

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 4 May 2022 in the Members Room, County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, R Ashton, N Atkin, B Bingham, M Carr (Derby City Council) and M Yates.

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

Officers in attendance – M Fairman, D Kinley, N Smith and S Webster

Apologies for absence were submitted for Councillor L Care (Derby City Council), M Foster and G Musson.

9/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

10/22 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 2 MARCH 2022

RESOLVED:

That the minutes of the meeting held on 2 March 2022 be confirmed as a correct record and signed by the Chairman.

11/22 STEWARDSHIP REPORT

The Committee was provided with an overview of the stewardship activity that had been carried out by Legal and General Investment Management (LGIM) in the quarter ended 31 December 2021.

The quarterly stewardship report from LGPS Central Limited would be available in April/May 2022 and presented to Committee in due course.

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.

The Fund had published a statement in respect of its Russian investments

on the Fund's website on 9 March 2022, a copy of which was attached at Appendix 3 to the report.

As set out in the statement, the Fund, together with its fund managers, was continuing to monitor and assess developments in Russia and Ukraine. In March 2022, both MSCI and FTSE Russell had 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 had been written down to zero, albeit the passive funds still owned the securities because the Russian domestic stock market had remained closed and sanction restrictions limited the ability to sell these securities at present.

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

RESOLVED:

- (1) to note the stewardship activity of LGIM; and
- (2) to note the update in respect of the Fund's investments in Russia.

12/22 HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT - 1 OCTOBER 2021 TO 31 MARCH 2022

A report was received by the Committee which notified them of the administration activity that had been undertaken by the Pension Administration Team and the performance levels that had been achieved.

The report related to the second half of 2021-22 covering the period from 1 October 2021 to 31 March 2022 and provided a summary of the Fund's performance in key areas of pension administration activity.

Although the number of academisations had slowed from previous levels during the pandemic, the Secretary of State for Education had presented a Schools White Paper to Parliament in March 2022 confirming that it aimed for all schools to be part of, or in the process of joining or forming a 'strong trust' by 2030. As there were 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 previous half-yearly report had 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. As a result, the administering authority for 6 academies in Derbyshire had changed to Nottinghamshire County Council from 1 September 2021.

The implementation of the member self-service website, 'My Pension Online' was launched in June 2021. By the end of March 2022, a total of 12,501 members had completed their registration. The Fund was continuing to engage with employers to seek their assistance with encouraging scheme members to register.

RESOLVED:

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

13/22 DERBYSHIRE PENSION FUND RISK REGISTER

The Risk Register had 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)

The National Cyber Security Centre had warned of a heightened cyber threat following Russia's attack on Ukraine and had advised organisations to bolster their online defences. Pension schemes hold large amounts of personal data and assets which could make them a target for cybercrime attacks. The trusted public profile of pension funds also made them vulnerable to reputational damage.

Robust procedures were in place for accessing the systems used by the Fund and the Pension Fund's Business Continuity Plan included the Business Continuity Policy and Business Continuity Incident Management Plan of Aquila Heywood (the provider of the Fund's pension administration system, Altair).

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 (No.13 and No.42) had been increased from 2 (unlikely) to 3 (possible). The impact scores for both risks remained at 4 (high), giving total risk scores for both risks of 12.

Two new risks had been added:

Electronic information delivered or made available in formats which fail to meet accessibility requirements (Risk No.19); and

Insufficient controls relating to the governance of pension administration system (Risk No.41).

Both these new risks had an overall risk score of 9 and details of each risk were provided.

RESOLVED:

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

14/22 APPOINTMENT OF AN EXTERNAL ADVISOR TO DERBYSHIRE PENSION FUND

RESOLVED:

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 was subject to the finalisation of the Council's internal procurement procedures.

15/22 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 exemption outweighs the public interest in disclosing the information.

16/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

17/22 SUMMARY OF APPEALS AND OMBUDSMAN ESCALATIONS DURING 2021-22

A report was presented which summarised the appeals that had been adjudicated by the authority at Stages 1 and 2, and separately, those which had been submitted to and/or determined by the Pensions Ombudsman during the period 1 April 2021 to 31 March 2022.

The report demonstrated that all appeals had been analysed and improvement action had been taken where required, to reduce the risk of future appeals.

RESOLVED that the Committee notes:

- a) the summary of adjudications by the administering authority;
- b) cases escalated to, and determined by the Pensions Ombudsman during 2021-22;
- c) cases escalated to the Pensions Ombudsman earlier than 2021-22 and where a determination was still outstanding; and
- d) the actions taken towards the continuous improvement of Fund and employer procedures and understanding to reduce the likelihood of future cases being escalated to an application for adjudication.