

INVESTMENT AND PENSION FUND COMMITTEE

18 September 2015

Present:-

Devon County Council:-

Councillors Gilbert (Chairman), Edgell, Hannon, Hill, Hosking and Radford

Other Employers

Councillors Hicks (LGA Devon) and Fox (Plymouth City Council)
Ms Healy (Dartmoor National Park Authority)

Union and Retired Members: Non-Voting Observers:-

Mr Lomax and Ms Rimron

Apologies:-

Councillors Edwards (LGA Devon)
Councillors Parker-Delaz-Ajete (Plymouth City Council)
Councillor O'Dwyer (Torbay Council)
Mr Franceschini (Union and Retired Members)

***88** **Minutes**

RESOLVED that the minutes of the meeting held on 12 June 2015 be signed as a correct record.

***89** **Pension Fund Annual Report and Accounts 2014/15**

The Committee considered the report of the County Treasurer (CT/15/71) together with the Annual Report and Accounts, summarising the performance of the Fund's external managers, including stewardship activity and the market outlook going forward, followed by the Statement of Accounts.

Mr Shaw from Grant Thornton attended for this item and advised there were no major issues with the Pension Fund and circulated a copy of their Audit Findings report which would be presented to the Audit Committee for approval the following week.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Ms Healy and

RESOLVED that the Pension Fund Annual Report and Accounts for 2014/15 be adopted, subject to approval of the Statement of Accounts by the Council's Audit Committee.

(NB: In accordance with Standing Order 32(4) Councillors Edgell and Hannon requested that their abstention from voting on this decision be recorded.)

***90** **LGPS Update: Pooling of Investments**

The Committee considered the Report of the County Treasurer (CT/15/72) outlining proposals to work towards establishing a South West Collective Investment Vehicle (CIV), in line with Government policy.

The Chairman reinforced the clear intention of the government to pool LGPS investment assets and that action would be taken by the Government should local funds fail to engage sufficiently with this agenda.

Members expressed views and discussed issues including, inter alia:

- disappointment at the lack of a formal response from Government following their consultation with pension funds on the issue last year;
- the risk of losing local accountability as a result of pooling funds;
- the loss of direct control over the fund's investments through a pooled arrangement;
- the benefits of other pooling options, including joining a national pooling arrangement, which through economies of scale could reduce costs further;
- that a regional CIV could provide Devon with more influence and accountability than a national one;
- the benefit of there being a number of regional pension fund pooling arrangements, allowing regional CIV's to monitor and choose fund managers who perform well;
- that the size of the proposed South West CIV was smaller than that preferred by Government, but that the County Treasurer did not envisage this as being a major issue, and that if established, the South West CIV would be open to other pension funds joining it.

It was **MOVED** by Councillor Hannon, **SECONDED** by Councillor Hosking and

RESOLVED

(a) that approval in principle be given to the establishment of a South West Collective Investment Vehicle;

(b) that the County Treasurer be authorised to continue work with neighbouring funds in the South West to establish proposals for a South West Collective Investment Vehicle;

(c) that the Committee remain open to considering alternative pooling options in order to fulfil their obligation to provide best value for fund Members.

***91** **Pension Board**

The Committee received the Report of the County Treasurer (CT/15/73) outlining the key issues raised at the first meeting of the Pension Board on 2 July.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Radford and

RESOLVED

- (a) that the minutes of the Pension Board be noted;
- (b) that reports on the Custodian's performance continue to be reported to the Committee by exception;
- (c) that the arrangements for monitoring the performance of the Independent Advisor be approved.

***92 Investment Management Report**

The Committee received the Report of the County Treasurer (CT/15/74) on the current Fund Value and Asset Allocation against target. The County Treasurer reported that the last quarter had seen a negative absolute return of -2.2%, but that this was above the Fund benchmark and the average LGPS Fund return for the quarter. The negative return was in part attributed to the impact of the debt crisis in Greece and market falls in China, on equity and bond markets.

The County Treasurer also advised the Committee that periods of negative return were expected over the year and that it was anticipated that the fund value would recover over time.

***93 Pension Fund Risk Register**

The Committee received the Report of the County Treasurer (CT/15/75) which included a copy of the Risk Register and outlined recent revisions.

In response to Members discussions, the County Treasurer undertook to add a further risk to the register to cover the increased risk of LGPS members transferring their pension rights out of the fund, in light of recent changes to pension legislation.

***94 Applications for Admitted Body Status**

The Committee noted that the following applications for admitted body status had been approved under delegated powers:

- (a) Action for Children
- (b) Chartwells
- (c) Cormac (2 separate contracts)
- (d) Mitie
- (e) Sodexo

***95 Committee Training**

The Chairman reminded Members of the importance of attending training sessions, the next of which, a joint session with the Cornwall Pension Fund, had been arranged for Friday 16 October 2015. A further training session would also be held on the afternoon of 20 November 2015, following the Committee meeting.

***96 Dates of Future Meetings**

2015
Friday 20 November

2016

Friday 26 February

***97** **Exclusion of 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 Paragraphs 1, 2 and 3 of Schedule 12A of the Act, namely information relating to, and which is likely to reveal the identity of, an individual (Item 15) and information relating to the financial and business affairs of an individual and the County Council (Items 13, 14 and 15) and disclosure of which would be likely to inhibit the free and frank provision of advice and exchange of views for the purposes of deliberation, 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.

***98** **Investment Management Review**

The Committee considered the Report of the County Treasurer (CT/15/76) and attached report from Hymans Robertson providing a review of the Fund's fixed interest investments.

Mr Potter of Hymans Robertson attended for this item and delivered a short presentation to the Committee summarising the review and concluding recommendations.

It was **MOVED** by Councillor Hannon, **SECONDED** by Councillor Hicks and

RESOLVED

(a) that the report and presentation produced by Hymans Robertson be noted;

(b) that a further £70,000,000 of the current Wellington mandate be moved into their multi-sector credit fund;

(c) that the County Treasurer be authorised to discuss the adoption of a currency hedged benchmark with Lazard and Wellington for their current mandates and to approve any changes in consultation with the Chairman;

(d) that further training on illiquid debt be undertaken by the Committee;

(e) that further consideration be given to the report's recommendations in the first half of 2016.

***99** **Investment Briefing**

The Committee considered the Report of the County Treasurer (CT/15/77) on the performance of the two mandates managed by Aberdeen.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Edgell and

RESOLVED that the recent underperformance of the Aberdeen global equity mandate be noted and that the position be kept under review, but that no action be taken at the present time.

***100**

Relationship with RWC

The Chairman reported on the outcome of a recent internal audit.

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

The meeting started at 10.00am and finished at 11.45am.

The Minutes of the Committee are published on the County Council's Website at:
<http://www.devon.gov.uk/dcc/committee/minutes.html>