

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on 28 April 2021.

PRESENT

Councillor J Perkins (in the Chair)

Derbyshire County Council

Councillors R Ashton, N Atkin, J Boulton, S Marshall-Clarke and B Ridgway

Derby City Council

Councillors L Care and M Carr

Also in attendance – M Fairman, D Kinley, N Smith (Minute No.19/21 training only) and S Webster

Apologies for absence were received on behalf of Councillors P Makin and R Mihaly (Derbyshire County Council) and M Wilson (Derbyshire County Unison)

19/21 **TRAINING** Prior to the main business of the Committee, Members received training on Multi-Asset Credit and Private Equity from Neil Smith, the Investments Manager.

On behalf of the Committee, the Chairman thanked Mr Smith for his most informative presentation.

20/21 **CHAIRMAN'S ANNOUNCEMENTS** The Chairman announced that this was to be his last meeting as Chairman along with Councillors Peter Makin and Brian Ridgway as they would not be seeking re-election. The Chairman wished to place on record his thanks for their contributions to the Committee and wished them all the very best for the future. The Chairman also extended his best wishes to those members who would be standing for re-election.

21/21 **MINUTES RESOLVED** that the minutes of the meeting held on 3 March 2021 be confirmed as a correct record.

22/21 **HIGH PEAK BOROUGH COUNCIL MOTION** The Committee was asked to note the receipt of a letter from High Peak Borough Council (HPBC) requesting that the Authority divest pension funds from investment funds that include fossil fuels by 2025. A response would be sent from the Chairman informing HPBC of the Committee's recent approval of the Climate Strategy.

23/21 DERBYSHIRE PENSION FUND COMMUNICATIONS POLICY

Regulation 61 of the Local Government Pension Scheme Regulations 2013 required each Local Government Pension Scheme (LGPS) administering authority to produce and publish a policy statement describing how it communicates with its stakeholders. Derbyshire Pension Fund's (the Fund/Pension Fund) previous policy statement was published in 2019 and had been reviewed to reflect the developments since then in the Fund's approach to communicating with its stakeholders.

A separate document, the Fund's Communications Strategy (the Strategy), which was last prepared in 2018, set out plans for developing the Pension Fund's communications. The Strategy sets out the objectives of developing: a member self-service portal; a distinct branding and livery for the Fund; and a bespoke Pension Fund website.

The development of the member self-service portal started following the transfer to a new pensions administration system in 2019; a phased roll out of 'My Pension Online' will begin in May 2021.

The Fund's own branding, logo and website had now become firmly established, providing a distinct identity for the Pension Fund. The Fund's plans for the further improvement and development of communications over the period 2021 to 2024 have been incorporated in the draft Communications Policy. It was intended that the Policy would be reviewed annually and revised if communications arrangements merit reconsideration, including if there were any changes to the LGPS or other relevant regulations or guidance which need to be taken into account. Progress against the communications-related objectives will be reported to Committee.

RESOLVED that the Committee approves the draft Communications Policy attached as Appendix 1 to the report.

24/21 DERBYSHIRE PENSION FUND RISK REGISTER A copy of both the Summary and Main Risk Registers were attached to the report as Appendix 1 and Appendix 2 respectively. Changes from the previous quarter had been highlighted.

Derbyshire Pension Board (the Board) had recently undertaken a detailed review of the Risk Register and had proposed a small number of changes to the risks identified and a number of changes to some of the risk scores. A fresh review of the Risk Register by a different group of people had been very useful and the Board's suggestions had been taken into consideration in this quarterly update.

The Fund's Business Continuity Plan had continued to work well and all of the Fund's critical activities have been maintained throughout the period of

business disruption. Alternative processes set up to accommodate remote working, remained under review. The implications of the continuation of the current working arrangements for a longer period of time were being evaluated.

The Risk Register currently had four high risk items. Two new risks had been added to the Risk Register this quarter and two risks had been removed. The two new risks were as follows:

- Failure to consider the potential impact of Environmental, Social and Governance (ESG) issues on investment portfolio (Risk No.22).
- Administration issues with AVC provider (Risk No.46).

The Fund was exposed to the risk of not assessing ESG issues when making investment decisions which could lead to investment underperformance and/or reputational damage to the Fund. To mitigate this risk, the Fund had developed a Responsible Investment Framework (the Framework) setting out the Fund's approach to incorporating ESG factors into investment decisions to better manage risk and support the generation of sustainable long term investment returns. The Framework was approved by the Pensions & Investments Committee in November 2020 following consultation with the Fund's stakeholders. The Fund actively monitored the ESG policies and practices of its investment managers, and reports on the stewardship activities of its key investment managers to Committee on a quarterly basis. The risk had been attributed an impact score of 4 (high) and a probability score of 2 (unlikely), giving an overall risk score of 8.

Following the implementation of a new IT system, the Fund's AVC provider, Prudential, had experienced delays in processing and investing contributions, providing valuations and paying out claims which could lead to delays for the Fund in processing members' retirements. There was also a risk of associated reputational damage for the Fund which had appointed Prudential as its AVC provider. The company had confirmed that members will not suffer any financial detriment due to the delayed processing and investing of their contributions. The Fund was in regular correspondence with Prudential regarding the outstanding issues and is working with the company to try to ensure that any issues which could delay a member's retirement date are dealt with first. The Fund will continue to work closely with Prudential to support the resolution of outstanding issues. The risk has been attributed an impact score of 2 (low) and a probability score of 4 (probable), giving an overall risk score of 8.

The risk scores for six existing risks had been changed:

Failure to comply with regulatory requirements for governance (Risk No. 3): The probability score has been increased from 1 (rare) to 2 (unlikely) following a reconsideration of the risk, increasing the overall risk score from 4 to 8.

An effective investment performance management framework is not in place (Risk No.5): The impact score has been increased from 3 (medium) to 4 (high) following a reconsideration of the risk, increasing the overall risk score from 6 to 8.

Pension Fund financial systems not accurately maintained / Member or Officer fraud (Risk No.10): The impact score has been increased from 3 (medium) to 4 (high) following a reconsideration of the risk, increasing the overall risk score from 6 to 8.

Failure to consider the potential impact of climate change on investment portfolio and on funding strategy (Risk No.21): Following approval of the Fund's Climate Strategy and the completion of the first phase of transitions to the increased Global Sustainable Equities allocation, the probability score has been reduced from 3 (possible) to 2 (unlikely), reducing the overall risk score from 12 to 8.

LGPS Central Ltd fails to deliver the planned level of long term cost savings (Risk No.28): Following a reconsideration of the risk, the impact score has been reduced from 4 (high) to 3 (medium), and the probability score has been increased from 2 (unlikely) to 3 (possible), increasing the overall risk score from 8 to 9.

The UK's withdrawal from the EU results in high levels of market volatility or regulatory changes (Risk No.30): Following the UK's withdrawal from the EU the probability score has been reduced from 3 (possible) to 2 (unlikely), reducing the overall risk score from 9 to 6. The risk will remain on the Risk Register until the possible regulatory implications of the UK's withdrawal from the EU become clearer.

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

25/21 **HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT** This report related to the second half of 2020-2021 and provided a summary of the Fund's performance in key areas of activity.

Maintaining efficient administration was important towards retaining the confidence and trust of scheme stakeholders such as members and employers. The impact of poor administration can be reputational but may also include additional expenditure through the payment of inaccurate pension benefits, interest on late payments and delays in collecting contributions from employers. This report aimed to provide the Committee with assurance that such risks were being managed adequately.

The Government's further lockdown measures in response to the Covid-19 pandemic continued to present a number of challenges for the Fund's administration in the second half of the year, particularly with the majority of the team continuing to work remotely from home. The Fund, however, had been able to maintain services effectively during remote working which has now continued for over 12 months. The detailed Covid-19 Business Continuity Plan which was initially developed in April 2020 provided a base for the maintenance and continuation of services.

The provision of services had developed around remote working including, since November 2020, the Fund taking part in a Derbyshire County Council (the Council) telephony trial which had enabled calls to the Pensions Helpline to be taken through Microsoft Teams functionality on each team member's laptop. The Council was currently reviewing the experience of the trial. A summary of the Fund's administrative activity during the period 1 October 2020 to 31 March 2021 was summarised.

During 2020-2021, the number of schools converting to academy status slowed with 18 academies joining the Fund as an individual LGPS employer, compared to 37 during 2019-2020. In the period October 2010 to March 2021 a total of 7 new academies had joined the Fund as an LGPS employer. One new admission body had commenced as a participating Fund employer during the second half of 2020-2021.

During the second half of 2020-2021 a total of 10 cases identified as complaints were submitted to the Fund by members. Responses had been provided in each case and, to date, none of the cases had been escalated to the appeals stage against the Fund via the Application for the Adjudication of Disagreements Procedure (AADP). Compliments received from members were also recorded by the Fund and shared with the team member who provided the service. During the second half of 2020-2021 a total of 6 compliments had been submitted by members praising the level of service they had received.

During the second half of 2020-2021 the Fund had continued to progress with boarding employers onto the i-Connect system and had undertaken virtual training sessions for those in the early phases of implementation. Additionally, virtual training sessions, and bespoke meetings on specific topics to support employers, had commenced towards the end of 2020 and into 2021 and had included training and support on a range of issues including:

- Ill-health retirement procedures
- Year end returns for employers who have not yet implemented i-Connect
- Completion of fund documentation
- Admitted Body Status
- Public Sector Exit Payment Cap

The majority of Annual Benefit Statements based on membership as at 31 March 2020 were issued to active and deferred scheme members during the first half of 2020-2021, however, statements which could not be issued with the main batches of submissions had been prepared and issued when the member's statement was finalised. By the end of March 2021, the following totals of Annual Benefit Statements had been issued to members;

- Active members - 95.3%
- Deferred members (with confirmed home addresses) – 97.6%

The programme for employers to implement the i-Connect system, part of the functionality linked to the Altair pension administration system, had continued to develop throughout the second half of 2020-2021. Implementation had commenced at the start of 2020, and 174 employers were currently securely transmitting member data to the Fund via i-Connect. The target for the i-Connect project was to have all employers working towards implementation by the end of 2021.

An estimated 3 million documents were held by the Fund on microfiche records. A project to upload the documents into the Altair system was nearing completion. Once the Fund had completed a quality control exercise on the returned records, the physical fiche records would be destroyed.

The implementation of Member Self-Service (MSS), a further functionality linked to Altair, was being finalised with a view to the system having a phased rollout from May 2021. The service's operational name will be 'My Pension Online'. MSS would be available to all scheme members, with the main functionality being the member's ability to view certain parts of their pension information, to undertake changes to some of their personal data and to carry out benefit projections online. Annual Benefit Statements will be issued online from 2021, although members will have the option to continue receiving a paper copy.

Whilst the Covid-19 pandemic had forced the cancellation of numerous face-to-face meetings, members of the team had continued to learn, share and network with colleagues from other Funds and the wider industry at virtual meetings. The Fund had also worked collaboratively with other LGPS funds to understand the implications and implementation issues associated with the McCloud remedy, and the exit payments cap legislation before it was disapplied.

The Fund had reviewed the potential benefits of two systems to assist in the areas of staff training and development, and specialist pensions legal and regulatory information:

1. The TEC learning platform built by Aquila Heywood as an LGPS education tool for staff training and development.
2. The Perspective online service built by Pendragon, a specialist information provider dedicated to supplying legal and regulatory information to the pensions industry.

The Committee approved the Fund's revised Pension Administration Strategy at the meeting on 3 March 2021, subject to consultation with participating employers. Employers were provided with a link to the revised Strategy and invited to submit comments during the consultation period which ran from 5 to 25 March 2021. No comments had been received, and the Pension Administration Strategy was formally applied from 1 April 2021 following the approval of the Chairman of the Committee and the Director of Finance and ICT.

The Chairman wished to place on record his appreciation to all members of the Committee and added his thanks to Dawn Kinley, Steve Webster, Neil Smith, Mary Fairman and their respective teams for the support and advice they had provided throughout his time in the Chair. These sentiments were echoed by the Committee members.

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

26/21 **EXCLUSION OF THE PUBLIC RESOLVED** 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 Paragraphs 1 & 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.

SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC HAD BEEN EXCLUDED FROM THE MEETING

1. To receive declarations of interest (if any)
2. To confirm the exempt minutes of the meeting held on 3 March 2021 (contains exempt information)
3. To consider the exempt report of the Director of Finance & ICT on Summary of Appeals and Ombudsman Escalations during 2020-21 (contains information relating to any individual)

