

PUBLIC

**MINUTES** of a meeting of **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 25 October 2023 at Council Chamber, County Hall, Matlock.

**PRESENT**

Councillor D Wilson (in the Chair)

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

Also in attendance was D Kinley, M Fairman, A Nelson, and N Smith.

Apologies for absence were submitted for N Read.

**49/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)**

There were no declarations of interest.

**50/23 MINUTES**

The minutes of the meeting held on 06 September 2023 were confirmed as a correct record.

**51/23 PUBLIC QUESTIONS**

**1) The following question had been received from a member of the public, Sue Owen on behalf of Derbyshire Pensioners Action Group:**

“We note that you will be reviewing the targets for the Climate Related Disclosures Report this year.

Will you be revising your targets for reducing the carbon footprint of the Fund’s listed equity portfolio, in the light of the increasingly urgent voices from the IPCC and the United Nations that the world must cut the use of fossil fuels in order to avoid climate catastrophe, for example in the new Global Stocktake Report from the UN

<https://www.theguardian.com/environment/2023/sep/08/un-report-calls-for-phasing-out-of-fossil-fuels-as-paris-climate-goals-being-missed>

and

will you undertake to inform all pension holders of your position on whether the fund can reasonably fulfil obligations to its beneficiaries if the world

remains on track for warming beyond 2 degrees?”

**3) The following question had been received from a member of the public, Joanna Collins:**

Answers to questions to the Pensions Committee on 18 January state the Committee “proactively manages climate-related risks and opportunities”. However, the percentage of its equity portfolio invested in “clean technologies” is less than the benchmark, while only 5% of its UK conventional gilt portfolio is in green bonds. This suggests the Committee is not committed to green and ethical investment.

Research\* states financial repercussions from the collapse in value of fossil fuel assets could eclipse those of the banking crisis. Investment in fossil fuels could constitute neglect of the Pensions Committee’s fiduciary responsibilities.

Will Council members put pressure on the Pension Fund to work proactively with advisers to find safer, environmentally sound investment, for example, by issuing a “Request for proposals” from clean energy fund providers?

\*Banking on Bailouts: Sizing the social costs when the fossil fuel bubble bursts”, One for One, January 2023.

**4) The following question had been received from a member of the public, Michael Pomerantz:**

“In reading your Climate-Related Financial Disclosures (TCFD) Report on your website I note the following\*:

\* Source: <https://www.derbyshirepensionfund.org.uk/about-the-fund/latest-news/news-items/2023-climate-related-financial-disclosures-report-published.aspx>

British Gas now reports that it sources its 48% of its electricity from renewables. Only 2% of its electricity comes from coal and 20% comes from natural gas. Other energy suppliers do even better to help reduce global warming.

Does your committee have any plans to further increase our low carbon and sustainable investments in the light of improvements seen elsewhere and the fact that the UK is facing a £62billion clean energy investment shortfall?”

Source:  
<https://www.edie.net/uk-faces-62bn-clean-energy-investment-shortfall-ministers-warned/>

## **The Chairman gave a combined response to Questions 1, 3 & 4:**

The Fund's climate related targets are currently under review and will be discussed at December's Pensions and Investments Committee meeting as part of the consideration of an updated Climate Strategy. As previously noted, the targets are expected to increase in line with the Fund's stated ambition of achieving a portfolio of assets with net zero carbon emissions by 2050.

With respect to investments in green bonds, the UK's Debt Management Office has, to date, issued two conventional green bonds which account for around 2.3% of total conventional issuance, in respect of the sixty one conventional bonds in issue. However, the Pension Fund has almost 9% of its UK conventional sovereign bond portfolio invested in green bonds, in a portfolio necessarily diversified across a range of yields and maturities.

In addition, almost 39% of the Pension Fund's listed equities relate to companies classified as 'clean technology' businesses, only fractionally below the benchmark weight, and an increase of almost 30% over the last three years. The Fund also has sizeable clean energy investments across multiple asset classes, including technology, healthcare and business services investments within the private equity portfolio, and over £270m of green energy commitments within the infrastructure portfolio.

It is worth noting that there is a moderate positive correlation between the sectors that have the highest carbon intensity and those that have the highest weight in clean technology. For example, the utilities and gas sectors are some of the sectors with the highest weight in clean technology by market capitalisation due to significant investment into green technology as part of their wider business activities. This correlation means that it can be difficult to achieve a diversified portfolio which is both underweight carbon intensity and fossil fuel reserves, and overweight clean technology at the same time.

Progress continues to be made in decarbonising the Fund's diversified portfolio of assets as part of an investment strategy that aims to maximise returns within acceptable levels of risk. The Pension Fund's investment and funding strategies together aim to ensure that over the long term the Fund will be able to meet all benefit payments when they fall due. Sensitivity analysis on a range of different climate scenarios is carried out every two to three years on the investment strategy, and triennially on the funding strategy as part of the actuarial valuation. This analysis is reported in the Fund's annual Climate-related Financial Disclosures report.

**2) The following question had been received from a member of the public, Laura Stevens on behalf of Divest Derbyshire:**

Divest Derbyshire, of which I am a member, has been speaking with the Pension Committee since 2018 about wider communication, with many promises of creating a forum. Investment details should be accessible to all. My father is 91 and receives a pension from Norfolk County Council. He is not online nor does he have a mobile phone. I know people here in that boat; elderly friends not online. My father however, receives this impressive 20-page booklet quarterly from his Council pension board. It is packed with useful information with summary accounts published annually. Might it be discriminatory not to enable access to pension investment information to your older members? Could Derbyshire maybe make something like this work? I understand there was once a leaflet published but it was deemed too expensive. I would be happy to contribute to the cost of such information from my pension funds? Maybe others too?

**The Chairman responded as follows:**

The Fund aims to balance the objective of delivering clear, timely and accessible communications to its stakeholders with the objective of ensuring that communications are cost effective.

The development of My Pension Online, the member self service system, has greatly increased the Fund's ability to communicate with its active and deferred members and the system will be rolled out to pensioner members in due course.

The Pension Fund's website also contains a wide breath of information on the Fund's activities, with content and accessibility being developed on a continuous basis.

Paper copies of all Fund documents, including the Pension Fund's Annual Report are available on request.

Important messages for pensioner members are provided with pension payslips which are issued by post usually three times each year, a recent example being a warning about potential pension-related scams. The Pension Fund is continually reviewing its communications and engagement with members, and where it has significant information to share, all channels of communication are considered, including the option of sending information by post.

**52/23 DERBYSHIRE PENSION FUND 2022-23 ANNUAL REPORT**

The Committee were provided with a report, seeking approval for the Director of Finance & ICT, in conjunction with the Chair of the Committee, to approve the publication of Derbyshire Pension Fund's Annual Report for 2022-23.

In accordance with the Local Government Pension Scheme Regulations 2013, the Administering Authority must prepare and publish an Annual Report for the Fund on or before 1 December following the year end.

In line with CIPFA guidance, it was the Fund's standard practice to present a copy of the Fund's Annual Report to Committee and seek approval to publish it on the Fund's website. This had not been possible for the last two years due to a stretched timetable for the completion of the external audit. The Fund's Annual Report for 2021-22 remained a draft publication as the external audit for 2021-22 was yet to be concluded.

The Fund's Statement of Accounts (2022-23) remained ongoing and was unlikely to be complete by 1 December 2023. Approval was, therefore, sought for the Director of Finance & ICT, in conjunction with the Chair of Committee, to approve the publication of the Pension Fund's 2022-23 Annual Report on the Fund's website at the first available opportunity after the receipt of the external auditor's opinion on the Fund's Statement of Accounts.

**RESOLVED to**

- 1) Approve the publication of the Pension Fund's Annual Report for 2022-23 on the Fund's website at the first available opportunity after receipt of the external auditor's opinion on the Fund's Statement of Accounts; and
- 2) Approve the publication of a draft version of the Pension Fund's 2022-23 Annual Report on the Fund's website at an earlier date, if appropriate.

**53/23 HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT 1  
APRIL 2023 TO 30 SEPTEMBER 2023**

The Committee were provided with a report, outlining the pension administration activity undertaken by the Pension Administration Team of Derbyshire Pension Fund, and the performance levels achieved, in the first half of 2023/2024.

The report related to the first half of 2023/2024 covering the period 1 April 2023 to 30 September 2023 and provided a summary of the Fund's performance in key areas of pension administration activity.

**RESOLVED to**

- 1) Note the workloads and performance levels outlined in the report.

**54/23 DERBYSHIRE PENSION FUND RISK REGISTER**

The Committee were provided with a report, outlining the Derbyshire Pension Fund Risk Register.

The Risk Register was kept under constant review by the risk owners, with a quarterly review by the Director of Finance & ICT. Derbyshire Pension Board also undertake a detailed review of the Risk Register on an annual basis. Changes from the Committee's last consideration of the Risk Register were highlighted in the Summary and Main Risk Registers, which were attached to the report as Appendix 2 and Appendix 3 respectively.

**RESOLVED** to

- 1) Note the risk items identified in the Risk Register.