

PUBLIC

**MINUTES** of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 24 January 2024 at County Hall, Matlock.

## **PRESENT**

Councillor D Wilson (in the Chair)

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

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

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

### **1/24 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)**

There were no declarations of interest.

### **2/24 MINUTES**

The minutes of the meeting held on 6 December 2023 were confirmed as a correct record.

### **3/24 CLIMATE RISK MANAGEMENT REPORT**

The LGPSC Climate Risk Management Report was structured around the Department for Levelling Up, Housing and Communities (DLUHC) potential recommendations on climate-related risk management as set out in the DLUHC consultation document, 'Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risk'. This was the fourth Climate Risk Management Report prepared by LGPSC that had been presented to the Committee.

Recognising that there was considerable uncertainty in the future development of climate risks, LGPSC and the Fund's In-House Investment Management Team (IIMT) believed that using a variety of different carbon risk metrics and climate scenario analysis tools would currently provide the most appropriate method of analysing and managing climate risk within an investment portfolio.

LGPSC's contractual arrangements with MSCI, the third-party provider of the carbon risk metrics data, prevented the publication of the full Climate Risk Management Report as the report contained some proprietary information in respect of individual investment manager and stock holding carbon metrics, which was subject to a non-disclosure clause. The full report would be presented in the restricted part of this Committee meeting.

This public version of the report provided largely the same degree of overall portfolio and asset class information but omitted the proprietary information noted above and was attached at Appendix 2 to the report.

LGPSC had noted that based on the Fund's current processes and disclosures, the Fund was well positioned to meet DLUHC's potential requirements on climate change governance and disclosures.

The Investment Manager provided further details of the key highlights of the carbon risk metrics analysis on the Fund's listed equities and listed investment grade bonds and informed the Committee of the progress made to date in respect of the Fund's two targets included in the Climate Strategy. The Fund's climate related targets were expected to show a sizeable increase once the updated Climate Strategy had been finalised.

The Report included a number of considerations and recommendations, several of which were addressed in the Fund's updated Climate Strategy. The remaining recommendations, largely relating to governance and reporting were currently being considered by the Fund.

**RESOLVED** that the Committee notes the Climate Risk Management Report attached as Appendix 2 to the report.

#### **4/24 LOCAL GOVERNMENT PENSION SCHEME INVESTMENT POOLING**

The Committee received an update on matters in respect of Local Government Pension Scheme (LGPS) investment pooling.

##### LGPS Investment Pooling Consultation

The Government's response to the pooling consultation had unexpectedly been published at the same time of the Autumn Statement in November 2023. Details of the response were highlighted. Officers would be discussing the government's response with the other Partner Funds in the LGPS Central Pool and with LGPS Central Limited, the pooling company, in the Moving Pooling Forwards in Collaboration forum and more widely with other LGPS funds.

One of the Government's proposed requirements was for Funds to set a plan to invest up to 5% of assets in levelling up the UK. Members of the Committee expressed their concern over a number of the new expected requirements and in particular this issue and felt it was a directive from the Government as to where the Fund should be investing. Members and officers felt that it would be helpful to understand how other Funds had interpreted the proposals set out in the consultation response.

### LGPS Central Limited Strategic Business Plan & Budget 2024-25

Partner Funds were currently considering the LGPSC Strategic Business Plan & Budget 2024-25 (Strategic Plan), which was expected to be presented to shareholders for approval at the Company's General Meeting on 27 February 2024. Mark Kenyon, the Director of Finance & ICT, would represent the County Council at the meeting and would vote on the Company's resolutions.

Partner Funds had discussed their ongoing/future requirements with LGPSC in September 2023. LGPSC had circulated the Strategic Plan to Partner Funds at the start of December 2023 and had attended a meeting of the Shareholders' Forum shortly afterwards to present its high-level strategic outlook for the Company, taking into consideration the recently published government response to the pooling consultation.

Partner Fund officers were considering requested additional information on the Strategic Plan that had been provided by LGPSC and Members requested if copies could be made available for their consideration. Dawn Kinley, the Head of Pension Fund, noted that she would be briefing the Chair and the Vice Chair of Committee on the proposed Strategic Plan ahead of the LGPSC Company Meeting.

### Recruitment of the Chief Executive Officer

The recruitment of a new Chief Executive Officer for LGPSC was reaching its final stages and approval for the proposed appointment would be requested from the Shareholders of LGPSC.

### LGPS Central Pool Joint Committee

The next meeting of the LGPS Central Joint Committee was due to be held on 2 February 2024 at the offices of Leicestershire County Council. The Chairman, Councillor Wilson would be representing the Fund.

### Investments in Collaborative Arrangements

The investments the Fund had in LGPSC vehicles at the end of December 2023 was presented.

### LGPS Central Pool Cost Sharing Arrangements

A review of the cost sharing arrangements was being undertaken six years on from the agreement of the original arrangements.

**RESOLVED** that the Committee notes the contents of the report.

## **5/24 GOVERNANCE POLICY AND COMPLIANCE STATEMENT**

Approval was sought for the draft updated Governance Policy and Compliance Statement for Derbyshire Pension Fund which was attached at Appendix 2 to the report.

Minor updates had been included in the Statement to reflect the appointment of the two members representing Derby City Council following the City Council's Annual General Meeting on 24 May 2023 and to provide additional information on the governance of the LGPS Central Pool.

As there were no material changes to the Statement, it was not proposed to consult with stakeholders, and subject to the Committee's approval, the Statement would be published on the Fund's website.

**RESOLVED** that the Committee approves the draft updated Derbyshire Pension Fund Governance Policy and Compliance Statement attached as Appendix 2 to the report.

## **6/24 DERBYSHIRE PENSION FUND RISK REGISTER**

Changes from the Committee's last consideration of the Risk Register had been highlighted in the Summary and Main Risk Registers, which were attached to the report as Appendix 2 and Appendix 3 respectively.

Details of how the risk scores and target scores had been applied were presented. A further column had been added to the Risk Register to indicate whether the target score was expected to be achieved in either the short, medium or long term.

The Risk Register currently had the following five high risk items and details of each risk were provided:

- Systems failure/lack of disaster recovery plan/cybercrime attack (Risk No.13)
- Fund assets insufficient to meet liabilities (Risk No.20)
- LGPS Central Limited related underperformance of investment returns (Risk No.31)
- Insufficient cyber-liability insurance relating to the pensions administration system (Risk No.41)
- Impact of McCloud judgement on administration (Risk No.45)

Members of the Committee requested an update on the administration impact of the McCloud remedy. The Head of Pension Fund informed the Committee that the Fund had done a lot of preparatory work prior to the remedy being confirmed which enabled the Fund to switch on the McCloud functionality in its pension administration system in early January 2024 and to start processing underpin calculations.

**RESOLVED** that the Committee notes the risk items identified in the Risk Register.

**7/24 EXCLUSION OF THE PUBLIC**

**RESOLVED** 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.

**8/24 CLIMATE RISK MANAGEMENT EXEMPT REPORT**

The Committee was presented with Derbyshire Pension Fund's full Climate Risk Report dated January 2024 which had been prepared by LGPS Central Limited.

This report was the same as the report considered in the public section of the meeting, but in addition it included an Appendix, together with a fund dashboard which contained some proprietary information provided by MSCI ESG Research LLC which was subject to a non-disclosure clause.

**RESOLVED** to approve the recommendation as detailed in the not for publication report.