

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 **MINUTES 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 **INVESTMENT REPORT** 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