

## INVESTMENT AND PENSION FUND COMMITTEE

16 June 2023

Present:-

Devon County Council

Councillors P Bullivant (Chair), Y Atkinson, H Gent, G Gribble, M Hartnell,

Unitary Councils

Councillor M Brook

Union and Retired Members

R Franceschini and M Daniell (remote)

Apologies:-

Councillor J Morrish, Councillor R Bloxham and L Parker-Delaz-Ajete

\* 114

**Announcements**

(a) The Chair welcomed Mr R Hodgins who was attending the meeting in his capacity as a co-opted Member of the Standards Committee to monitor compliance with the Council's ethical and governance framework.

(b) The Chair welcomed Councillor M Brook (representing Torbay Council, Unitary Council) to his first meeting of this Committee.

\* 115

**Minutes**

**RESOLVED** that the Minutes of the Meeting held on 3 March 2023 be signed as a correct record.

\* 116

**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* 117

**Devon Pension Board**

The Committee noted the Minutes of the Meeting of the Board held on 18 April 2023.

- arising on Minute \*108 the Head of Peninsula Pensions confirmed that staff vacancies had been filled; and
- arising on Minute \*103: F2 investment strategy and sufficient returns, Officers confirmed that mitigations included stable contribution rates in

line with the Actuarial advice, alignment of investments in accordance with the Investment Strategy over the long-term, and continued monitoring by Officers and this Committee.

\* **118**      **Brunel Oversight Board**

The Committee noted the Minutes of the Board meeting held on 9 March 2023.

Arising on Minute 8 Members discussed the impact of the excess savings in China's economy as a result of their lockdowns.

\* **119**      **Annual Internal Audit Report 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/58) on the Internal Audit for the Pension Fund Review of 2022/23. The Annual Report (at Appendix 1) indicated that overall, and based on work performed during 2022/23, Internal Audit could provide reasonable assurance on the adequacy and effectiveness of the Fund's internal control environment. This was based on a total of 7 audits. Further information relating to these were provided in the Annual Report.

Members' discussion points with the Head of the Devon Audit Partnership and Director of Finance and Public Value included:

- Cyber Security: in relation to the finding of '*limited assurance*', this was also referenced and focussed in the Audit log presented to the Pension Board, and this would also be the subject to a session at a Members' training event on 6 July. The Director confirmed that this finding was common across the Council as reported to the Council's Audit Committee and the Council's Senior Leadership Team was fully cognisant.

The Committee noted the Internal Audit Report for 2022/23.

\* **120**      **Investment Management Report**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/59) on the Fund value and asset allocation, performance against the benchmark, funding level, budget forecast 2022/23, cash management, and voting and engagement activity.

The Fund value at 31 March 2023 stood at £5,312.8 million, an increase of around £185 million over the quarter but a decrease of £100m since 31st March 2022.

Members' discussion points with Officers included:

- despite the decrease in the value of the Fund in 2022/23, the Fund's performance was in the top quartile within the LGPF Universe; and

- issues in regard to Ethical, Social, Governance (ESG) and engagement.

The Committee noted the Investment Management Report and compliance with the 2022-23 Treasury Management Strategy.

(**N.B.** subsequent to the meeting, the Head of Investments circulated Brunel's 2023 Responsible Investment and Stewardship Outcomes Report: [2023 Responsible Investment and Stewardship Outcomes Report \(brunelpensionpartnership.org\)](#); and in regard to Amazon and industrial relations/union recognition {raised during the meeting}, the case study (page 51 of the report) outlined the engagement conducted by LGIM (Legal and General Investment Management) on behalf of Brunel; and as stated in page 77 of the Report, Brunel was a member of HM Treasury's Transition Plan Taskforce and would therefore be fully involved in the work of the Taskforce).

\* **121**      **Climate Change and Carbon Footprint**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/60) on climate change policy, the Carbon footprint at 31 December 2022, and reserves exposure. The report reviewed the Fund's policies on climate change in the light of revised policy by Brunel and new regulatory requirements.

The Fund's current climate change policy was to achieve net zero investment portfolios by 2050 and the latest sets of targets were detailed in the Report.

These targets were still considered appropriate and were aligned with the trajectory set out in the Paris Agreement. However, in line with the revised Brunel climate change policy it was considered that these should be enhanced by further targets and metrics. These were included in a proposed revised policy set out at Appendix 1 to the Report.

The Report also provided the Committee the opportunity to discuss whether to reduce fossil fuel reserves exposure further by moving the UK and World Developed passive allocations across to the Global Paris Aligned Benchmark (PAB) passive fund. The PAB funds included a range of exclusions related to fossil fuels and also enforced a 7% annual reduction in carbon emissions, with a phasing in of scope 3 emissions into the data. This move would also reduce the overall carbon footprint.

Members' discussion points with Officers included:

- the recent positive relative performance of the World Developed Paris Aligned Benchmark Fund;
- any proposed transfer of equities to the Paris Fund would be discussed with Brunel;
- the broad nature and wide-ranging companies included in the Paris Aligned Fund; and confirmation by the Committee's Independent Advisor

that the proposed move was not contradictory to the Committee's fiduciary duty and consistent with overall strategy; and

- the level of investment in private equities and consideration of Ethical, Social and Governance (ESG) issues on which Brunel would be asked to provide further information, for report to this Committee.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor Y Atkinson and

### **RESOLVED**

(a) that the revised climate change policy as set out in Appendix 1 to the report for inclusion in the Investment Strategy Statement, be approved;

(b) that the current progress against the targets to reduce the Fund's carbon footprint, be noted;

(c) that the allocation to passive equities be consolidated in the World Developed Paris Aligned Benchmark Fund, subject to (i) the currency hedging strategy in place being applied to the Paris Aligned Benchmark Fund, and (ii) the timing of transfers being delegated to Officers.

### \* 122 **Actuarial and Consultancy Contracts**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/61) on the proposed use of national frameworks to undertake a joint procurement exercise for actuarial services with the Somerset Pension Fund and a separate procurement process for investment consultancy.

It was **MOVED** by Councillor P Bullivant and **SECONDED** by Councillor Y Atkinson, and

### **RESOLVED**

(a) that a joint procurement exercise with the Somerset Pension Fund to secure a new contract for Actuarial Services, using the National LGPS Framework, be approved; and

(b) that a procurement exercise for Investment Consultancy Services, using the National LGPS Framework, be approved.

(c) that the appointment process and final decisions for both contracts be delegated to the Director of Finance and Public Value in consultation with the Chair.

### \* 123 **Employer Changes**

The Committee noted Employer changes not previously reported to the Committee as set out below:

(a) New admitted bodies - The following application for admitted body status had been approved: DCC Cleaning won the tender for St Peters School Plymouth Cleaning contract, commencing 1 September 2022

(b) New academy conversions and changes:

- On 6 September 2022, Launceston College MAT changed name to Athena Learning Trust.
- On 1 October 2022, Berry Pomeroy Parochial C of E Primary converted to an Academy and joined the Academy of Chartered Excellence.
- On 1 October 2022, St Sidwells C of E Primary School and nursery became an academy and joined St Christophers C of E (Primary) MAT.
- On 1 November 2022, Furzesham Primary School and Nursery became an academy and joined the Thinking Schools Academy Trust.

(c) Cessations:

- On 10 August 2022, Red One Limited ceased following the last member leaving. They were a subsidiary of Devon & Somerset Fire and had a passthrough in place. All assets and liabilities remained with Devon & Somerset Fire.
- On 3 October 2022, FCC Ltd ceased membership with staff returning to South Hams District Council.

\* **124**      **Dates of Future Meetings**

15 September 2023, 24 November; and 1 March 2024 (followed by the annual consultation meeting at 2:15 pm) all at 10.30 am.

Dates and other details available here: [Browse meetings - Investment and Pension Fund Committee - Democracy in Devon](#)

\* **125**      **Exclusion of the Press and Public**

**RESOLVED** that the press and public be excluded from the meeting for the following items of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, information relating to the financial or business affairs of an individual other than the County Council and, in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

\* **126**      **Local Impact Investment**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded).

The Committee considered the Report of the Director of Finance and Public Value (DF/23/62) on proposed allocations to a Local Impact Investment portfolio and individual investments options. These options aligned with the fiduciary duty to provide the returns required to meet the funding strategy.

It was **MOVED** by Councillor P Bullivant and **SECONDED** by Councillor M Brook, and

**RESOLVED**

(a) that a 3% target allocation to a Local Impact Portfolio, be approved; and

(b) that the investments, as detailed in the Report, in Local Impact Funds (totalling £140m), be approved, subject to further due diligence.

\* **127**      **Brunel Pension Partnership - Reserved Matters Requests**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded).

The Committee noted the Report of the Director of Finance and Public Value (DF/23/63) on the action taken by the Director of Finance and Public Value.

This related to a revised remuneration policy and people strategy, which following consultation with Partners had been made a 'reserved matter' which required approval of 80% of the Partners.

\* **128**      **Litigation and Class Actions**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded).

The Committee noted the Report of the Director of Finance and Public Value (DF/23/33) on the outcome and progress of outstanding legal cases (including class actions) where losses may have been incurred and where the Fund had sought to recover losses to the extent possible, subject to consideration of the risks and costs involved, in accordance with the Committee's fiduciary duty.

In future, the Devon Fund was less likely to be directly involved in making claims on new cases as it no longer directly owned individual company shares, which were now owned by Brunel. It would be Brunel's decision whether to pursue any losses as they deemed appropriate. Only cases that

related to losses incurred prior to the transition of mandates to Brunel would be directly claimable by the Fund.

**NOTES:**

1. *Minutes should always be read in association with any Reports for a complete record.*
2. *If the meeting has been webcast, it will be available to view on the [webcasting site](#) for up to 12 months from the date of the meeting*

\* **DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.30 am and finished at 12.15 pm