



Derbyshire
Pension
Fund

T: 01629 538 900

E: pensions@derbyshire.gov.uk
derbyshirepensionfund.org.uk

Derbyshire Pension Board: Annual report 2018 / 2019

August 2019

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Introduction

Derbyshire Pension Board (the Board) was established as part of the new governance structure for the LGPS which came into effect in April 2015. This is the third annual report for the Board covering the year to 31 March 2019.

The Board has continued to develop its important role in assisting Derbyshire County Council (the Council), the administering authority, with the governance and administration of Derbyshire Pension Fund (the Fund) and with ensuring compliance with pension legislation and with the provisions of the Pension Regulator's Code of Practice 14 (COP 14). The Board has also continued to encourage and support the administering authority as it seeks to adopt best practice.

Membership of the Fund continued to grow in 2018/19 rising to over 102,000 members, and the number of active participating employers grew from 216 at the end of March 2018 to 256 at the end of March 2019. The increasing number and diversity of employers have added to the challenges of administering the Fund.

The Board has continued to ensure that the administering authority has adequate oversight of individual employers and has mechanisms and procedures for identifying issues promptly. An enhanced procedure for identifying and reporting on breaches has been introduced during the past year to help to monitor the performance of the administering authority and the Fund's employers. The Board has supported the development of the enhanced breaches procedure which will ensure consistency of approach, demonstrate compliance with pension legislation and COP 14, and enable emerging issues to be quickly identified and managed.

A new pension administration system was implemented during the year to increase the efficiency of the Fund's administration and went live on 4th March 2019. The Board monitored the work of the project oversight board throughout the implementation and were reassured by the level of project governance. The new system is expected to lead to the adoption of more challenging service standards. However, the Board recognises that data conversion and mapping difficulties experienced by the supplier during the project, and an enhanced focus by the in house administration team on data cleansing as part of implementation, will impact on the timing of the service improvements.

The Fund's investment return was 5.6% in 2018/19 in line with the Fund's benchmark delivering a return that was comfortably ahead of inflation during a period which experienced bouts of market volatility.

The Board has continued to monitor closely the Fund's participation in the LGPS Central Pool and has supported the application of robust governance arrangements with respect to the Pool and to oversight of LGPS Central Ltd (LGPSC), the company established to manage investments on behalf of the nine LGPS pension funds within the Pool.

Following the TUPE transfer of a number of the Fund's investment staff into LGPSC at the start of 2018/19, the size of the in house investment team has been much reduced. The transfer of staff anticipated the transfer of the investment management of the majority of the Fund's assets to the Pool. It is now expected that the transition of assets to the Pool will take several years and governance of the pooling arrangements is accounting for a significant proportion of Fund officers' time. The Board will continue to monitor the Central Pool as it develops and will continue to monitor the impact of pooling on Fund resources. The Chairs of the Local Pension Boards of the funds within

the LGPS Central Pool held an initial meeting in October 2018 and will continue to meet to support the collaboration between the participating pension funds.

Board members recognised the launch of the Fund's distinct website during the year as a significant boost to communications with all stakeholders. Members look forward to the increased opportunity to demonstrate the activities of the Board on:

<https://www.derbyshirepensionfund.org.uk/about-the-fund/governance/derbyshire-pension-board.aspx>

Board members

The Board is made up of five members, with an independent, non-voting Chair, two representatives of scheme members and two representatives of employer organisations. Membership in the year to 31st March 2019:

Chair

Ronald Graham

Member representatives

| Name | Employer | Note |
|---------------------|---|---|
| Karen Gurney | Employee of Derbyshire County Council | |
| Nick Read | TU Rep, UNISON East Midlands LGPS Committee | Nick Read was re-appointed to the Board in June 18, when he came to the end of his initial term of office, following a recruitment process. |

Employer representatives

| Name | Employer | Note |
|---------------------|--------------------|---|
| Andy Butler | Derby City Council | Andy Butler was on the Board from September 2018 to the end of March 2019 when he left his employment at Derby City Council; Andy was thanked for his support of the Board during his tenure. |
| Neil Calvert | Northworthy Trust | Neil Calvert from the Northworthy Trust joined the Board in September 2018; Neil was warmly welcomed to the Board. |

Two of the Board's founder employer representatives, Mike Nelson and Jim Watson, left the Board during the year; Mike's association with a Fund employing authority came to an end and Jim reached the end of his term of office on the Board and decided not to seek re-appointment. Mike and Jim were both thanked for their significant contribution to the development of Derbyshire Pension Board.

It was agreed in December 2017, that the term of the Chair's contract would be for a maximum of four years with review breaks at 12 and 36 months. Following a successful 12 month review, Ronald Graham has continued as the Chair of the Board. The terms of office for the Member and Employer Representatives at 31st March 2019 were as follows:

| Role | Name | Start date | Term | Expiry |
|--------------|--------------|----------------|---------|----------------|
| Member rep | Karen Gurney | June 2015 | 4 years | June 2019 |
| Member rep | Nick Read | June 2018 | 4 years | June 2022 |
| Employer rep | Andy Butler | September 2018 | 4 years | September 2022 |
| Employer rep | Neil Calvert | September 2018 | 4 years | September 2022 |

Since the 2018/19 year end, Oliver Fishburn from Bolsover District Council has joined the Board as an Employer Representative with a term of four years to May 2023. Oliver is warmly welcomed to the Board.

Meeting attendance

Members of the Board attended the following Pension Board meetings in 2018/19:

| Member | 1 May 2018 | 11 September 2018 | 8 November 2018 | 6 February 2019 |
|---------------|------------|-------------------|-----------------|-----------------|
| Ronald Graham | ✓ | ✓ | ✓ | ✓ |
| Andy Butler | N/A | N/A | ✓ | ✓ |
| Neil Calvert | N/A | ✓* | ✓ | ✓ |
| Karen Gurney | ✓ | ✓ | ✓ | ✓ |
| Nick Read | ✓ | ✓ | ✓ | ✓ |
| Mike Nelson | ✓ | ✓ | N/A | N/A |
| Jim Watson | ✓ | ✓ | N/A | N/A |

*Neil Calvert attended the September 2018 meeting as an observer.

Conflicts of interest

At each meeting members are required to declare any new conflicts of interest. Aside from holding the status that permits the employer / employee members to be Board members under the terms of the Regulations, no conflicts have been declared during the year.

Training

The Pensions and Investments Committee approved a Training Policy in August 2017 which applies to all members of the Committee, all members of Derbyshire Pension Board and senior officers involved in the management and administration of the Fund.

The Fund aims to comply with:

- CIPFA Pensions Finance Knowledge and Skills Framework
- Knowledge and skills requirements of the Public Service Pensions Act 2013
- The Pensions Regulator's Code of Practice No.14, Governance and Administration of Public Service Pension Schemes 2015

Training attendance

Members of the Board attended the following training in 2018/19:

Internal

| Member | Induction Session with Fund Officers | LGPSC Responsible Investment – Apr 2018 | Actuarial Valuation – Hymans Robertson Jan 2019 |
|---------------|--------------------------------------|---|---|
| Ronald Graham | N/A | x | x |
| Andy Butler | x | N/A | x |
| Neil Calvert | ✓ | N/A | ✓ |
| Karen Gurney | N/A | ✓ | ✓ |
| Nick Read | N/A | x | ✓ |

External

| Ronald Graham | |
|---------------|--|
| Date | Training |
| May 2018 | PLSA Local Authority Conference & North West Association of Pension Lawyers Conference |
| October 2018 | PLSA Annual Conference & Exhibition & LGPS Central Pool Board Chairs Meeting |
| November 2018 | PLSA LGPS Update; Feb 19 LGPSC Stakeholder Day |

| Neil Calvert | |
|----------------|---|
| Date | Training |
| September 2018 | Eversheds Public Sector Pensions Conference |
| February 2019 | LGPSC Stakeholder Day |
| March 2019 | CIPFA LPB Spring Seminar |
| March 2019 | TPR Online Training |

| Karen Gurney | |
|---------------------|----------------------------------|
| Date | Training |
| September 2018 | Hymans Robertson LGPS Governance |
| February 2019 | LGPSC Stakeholder Day |

| Nick Read | |
|------------------|----------------------------|
| Date | Training |
| November 2018 | Schroders Trustee Training |

2018 / 2019 Summary of Activities

Below is a summary of the Board's activities during the year to 31st March 2019:

- Input into the development of the Fund's Governance Policy and Compliance Statement and the Fund's Breaches Log
- Continued input into the development of the Fund's Quarterly Pensions Administration Performance Report
- Consideration of the Fund's progress on the issuance of Annual Benefit Statements, data improvement and GDPR requirements
- Quarterly review of the Fund's Risk Register
- Consideration of the governance arrangements for the implementation of the new pension administration system
- Consideration of the Fund's pooling arrangements

Members of the Board have received regular updates on pension administration, LGPS asset pooling and on investment performance and they would like to record their thanks for the co-operation and help in the discharge of their duties that they have received from the officers of the Council.

Costs and expenses

| 2018/2019 | £ |
|--------------------------------|------------------|
| Members' Allowances (Travel)* | 1,854.90 |
| Training Costs & Subscriptions | 816.00 |
| Chairman's Services* | 30,500.00 |
| Total | 33,170.90 |

*£489.55 of travel expenses and £15,000 Chairman's fees & expenses relating to 17/18 are included in the pension fund accounts for 2018/19.

Future work plan

The Board's work plan for 2019/20 includes:

- Input into the development of the Fund's Employer Risk Management Framework
- Consideration of the preparations for the 2019 triennial valuation and of the results of the valuation and the implications for the Fund
- Input into the development of communications with members and employers
- Overseeing the progress of ongoing work to ensure the retention and storage of historical records complies with data protection legislation
- Supporting initial planning for implementation of any actions resulting from the outcome of the McCloud case and its implications for the LGPS
- Continued monitoring of the administrative performance of the Fund, particularly in the light of the adoption of the new administration system
- Regular reviews of the Fund's compliance with the requirements of the Pension Regulator's Code of Practice 14
- Fostering relationships with the Pension Boards of other LGPS funds (both through the joint committee of Central Pool participant boards' Chairs and otherwise) to promote and ensure best practice.