

PUBLIC

MINUTES of a meeting of **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 6 September 2023 at County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, N Atkin, B Bingham, G Musson, L Care (Derby City Council) and C Ashby (Derby City Council)

Also in attendance - N Read (Trade Union representative).

Apologies for absence were submitted for Councillors M Foster and M Yates.

40/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

41/23 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 7 JUNE 2023

The minutes of the meeting held on 7 June 2023 were confirmed as a correct record.

42/23 PUBLIC QUESTION

The following question had been received from a member of the public, Bridget Edwards:

“A new report 'Loading the DICE Against Pensions' by Carbon Tracker has recently been published. It clearly shows that investment consultants such as Mercer are basing their analysis of climate risk on information provided by economists. However, the analyses provided by these economists are not reviewed by climate scientists and do not take into account climate science. This has led to seriously flawed analyses, which form the basis of Mercer's and other companies' analyses of climate risk. This consequently affects how pension funds view future climate risk scenarios, including Derbyshire Pension Fund, for example, that 3 degrees of warming would have a muted impact on pension returns. (please see pages 56/7 of the report)

In light of the findings of this report, does the committee feel that it is fulfilling its fiduciary duty by continuing to use investment consultants such as Mercer?”

The Chairman responded as follows:

“The answer is yes.

We welcome the continued development of climate scenario analysis to support pension funds’ management of the risks associated with climate change. The analysis in Derbyshire Pension Fund’s third Climate-Related Disclosures Report, published earlier this year, was based on an updated model that Mercer has developed in partnership with Ortec Finance and Cambridge Econometrics to develop climate scenarios grounded in the latest climate and economic research.

However, it is recognised that there remains a great deal of uncertainty for investors around the market reaction to climate risks and to changing climate policies. As climate scenario analysis remains a developing field, which uses assumptions about inherently unpredictable matters over long time horizons, the outputs from the analysis are viewed as directional information on the sensitivity of the Pension Fund’s portfolio to different climate scenarios to be considered in tandem with all the other factors which have the potential to impact on investment returns.”

43/23 INVESTMENT 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 Investment 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 of the Director of Finance & ICT; and
- c) Approves the IIMT recommendations outlined in the report.

44/23 STEWARDSHIP REPORT

The Committee was provided with an overview of the stewardship activity that had been carried out by the Pension Fund’s external investment managers in the quarter ended 30 June 2023. The following two reports would ensure that the Committee was aware of the engagement activity that had been carried out by Legal & General Investment Manager (LGIM) and by LGPS Central Limited (LGPSC):

- Q2 2023 LGIM ESG Impact Report

- Q1 2023-24 LGPSC Quarterly Stewardship Report

The Investment Manager informed the Committee that the Fund's application to the Financial Reporting Council to become a signatory to the UK Stewardship Code 2020, had been successful. The Investment Manager wished to place on record his thanks to Adam Nelson and the team for the work they had undertaken with the application.

RESOLVED that the Committee notes the stewardship activity of LGIM and LGPSC.

45/23 **DERBYSHIRE PENSION FUND COMPLAINTS POLICY**

Approval was sought for the draft updated Complaints Policy for Derbyshire Pension Fund which was attached at Appendix 2 to the report.

The Committee had approved the inaugural Complaints Policy in January 2020. The Policy had been developed to provide assurance to members of the Pension Fund that all complaints were being recorded, would be considered properly and in a consistent manner. The operation of the Fund's policy for complaints was underpinned by guidance for officers, and the Altair pension administration system provided the functionality to record, escalate and monitor the progress of complaints with Fund members' individual records.

The Fund had received 24 complaints during 2022-23 (excluding 7 initial complaints classed as requiring clarification of scheme regulations). All 24 complaints had received a response within 10 working days. Members of the Committee thanked the officers and welcomed the report.

RESOLVED that the Committee approves the draft updated Derbyshire Pension Fund Complaints Policy attached as Appendix 2 to the report.

46/23 **LOCAL GOVERNMENT PENSION SCHEME INVESTMENT POOLING CONSULTATION**

An investment pooling consultation, 'Local Government Pension Scheme (England and Wales): Next steps on investments' (attached as Appendix 2 to the report), was finally published on 11 July 2023. Publication of the consultation followed the inclusion in the 2023 Spring Budget book (published in March 2023) of a statement that the government was challenging the LGPS in England and Wales to move further and faster on consolidating assets, flagging that a forthcoming consultation would propose LGPS funds transfer all listed assets into their pools by March 2025 and set direction for the future (which might include moving to a smaller number of pools in excess of £50bn). It was also flagged, that the government would consult on requiring LGPS funds to consider investment opportunities in illiquid assets 'such as venture and growth, thereby seeking to unlock some of the £364bn of

LGPS assets into long term productive assets’.

The Consultation sought views on government proposals in five areas:

- An acceleration and expansion of pooling, with administering authorities confirming how they were investing their funds and why. A deadline for asset transition by March 2025 was proposed, noting that the government would consider action if progress was not seen, including making use of existing powers to direct funds. Going forward, the government wanted to see a transition towards fewer pools to maximise benefits of scale.
- A requirement to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the February 2022 Levelling Up White Paper.
- An ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity.
- Proposed amendments to the LGPS’s regulations to implement requirements on pension funds that used investment consultants.
- A technical change to the definition of investments within LGPS regulations.

The Partner Funds within the LGPS Central Pool intended to submit individual responses to the Consultation. A joint response (potentially more high level) was expected to be submitted from the Partner Funds and from LGPS Central Limited. Discussions would continue with the other Partner Funds and LGPS Central Limited, and with the Fund’s Independent Investment Advisor and with other LGPS funds.

Members asked if they could have sight of the individual responses and the submission from LGPS Central Limited. The Head of Pension Fund reported that enquiries had been made to this effect and a response was still awaited.

Members also expressed their concerns regarding the short timescales involved for the transition of assets and the prescriptive nature of the government’s requests.

Matters set out in the report which were expected to be included in Derbyshire Pension Fund’s response to the Consultation were discussed and supported by Committee.

The closing date for the Consultation was 2 October 2023 and it was proposed that approval of the Fund’s response was delegated to the Director of Finance & ICT in consultation with the Chairman of the Committee.

RESOLVED that the Committee delegates approval of Derbyshire

Pension Fund's response to the 'Local Government Pension Scheme (England and Wales): Next steps on investments' consultation to the Director of Finance & ICT in consultation with the Chairman of the Committee.

47/23 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 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.

48/23 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 7 JUNE 2023

The exempt minutes of the meeting held on 7 June 2023 were confirmed as a correct record.