

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 8 March 2023 in the Council Chamber, County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

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

Also in attendance – D Kinley, A Nelson, P Peat, N Smith, S Webster (representing Derbyshire County Council) and A Fletcher (independent investment advisor)

Apologies for absence were submitted for Councillors P Smith and M Yates.

14/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

15/23 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 18 JANUARY 2023

The non-exempt minutes of the meeting held on 18 January 2023 were confirmed as a correct record.

16/23 INVESTMENTS REPORT

The Pension Fund's independent investment advisor, Anthony Fletcher, took the Committee through a presentation on the market background, the Fund's performance, the economic and market outlook, and on his asset allocation recommendations.

The Investment Report was then presented by the Fund's Investments Manager who explained the rationale for the recommendations for each asset class set out in the report.

RESOLVED:

That the Committee:

- a) Notes the report of the independent external advisor, Mr Fletcher;
- b) Notes the asset allocations, total assets and long-term performance analysis set out in the report; and

- c) Approves the IIMT recommendations outlined in the report of the interim Director of Finance & ICT.

17/23 STEWARDSHIP REPORT

The Committee was provided with an overview of the stewardship activity that had been carried out by Legal & General Investment Management (LGIM), one of the Fund's external investment managers, in the quarter ended 31 December 2022.

The report ensured that the Committee was aware of LGIM's stewardship activity and provided an overview of the voting and engagement that had been undertaken. Members of the Committee welcomed the report.

Following a change to the LGPS Central Limited (LGPSC) stewardship reporting cycle, a Q3 2022-23 LGPSC Stewardship Report had not been prepared for this meeting of the Committee. The stewardship activity for the quarter will be covered in LGPSC's Annual Stewardship Report for the year to 31 March 2023. This will be reported to Committee in due course.

RESOLVED:

That the Committee notes the stewardship activity of LGIM.

18/23 TREASURY MANAGEMENT STRATEGY 2023-24

Approval was sought for the Pension Fund's draft Treasury Management Strategy for 2023-24, which was attached at Appendix 2 to the report.

The Fund's current benchmark allocation to cash was 2% (about £120m at current asset values). However, 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 on 31 January 2023 was 3.5%, equating to £197m. Future commitments, on 31 January 2023 had totalled around £270m, and a significant proportion of those were likely to be drawn-down over the next 12 to 18 months.

The proposed Treasury Management Strategy for 2023-24 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 as set out in the Treasury Management Strategy.
- A counterparty limit for Local Authorities and Other Government Bodies, Banks (unsecured) and Building Societies (unsecured) had reduced from £30m to £15m to reduce concentration risk.

RESOLVED:

That the Committee approves the Pension Fund's Treasury Management Strategy for 2023-24 attached as Appendix 2 to the report.

19/23 FUNDING STRATEGY STATEMENT CONSULTATION

A draft Funding Strategy Statement (FSS) had been presented to the Pensions and Investments Committee at its meeting on 7 December 2022 and was approved for consultation with the Fund's stakeholders.

The consultation period had commenced on 21 December 2022 and closed on 31 January 2023. By the closing date of the consultation period, 6 responses had been received from employer representatives on behalf of 17 Fund employers, which included scheduled and admitted bodies and employers from the academy and further/higher education sectors. A brief summary of the submissions and the Fund's response, where appropriate was presented. No changes were considered to be required to the draft FSS in relation to the responses to the consultation.

An additional paragraph has been added to the draft FSS at the recommendation of the Fund's actuary in relation to the expected regulations in respect of the LGPS remedy following the McCloud ruling. The following paragraph has been added to section 4.2 of the FSS – 'How are employer liabilities calculated?':

'Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.'

RESOLVED:

That the Committee, in consideration of the responses to the consultation, confirms that, except for an additional paragraph recommended by the Fund's actuary, no further changes to the proposed Funding Strategy Statement are required and approves the draft Funding Strategy

Statement attached at Appendix 2 to the report.

20/23 DERBYSHIRE PENSION FUND 2023-2024 SERVICE PLAN

Approval was sought for the Pension Fund's Service Plan for 2023-24, which included the annual budget for the year of £35.132m. 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 2022-23
- A review of 2022-23 performance indicators
- Forward plan of Pension Fund procurements to 31 March 2025
- The Fund's medium-term priorities
- The 2023-24 budget required to deliver the Fund's services
- 2023-24 key performance indicators

For 2023-24, a budget of £35.132m was sought to deliver the services of the Pension Fund, made up of operational costs of £6.392m and total investment management costs (IMEs) of £28.740m.

RESOLVED:

That the Committee approves the 2023-24 Service Plan for Derbyshire Pension Fund, attached at Appendix 2 to the report, including the annual budget of £35.132m.

21/23 EXCLUSION OF THE PUBLIC

That under Regulation 21 (1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

22/23 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 18 JANUARY 2023

The exempt minutes of the meeting held on 18 January 2023 were confirmed as a correct record.

The meeting finished at 12.11 pm