

PUBLIC

**MINUTES** of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE** held on 8 September 2021 at County Hall, Matlock.

**PRESENT**

Councillor D Wilson (in the Chair)

**Derbyshire County Council**

Councillors R Ashton, N Atkin, B Bingham, M Foster, D Muller (substitute member), G Musson, and M Yates

**Derby City Council**

Councillor L Care

Also in attendance – M Fairman, D Kinley, A Nelson and S Webster; N Calvert, O Fishburn, R Graham and N Read (representing the Pension Board)

Apologies for absence were received on behalf of Councillors P Smith (Derbyshire County Council) and M Carr (Derby City Council) and M Wilson (Trade Union representative)

**41/21** **MINUTES RESOLVED** that the minutes of the meeting held on 21 July 2021 be confirmed as a correct record and signed by the Chairman.

**42/21** **INVESTMENT REPORT** 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 on 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.

Details were provided of Mr Fletcher's investment recommendations in UK Equities, North American Equities, European Equities, Japan, Asia/Pacific, Infrastructure, Private Equity and Cash, along with those of the Derbyshire Pension Fund In-House Fund Management Team.

The Fund's latest asset allocation as at 31 July 2021 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new intermediate strategic asset allocation benchmark, were set out in the report. The recommendations of the Director of Finance & ICT adjusted to reflect the impact of future investment commitments were

presented. These commitments (existing plus any new commitments recommended in the report) related to Private Equity, Multi-Asset Credit, Property and Infrastructure and totalled around £380m.

The old benchmark, together with the intermediate and final benchmarks approved by Committee in November 2020 were presented. The intermediate benchmark came into effect from 1 January 2021, and the final Benchmark will become effective by 1 January 2022 at the latest.

The value of the Fund's investment assets had increased by £151m (+2.6%) between 30 April 2021 and 31 July 2021 to £6.035bn, the first time the Fund had exceeded £6.0bn. Over the twelve months to 31 July 2021, the value of the Fund's investment assets had increased by £893m (+17.4%). A copy of the Fund's valuation at 31 July 2021 was attached at Appendix 3 to the report.

Mr Fletcher referred to the current economic and markets outlook position with particular reference to the recovery from the pandemic, the impact of the new Biden administration in the US, the development of a stricter regulatory regime in China, and the outlook for inflation.

The Chairman thanked Mr Fletcher for his attendance and informative presentation.

**RESOLVED** that (1) the report of the external advisor, Mr Fletcher, be noted;

(2) the asset allocations, total assets and long-term performance analysis in the report of the Director of Finance and ICT, be noted; and

(3) the strategy outlined in the report of the Director of Finance and ICT be approved.

**42/21**      **STEWARDSHIP REPORT** Members were provided with an overview of the stewardship activity carried out by Derbyshire Pension Fund's external investment managers in the quarter ended 30 June 2021, together with an update in respect of the stewardship engagement carried out by the Local Government Pension Fund Forum (LAPFF) over the same time period, and to note the Fund's representatives at LAPFF meetings.

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

- Q2 2021 LGIM ESG Impact Report
- Q1 2021/22 LGPSC Quarterly Stewardship Report

These two reports provided an overview of the investment managers' current key stewardship themes and voting and engagement activity over the last quarter.

The background to Derbyshire Pension Fund's membership of the LAPFF was set out for the Committee. In October 1990, Derbyshire Pension Fund was one of seven founding members of the 'Like Minded Pensions Authorities' (LIMPA), which was later renamed as the Local Authority Pension Fund Form (LAPFF) in May 1992. For over 30 years, LAPFF had worked to promote the highest standards of corporate governance to protect the long-term value of local authority pension funds. A copy of LAPFF's Engagement Report for the quarter to 30 June 2021 was set out at Appendix 4 to the report. The Engagement Report set out details of LAPFF's engagement activities in the quarter, which included over 90 engagements with 59 companies on topics including: Climate Change; Board Composition; Employment Standards; Environmental Risk; Human Rights; and General Governance. In future, Councillor Wilson, as Chairman of this Committee, would also represent Derbyshire Pension Fund at meetings of the LAPFF.

The Committee was informed of the positive impact the members of LAPFF had had with regard to voting and influencing companies to take a much stronger line and have a greater ambition in relation to climate change and encouraging investment in renewable energy.

**RESOLVED** to (1) note the stewardship activity of LGIM, LGPSC and LAPFF; and

(2) note that the Chairman of the Committee and a member of the Fund's In-house Investment Management Team will represent the Fund at meetings of the LAPFF.

**43/21**      **UPDATES TO THE FUNDING STRATEGY STATEMENT** The Committee was advised of the outcome of consultation in respect of the proposed updates to the Funding Strategy Statement (FSS) for Derbyshire Pension Fund and asked that approval be given for the updated FSS to be adopted with immediate effect.

At the meeting on 21 July 2021, the Committee was advised of the proposed changes to the FSS following the introduction of new powers for administering authorities to review employer contributions between actuarial valuations and to adopt more flexible methods of collecting exit payments from exiting employers, and of the intention to consult with all participating employers on the draft updated FSS. The consultation with participating employers commenced on 26 July 2021 and ran until 22 August 2021.

Employers had been provided with a link to the draft version of the updated FSS and all the other supporting information which was noted by Committee at the meeting on 21 July 2021, including guidance documents issued by the Ministry of Housing, Communities and Local Government, and the LGPS Scheme Advisory Board. Each employer had been asked to consider how the updated FSS may impact on participating employers in Derbyshire Pension Fund. All employers were invited to submit their views and comments on the updated FSS via a secure webform to enable responses to the consultation to be submitted quickly and easily.

In order to ensure that all employers had the opportunity to review the updated FSS and provide comments, the Fund had:

- issued an email to each participating employer's contacts on the opening of the consultation period on 26 July 2021 which included a brief summary of the changes made to the draft FSS
- published a news item on the Fund's website, also on 26 July 2021
- included a reminder about the consultation in the July Employer Newsletter which was issued to all employer contacts and published on the Fund's website on 29 July 2021

The Fund had received three responses to the consultation from employers. Two of the responses were from admitted bodies and one was from a scheduled body employer. The responses were summarised in a table at Appendix 2 to the report along with the Fund's response to each employer's comments.

It was noted that the number of responses to the consultation was low, however, the consultation was widely highlighted to employers and had been open for four weeks. Discussions would be held with the Pension Board to look at potential methods of encouraging greater responses to Fund consultations, although it was noted that, in this case, it was difficult to see what more could be done.

The responses received to the consultation did not require any amendments to be made to the updated FSS which was included in the report at Appendix 3. Subject to the Committee's approval of the updated FSS, it was noted that it would be applied with immediate effect and that all participating employers would be provided with a link to a copy of the revised version.

**RESOLVED** that the Committee (1) notes the outcome of the consultation in respect of Derbyshire Pension Fund's updated Funding Strategy Statement; and

(2) confirms that no changes were required to the updated Funding Strategy Statement and approves the revised Statement to be applied with immediate effect.

