

**DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE**

24 January 2018

Report of the Director of Finance and ICT

**ARRANGEMENTS FOR THE PROVISION OF SERVICES TO THE
PENSION FUND BY THE COUNCIL**

1 Purpose of the Report

To inform Committee of changes within the Finance and ICT Division of the Commissioning, Communities and Policy Department to meet the ongoing needs of Derbyshire Pension Fund ("the Fund") in anticipation of investment management pooling within LGPS Central.

2 Information and Analysis

The County Council acts as the administering authority for Derbyshire Pension Fund; this is a statutory role and must be performed by the Council. There are three main elements to the role:-

- (1) Governance – ensuring that the Fund operates in a manner that complies with regulations and best practice.
- (2) Administration – the maintenance of member records, collection of amounts due and payment of benefits. The Fund has over 100,000 members and over 200 different participating employers. The Fund pays out around £150m a year in benefits and collects around £160m a year from employee and employer contributions. The Council employs a team of staff members who administer these elements of pension fund activity.
- (3) Investment of Assets – A key part of any pension scheme is to grow the assets to meet future liabilities and this is achieved through a range of different investments including equities – both UK and worldwide; bonds; infrastructure; and property. As at 30 November 2017, the Fund had almost £4.7bn of assets under management. The vast majority of these assets are currently managed by an in-house team of 11 staff.

All costs incurred by the Council in providing pension fund services are met by the Fund and are, therefore, at nil direct cost to the Council, although the Council, in common with all the other participating employers, will pick up its

share of costs through the contributions it makes to the Fund for its own employees within the Scheme.

As part of the process to create LGPS Central, the Pensions and Investments Committee has been regularly updated on developments and council staff have been closely involved in setting up the new operating company. Full Council approved Derbyshire Pension Fund's participation in the LGPS Central Pool at its meeting on 8 February 2017.

The business case for the company set out the role the company will take in the investment of the Fund's assets and identified substantial cost savings for the Fund over the long term. The company will take over responsibility for the management of the majority of the investment assets over time and at least seven out of Derbyshire's eleven internal investment staff will transfer into the LGPS Central Ltd.

Whilst the transfer of certain functions to LGPS Central results in a staff transfer, many of the functions that the team currently perform will remain with the Council. In particular, the in-house team will retain responsibility for governance and asset allocation, noting that asset allocation is the single largest driver of investment returns.

The current staffing structure supporting the Fund is identified in Appendix 1. Governance matters are dealt with by the Director of Finance and ICT, the Head of Investments and the Pensions Manager together. Various staffing changes over the past year and the addition of ICT responsibilities to the role of the Director of Finance have reduced the amount of time the Director of Finance and ICT can spend on pension fund matters. The proposed restructuring reflects the arrangements necessitated by the creation of LGPS Central, including the requirement to hold the new operating company to account and to ensure the provision of the vehicles required to deliver the Fund's investment strategy. It also reflects the need to rebuild senior capacity within the division.

In consideration of the structure required, a revised proposal detailed in Appendix 2 was agreed by Cabinet in December 2017. The new posts have been evaluated at Grade 16 for the Head of Pension Fund role and Grade 15 for the new Investment Manager role; both positions need to be filled by suitably qualified and experienced investment professionals. At present, a market supplement is paid to the Head of Investments and to the Fund Managers. There is a recognition that the new Head of Pension Fund and Investment Manager grades do not provide equality with similar roles at other local authorities, or at LGPS Central who will have staff based on the County Hall site. Cabinet agreed market supplements for the new posts to ensure that the Fund could attract and retain the required specialist investment skills needed for both of these essential roles.

3 Financial Considerations

The costs of the new arrangements will be met by the Fund. The requirement under TUPE regulations to transfer seven existing roles to LGPS Central will generate a salary budget saving of £388,854 and this will be used to offset the cost of the new changes. The LGPS Central business model forecasts that pooling cost savings will accrue over the next 15 years. The Council report of 8 February 2017 indicates that the new pooling arrangements for Derbyshire Pension Fund, within LGPS Central, should produce cost savings of £47m cumulatively for the period from 2018-19 to 2032-33, with annual savings of around £4m being achieved by the end of this period.

4 Human Resources Considerations

The proposed Head of Pension Fund and Investment Manager posts have been evaluated under the Hay Job Evaluation Scheme. The revision to the structure and appointment to these new roles is underway.

The current Fund Manager and Research Analyst posts will be transferred to LGPS Central in line with TUPE regulations with effect from 1 April 2018. The new structure will be implemented as soon as practicably possible once the necessary consultation and recruitment processes are complete.

5 Other Considerations

In preparing this report the relevance of the following factors has been considered:- legal and human rights, equality of opportunity, health, environmental, transport, property, crime and disorder and social value considerations.

6 Background Papers

Held in the Exchequer Section, Room 240 and Director of Finance and ICT in Room 102.

7 Key Decision?

No

8 Is it necessary to waive the call-in period?

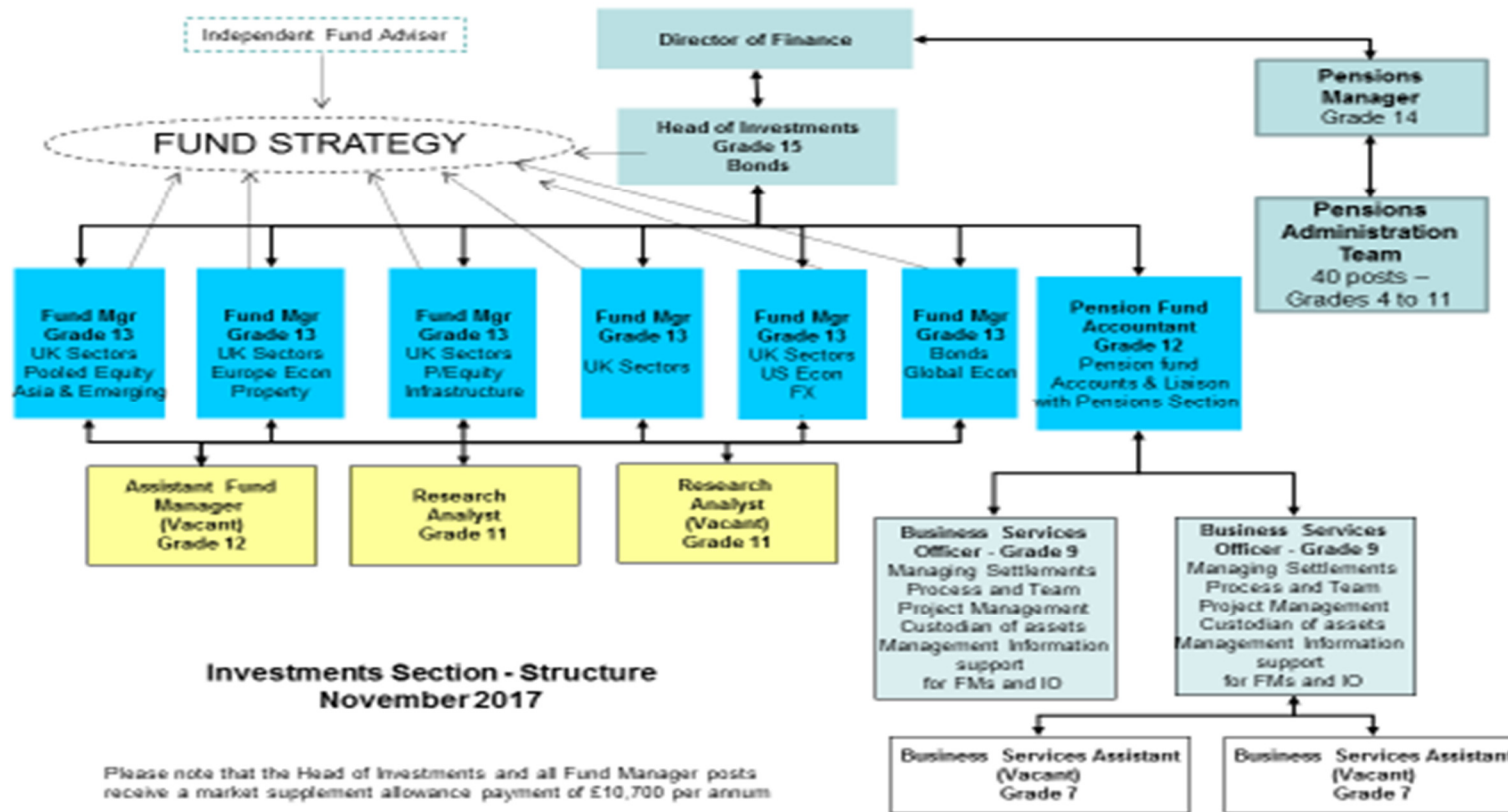
No.

9 Officer's Recommendation

That Committee notes the revised arrangements outlined in the report.

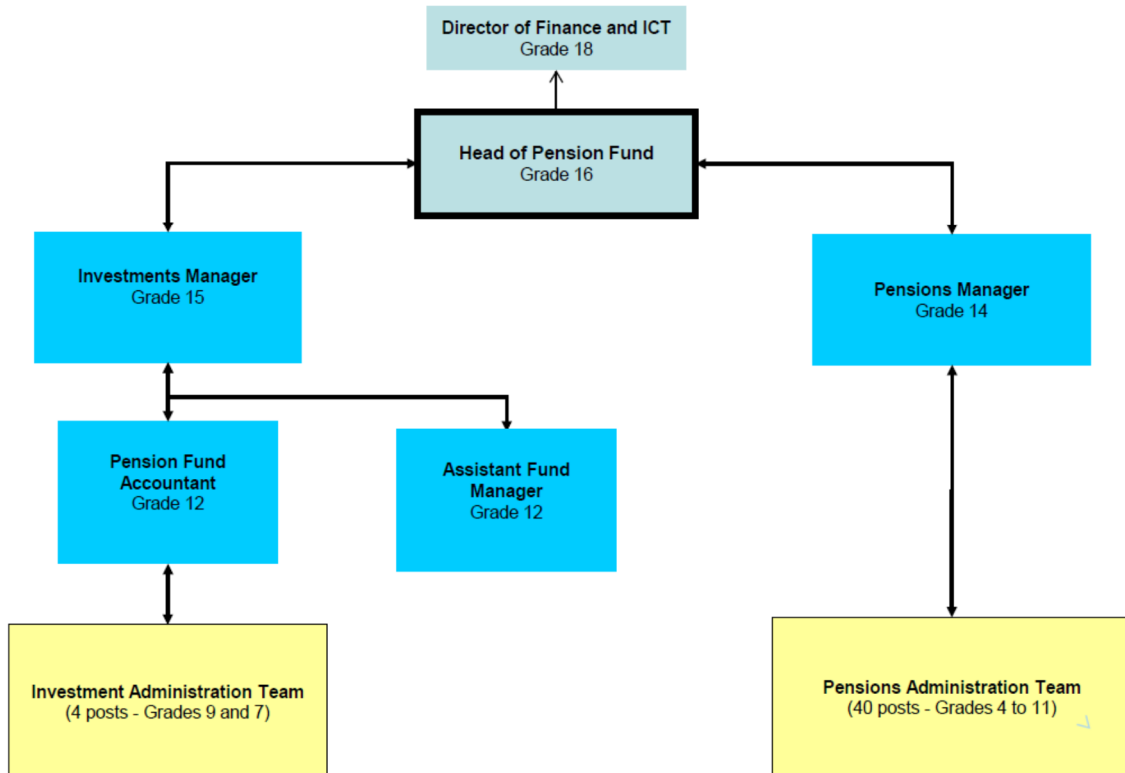
PETER HANDFORD
Director of Finance and ICT

APPENDIX 1



APPENDIX 2

Proposed Structure



The Head of Pension Fund and the Investments Manager posts will also receive a market supplement allowance payment.