

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE** held on 20 October 2021 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, P Smith 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 S Webster (representing Derbyshire County Council)

R Graham and K Gurney (representing the Pension Board)

Declarations of Interest

There were no declarations of interest.

39/21 **MINUTES RESOLVED** that the minutes of the meeting held on 8 September 2021 be confirmed as a correct record and signed by the Chairman.

40/21 **DERBYSHIRE PENSION FUND ANNUAL REPORT** It was the Fund's standard practice to present a copy of the Annual Report to Committee prior to 1 December each year and to seek approval to publish the Annual Report on the Fund's website. However, this was not possible this year because of the timing of Committee meetings and the completion of the external audit in respect of both the County Council's (the Council) and Fund's 2020-21 Statement of Accounts which had yet to be completed.

As a result of this delay, approval was sought for the Director of Finance & ICT, in conjunction with the Chairman of the Committee, to approve the publication of the Fund's 2020-21 Annual Report at the first available opportunity following receipt of the external auditor's opinion on the Fund's Statement of

Accounts. A copy of the Fund's 2020-21 Annual Report would be circulated to the Committee in due course, along with the Climate Strategy matrix.

RESOLVED that approval be given for the Director of Finance & ICT, in conjunction with the Chairman of the Committee, to approve the publication of the Pension Fund's Annual Report for 2020-21.

41/21 **DERBYSHIRE PENSION FUND RISK REGISTER** The Head of Pension Fund presented the Derbyshire Pension Fund Risk Register. The Risk Register included a target score which showed the expected risk score once the proposed additional risk mitigation controls and procedures had been implemented. The difference between the actual and target score for each risk item was also shown to allow users to identify those risk items where the proposed new mitigation and controls would have the biggest effect. The Head of Pension Fund informed the Committee that the target scores were realistic and achievable.

Additional columns had now been added to the Risk Register to show trend risk scores going back to the first quarter of 2020-21 to provide additional context. Members of the Committee welcomed this additional information.

The Risk Register had the following four high risk items and details of each of the high risks were presented:

- (1) Fund assets insufficient to meet liabilities (Risk No.19)
- (2) LGPS Central related underperformance of investment returns (Risk No.30)
- (3) Impact of McCloud judgement on funding (Risk No.37)
- (4) Impact of McCloud judgement on administration (Risk No.44)

No new risks had been added to the Risk Register this quarter and no risks had been removed. The current risk score of one risk and the target risk of one other risk had been changed.

Risk No.26, relating to employer contributions not received and accounted for on time. The probability of this risk had been increased from 1 (rare) to 3 (possible) in Quarter 2 2020-21 in recognition of the financial pressures on employers related to the Covid-19 pandemic. This had increased the total risk score from 3 to 9.

The Fund had reminded employers of their responsibility to provide information and to pay contributions by relevant deadlines. Although the Fund had experienced delays in the provision of information from some employers in the early months of the pandemic as staff moved to working remotely, the timely submission of information was now back to pre-pandemic levels and the vast majority of employers had continued to pay contributions promptly throughout the period of business disruption. The probability score for this risk was now

being reduced to 2 (unlikely) to take account of the Fund's experience over the last 18 months. This had reduced the total risk score to 6.

Risk No. 42, relating to potential delays to issuing Annual Benefit Statements and Pension Savings Statements. The current total risk score for this risk was 9 with an impact score of 3 (medium) and a probability score of 3 (possible). The target score was 3 with an impact score of 3 and a probability score of 1 (rare). Following a reassessment of what was achievable once the proposed additional mitigations were in place, the target score had been increased to 6, with the impact score remaining at 3 and the probability score increasing to 2 (unlikely).

The Chairman thanked Dawn Kinley, the Head of Pension Fund for her presentation.

RESOLVED to note the risk items identified in the Risk Register.

42/21 GOVERNANCE POLICY AND COMPLIANCE STATEMENT

Approval was sought for the draft updated Governance Policy and Compliance Statement for Derbyshire Pension Fund, which was attached at Appendix 2 to the report.

Minor updates had been included in the draft Statement to reflect the reappointment of the two members representing Derby City Council, and the current vacancy for an employer representative on the Derbyshire Pension Board. A recruitment exercise to fill the vacancy on the Board was currently underway.

The draft Statement also included clarification that members of the Pension Board were invited to attend the Committee's meetings as observers.

Widening scheme member and employer representation in the Fund's governance structure remained an area for development and a project had commenced to review the representation of scheme members and employers on the Pensions and Investments Committee.

In February 2021, the LGPS Scheme Advisory Board had published the final report of the Good Governance Review and an action plan for consideration by the Ministry of Housing, Communities and Local Government (now the Department of Levelling Up, Housing and Communities). The report included a proposal for future Statutory Guidance to require administering authorities to produce and publish a policy on representation of scheme members and non-administering authority employers on Committees including an explanation of its approach to voting rights for each party. A report will be prepared for the Committee with an update on progress in the new year.

The Fund had aimed to improve engagement with scheme members' through the implementation of the My Pension Online service, with registration for the service currently underway. It was intended that a Members' Forum would be established following the implementation of the My Pension Online service.

Members of the Committee welcomed the size and content of the Statement and Policy and found the document to be user friendly.

RESOLVED that the Committee approves the draft Derbyshire Pension Fund Governance Policy and Compliance Statement attached at Appendix 2 to the report.

43/21 HALF YEAR ADMINISTRATION PERFORMANCE REPORT – 1
APRIL 2021 – 30 SEPTEMBER 2021 This report related to the first half of 2021-2022 covering the period 1 April 2021 to 30 September 2021 and provided a summary of the Fund's performance in key areas of pension administration activity.

The provision of services had continued to develop around remote working arrangements including the implementation of soft phone technology which had enabled calls to the Pensions Helpline to be taken through Microsoft Teams functionality on each team member's laptop. A small team had remained office-based in order to maintain functions such as printing, packaging and posting letters and pension documents. Issuing formal documentation to members by post had remained the core method of communication. The implementation of the member self-service provision, "My Pension Online" which was launched in June 2021 would enable development of electronic communications in more areas of the Fund's administration.

A summary of the Fund's administrative activity during the period 1 April 2021 to 30 September 2021 was summarised. The membership figures were presented and reflected the total number of separate pension records. This included scheme members with more than one pension record. The actual number of individual members as at 30 September 2021 was 89,966 who between them had 107,308 membership records.

During 2020-21 there were a total of 920 deaths of pensioner members in Derbyshire Pension Fund which represented a 22% increase on 2019-20 (753). At the time of preparing this report, pensioner deaths since April 2021 were 294. The administration processes following a pensioner's death were highlighted.

The significant increase in workload during the second half of 2020-2021 was mainly due to data cleansing and address tracing exercises which had accounted for over 5,000 individual work items in the period. The increase in

workload over the first half year of 2021-22 was largely generated by work from the introduction of the My Pension Online service for members and continued progress of more employers implementing the i-Connect secure data transmission service. This included the development of a new workflow in the Altair pension administration system which alerted members on their My Pension Online record that there was work in progress on their pension record which may result in changes to the value of their pension.

An ongoing project to reduce and ultimately eliminate the numbers of backlog cases in two key areas (aggregations and deferred membership) of pension administration had continued throughout the first half of 2021-22. Continuing high levels of new aggregation cases and the complexity of some of the cases had resulted in the number of backlog cases reducing slowly. A return of greater numbers of staff to office-based working should help to increase the rate of backlog reduction with more direct team support available to finalise more of the complex aggregations. The current backlog situation for each area was presented.

Since the start of the pandemic, employers had faced a number of challenges in respect of their LGPS responsibilities. Challenges had included having to implement new procedures to continue their functions including maintaining responsibilities as an LGPS employer with key staff working from home, or in some cases being furloughed. The continuing payment of pension contributions had remained a core priority for employers based on payment and contribution reports having to be received by the Fund by the 19th of the month following payment. The Fund had continued to work with employers who had experienced difficulties with completing payments and submitting contribution reports. Full data relating to contribution payments and reports from employers was currently only available to July 2021, however, the current averages for employer submissions received by the Fund by the monthly deadline reflected that during 2021-2022 so far, approximately 96% of contribution payments, and approximately 90% of related contribution reports had been received on time.

A total of 5 new academies had joined the Fund as an individual LGPS employer in the period 1 April to 30 September 2021. As at 30 September 2021, the remaining total of Local Authority maintained schools in Derbyshire County Council and Derby City Council was 316.

Six applications had been received from organisations for Admission Body status, based on commencing a contract during the first half of 2021-22 with a scheme employer which included the transfer of active scheme members. These were currently being processed.

During the first half of 2021-2022 a total of 10 cases identified as complaints had been submitted to the Fund by members. Responses had been provided in each case and, to date, none of the cases had been escalated to

the appeals stage against the Fund. During the same period a total of 8 compliments had been recorded as submitted by members and employers praising the level of service they had received.

During the period 1 April to 30 September 2021 there had been no Stage 1 appeals submitted against the Fund and no Stage 2 appeals submitted to the administering authority.

During the first half of 2021-2022, the Fund had not been notified of any new cases which had been submitted by scheme members to The Pensions Ombudsman. Currently there were three cases awaiting the Ombudsman's determination, all of which had been escalated to the Ombudsman by scheme members during 2020. In each case, a determination had been delayed by a backlog of cases caused by the impact of the pandemic.

The Committee had approved a revised version of the Fund's Communications Policy at its meeting on 28 April 2021. The revised version included the development of the Fund's member self-service website, My Pension Online and set the Fund's key priorities for the development of its communications over the next three years.

The Fund had continued to progress with boarding employers onto the i-Connect system and had undertaken virtual training sessions for those in the early phases of implementation. The sessions had also provided employers with an understanding of the benefits of submitting member data via i-Connect for themselves, scheme members and the Fund. Additionally, virtual training sessions, and bespoke meetings on specific topics to support employers had included training and support on a range of issues.

Annual Benefit Statements had this year been made available to members online, although the opportunity to still receive a paper statement had been provided. By the end of September 2021, the following totals of Annual Benefit Statements had been made available online to members or issued on paper.

- Active members – 89.9%
- Deferred members (with confirmed home addresses) – 97.9%

The programme for employers to implement the i-Connect system, part of the functionality linked to the Altair pension administration system, had continued to develop throughout the first half of 2021-2022. Implementation had commenced at the start of 2020, and 183 employers were currently securely transmitting member data to the Fund via i-Connect. The target for the i-Connect project was to have all employers working towards implementation by the end of 2021.

An estimated 3 million documents were held by the Fund on microfiche records. A project to upload the documents into the Altair system had now been completed. The project had been undertaken in liaison with EDM Group Ltd who specialised in providing high volume, bulk document scanning and digitisation services. Once the Fund had completed a quality control exercise on the returned records, it will instruct EDM Group Ltd to destroy the physical fiche records.

The implementation of the member self-service website, My Pension Online, a further functionality linked to Altair had been launched in June 2021. The Fund had commenced a programme to invite scheme members to register for My Pension Online and at the time of preparing this report, individual letters had been issued to over 51,300 active and deferred members inviting them to begin the process of registering for My Pension Online. By the end of September 2021, a total of 7,256 members had completed their registration for My Pension Online.

RESOLVED that the Committee notes the workloads and performance levels outlined in the report.

44/21 **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 receive declarations of interest (if any)
2. To consider the exempt report of the Director of Finance & ICT on Local Government Pension Scheme Investment Pooling (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information))