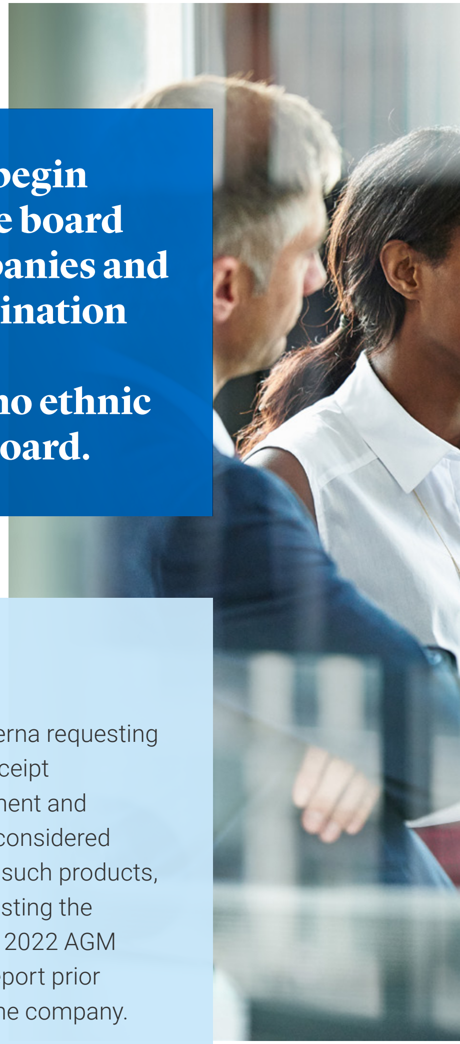
In September 2020, we launched our ethnicity engagement campaign and voting strategy, where we committed to engaging with the largest US and UK companies with no ethnic diversity on the board, with a commitment to taking action on a lack of improvement by placing a negative vote at their 2022 AGM.

We wrote to 79 companies across the S&P500 and FTSE 100 indices to alert them of our expectations, and to the potential voting action we would take.

In October 2021, we re-visited the board's ethnic representation of the companies in these indices, with the intention of writing to those who were still in breach of our expectations of one person of diverse ethnicity on the board. This review resulted in us writing to 37 companies in total, meaning that our target list has almost halved compared to the previous year, demonstrating decent progress. On initial study of the data, we discovered that in 2021, we wrote to 10 US and 12 UK companies which have been persistent laggards – falling short of our expectations in both 2020 and 2021 – which means that they have not improved the ethnic diversity of their boards over the last 18 months.

In Q1 2022 we will be taking a more granular look at the data to understand in more detail any trends and improvements. Our voting commitment is steadfast, and from January 2022 we shall be voting against the board chair of UK companies and the Chair of the Nomination Committee of US companies with no ethnic diversity on the board.

In 2022, we shall begin voting against the board chair of UK companies and the Chair of Nomination Committee of US companies with no ethnic diversity on the board.



Moderna*

We have filed a shareholder proposal at Moderna requesting that the company publicly disclose how its receipt of government financial support for development and manufacture of a COVID-19 vaccine is being considered when making decisions that affect access to such products, such as setting prices. The company is contesting the inclusion of the proposal on its agenda at the 2022 AGM and has indicated that it will publish such a report prior to the AGM. We are currently engaging with the company.

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Antimicrobial Resistance (AMR)

LGIM, together with the Investor Action on Antimicrobial resistance, wrote to the G7 finance ministers, in response to their Statement on Actions to Support Antibiotic Development. The letter highlights that investors see AMR as a financial stability risk, and as an investor across multiple asset classes, LGIM is exposed via multiple sectors from healthcare and pharmaceuticals, to travel and leisure.

The letter also highlights how the current pandemic is a clear illustration of the potential financial consequences of a global public health crisis, and that it has worsened the impact of AMR. If not addressed, AMR is projected to have significantly greater impacts than COVID-19. The World Health Organisation (WHO) describes AMR as one of the biggest threats to society today.

One of our team is a member of the Expert Committee for the 2021 Antimicrobial Resistance Benchmark methodology. The Expert Committee (EC) is made up of 10 independent experts, including from WHO, top-level academic centres, governments in low- and middle-income countries, as well as investors and pharmaceutical industry representatives. The 2021 Antimicrobial Resistance Benchmark was launched during World AMR Awareness Week in November; it evaluates how 17 of the world's largest pharmaceutical companies are performing in the fight against antimicrobial resistance. During the World AMR Awareness Week, a member of LGIM's Stewardship team was also invited to participate in a panel discussion on the topic of 'A 'One Health' Spotlight on Access, Innovation and Stewardship' hosted by the Investor Action on AMR initiative with investors and industry representatives. LGIM presented and discussed our engagement work on water utility companies and AMR.

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Social responsibility for social media

In early 2019, the [Social Media Collaborative Engagement] of 104 global investors was established, representing approximately £7 trillion AUM, in response to the live streaming of the Christchurch terror attack on 15 March 2019 on Meta[1], Alphabet* and Twitter*. It was believed that these companies betrayed their users' trust, breached their duty of care and severely damaged their social licence to operate.

The Collaboration has now closed and the results and impact show how powerful working together can be, where speaking with a united voice on an important issue can yield positive change.

Why did we join this collaboration?

Technology stocks are a significant part of many global indices and as ESG risks have developed, there have been consequences for global investment portfolios. There are many additional risks for the broader technology sector, for example the decline of consumer trust, litigation risk including anti-trust, regulatory risks, and reputational risks.

The purpose of the collaboration was to engage these three social media companies with a single focus: to strengthen controls to prevent the livestreaming and dissemination of objectionable content.

[1] Meta, formerly facebook

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What action did the collaboration take?

The first action was to speak out publicly on the Collaboration's intention to engage the identified social media companies – Meta, Alphabet, Twitter – on this issue. This decision was taken to indicate clear dissatisfaction with the companies who showed a lack of accountability. Engagement letters were sent to the chairs of the boards of each of the three companies and engagement meetings were held to discuss their responses.

The Collaboration also created and distributed a resource for shareholders outside the group who sought to engage on the same issue. This ensured the social media companies were hearing the same message from a wide range of investors, signalling the importance of the issue to the broader investor community.

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The identified companies assured the Collaboration that they were making changes to strengthen controls to avoid a similar situation in future. However, none of the companies agreed for a board member to meet the Collaboration, and it was felt that there wasn't enough commitment from the companies on the issue.

Therefore, the Collaboration published an open letter distributed via global press, calling for:

- clear lines of governance and accountability to ensure social media platforms cannot be used to promote objectionable content; and
- sufficient resources dedicated to combatting the live-streaming and spread of objectionable material across the platforms.

Additionally, during 2020 and 2021, LGIM voted in favour of various shareholder proposals at all three companies that focused on human rights issues, such as expertise at board level and further disclosures.

What are the results?

- In late 2020, Meta informed the Collaboration that it had strengthened its Audit & Risk Oversight Committee charter to explicitly include a focus on the sharing of content that violate its policies;
- Meta also made a commitment to prevent such abuse, not just to mitigate it; and
- all the company platforms have moved to strengthen controls to prevent the live streaming and distribution of objectionable content.

What does this mean?

Research commissioned by the Collaboration by an external think tank called Brainbox Institute reviewed the technology changes and concluded that:

- the measures introduced by the platforms have a high likelihood of significantly mitigating the scale of dissemination of future objectionable content;
- the platforms have made and continue to make reasonable efforts to reduce the spread of objectionable content;
- the platforms are well-placed to rapidly triage potential objectionable content and they have implemented mechanisms to quickly intervene in such cases and can do so much faster than a government body could;
- however, the platforms are highly unlikely to absolutely prevent the spread of objectionable content of another similar type of event because once new content has been uploaded, there is an unavoidable time delay before it can be accurately classified as objectionable and this time gap cannot be entirely eliminated

Environmental | Social | Governance

ESG: Governance

Filing of shareholder proposals

We have once again filed a shareholder resolution requesting that an S&P pharmaceutical company appoint an independent chair, thereby splitting its currently combined chair and CEO role. We have engaged with the company since filing the shareholder proposal and will continue to monitor the situation to consider whether to maintain the proposal or withdraw it.

Cardinal Health*

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In May 2021, LGIM America co-filed a shareholder resolution, together with our investor colleagues within The Investors for Opioid Accountability (IOPA), asking the company to publish annually an in-depth report disclosing its direct and indirect lobbying activities and expenditures, as well as its policies and procedures governing such activities (a 'Political Contributions and Activities Report').

Following engagements with the company, the board agreed to expand its Political Contributions and Activities Report to include all disclosures relating to state lobbying expenses exceeding US$25,000; payments to trade associations and other organisations (including to those that draft and support model legislation); and the approach the company will take when a trade association of which it is a member takes a position which differs from the company's corporate position.

Following the engagement we, together with the other co-filing investors, withdrew the shareholder proposal. This is a concrete example of using a shareholder proposal as an engagement tool and demonstrates the positive impact of engagement.

Significant votes: evolving our reporting

LGIM takes our responsibility to exercise the voting rights of our clients' assets very seriously. We exercise the shareholder rights of a significant number of our clients with one consistent voice across all our active and index funds. This improves the effectiveness of voting as a means of supporting our engagement activities and bringing about change in the market.

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to continue to help clients fulfil their reporting obligations.

For many years, LGIM has regularly produced case studies and/or summaries of vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA).

We will provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

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Every year, LGIM's stewardship team responds to over 100 remuneration consultations.

We publicly disclose our votes for the major markets on our website; these reports are published in a timely manner at the end of each month and can be used by clients for their external reporting requirements.

Executive pay

LGIM publishes our principles on executive pay to help our investee companies understand our views on what we consider best practice in terms of executive pay policy. We also meet annually with remuneration consultants to make them aware of our evolving views.

LGIM has written to all FTSE All-Share listed companies (excluding investment trusts) to send them a copy of our revised Executive Pay Principles and to explain that, from 2022, we will be responding to fewer consultations on executive pay.

To be more effective and efficient, we are limiting the types of consultations to which we will respond: responses will be on a case-by-case basis and cover only those issues where the company wishes to apply discretion, or to introduce something that is not already covered in our Principles. This will mean companies receive LGIM's feedback on issues that are critical for them.

Simplification of governance structures

Following a recent trend at dual-listed companies to simplify their equity structure, this quarter saw two large companies moving to a single listing. At Shell*, the unification resulted in a primary listing in London while BHP* had switched to the Australian Securities Exchange. In both cases we supported the simplified governance structure. When assessing such situations, we review the business rationale for the restructuring, and ensure all shareholders benefit from a transparent and fair process.

*For illustrative purposes only. Reference to any particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. Such references do not constitute a recommendation to buy or sell any security.

Significant votes

Company name: Microsoft*

ISIN: GB00B1QH8P22	**Market cap:** US $2,311bn as at 31 January 2022 (Thomson Reuters)	**Sector:** Software & services

Issue identified:	The company recently re-combined the chair and CEO roles, after having these separate for a number of years.
Summary of the resolution:	To re-elect CEO Satya Nadella, and John Thompson (Nomination Committee Chair and Lead Independent Director).
How LGIM voted:	LGIM voted against both resolutions.
Rationale for the decision:	LGIM has set out expectations for all companies to have a separate chair and CEO. This recombination of the roles during 2021 at Microsoft was particularly disappointing as it has had a separation of the roles for many years. Given the company did not seek prior shareholder approval for the re-combination of roles, we also voted against the board Nomination Committee Chair / Lead Independent Director.
Outcome:	While engagement with the company has been fruitful over the years, we conveyed our disappointment at this governance change. Both directors were re-elected with over 90% support from shareholders.
Why is this vote significant?	This vote was significant because it related to one of LGIM's engagement themes: Board effectiveness.

*For illustrative purposes only. Reference to any particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. Such references do not constitute a recommendation to buy or sell any security.

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Significant votes

Company name: The Procter & Gamble Co*		
ISIN: US7427181091	**Market cap:** US $397bn per Thomson Reuters as at 06/1/22	**Sector:** Household & personal products

Issue identified:	The re-election of Angela Braly – as she is chair of the Governance and Public Responsibility Committee. In 2020, P&G shareholders, including LGIM, supported a resolution calling on the company to report on the efforts to eliminate deforestation, filed by Green Century. The resolution was passed with 67% support. Green Century wanted shareholders to vote against the re-election of Angela Braly because the actions taken by P&G since the previous AGM had not been sufficient. In particular, Green Century was concerned by P&G's failure to make a public commitment to end sourcing from intact forests and the lack of goals around the use of recycled fibre in its products.
Summary of the resolution:	• Resolution 1b – Elect Angela F Braly • 12 October 2021
How LGIM voted:	We voted in favour of Angela Braly's re-election
Rationale for the decision:	LGIM engaged with Green Century* to find out why they were targeting Angela Braly and to shed light on their ongoing concerns with the company. We then engaged with P&G ahead of their AGM to discuss Green Century's concerns and for an update on the key actions we had asked P&G to take during our engagement in 2020 – namely, report to CDP Forests, and to accelerate their programme to source more Forest Stewardship Council (FSC) certified pulp because we felt 2025 was not an ambitious target. We also voiced our governance concerns with its structure in having a joint chair/CEO. While we continue to share some of the concerns of Green Century, we understand the issues the company is facing that prevent them from being able to fully comply with the requests. In addition, P&G had satisfied all of our requests that we made a year earlier; they have separated the chair/CEO role, they have submitted to CDP Forests and they have brought forward their commitment to ensure that 95% of their pulp from Canada and Quebec is FSC certified by the end of 2021.
Outcome:	7.96% of the votes cast were against the re-election of Angela Braly. We will continue to engage with the company on this important topic.
Why is this vote significant?	• It was a high profile vote which had such a degree of controversy that there was high client and/or public scrutiny • The vote was linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's five-year ESG priority engagement themes

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

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ACGA Japan Working Group

The Asian Corporate Governance Association's (ACGA) Japan Working Group (JWG) brings together more than 30 of ACGA's institutional investor members (combined AUM of close to US $30 trillion*) with a particular interest in Japan.

Since April 2021, Aina Fukuda, Head of Japan Investment Stewardship for LGIM, has served as deputy chair of the JWG.

In 2021, JWG embarked on a new initiative: to engage in a purposeful and structured dialogue with a select group of major Japanese listed companies over the medium to long term.

With input from members, JWG chose five companies from a range of sectors, including automobile manufacturers, specialty chemicals, industrial machinery, diversified banks, and leisure products. Each company is globally important in its sector and faces a range of strategic governance and business challenges.

Through building trust and understanding the group aims to support the development of each company's governance and sustainability practices and help to enhance their corporate value.

The first meetings mostly took place between late September and November. A second round of meetings is planned for the first half of 2022.

*Source: ACGA as December 2021

Public policy update

As a long-term investor, LGIM has a responsibility to ensure that global markets operate efficiently, to protect the integrity of the market, and to foster sustainable and resilient economic growth.

LGIM helps to identify key systemic failures and provides practical advice in the early stages of policymaking.

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United Kingdom

Over the past quarter, LGIM has continued to engage with UK government on key sustainability issues. In October, the Treasury made a major announcement in regards to sustainable finance in the UK, specifically releasing the UK's Roadmap to Sustainable Investing. The roadmap sets out the government's long-term vision on how the UK will become the world leader for green and sustainable investing, aligning the financial system with the net zero commitment.

LGIM is, and will be, very engaged in the various workstreams necessary to achieve this; one key area is how to improve disclosures on sustainability across the entire system, corporate disclosures up the investment chain to asset managers. A first step has been the FCA Discussion Paper (DP21/4) on Sustainability Disclosure Requirements (SDR) and investment labels that LGIM has been, and is, engaging with and providing feedback on. The SDR is significant, and whilst it includes some key differences, it is a similar policy intervention that the EU has taken through the Sustainable Finance Disclosure Regulation (SFDR).

LGIM and other leading UK companies (coordinated by E3G), wrote to the Chancellor of the Exchequer and Secretary of State for the Department for Business, Energy, and Industrial Strategy, calling on the UK government to mandate disclosure of net zero transition plans for large companies. We were very pleased to see the government is supportive of this proposal and has gone further to commit mandate publication of transition plans for asset managers, asset owners, and listed companies.

As a long-standing advocate for improving 'diversity and Inclusion' across global markets, and highlighting its strong link with value creation, there has been a welcome focus by regulators on this topic over the past quarter. LGIM has provided formal feedback and recommendations through two recent policy papers: 1) the FCA's consultation Paper (CP21/24) on Diversity and inclusion on company boards and executive committees; and 2) the joint Prudential Regulatory Authority (PRA) and FCA Discussion Paper (DP21/2) on Diversity and inclusion in the financial sector – working together to drive change. There are areas to consider more closely but we are supportive of this focus, and of the recommendations of the Parker and the Hampton Alexander reviews.

LGIM has also engaged on other topics, including: i) an initiative urging the UK government to support the mandatory reporting of healthy and sustainable food sales (as part of the government's white paper response to the National Food Strategy); and ii) the follow-up to the Lord Hill review through the FCA's consultation Paper (CP21/21) on Primary Markets Effectiveness Review. LGIM is also advocating that policymakers do not overlook 'social' topics in sustainable finance policy.

European Union

LGIM has continued to closely follow the EU's Sustainable Finance Strategy and Green Deal. Over recent months, there has been considerable focus on ensuring the 'Green Taxonomy' is robust, scientific and evidence based. The European Commission has received considerable pressure from members states on what should and shouldn't be considered eligible in the three sectors that were omitted from the delegated act for climate change mitigation and adaptation published in April 2021, i.e. nuclear, gas, and agriculture. What drew less attention were proposals tabled for agriculture. A tabled paper suggests the Commission use similar criteria for agriculture as proposed in March 2021, and also includes other important concessions.

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A glaring issue with these proposals is that they intend to adopt Common Agricultural Policy ('CAP') eco-schemes and organic agriculture without considering the principle of 'do no significant harm'. The proposals also allow for a qualification loophole, risking weaker criteria being agreed in a CAP reform or on organic farming. Given that organic farming can result in environmental trade-offs, and that CAP reforms have not been hailed for their ambition on tackling climate issues, this is a real risk.

Continuing from a letter LGIM and peers sent to the Commission that included recommendations for reforming the EU Common Agricultural Policy, the group again wrote to the Commission to voice concerns on the tabled proposals for agriculture. If approved, we would see a considerable weakening of the robustness of the taxonomy.

Japan

In early December, the Japan Financial Services Agency's (JFSA) Sustainable Finance Office invited LGIM to present our views on third-party ESG rating and data providers. This request was on the back of the JFSA's Building a Financial System that Supports a Sustainable Society report as well as its annual Strategic Priorities, originally released in Japanese in June and August, respectively. Both documents reference ESG rating and data providers as important stakeholders in promoting sustainable finance in the market.

In this regulatory engagement, we highlighted that enhancing data availability and quality involves not just ESG rating and data providers, but also companies and institutional investors (data users). We explained, for example, how LGIM's engagements and 'radical transparency' regarding company scores and the underlying external data we use aims to help facilitate dialogue between companies and data providers, resulting in better data quality. We additionally noted the importance of rigorous conflict of interest management by data providers.

United States

LGIM America submitted a comment letter expressing support for the Department of Labor's proposed rules which would allow fiduciaries to consider ESG factors when selecting retirement plan investments. This rule clears the path for ESG funds to be considered a qualified default investment alternative (often shortened to QDIA) – i.e., funds that can be considered the default option within employee retirement accounts. Other notable features include restoration of fiduciary ability to consider any factor material to the risk-return analysis, including ESG factors, and the clarification of the 'tie-breaker' rule, which would allow for fiduciaries to choose between multiple investments based on collateral benefits – i.e., non-financial – assuming the risk-return profiles are the same.

These are particularly noteworthy because they reverse previously proposed rules that would have effectively limited ESG considerations. A recent survey we conducted showed that 77% of US institutional investors cited fiduciary risk as the most significant barrier to incorporating ESG into their plans*. As such, we believe these rules are needed and will enhance the US retirement landscape.

*Source: LGIM America July 2021

Regional updates

UK - Q4 2021 voting summary

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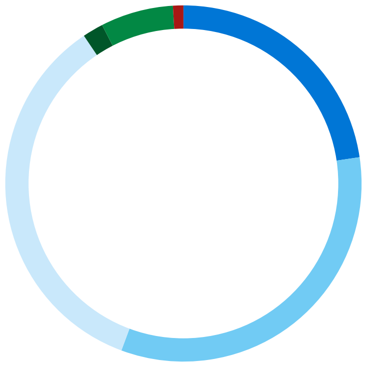
Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	51	0	0
Capitalisation	270	24	0
Directors related	480	35	0
Remuneration related	95	37	0
Reorganisation and Mergers	23	2	0
Routine/Business	364	7	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	2	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	1	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1285	106	0
Total resolutions		1391	
No. AGMs		83	
No. EGMs		41	
No. of companies voted		114	
No. of companies where voted against management /abstained at least one resolution		46	
% no. of companies where at least one vote against management (includes abstentions)		40%	

Votes against management



Number of companies voted for/against management

LGIM voted against at least one resolution at 40% of UK companies over the quarter.

Source for all data: LGIM as at 31 December 2021. The votes on this page and in the pages that follow represent voting instructions for our main FTSE pooled index funds.

Europe - Q4 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	1	0
Capitalisation	34	4	0
Directors related	54	13	1
Remuneration related	32	7	0
Reorganisation and Mergers	5	1	0
Routine/Business	115	5	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	3	2	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	1	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	244	31	1
Total resolutions		285	
No. AGMs		10	
No. EGMs		29	
No. of companies voted		39	
No. of companies where voted against management /abstained at least one resolution		14	
% no. of companies where at least one vote against management (includes abstentions)		36%	

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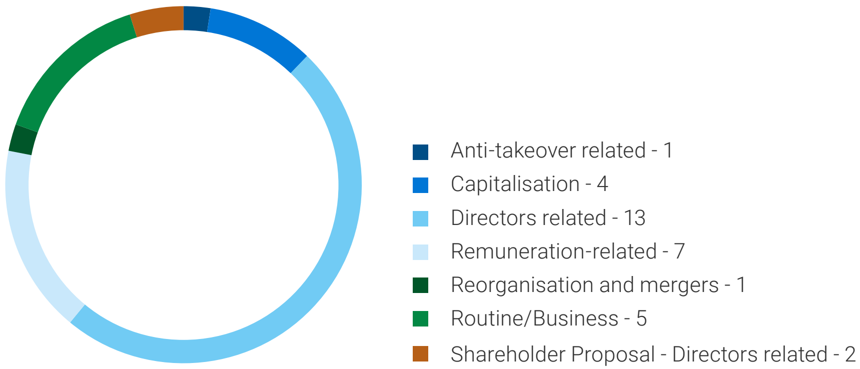
Votes against management



Number of companies voted for/against management

No. of companies where we supported management
No. of companies where we voted against management

LGIM voted against at least one resolution at 66% of European companies over the quarter.

North America - Q4 2021 voting summary

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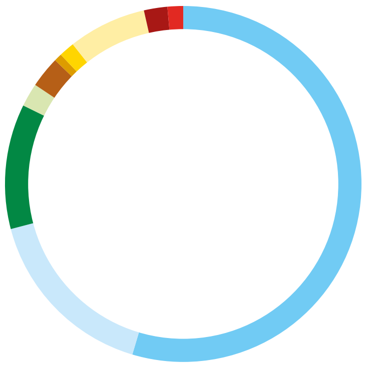
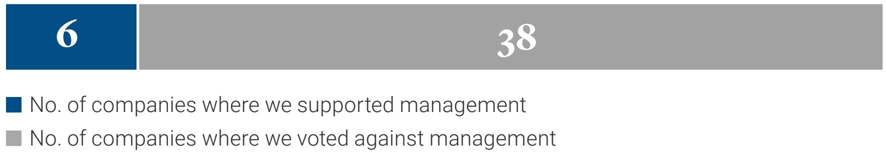
Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	6	0	0
Capitalisation	6	0	0
Directors related	232	77	0
Remuneration related	22	23	0
Reorganisation and Mergers	5	0	0
Routine/Business	28	16	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	1	3	0
Shareholder Proposal - Directors Related	3	4	0
Shareholder Proposal - General Economic Issues	1	1	0
Shareholder Proposal - Health/Environment	0	2	0
Shareholder Proposal - Other/Miscellaneous	1	10	0
Shareholder Proposal - Routine/Business	0	3	0
Shareholder Proposal - Social/Human Rights	0	2	0
Shareholder Proposal - Social	1	0	0
Total	306	141	0
Total resolutions		447	
No. AGMs		38	
No. EGMs		6	
No. of companies voted		44	
No. of companies where voted against management /abstained at least one resolution		38	
% no. of companies where at least one vote against management (includes abstentions)		86%	

Votes against management



Number of companies voted for/against management



LGIM voted against at least one resolution at 86% of North American companies over the quarter.

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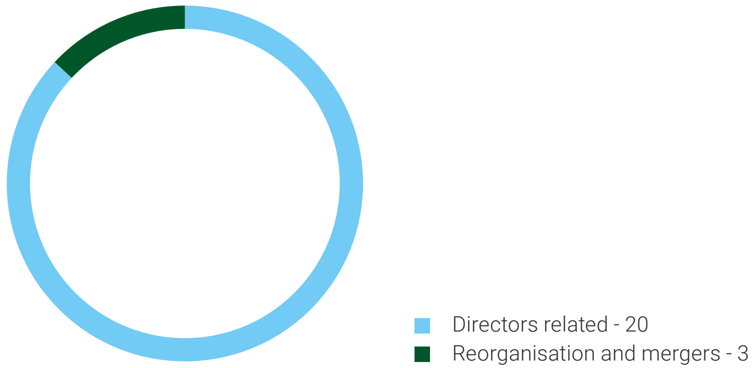
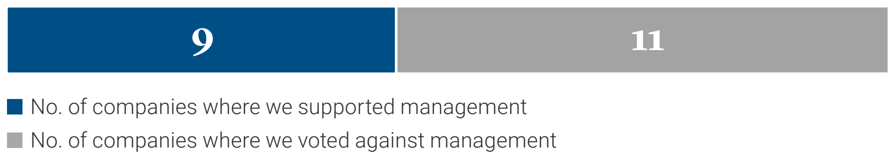
Japan - Q4 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	0	0
Capitalisation	0	0	0
Directors related	114	20	0
Remuneration related	11	0	0
Reorganisation and Mergers	9	3	0
Routine/Business	10	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	145	23	0
Total resolutions	168		
No. AGMs	11		
No. EGMs	9		
No. of companies voted	20		
No. of companies where voted against management /abstained at least one resolution	11		
% no. of companies where at least one vote against management (includes abstentions)	55%		

Votes against management



Number of companies voted for/against management



LGIM voted against at least one resolution at 55% of Japanese companies over the quarter.

Asia Pacific - Q4 2021 voting summary

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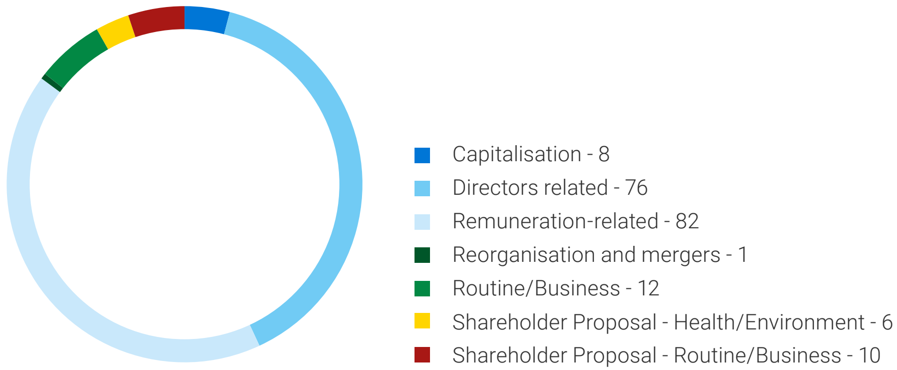
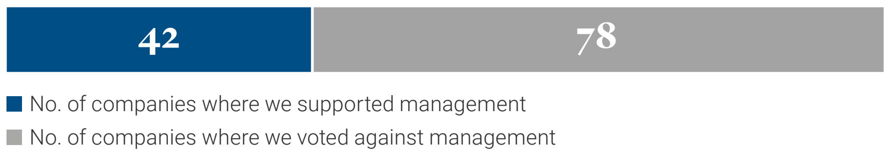
Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	8	0	0
Capitalisation	17	8	0
Directors related	247	76	0
Remuneration related	147	82	0
Reorganisation and Mergers	15	1	0
Routine/Business	70	12	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	9	6	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	10	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	513	195	0
Total resolutions	708		
No. AGMs	99		
No. EGMs	22		
No. of companies voted	120		
No. of companies where voted against management /abstained at least one resolution	78		
% no. of companies where at least one vote against management (includes abstentions)	65%		

Votes against management



Number of companies voted for/against management



LGIM voted against at least one resolution at 65% of Asia Pacific companies over the quarter.

Emerging markets - Q4 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	769	66	0
Directors related	811	202	161
Remuneration related	45	162	0
Reorganisation and Mergers	575	226	0
Routine/Business	480	63	0
Shareholder Proposal - Compensation	1	4	0
Shareholder Proposal - Corporate Governance	3	1	0
Shareholder Proposal - Directors Related	158	21	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	19	31	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2861	776	161
Total resolutions	3798		
No. AGMs	46		
No. EGMs	509		
No. of companies voted	539		
No. of companies where voted against management /abstained at least one resolution	232		
% no. of companies where at least one vote against management (includes abstentions)	43%		

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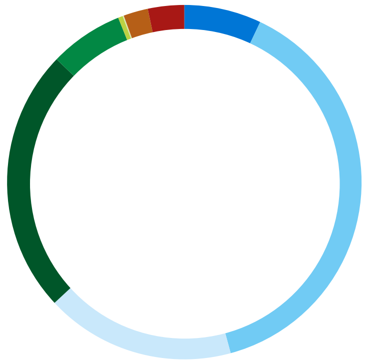
Votes against management



Number of companies voted for/against management

No. of companies where we supported management
No. of companies where we voted against management

LGIM voted against at least one resolution at 43% of emerging market companies over the quarter.

Global - Q4 2021 voting summary

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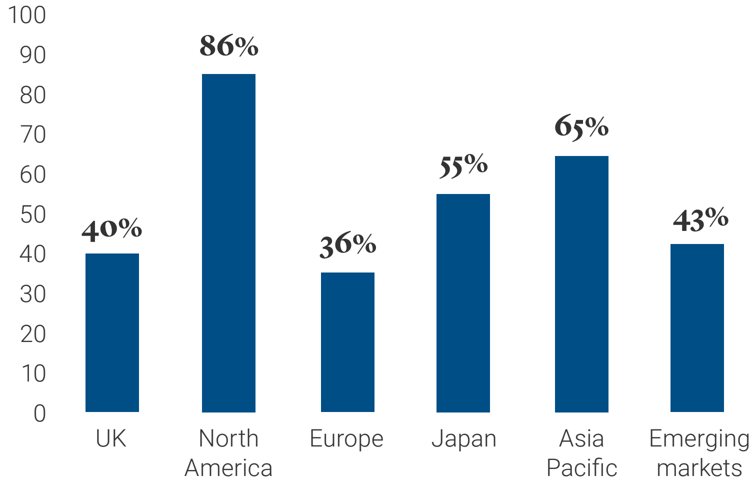
Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	66	1	0	67
Capitalisation	1096	102	0	1198
Directors related	1938	423	168	2529
Remuneration related	352	311	0	663
Reorganisation and Mergers	632	233	0	865
Routine/Business	1067	103	1	1171
Shareholder Proposal - Compensation	1	4	0	5
Shareholder Proposal - Corporate Governance	4	4	0	8
Shareholder Proposal - Directors Related	164	27	0	191
Shareholder Proposal - General Economic Issues	1	1	0	2
Shareholder Proposal - Health/Environment	11	8	0	19
Shareholder Proposal - Other/Miscellaneous	1	10	0	11
Shareholder Proposal - Routine/Business	20	45	0	65
Shareholder Proposal - Social/Human Rights	0	2	0	2
Shareholder Proposal - Social	1	0	0	1
Total	5354	1274	169	6797
Total resolutions				6797
No. AGMs				287
No. EGMs				616
No. of companies voted				876
No. of companies where voted against management /abstained at least one resolution				419
% no. of companies where at least one vote against management (includes abstentions)				48%

% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management

Global engagement summary

In Q4 2021, the Investment Stewardship team held

273 engagements **with** **233** companies

(vs. 153 engagements with 143 companies last quarter)

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Breaking down the engagement numbers - Q4 2021

Breakdown of engagement by themes

Social 89

140 Environmental

117 Governance

30 Other

Page 40

Engagement type

116 Company meetings

157 Emails / letters

Top five engagement topics*

95 Climate change

64 Remuneration

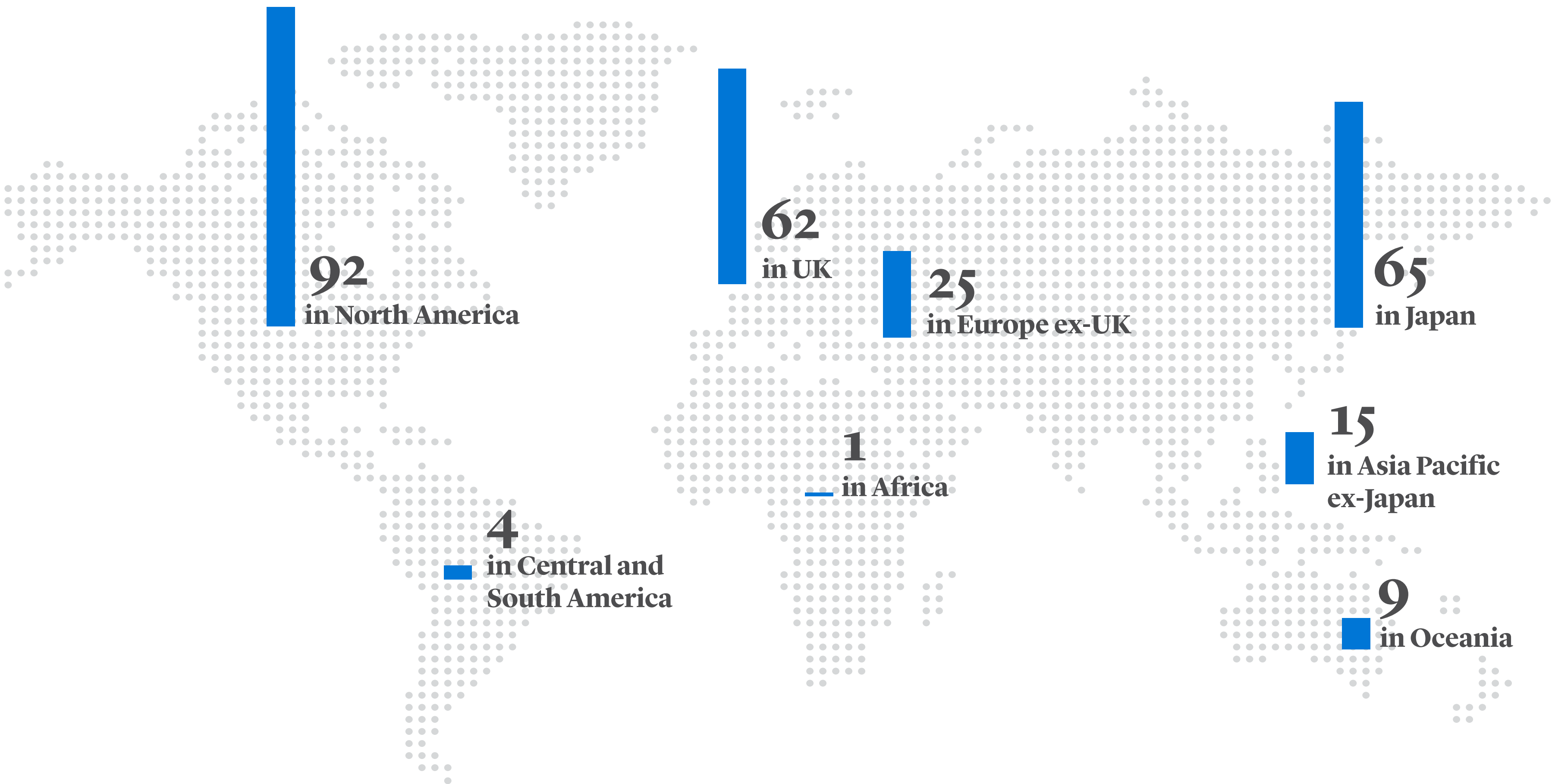
40 Climate impact pledge

29 Ethnic diversity

31 Board composition

*Note: an engagement can cover more than a single topic

Regional breakdown of engagements



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Appendix 3

Investments in Russia

Derbyshire Pension Fund (the Fund) has around £12m invested in Russian companies out of a portfolio of over £6bn. These investments, representing 0.2% of the Fund's investment portfolio, are managed through pooled investment vehicles, with a proportion in passive investment products which track stock market indices provided by MSCI and FTSE Russell. The Fund's investment portfolio remains highly diversified with the majority of its investments in developed markets.

The Fund and its fund managers are continuing to monitor and assess developments in Ukraine and in Russia and to assess the implications of the sanctions being put in place against Russia.

The options for unwinding the Fund's exposure to investments in Russia are currently being evaluated. This is in line with the Fund's Responsible Investment Framework which emphasises the importance of taking into account environmental, social and governance considerations when making investment decisions.

As the exposure to Russian investments is via pooled vehicles, the Fund is liaising closely with its underlying managers against a background of very limited market trading and highly restricted liquidity flows. The announcement from both MSCI and FTSE Russell that they are deleting Russian classified equities from their indices is expected to lead to the unwinding of the £7 million of exposure to Russian assets via the Fund's investments in passive vehicles. Discussions are actively taking place with respect to the remaining £5 million of exposure to Russian investments.

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY 4 MAY 2022

Report of the Interim Director of Finance & ICT

Derbyshire Pension Fund Risk Register

1. Purpose of the Report

To consider the Derbyshire Pension Fund (the Fund) Risk Register.

2. Information and Analysis

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

The Risk Register is kept under constant review by the risk owners, with quarterly review by the Director of Finance & ICT. A detailed annual review of the Risk Register by Derbyshire Pension Board (the Board) was also introduced in early 2021. The Board reviewed the Risk Register at its February 2022 meeting and the narratives of a number of risks have been updated to reflect the Board's feedback. A copy of both the Summary and Main Risk Registers 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.

2.1 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.

2.2 Covid 19
The Fund's activities have continued to be maintained and the services to employers and members have continued to be delivered while the majority of the Pension Fund team have been working from home. The processes set up to accommodate remote working will remain under review as the proportion of the team working in the office is increased following the opening up of workspaces at County Hall to their pre-Covid capacity levels (the Fund now has around 60% of its pre-Covid space work as part of the Modern Ways of Working initiative).

2.3 High Risk Items
The Risk Register has the following six 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 related underperformance of investment returns (Risk No.31)

(4) Impact of McCloud judgement on funding (Risk No.38)

(5) Insufficient cyber-liability insurance relating to the pensions administration system (Risk No. 42)

(6) Impact of McCloud judgement on administration (Risk No.46)

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 has warned of a heightened cyber threat following Russia's attack on Ukraine and has 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.

A project has been started 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 will be risk assessed as part of this process and a review of the information security arrangements of relevant suppliers to the Fund will be 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 has been included in the Council's cyber liability cover which is currently being reviewed.

Given the current heightened cybercrime threat and the review of the Council's cyber liability cover, the probability scores for both of the cyber related risks have been increased from 2 (unlikely) to 3 (possible). The impact scores for both risks remain at 4 (high), giving total risk scores for both risks of 12.

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 last valuation was completed in March 2020 based on the assets and liabilities at 31 March 2019. Initial

preparatory work is currently being undertaken for the 31 March 2022 actuarial valuation.

As part of the valuation exercise, the Pension Fund's Funding Strategy Statement (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.

The Fund was 97% funded at 31 March 2019, with a deficit of £163m, up from 87%, with a deficit of £546m at 31 March 2016. The funding level provides a high-level snapshot of the funding position at a particular date and can 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.

2.6 LGPS Central Pool

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.

LGPSC is a relatively new company which 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 meaningful role in the development of LGPSC, and has input into the design and development of the company's product offering 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 since 1 April 2014 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.

Any increase in benefits for members will need to be funded by scheme employers. At a whole scheme level, Hymans estimated that total liabilities might increase by around **0.2%**, equivalent to around **£0.5bn** across the whole of the English and Welsh LGPS.

Hymans forecast that the impact of the remedy might be to increase average primary contributions by around **0.2%** of pay, with an increase in secondary contributions of around **0.1%** of pay. Whilst the impact at the whole scheme level is expected to be small, it may be material at an individual employer level. The impact on employers' funding arrangements is expected be dampened by the funding arrangements they have in place, however, it is likely there will be unavoidable upward pressure on contributions in future years.

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.

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 funding risk relates to the risk of there being insufficient assets within the Fund to meet the increased liabilities. In line with advice issued by the LGPS Scheme Advisory Board (SAB), the Fund's 2019 actuarial calculations made no allowance for the possible outcome of the cost cap mechanism or McCloud. However, an extra level of prudence was introduced into the setting of employer contribution rates to allow for the potential impact of the McCloud case.

A March 2022 letter from DLUHC to all LGPS administering authorities set out an expectation for how the McCloud remedy should be allowed for when valuing past service liabilities and setting employer contribution rates at the March 2022 triennial valuation.

In the short term, the impact of the uncertainty caused by the McCloud case is greatest for exit payments and credits as at a cessation event the cost of benefits is crystallised. The Funding Strategy Statement includes an allowance for a **1%** uplift in a ceasing employer's total cessation liability for cessation valuations that are carried out before any changes to the LGPS benefit structure are confirmed by regulations. The funding risk score will be reviewed when DLUHC's remedy is confirmed. LGPS regulations are expected to be finalised within the next six months and are expected to come into force in autumn 2023.

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; this risk has been recognised by the SAB. Whilst the Fund already requires employers to submit information about changes in part-time hours and service breaks, the McCloud remedy may generate additional queries about changes since 1 April 2014; employers have, therefore, been asked to retain all relevant employee records. Information has also been requested from employers on the data supplied to the Fund since 2014 with respect to changes in part-time hours and service breaks.

Aquila Heywood has provided the Fund with McCloud related tools for testing on the Altair pension administration system which would be used to identify, and subsequently bulk load, any required additional service history.

A McCloud Project Board has been set up to formalise the governance of this major project. The Fund will continue to keep up to date with news related to the McCloud remedy from 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
No risks have been removed from the Risk Register since it was last presented to Committee in October 2021 and there has been two changes to existing risk scores as detailed above; two new risks have been added:

Risk No: 19 Electronic information delivered or made available in formats which fail to meet accessibility requirements. The Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 (2018 Regulations) came into force on 23 September 2018 and set out that a public sector body must make its website or mobile app more accessible by making it 'perceivable, operable, understandable and robust.'

Making a website or mobile app accessible means making sure it can be used by as many people as possible including those with: impaired vision; motor difficulties; cognitive impairments or learning disabilities; and deafness or impaired hearing. The 2018 Regulations included the requirement for a public sector body to include and update an accessibility statement on its website.

The Central Digital and Data Office (CDDO) monitor public sector bodies' compliance with the 2018 Regulations with enforcement the responsibility of The Equality and Human Rights Commission (EHRC). Organisations that do not meet the accessibility requirement or which fail to provide a satisfactory response to a request to produce information in an accessible format, will be deemed to be failing to make reasonable adjustments. This means they will be in breach of the Equality Act 2010 and the Disability Discrimination Act 1995. The EHRC can use its legal powers against offending organisations, including investigations, unlawful act notices and court action.

To mitigate this risk, Fund officers liaise with specialist digital communications colleagues within the Council to ensure that the Fund's electronic platforms meet the requirement for being as accessible to as many people as possible. The Fund also utilises accessibility testing software from Silktide. The Fund's website and My Pension Online both include an accessibility statement. 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.

Risk No 41: Insufficient controls relating to the governance of pension administration system. The risk of insufficient controls relating to the governance of the pension administration system (Altair) undermining confidence in the integrity of the system was raised by internal audit in relation to the Fund's process for testing on Altair. Robust procedures are in place with respect to accessing the system and the Fund undertakes rigorous testing of any updated calculations or new functionality. To bolster these controls, procedures relating to test records are currently being revised to take account of the risks highlighted by audit. Internal procedure notes are currently being updated to reflect the revised procedures and will subsequently be rolled out to the team. 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.

3. Implications

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

4. Background papers

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

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

7. Reason for recommendation

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

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Derbyshire Pension Fund Risk Register

Date Last Updated **20-Apr-22** 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	38
High Risk	6
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

		Identification		Current score			Target Score					Trend Scores						
Risk Ranking	*Main Risk Register No*	**Risk Area**	**High Level Risk**	*Impact*	*Probability*	*Current Score*	**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
1	13	Governance & Strategy	Systems failure/Lack of disaster recovery plan/Cybercrimeattack	4	3	12	HoP/IM/TL	4	2	8	4	8	8	8	8	8	8	8
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	12	12	12	12	12	12	12
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	12	12	12	12	12	12	12
4	38	Funding & Investments	Impact of McCloud judgement on funding	3	4	12	HoP	3	3	9	3	12	12	12	12	12	12	12
5	42	Pensions Administration	Insufficient cyber-Liability Insurance relating to the pensions administration system	4	3	12	HoP	4	2	8	4	8	8	8	8	8	8	8
6	46	Pensions Administration	Impact of McCloud judgement on administration	3	4	12	HoP	2	4	8	4	12	12	12	12	12	12	12
7	1	Governance & Strategy	Failure to implement an effective governance framework	5	2	10	DoF/HoP	5	1	5	5	N/A	10	10	10	10	10	10
8	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	N/A	9	9	9	9	9	9
9	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	9	9	9	9	9	9
10	14	Governance & Strategy	Failure to comply with General Data Protection Regulations (GDPR)	3	3	9	HoP/IM/TL	3	2	6	3	9	9	9	9	9	9	9
11	15	Governance & Strategy	Failure to communicate with stakeholders	3	3	9	HoP/IM/TL	3	2	6	3	9	9	9	9	9	9	9
12	17	Governance & Strategy	Risk of challenge to Exit Credits Policy/Determinations	3	3	9	HoP	3	2	6	3	N/A	9	9	9	9	9	9
13	19	Governance & Strategy	Failure to meet accessibility requirements	3	3	9	HoP/TL	3	2	6	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A
14	25	Funding & Investments	Covenant of new/existing employers. Risk of unpaid funding deficit	3	3	9	HoP/TL	3	2	6	3	9	9	9	9	9	9	9
15	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	8	8	8	8	9	9	9
16	41	Pension Administration	Insufficient controls relating to the governance of the pension administration system	3	3	9	HoP/TL	3	2	6	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	44	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	9	9	9	9	9	9	9
18	3	Governance & Strategy	Failure to comply with regulatory requirements for governance	4	2	8	HoP	4	1	4	4	4	4	4	4	8	8	8
19	5	Governance & Strategy	An effective investment performance management framework is not in place	4	2	8	HoP/IM	4	2	8	0	6	6	6	6	8	8	8
20	10	Governance & Strategy	Pension Fund financial systems not accurately maintained	4	2	8	HoP	4	1	4	4	6	6	6	6	8	8	8
21	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	N/A	8	8	8	8	8	8
22	18	Governance & Strategy	Risks arising from a potential significant acceleration of the academisation of schools.	2	4	8	HoP/TL	2	4	8	0	N/A	N/A	N/A	N/A	N/A	8	8
23	21	Funding & Investments	Mismatch between liability profile and asset allocation policy	4	2	8	HoP/IM	4	2	8	0	8	8	8	8	8	8	8
24	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	8	8	8	8	8	8	8
25	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	N/A	12	12	12	8	8	8
26	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	N/A	N/A	N/A	N/A	8	8	8
27	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	8	8	8	8	8	8	8
28	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	8	8	8	8	8	8	8
29	40	Pensions Administration	Insufficient cyber-Liability Insurance relating to the pensions administration system	4	2	8	HoP	4	2	8	0	8	8	8	8	8	8	8
30	49	Pensions Administration	Administration issues with AVC provider	2	4	8	HOP/TLs	2	2	4	4	N/A	N/A	N/A	N/A	8	8	8

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Derbyshire Pension Fund Risk Register

Date Last Updated **20-Apr-22**

Changes highlighted in blue font.

Risk Number	Description: High Level Risk	Description of risk and potential impact	Current score: Impact	Current score: Probability	Current Score	Risk Mitigation Controls & Procedures: Current	Proposed	Risk Owner	Target Score: Impact	Target Score: 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
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 will also be 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 post Covid restrictions. POM will agree future working arrangments which deliver the requirements of the service and support the aims of the MWoW programme	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	N/A	10	10	10	10	10	10
2	Failure to recruit and retain suitable Pension Fund staff/Over reliance on key staff.	Lack of planning, inadequate benefits package, remote 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 amplied 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 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. In response to the COVID 19 outbreak, members of the Fund's team are working in different locations, and managers are in regular contact with their teams. The Pension Fund Plan is being updated on a more regular basis to ensure that all members of POM are up to date with all Pension Fund activities.	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	N/A	9	9	9	9	9	9
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 Statement; 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 / Maintain 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	4	4	4	8	8	8
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.	On-going roll out of Member Training Programme in line with CIPFA guidance. Targeted training for 'new' subjects being considered by PIC.	HoP	3	2	6	3	9	9	9	9	9	9	9
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	6	6	6	8	8	8
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. An operations development project has been started to review workflows, letters and KPIs. 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.	Output from the operations development project to be incorporated in processes and target setting.	HoP/TL	3	2	6	0	6	6	6	6	6	6	6
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	6	6	6	6	6	6	6
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	3	3	3	3	3	3	3
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 quarterly and to PB meetings. PB reviewed the Risk Register in detail in March 2021.	PB to review the Risk Register in detail on an annual basis.	HoP/IM	3	2	6	0	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
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
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
12	Lack of robust procurement processes leads to poor supplier selection and legal challenge	Breach of Council Financial Regulations & reputational damage.	3	1	3	Database of external contracts maintained; Compliance with Financial Regulations; Procurement due diligence; Procurement advice; Quarterly review of contracts.		HoP	3	1	3	0	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
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
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 governed, the benefits of the scheme, how the Fund's assets are invested 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 considered 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 will be 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
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	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 to date, continuity arrangements have 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
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 judicial 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
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 functins and services involveing 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
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

Funding & Investments

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	Trend Scores: Q1 20-21	Trend Scores: Q2 20-21	Trend Scores: Q3 20-21	Trend Scores: Q4 20-21	Trend Scores: Q1 21-22	Trend Scores: Q2 21-22	Trend Scores: Q3 21-22
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**
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.	HoP/IM	4	2	**8**	**0**	**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**
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.	4	2	**8**	Inaugural Climate Risk Report received procured from LGPS Central Ltd (LGPSC)in February 2020. 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. Climate Risk Report and TCFD report presented to PIC in March 2020. Climate change risk discussed with the Fund's actuary as part of the 2019 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 have supported the delivery of the targets included in the Climate Strategy. A second Climate Risk Report from LGPSC, received in Autumn 2021, showed that the Fund had reduced the the carbon footprint of the listed equity portfolio by 37% relative to the weighted benchmark in 2020 by the end of 2025 and had invested 19% of the Fund portfolio in low carbon & sustainable investments (target 30% by end of 2025). An updated TCFD report was published in December 2021. The second phase of the transitions to increase the allocation to Global Sustainable Equities	The second phase of the transitions to increase the allocation to Global Sustainable Equities is expected to be completed in the first half of 2022. 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.	HoP/IM	4	2	**8**	**0**	**N/A**	**12**	**12**	**12**	**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**
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	3	**9**	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 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.	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. Analysis will continue to be carried out on the information received via the completed Health Check Questionnaires and outstanding information will continue to be sought from relevant employers. Updated questionnaires are due to be sent to Tier 3 employers in Apr/May 2022. 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**	**3**	**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 were included in the updated FSS approved by PIC in Sept 21. The updated FSS also included 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).		HoP/TL	3	2	**6**	**0**	**6**	**6**	**6**	**6**	**6**	**6**	**6**

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
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, satistying 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. In response to the COVID 19 outbreak, the Fund reminded employers of their responsibility to provide information and pay contributions by relevant deadlines.	Late payment charges applied to underperforming employers will be disclosed via PIC Reports and Employer Newsletters.	HoP/TL	3	1	3	3	3	9	9	9	9	9	6
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	8	8	8	8	8	8	8
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	8	8	8	8	8	8	8
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; Quarterly update of the cost savings model; 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.	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	8	8	8	8	9	9	9
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; On-going HoP/IM involvement in design and development of the LGPS Central 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 27. are regularly assessed and applied. Investigate alternative options if any underperformance is not addressed.	HoP/IM	4	2	8	4	12	12	12	12	12	12	12
32	The UK's withdrawal from the EU results in high levels of market volatility or regulatory changes	Failure to identify and mitigate key risks caused by outcome of the UK's decision to withdrawal from the EU.	3	2	6	Continual monitoring of asset allocation and performance by investment staff and quarterly monitoring by PIC. Keep up to date with developments with respect to the UK's relationship with the EU and the implications for the Fund's investment strategy. There are no proposed or imminent amendments to proposed LGPS Investment Pooling as a result of the UK's withdrawl from the EU.	Monitor regulatory changes, and continually monitor asset allocation.	HoP/IM	3	2	6	0	9	9	9	9	6	6	6
33	Failure to maintain liquidity in order to meet projected cash flows	Failure to maintain sufficient liquidity to meet projected cashflows which could lead to financial loss from the inappropriate sale of assets to generate cash flow. 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.	HoP/IM	3	2	6	0	6	6	6	6	6	6	6
34	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	4	4	4	4	4	4	4
35	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	6	6	6	6	6	6	6
36	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	4	4	4	4	4	4	4
37	Custody arrangements are insufficient to safeguard the Funds 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	4	4	4	4	4	4	4

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
38	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. All leavers since 2014 will need to be checked against the new underpin. LGPS regulations to implement the remedy are expected to be laid in 2022 and expected to come into force in late 2023. HMT confirmed in February 2021 that it was 'un-pausing' the 2016/17 cost cap valuations which will take into account the cost of implementing the McCloud remedy. HMT also confirmed that any cost cap ceiling breaches will not result in benefit reductions, however, any cost floor breaches will be honoured, with any benefit increases taking effect from 1 April 2019. There is, therefore, uncertainty regarding the level of benefits earned by members from 1st April 14 and also from April 2019. 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	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. The Actuary has 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 revised estimate as it applies to Derbyshire Pension Fund is 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. A paper was procured from the Fund's actuary to inform a discussion on the how the Fund should allow for McCloud in funding decisions. In line with advice issued by SAB, the 2019 valuation calculations were based on the current benefit structure. No allowance was made for the possible outcome of the cost cap mechanism or the McCloud case, although an extra level of prudence has been introduced in the setting of employer contribution rates to allow for the potential impact of the McCloud case. This was clearly communicated to employers in the valuation letters. The Funding Strategy Statement includes an allowance for a 1% uplift in a ceasing employer's total cessation liability for cessation valuations that are carried out before any changes to the LGPS benefit structure are confirmed.	The Fund's actuary will follow the March 22 guidance from DLUHC on how the McCloud remedy should be allowed for when valuing past service liabilities and setting employer contribution rates at the March 22 triennial valuation. Contribution rates may need to be revisited once the McCloud/cost cap uncertainty is resolved.	HOP	3	3	9	3	12	12	12	12	12	12	12
Pensions Administration																			
39	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
40	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
41	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. 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
42	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. Separately, DPF has been included in DCC's cyber liability cover which is under review. 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 via DCC (not combined). 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
43	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
44	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
45	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/My Plan reviews.	HoP	3	2	6	0	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
46	Impact of McCloud judgement on administration	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 1st Apr 14 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 they develop their bulk processes for implementing the McCloud remedy. Although the Fund has continued to require employers to submit information about changes in part-time hours and service breaks, the McCloud remedy may generate additional queries about changes since 1 Apr 14; employers have, therefore, been asked 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 consultation on Amendements to the Statutory Underpin was submitted by the Fund. Tools have been provided by Aquila Heywood for testing on Altair which would be used to identify and subsequently bulk load any required additional service history	Forumulate a detailed plan of how to deal with the scheme changes as soon as they are confirmed and it is clear what bulk processes the provider of the pension administration system will be putting in place.	HoP	2	4	8	4	12	12	12	12	12	12	12
47	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	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
48	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
49	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

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 4 MAY 2022

Report of the Interim Director of Finance & ICT

Half-Year Pension Administration Performance Report 1 October 2021 to 31 March 2022

1. Purpose of the Report

To notify the Pensions and Investments Committee (the Committee) of the administration activity undertaken by the Pension Administration Team (the Team) of Derbyshire Pension Fund (the Fund), and the performance levels achieved, in the second half of 2021/2022.

2. Half-year report

This report relates to the second half of 2021/2022 covering the period 1 October 2021 to 31 March 2022 and provides a summary of the Fund's performance in key areas of pension administration activity.

Maintaining efficient administration is important towards 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.

3. 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

4. Covid-19 impact

Working from home for most of the team has continued through the second half of 2021/22 and the Fund's robust procedures and business continuity plans have ensured that service provision has been maintained across the range of administration activities.

The Fund's detailed Covid-19 Business Continuity Plan was initially developed in April 2020 at the start of the pandemic and has since provided a base for the maintenance and continuation of services.

A small office-based team has continued throughout the pandemic working in compliance with the County Council's Covid-secure measures in order to maintain functions such as printing, packaging and posting letters and pension documents.

Issuing formal documentation to members by post has remained the core method of communication. The implementation of the member self-service provision, 'My Pension Online' which launched in June 2021 will enable development of electronic communications in more areas of the Fund's administration.

The majority of the Fund's administration team have spent at least some time working from the office as part of rotas that ensured that numbers remained within the Covid-secure room capacities up to the end of March 2022. From the beginning of April 2022, workspaces at County Hall opened up to their pre-Covid capacity levels. As part of the Modern Ways of Working initiative, the Fund has around 60% of its pre-Covid space; work is ongoing to gradually build up the proportion of the team working in the office on a daily basis to support the efficient delivery of the service and ongoing structured and unstructured learning.

5. 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 2021 to 31 March 2022, including where applicable key performance targets.

5.1 Membership numbers

The table shows the Fund's membership totals at half-yearly intervals during the last two years and illustrates that the overall membership continued to rise through the pandemic.

Membership	31 March 2020	30 Sept 2020	31 March 2021	30 Sept 2021	31 March 2022
Actives	38,061	37,274	37,996	37,390	38,067
Deferred	28,255	30,083	30,807	31,052	31,640
Pensioners	30,904	31,484	31,930	32,618	33,178
Work in Progress	8,408	6,426	5,992	6,248	5,984
Totals	**105,628**	**105,267**	**106,725**	**107,308**	**108,869**

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 2022 was 91,646 who between them have 108,869 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 332 participating employers.

As at 31 March 2022, approximately 62% (23,665) of the active membership were employed by the five largest employers (by membership numbers) in the Fund

- Derbyshire County Council 14,970 (39.32%)
- Derby City Council 4,122 (10.83%)
- University of Derby 1,859 (4.88%)
- Derbyshire Constabulary 1,727 (4.54%)
- Chesterfield Borough Council 987 (2.59%)

5.2 Pensioner deaths

During 2021/22 there were a total of 758 deaths of pensioner members in Derbyshire Pension Fund which returned the total to a level consistent with pensioner deaths before the pandemic.

In comparison, the total during 2020/21 was 920 which had represented a 22% increase on the 2019/20 total (753) and was broadly consistent with the experience across the country. However, the Fund does not record the reason for a member's death, therefore it is not possible to confirm whether the 2020/21 increase in deaths was Covid related.

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

5.3 Achievement against standards

The following table shows cases in selected key areas of work which were actioned in the period 1 October 2021 to 31 March 2022 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 2020/2021 Total Cases & Target achieved %*
Retirement Benefits paid	915	1	901	14	98.5%	1,963 (98.7%)	*1,783 (97.1%)*
Death cases	558	2	543	15	97.3%	1,063 (97.3%)	*1,214 (93.7%)*
Transfer Out quotes	334	3	330	4	98.8%	661 (96.8%)	*462 (84.2%)*
Transfer Out paid	38	3	36	2	94.7%	81 (96.3%)	*78 (97.4%)*
Transfer in	63	3	57	6	90.5%	128 (89.8%)	*165 (79.4%)*
Estimate requests	342	2	342	0	100%	895 (99.8%)	*741 (99.1%)*
Refunds paid	712	2	702	10	98.6%	1,601 (87.0%)	*1,852 (95.5%)*

The following provides a brief description of the cases included in the figures shown in the table. 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 all members (active, deferred, pensioner and survivor beneficiaries).

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 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.

5.4 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.

During 2020/21 and the early months in 2021/22 the administrative priorities for the Fund were the key services which had been identified by The Pensions Regulator as those which should take precedence during the pandemic.

These were:

- paying members' benefits
- retirement processing
- bereavement services

However, the Fund's work in providing services to scheme members in other areas has continued throughout mostly at the levels experienced before the pandemic.

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 2020/21 and the first half-year period in 2021/2022 are included.

Number of work items processed

	Apr-Sept 2020/2021	Oct-March 2020/2021	Apr-Sept 2021/2022	Oct-March 2021/2022
New work items becoming due in the period	19,063	26,823	27,363*	25,333
Work items completed during the period	20,438	24,672	23,510*	27,713
Open cases at end of period	10,511	11,144	13,313	12,680

(restated figures from those provided in the previous half-year report)*

At the end of March 2022, a total of 12,680 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 2022
Undecided leavers	3,221
Aggregations	2,512
i-Connect enquiries with employers	1,294
Other enquiries with employers	439
Address traces	44
Notification of deferred benefits	1,173
Refund quotes	830
Refunds to payment	77
Retirement quotes	267
Death administration (in progress)	160
Retirements (in progress)	92
Transfer In	34
Transfer Out quotes	94
Transfers Out to payment	5
Others	2,438
Total	**12,680**

The following provides a brief description of some of the cases not included in the descriptions in 5.3

Undecided leavers – members who have left their employment but have yet to finalise what they want to do with regard to their pension benefits.

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 deferred members' home addresses.

5.5 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 would include names, addresses, national insurance number and date of birth.

Conditional Data essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history.

To measure the Fund's data quality, the latest available common and conditional data results prepared by the software provider, Aquila Heywood, for 2020/2021 are shown in the table below together with the results for the previous 3 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	Not yet determined	Not yet determined

The data quality scores for 2021/2022 have yet to be determined by Aquila Heywood and will be reported to the Committee in the next half-yearly report, and also in the Fund's Annual Report.

The scores are also reported annually to The Pensions Regulator.

5.6 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 the second half of 2021/22.

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.

When office-based staff numbers increase following the Covid-secure measures introduced at County Hall, the rate of backlog cases is expected to further reduce as more direct team support available will assist the completion of more of the complex aggregations.

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.

At the end of March 2021, the total of backlogged aggregations was 1,797. The total had reduced to 963 by the end of March 2022.

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 2020, the total of deferred backlog cases was 1,991. Significant progress was made during 2020/2021 and the outstanding total at the end of March 2021 had reduced significantly again to 168.

The total by the end of March 2022 had increased to 685. This has mainly been due to ongoing work with large Fund employers to identify and submit missing leaver details for members whose active membership had ended in previous years, and for which confirmation of leaver details had been outstanding.

5.7 Monthly contribution returns
The continuing payment of pension contributions remained a core priority for employers throughout the pandemic with payment and contribution reports having to be received by the Fund by the 19th of the month following payment.

The Fund has continued to work with employers who have experienced difficulties with completing payments and submitting contribution reports.

Full data relating to contribution payments and reports from employers is currently only available to February 2022, however, the current averages for employer submissions received by the Fund by the monthly deadline reflect that during 2021/2022 to February 2022 95% of contribution payments, and 91.1% of related contribution reports were received on time.

The Fund is continuing 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.

5.8 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.

As there are currently over 300 schools still maintained by Derbyshire County Council and Derby City Council, the government's target of full academisation by 2030 would see the number of separate employers in the Fund almost double. The Fund maintains separate records for each academy within a multi-academy trust on the advice of the Fund's actuary.

Three new academies joined the Fund as an individual LGPS employer in the period 1 October 2021 to 31 March 2022, resulting in a total of 8 new academies having joined as individual Fund employers during 2021/22.

Previous full year totals had been 37 in 2019/20 and 18 in 2020/21.

Brief details of the recent 3 new academies are as follows:

Employer Ref	Employer Name	Start Date	Academy Trust
761	Highfields School	1 October 2021	East Midlands Education Trust*
762	Riddings Junior School	1 November 2021	Embark Federation
763	William Rhodes Primary and Nursery School	1 March 2022	Embark Federation

**see information about East Midlands Education Trust later in this section of the report*

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.

Applications from 3 organisations for Admission Body status, based on commencing a contract during the second half of 2021/22 with a scheme employer which includes the transfer of active scheme members, are currently being processed.

Each new application relates to the transfer of arrangements to a new provider for caretaking and cleaning at schools maintained by Derbyshire County Council.

Designating employers
Designating bodies are employers who can nominate employees for access to the LGPS, including Town and Parish Councils.

During the second half of 2021/22, two Parish Councils commenced their active participation in the Fund.

Employer Ref	Employer Name	Start Date
253	Somercotes Parish Council	1 December 2021
254	Chapel-en-le-Frith Parish Council	1 February 2022

Employer summary
The number of employers actively participating and paying contributions to the Fund as at 28 February 2022 (i.e. the latest date at which a full summary is available) was 332, 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.**	**204**
Maintained Schools using an external payroll provider	**County & City Schools using external payroll providers** ***(County x 4, City x 3)***	**7**
Housing Associations	**Scheduled x2 Admitted Bodies x 3** ***(2 x TAB, 1 x CAB)***	**5**
Other Scheduled Bodies	**Peak District National Park Authority, Police, Fire, Chesterfield Crematorium**	**4**

Admitted Bodies	**TABs x 57, CABs x 4** ***(not including Housing Assn's)***	**61**
Town & Parish Councils	**Pre 2001 Pool x 15** **Post 2001 Pool x 23**	**38**
Total		**332**

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 second half of 2021/22 the following employers' active participation in the Fund ended. The list includes three employers whose active participation ended during August and September 2021 when their last contributing member left their employment, and one employer whose contract ended in March 2022.

As this information was not available at the time of the previous half-yearly report, these employers are included in this report.

Employer	Reason	Date of active participation ending
Caterlink (catering provision at Lea Primary School)	Last active member left	August 2021
Darley Dale Town Council	Last active member left	August 2021
Taylor Shaw (catering provision at Derby Moor Academy)	Last active member left, and catering returned in-house	September 2021
Connex Community Support (Handy Van service for Derbyshire County Council)	Last active member made redundant, and contract ended	March 2022

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 gathering information from a number of exited employers and the relevant letting authority to determine eligibility for an exit credit and has so far been able to finalise the first completed cases which has resulted in payments of exit credits to two former Fund employers, including in one case, a shared exit credit with the associated letting authority.

East Midlands Education Trust
The previous half-yearly report included information about the academies in Derbyshire operated by East Midlands Education Trust. The Trust operated academies located across Nottinghamshire, Derbyshire, and Leicestershire and had successfully applied to the Secretary of State at the former Ministry of Housing, Communities and Local Government (now Department of Levelling Up, Housing and Communities) to consolidate all of its academies into a single LGPS Fund.

The Nottinghamshire Pension Fund (administered by Nottinghamshire County Council) was chosen because the majority of the Trust's academies are located in the county.

The Trust's objectives included paying a single contribution rate in order to simplify financial planning, reducing the administrative costs of dealing with separate funds and simplifying and reducing the cost of other processes such as financial reporting.

As a result, the administering authority for 6 academies in Derbyshire had changed to Nottinghamshire County Council from 1 September 2021.

The Trust also operated Highfields School in Matlock from the date of its academisation on 1 October 2021, and separately applied to the Secretary of State for Highfields School to join its other academies in the Nottinghamshire LGPS Fund. The Secretary of State approved the application to take effect from 1 November 2021.

5.9 Complaints, compliments and appeals

Complaints and compliments
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 the second half of 2021/2022 a total of 16 cases identified as complaints were submitted to the Fund by members.

To date, following the Fund providing responses to the scheme member in each case, one member has escalated their complaint to a formal appeal against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP).

Investigations are continuing relating to one other case which has yet to reach a satisfactory conclusion for the scheme member.

Compliments received from members and employers are also recorded by the Fund and shared with the team member who provided the service. During the second half of 2021/2022 a total of 12 compliments 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.

The Committee delegated the determination of arrangements for the adjudication of Stage 2 appeals to the Director of Finance and ICT at the meeting held on 21 July 2021. The Interim Director of Finance and ICT has subsequently agreed the arrangements for appointing an appropriate Stage 2 adjudicator.

An annual report is provided to the Committee which summarises:

- appeals made against the Fund at Stage1
- all appeals submitted to the administering authority at Stage 2
- cases which are subsequently escalated to The Pensions Ombudsman

AADP totals
A brief summary of the numbers of appeal cases which have been determined during the latest six month period are included in each half-yearly report.

During the period 1 October 2021 to 31 March 2022 the totals of appeals determined at each stage are as follows:

- Stage 1 appeals submitted against the Fund – 1

- Stage 2 appeals submitted to the administering authority – 1

The Pensions Ombudsman (TPO)
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.

During the second half of 2021/2022, two scheme members escalated their complaints to The Pensions Ombudsman. Both cases related to complaints against the administering authority and the member's dissatisfaction with the outcome of their appeals at AADP Stages 1 and 2.

In the same period The Pensions Ombudsman has provided a determination in one case. The case, which was upheld, involved a complaint against both the administering authority and the employer.

In addition, there are a further two cases awaiting the Ombudsman's determination, one of which was submitted to the Ombudsman in 2019/20 and one in 2020/21. In each case, a determination has been delayed by a backlog of cases caused by the impact of the pandemic.

Both outstanding cases with the Ombudsman relate to decisions made by employers in respect of eligibility for ill-health retirement.

More information about each appeal and cases escalated to the Ombudsman are included in the annual report which is provided to the Committee.

6. Communications and Training

Communications Policy
The latest version of the Fund's Communications Policy which was approved by the Committee at its meeting on 28 April 2021 set the key priorities for the development of communications over the next three years as:

- The member self-service portal 'My Pension Online' becoming operational
- Improved member feedback, including a Member Forum
- Continued development of the Fund's website
- Development of a Fund Style Guide
- Consistency of communications
- Further development of employer engagement

Since the policy was approved, a brief summary of communications developments are as follows:

- Launch of the ‘My Pension Online’ service
- Continued development of the Fund’s website including improved accessibility features, an improved navigation structure and new pages dedicated to i-Connect and employer training information
- Highlighting the member feedback form on the Fund’s website to retiring members and those accessing their deferred benefits
- Commencement of the development of fillable PDF forms to enable members to complete forms electronically

i-Connect training
During the second half of 2021/2022 the Fund has continued to progress with boarding employers onto the i-Connect system (see 6.1) 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.

All employers are expected to have commenced their implementation of i-Connect by the end of 2022/23.

Other employer training
Additionally, virtual training sessions, and bespoke meetings on specific topics to support employers have continued on a range of issues.

Communications to employers
During the second half of 2021/2022, the Fund issued the following newsletters to employers:

Date issued	Bulletin	Topics included
5 October 2021	Special	• Derbyshire Pension Board vacancy
28 October 2021	177	• Website refresh • McCloud information request • Changes to ill-health certificates • Change of payroll provider • Derbyshire Pension Board
26 November 2021	178	• My Pension Online • McCloud judgement – employee data declaration • Estimate retirement requests
21 December 2021	179	• Message from the Pension Fund team • Christmas and New Year opening hours
1 February 2022	180	• Clean data for the 2022 valuation • i-Connect • Employer discretions template updated • Employer outsourcing

24 February 2022	181	• New Pension Board employer representative • Employee contributions band changes
31 March 2022	182	• Employee contribution bands • Employer contribution returns • Year-End Return training session • I-Connect FAQs • LGA training • Employee details changes

All Employer Newsletters are available on the Fund's website.

7. Changes to scheme regulations

The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 came into force on 30 November 2021. The regulations which introduced further legal restrictions on a member's statutory right to transfer, give LGPS funds tools to act if they have suspicions about the circumstances that have led the member to request a transfer. Scheme members are no longer able to insist on a statutory transfer taking place in these circumstances.

In order to comply with the new regulations, the Fund has reviewed and updated its procedures and communications relating to requests from members to transfer out.

While transfers to other UK public service schemes are able to proceed without further checks, before transferring to other arrangements, the Fund is required to decide if there are any red or amber flags present.

Briefly, a red flag results in the transfer not proceeding, and amber flags see the transfer paused until the member can provide evidence that they have received appropriate pension scams guidance from the MoneyHelper service.

8. Projects

8.1 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 the second half of 2021/2022.

Implementation commenced at the start of 2020, and 223 employers are currently securely transmitting member data to the Fund via i-Connect.

When employers commence implementation, training is provided on using the i-Connect service. To replace site visits to employers, which had to be paused due to the Covid-19 pandemic, virtual training methods have been utilised.

The Fund engages with, and provides support for, each employer to ensure the accuracy and timeliness of their data transmissions. All participating employers are required to be working towards implementation by the end of 2022/23.

8.2 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 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 2022 a total of 12,501 members had completed their registration for My Pension Online. The experience of LGPS and other public sector pension funds has been that it takes time to build up registration rates on member self-service systems. The Fund is continuing to engage with employers to seek their assistance with encouraging scheme members to register.

8.3 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. The McCloud judgement refers to the Court of Appeal’s ruling that the government’s public sector pension reforms unlawfully treated existing public sector scheme members differently based upon members’ age on 1 April 2012. The judgement came after two Employment Tribunals concerning the pensions of judges’ (McCloud) and firefighters’ (Sargeant).

In May 2021, the government confirmed the key elements of the changes to 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.

The draft LGPS regulations are expected to be published later in 2022 and should enable progress to be made on upgrading pension administration systems to allow for the changes.
The McCloud Project Group has been liaising with employers to identify where data required for the McCloud implementation may need to be collected. Following receipt of information from employers, preparations are now being made for the collection of data where potential gaps have been identified.

8.4 Pensions Dashboard
The Pension Schemes Act 2021 provided the legal framework for the development of a national pensions dashboard including the power to direct pension schemes to provide member information for the dashboard.

The government's aim is that a national pensions dashboard 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.

Public sector pension schemes, including the LGPS, are expected to be required to connect to the national pensions dashboard by April 2024, however, the Local Government Association, on behalf of all LGPS Funds responded to a recent government consultation expressing its concerns about whether the April 2024 deadline would be achievable due to other pressures on funds, particularly the requirement to administer the LGPS remedy for the McCloud judgement when the revised scheme regulations come into force.

Currently, the dashboard will require LGPS funds to be in a position to provide clean and reliable data in accordance with the standards set by the Pensions Dashboards Programme in order to supply accurate member information to the dashboard by April 2024. Preparations for the dashboard, including a review of members in scope for a possible review of pension entitlement as a result of McCloud, will become a significant challenge for the Fund's administration over the next two years.

9. 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. Since March 2020, all of the following collaborative groups' meetings have been organised virtually.

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.

National LGPS Technical Group (Quarterly)
The Fund currently has one of two seats on the National LGPS Technical Group to represent the LGPS funds in the East Midlands. The Group's functions include advising administering authorities on the interpretation of legislation and representing the views of administering authorities in recommending changes to Scheme regulations.

10. Appendices

10.1 Appendix 1 – Implications

11. Recommendation

That the Committee notes the workloads and performance levels outlined in this report.

12. Reason for recommendation

The Committee reviews the Pension Fund's workloads and performance levels in respect of its administration activity on a half-yearly basis.

Report Author: **Steve Webster**
Pensions Officer
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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

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 4 MAY 2022

Report of the Interim Director of Finance & ICT

Appointment of an External Advisor to Derbyshire Pension Fund

1. Purpose

1.1 To approve the appointment of an External Advisor to Derbyshire Pension Fund (the Fund).

2. Information and Analysis

2.1 The Consultancy Agreement with the Fund's current external advisor, MJ Hudson Investment Advisers Ltd, (with Mr Anthony Fletcher as the named advisor) expires on 30 June 2022.

2.2 At the Committee meeting on 2 March 2022, the Committee noted the proposed procurement process for the appointment of an External Advisor to the Fund and confirmed the attendance of the Chair of the Committee (or nominee) at the presentation stage of the process. As noted in that report, the role was advertised on Source Derbyshire with a closing date for written tender applications on 18 March 2022.

2.3 An open tender process was carried out and the tender documents were viewed by 25 external parties. The Council subsequently received one tender response from the Fund's current advisor, MJ Hudson Investment Advisers Ltd applying for the role (the candidate). In line with the approved process, the written tender response was evaluated and scored by the Fund's Investments Manager and Head of Pension

Fund, with support from the Council's Corporate Procurement Team (Procurement Team).

2.4 The written tender response was deemed compliant with the Council's tender specification for the role and taken forward to the presentation and questions stage. The presentation and questions stage took place on 11 April 2022 and was attended by the Fund's Investments Manager, Head of Pension Fund and the Chair of the Committee, with support from the Procurement Team.

2.5 The candidate scored highly in both the written and presentation parts of the tender process, with the candidate demonstrating significant market expertise, together with excellent written and verbal skills.

3. Implications

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

4. Background Papers

4.1 Working papers held by the Pension Fund and Procurement Teams.

5. Appendices

5.1 Appendix 1 – Implications.

6. Recommendation(s)

6.1 That Committee approves the appointment MJ Hudson Investment Advisers Ltd (with Mr Fletcher as the named advisor) as the Fund's External Advisor for an initial term of three years, with an option for the Council to extend for a further two years on an annual basis. The approval is subject to the finalisation of the Council's internal procurement procedures.

7. Reasons for Recommendation(s)

7.1 The process and rationale for the appointment of MJ Hudson Investment Advisers Ltd as the External Advisor for the Fund are set out in this report.

7.2 This report is being presented to provide assurance that a robust and transparent process has been adopted for the appointment of an External Advisor for Derbyshire Pension Fund.

Report Author: **Neil Smith**
Investments Manager

Appendix 1

<u>Implications</u>

Financial

1.1 A maximum quarterly budget of up to £6,250, together with up to £250 per quarter to cover reasonable out of pocket expenses, has been agreed for the services with MJ Hudson. The cost will be funded from the Fund’s existing budget.

Legal

2.1 The appointment process has been carried out in compliance with the Councils Financial Regulations and Public Procurement Regulations.

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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of the Local Government Act 1972.

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