

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 19 October 2022 in the Council Chamber, County Hall, Matlock,.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, R Ashton, N Atkin, B Bingham, L Care (Derby City Council), M Foster, G Musson and M Yates.

Apologies for absence were submitted for Councillor Carr (Derby City Council).

35/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

36/22 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 7 SEPTEMBER 2022

The minutes of the meeting held on 7 September 2022 were confirmed as a correct record.

37/22 DERBYSHIRE PENSION FUND ANNUAL REPORT

The Council's audited accounts, which included the Fund's Statement of Accounts, would be considered at the meeting of the Audit Committee to be held on 29 November 2022. A pre-audited version of the Pension Fund's Statement of Accounts had already been submitted to the Audit Committee and no issues were expected at this stage.

Approval was sought for the Director of Finance and ICT, in conjunction with the Chairman of the Committee, to approve the publication of the Fund's 2021-22 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 2021-22 Annual Report would be circulated to Committee in due course.

RESOLVED:

That approval is 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 2021-22 at the first available opportunity after receipt of the external auditor's opinion on the Fund's Statement of Accounts.

38/22 DERBYSHIRE PENSION FUND RISK REGISTER

The Risk Register had the following five high risks:

- 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 Limited related underperformance of investment returns (Risk No.31)
- 4) Insufficient cyber-liability insurance relating to the pensions administration system (Risk No.42)
- 5) Impact of McCloud judgement on administration (Risk No.46)

All of the high level risks were discussed. In relation to Risk No. 13 and Risk No. 42 it was noted that a project had been started to map and document the Fund's data to ensure that it was understood where it was held, on what systems, how it was combined and how, and where, it moves; the related activities would be risk assessed as part of this process and a review of the information security arrangements of relevant suppliers to the Fund would be undertaken. When the mapping exercise had been completed, a high-level report would be brought to committee to provide a further update for Members.

It was noted that the risk score for Risk No.38 'Impact of McCloud judgement on funding' has been reduced from 12 (high risk) to 9 (medium risk) following clarity regarding the outcome of the LGPS Cost Cap valuation and confirmation of the treatment of the McCloud remedy in the March 22 triennial valuation.

An update was also provided on Risk No.33 'Failure to maintain liquidity in order to meet projected cashflows' following recent developments related to Thurrock Council. At 31 August 2022, the Pension Fund had loans of £30m to Thurrock Council, made up of six loans of £5m each, out of £80m of loans to Local Authorities at that point. Following the government's appointment of Essex County Council to the role of Commissioner and Best Value Inspector at Thurrock Council in response to concerns about the financial management of the council, a number of press enquires had been received about the loans made by Derbyshire County Council and by the Pension Fund to Thurrock Council and the loans were quoted in a number of press articles.

The Fund had been lending to Thurrock Council for several years and all loans and interest had been repaid when they fell due. Loans to Local Authorities were considered to have minimal credit risk with loans backed by the revenues of the relevant Local Authority and all Local Authorities able to access the Public Works Loan Board lending

facility for the purposes of refinancing. All of the loans to Thurrock Council had now been repaid to fund investment commitments and liquidity requirements.

RESOLVED:

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

39/22 HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT

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.

This report related to the first half of 2022-23 covering the period from 1 April 2022 to 30 September 2022 and provided a summary of the Fund's performance in key areas of pension administration activity.

The administration team had continued to experience consistently high workload levels but had been able to achieve casework turnaround times within the disclosure target timescales in the vast majority of cases.

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 2022-23.

Members found these figures to be very promising, particularly the turnaround times and wished to pass on their appreciation to the administration team for the critical work they undertook.

RESOLVED:

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

40/22 LOCAL GOVERNMENT PENSION SCHEME INVESTMENT POOLING

The Committee were updated on matters in respect of Local Government Scheme (LGPS) investment pooling.

Shareholders' Forum September 2022

The Shareholder's Forum had been held on 27 September 2022 ahead of the LGPSC AGM which would be held later that day.

Following discussions between the shareholders, it was noted that all of the resolutions at the AGM would receive unanimous support. The process for providing feedback to LGPSC's Remuneration Committee on the performance of the company's Executive Directors, a development that had been agreed during the approval of the Executive Director Remuneration & Benefit Policy in April 2022, was also discussed.

LGPSC AGM September 2022

At the LGPSC AGM on 27 September 2022, Joanne Segars, the Chair of the LGPSC Board, had provided an update on the company's key themes: Fund Performance; Recruitment and Retention; Business Maturity; and The Future. An update was also provided on the recruitment of two Non-Executive Directors (NEDs) and on the governance arrangements of the company.

The Chairs of LGPSC's Audit, Risk and Compliance Committee, its Nomination Committee; and its Remuneration Committee had also provided shareholders with updates on the work of their committees.

Mike Weston, the Chief Executive Officer of LGPSC updated shareholders on progress against the company's six focus areas for 2022-23.

Eight resolutions had been presented to shareholders for approval at the LGPSC Annual General Meeting, including the approval of the re-election of Directors, and all of the resolutions had received unanimous approval.

Investments in Collaborative Arrangements

Members were informed of the Fund's investments in LGPSC vehicles as at the end of August 2022 which totalled £839m along with assets that were managed through collaboratively procured arrangements which totalled £2.2bn.

Climate Risk Report

The Fund had received a draft 2022 Climate Risk Report from LGPSC. The report was currently being reviewed and would be presented to Committee in December 2022. Information from this report will contribute to the updating of the Fund's TCFD (Task Force on Climate-related Financial Disclosures) Report.

Members were also provided with details of a meeting between LGPSC and Partner Funds to discuss mid-year business planning and informed of the new LGPS Central Pool cost savings model.

Mike Weston and Matt Jones from the LGPSC attended the meeting to provide an update on:

- The company

- The Fund’s investments in LGPSC products and the performance of those products
- Product development, and
- Responsible investment and engagement

Members of the LGPSC team would also be providing a more detailed update on the investment performance of the LGPS Central Global Active Investment Grade Corporate Bond Multi-Manager Fund and the LGPS Central Emerging Market Equity Active Multi-Manager Fund in the exempt part of the meeting.

RESOLVED:

That the Committee notes the contents of the report.

41/22 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 items 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.

42/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

43/22 LGPS CENTRAL LIMITED INVESTMENT PERFORMANCE

RESOLVED:

That the Committee notes the contents of the not for publication report.