

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE** held at County Hall, Matlock on 25 April 2018

PRESENT

Councillor J Perkins (in the Chair)

Derbyshire County Council

Councillors R Ashton, N Atkin, A Fox, P Makin, S Marshall-Clarke and R Mihaly

Derby City Council

Councillor M Carr

Derbyshire County Unison

Mr M Wilson

Apologies for absence were received on behalf of Councillor B Ridgway

21/18 RESPONSIBLE INVESTMENT Michael Marshall, Director of Responsible Investment and Engagement Framework for LGPS Central, and Dawn Kinley provided Members with a training session on Responsible Investment.

The Chairman thanked Michael Marshall and Dawn Kinley for their most interesting and informative presentation.

22/18 MINUTES RESOLVED that the minutes of the meeting held on 7 March 2018 be confirmed as a correct record and signed by the Chairman.

23/18 DERBYSHIRE PENSION FUND SERVICE PLAN The Derbyshire Pension Fund Service Plan set out how both the Investment Section and the Pensions Administration Section would contribute to the priorities of the Derbyshire Pension Fund in 2018-19. It also described how these priorities would be delivered and how success would be measured. The Service Plan was attached at Appendix 1 to the report.

RESOLVED to approve the 2018-19 Service Plan.

24/18 DERBYSHIRE PENSION FUND RISK REGISTER The Risk Register was kept under constant review by the risk owners, with quarterly

review by the Director of Finance and ICT. A copy of both the Summary and Main Risk Registers were presented. The Risk Register had identified three High Risk items:

- (1) Fluctuations in assets & liabilities (Risk No 14);
- (2) Performance deterioration / missed investment opportunities / lost cost savings or duplicated costs caused by LGPS Central transition delays (Risk No 30); and
- (3) Procurement and implementation of potential replacement pension administration system (Risk No 34).

The previous report presented to Committee highlighted an additional High Risk Item in respect of the Fund being left with insufficient investment skills and experience post the launch of LGPS Central Limited in April 2018 (Risk No 22). Since the last meeting the Fund had successfully recruited both a Head of Pension Fund and an Investments Manager, and the risk score for this item had fallen from 12 to 8.

There was an inevitable risk for any pension fund that assets could be insufficient to meet liabilities and fluctuate from one valuation to the next, principally reflecting external risks around both market returns and the discount rate used to value the Fund's liabilities. The Fund constantly monitored its Asset Allocation and had a significant proportion of its assets in growth assets, whilst proactively managing investment risk. The Fund had recently introduced an annual assessment of the Fund's funding position and was considering options for protecting the improvement in funding level following strong market gains since the triennial valuation in March 2016.

The transition of the Fund's assets into the products offered by LGPS Central was likely to take several years and there was a risk of transition slippage which may lead to a performance deterioration, missed investment opportunities and/or lost costs savings or duplicated management costs. Furthermore, it was likely that the Fund would need to directly manage some investments for a period of time to come. Once LGPS Central had completed the recruitment of its senior investment team, a more detailed transition timetable should be available, and this would be reported to Committee. LGPS Central's transition plans would also be monitored through the Practitioners' Advisory Forum.

The current pension administration system had failed to meet service requirements and a new system was currently being procured, Cabinet approval was received on 11 January 2018 to award a contract to a preferred bidder. There was a risk that the Fund failed to procure an effective new system or failed to migrate data accurately resulting in continued inadequate systems support. To mitigate this risk, the Council's ICT team had completed a detailed

risk assessment to support the procurement process and appropriately skilled resource was being allocated to the project, including the establishment of a Project Board.

Members were informed of the addition of one new risk during the period and that was General Data Protection Regulation (GDPR) which would come into effect on 25 May 2018.

RESOLVED to note the current High Risk items identified in the Risk Register.

25/18 TREASURY MANAGEMENT STRATEGY Derbyshire Pension Fund traditionally adopted the same Treasury Management Strategy as the County Council which placed security of capital and liquidity ahead of investment return. Council had approved the Treasury Management Strategy, which was attached at Appendix 1 to the report on 7 February 2018.

For operational purposes the Fund predominantly used the same list of counterparties as the County Council and had agreed a joint limit with the Council for each counterparty. Due to the Fund's differing liquidity requirements compared to the County Council, it did not invest in Pooled Funds (other than Money Market Funds) and Other Bodies (Non-Corporate) for treasury management purposes. The Fund's current benchmark allocation to cash was 2% (about £90m at current asset values). The Fund generally needed to retain a higher level of instant access funds than the County Council. Equally, it may be desirable to hold a higher defensive cash allocation because market valuations had become stretched or cash was held in order to meet future commitment drawdowns. The Fund's actual cash allocation at 31 March 2018 was 5.7%, equating to £264m.

RESOLVED that the Treasury Management Strategy attached at Appendix 1 to the report, be approved.

26/18 DERBYSHIRE PENSION FUND IDENTITY AND WEBSITE The Committee were updated on the development of Derbyshire Pension Fund's distinct identity and the implementation of the Fund's standalone website.

The aspiration to develop a distinct livery and standalone website for the Fund had been supported by the Committee for some time and was part of the Communications Strategy approved by Committee in January 2018. The Committee had approved the purchase of the domain name, www.DerbyshirePensionFund.org.uk for the proposed standalone website at its meeting on 7 February 2017.

In conjunction with the County Council's Communications and E-Content Teams, the Fund had commissioned a graphic design company called 'Fluid' to design the new livery and the website pages. Fluid had initially provided three

potential designs which were considered by senior managers in consultation with the Chairman and Vice-Chairman of the Committee, and one design was selected. This design would be used on Fund letterheads, business cards, reports, newsletters, emails and web pages, and the target date for the completion of this development work was 18 April. A pack showing how the selected design was to be applied to Fund communications and to how the website pages would look was circulated.

It was intended that this first phase of the project, including the testing and handover of the site by Fluid to the e-content Team, would be completed on 3 May 2018. The second phase would involve the development and implementation of new content and forms for the website with a view to the site 'going live' at the end of June / early July 2018. Thereafter, the current site would run in parallel with the new site whilst it was publicised to employing authorities and Fund members. Ultimately, the Derbyshire Pension Fund pages on the County Council's 'Working for Us' area would be taken down and replaced by a page that directed County Council employees to either the Teachers Pensions site, the NHS Pension Service site or to the new Derbyshire Pension Fund site for LGPS members.

The benefits and functions of the new website were highlighted.

RESOLVED to note the progress made on the development of Derbyshire Pension Fund's distinct identity and standalone website.

27/18 **EXCLUSION OF THE PUBLIC** **RESOLVED** that the public be excluded from the meeting during the Committee's consideration of the remaining items on the agenda to avoid the disclosure of the kind of information detailed in the following summary of proceedings:-

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

1. To confirm the exempt minutes of the meeting held on 7 March 2018 (contains exempt information)
2. To consider the exempt reports of the Director of Finance and ICT on:-
 - a) Quarterly Pensions Administration Performance Report (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information))
 - b) Stage 2 Appeal under the LGPS Application for Adjudication of Disagreement Procedure – AF (contains information relating to any individual)