

PUBLIC

**MINUTES** of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE**  
held on 9 June 2021

**PRESENT**

Councillor D Wilson (in the Chair)

**Derbyshire County Council**

Councillors R Ashton, N Atkin, B Bingham, M Foster, G Musson, P Smith and M Yates

**Derby City Council**

Councillor L Care

Also in attendance – M Fairman, A Fletcher, D Kinley, and N Smith

Apologies for absence were received on behalf of Councillor M Carr (Derby City Council)

Prior to the commencement of the meeting the Chairman requested that a minute's silence be observed in memory of Nigel Dowe, the former Pension Administrator Manager, who had supported the committee over a number of years and had recently passed away. The Committee's condolences would be forwarded to his family.

**29/21** **MINUTES RESOLVED** that the minutes of the meeting held on 28 April 2021 be confirmed as a correct record.

**30/21** **INVESTMENT REPORT** Mr Anthony Fletcher, the external adviser from M J Hudson Allenbridge Investment Advisers Limited, attended the meeting and presented his report to the Committee. The report incorporated Mr Fletcher's view on the global economic position, factual information on global market returns, the performance of the Derbyshire Pension Fund, and his latest recommendations on investment strategy and asset allocation. Mr Fletcher also provided details on the impact that the coronavirus pandemic had had on the markets and a general overview of the current market situation.

Details were provided of Mr Fletcher's investment recommendations in UK Equities, North American Equities, European Equities, Japan, Asia/Pacific, Infrastructure, Private Equity and Cash, along with those of the Derbyshire Pension Fund In-House Fund Management Team.

The Fund's latest asset allocation as at 30 April 2021 and the recommendations of the Director of Finance & ICT and Mr Fletcher, in relation to the Fund's new intermediate strategic asset allocation benchmark, were set out in the report. The recommendations of the Director of Finance & ICT, adjusted to reflect the impact of future investment commitments were presented. These commitments (existing plus any new commitments recommended in the report) related to Private Equity, Multi-Asset Credit, Property and Infrastructure and totalled around £400m. Whilst the timing of drawdowns would be lumpy and difficult to predict, the in house Investment Management Team (IIMT) believed that these were likely to occur over the next 18 to 36 months.

In relation to longer term performance, the IIMT noted that the one-year return of 21.0% to 31 March 2021 reflected a catch-up following a sharp market sell-off in February and March 2020 in response to the outbreak of the Covid-19 pandemic. This had been supported by unprecedented levels of fiscal and monetary support provided by national governments and central banks. The IIMT did not believe that these levels of returns were sustainable in the long-term and going forward market returns were likely to be much lower. The Fund's Investment Strategy Statement was based on an assumed average market return of 3.6% per annum over the next 20 years.

The analysis prepared by IIMT showed that at an overall level, the Fund was overweight Cash and Growth Assets at 30 April 2021, underweight Income Assets and Protection Assets, although if commitments waiting to be drawn down were taken into account, the Fund would move to an overweight position in Growth and Income Assets. The table on page 4 of the report assumed that all new commitments would be funded out of the current cash weighting; in practice as private market commitments were drawn down they were likely to be funded partially out of cash and partially by distributions (income and capital) from existing investments and sales of public market assets. The Fund had progressively reduced its exposure to Growth Assets over the last two to three years, as equity valuations had become increasingly stretched, and increased the allocation to Income Assets and Protection Assets.

The IIMT recommendations reflected in this report: reduce Growth Assets by 1% to 55.8% (0.2% underweight), with some small changes to the regional composition: UK Equities -0.7%; North American Equities -0.8%; European Equities -0.2%; Japanese Equities +0.3%; and Emerging Market Equities +0.4%; increase Income Assets by 1.2% (Infrastructure +1.0%; and Multi-Asset Credit +0.2%); increase Protection Assets by 1.4% (conventional bonds +0.9%; and corporate bonds +0.5%), and reduce Cash by 1.6%. The IIMT noted that the recommendations were subject to market conditions, which continued to be volatile. The IIMT continued to recommend a defensive cash allocation,

reflecting both the general market uncertainty and cash held to fund existing commitment drawdowns.

Members welcomed this report, in particular the continued investment in renewable energy and fully supported the measures that had been offered to businesses during the Covid-19 pandemic. Members also made a number of comments and asked questions which were duly noted or answered by officers.

The Chairman thanked Mr Fletcher and the officers for their detailed and informative presentation.

**RESOLVED** that (1) the report of the external adviser, Mr Fletcher, be noted;

(2) the asset allocations, total assets and long term performance analysis in the report of the Director of Finance and ICT be noted; and

(3) the strategy outlined in the report of the Director of Finance and ICT be approved.

**31/21**      **STEWARDSHIP REPORT** Members were provided with an overview of the stewardship activity carried out by Derbyshire Pension Fund's external investment managers in the quarter ended 31 March 2021.

The report had attached the following two reports to ensure that the Committee was aware of the engagement activity being carried out by LGIM and by LGPS Central Limited (the Fund's pooling company):

- Q1 2021 Legal & General Investment Management (LGIM) ESG Impact Report (Appendix 2)
- Q4 2020/21 LGPS Central Limited Quarterly Stewardship Report (Appendix 3).

LGIM managed around £1.5bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities and Global Sustainable Equities. LGPSC currently managed around £0.4bn of assets on behalf of the Fund through its Global Emerging Market Equities Sub-Fund and Global Investment Grade Bonds Sub-Fund. It was expected that LGPSC will manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project These two reports provided an overview of the investment managers' current key stewardship themes and voting and engagement activity over the last quarter.

Members made a number of comments and asked questions which were duly noted or answered by the officers.

**RESOLVED** to note the stewardship activity of LGIM and LGPS Central Limited.

**32/21**        **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 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 28 April 2021 (contains exempt information)

**33/21**        **EXEMPT MINUTES RESOLVED** that the exempt minutes of the meeting held on 28 April 2021 be confirmed as a correct record.