

INVESTMENT AND PENSION FUND COMMITTEE

16 November 2018

Present: -

Devon County Council

Councillors R Bloxham (Chair), Y Atkinson, R Edgell and R Hosking

Unitary and District Councils

Councillors L Parker Elizaveta (Plymouth City Council) and J O'Dwyer (Torbay Council),

Other Employers

D Healy

Unison and Retired Members: Non-Voting Observers

R Franceschini

Apologies: -

Councillor C Channon, Councillor A Connett, Councillor P Edwards, C Lomax and J Rimron

Also, in attendance

S Tyson (Independent Investment Advisor)

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Minutes

RESOLVED that the Minutes of the Meeting held on 14 September 2018 be signed as a correct record.

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Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

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Devon Pension Board

The Committee noted the Minutes of the Pension Board meeting held on 15 October 2018.

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Brunel Oversight Board

The Committee noted the Minutes of the Brunel Oversight Board held on 27 September 2018.

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Governance Policy and Compliance Statement

The Committee considered the Report of the County Treasurer (CT/18/88) on the Governance Policy and Compliance Statement which was one of the four statutory statements that the Fund was required to have in place. Its purpose was to explain the governance arrangements for the Devon Pension Fund, as required by the regulations.

The Report set out the views of the Pension Board made at its meeting on 15th October 2018 in regard to the transition of investment assets to the Brunel Pension Partnership and the relationship between the Devon Fund and Brunel.

The Pension Board had also agreed that the number of their meetings should be increased to four per year and the final paragraph of Section 5 of the Governance Policy had been revised on that basis.

It was **MOVED** by Councillor Y Atkinson, **SECONDED** by Councillor R Hosking and

RESOLVED that the revised Governance Policy and Compliance Statement be approved as detailed in Appendix 1 to Report (CT/18/88).

* **83** **Statutory Statements: Communications Policy**

The Committee considered the Report of the County Treasurer (CT/18/89) on the Communications Policy which was one of the four statutory statements that the Fund was required to have in place. It set out the Fund's policies on the provision of information and publicity about the Scheme to Members, representatives of Members and employing authorities. It also set out the format, frequency and method of distributing such information or publicity, other key organisations, values in relation to communications and the professional expertise available to the Fund.

The Communications Policy was last updated by the Investment and Pension Fund Committee in November 2015. The revised policy addressed action points raised by the recent internal Audit Report on Communication with Stakeholders, to reflect new legislation, pooling and Government department changes. The draft revised policy had been considered and endorsed by the Devon Pension Board at its meeting on 15th October 2018, and was attached at Appendix 1 to the Report.

It was **MOVED** by D Healy, **SECONDED** by Councillor Parker Delaz-Ajete and

RESOLVED that the revised Communications Policy, as detailed in Report CT/18/89 be approved.

* **84** **Actuarial Valuation 2019**

The Committee considered the Report of the County Treasurer (CT/18/90) on the proposed actuarial valuation of the Pension Fund due on 31 March 2019 and to be published on 31 March 2020 as part of a three-yearly cycle. The Valuation would set employer contribution levels for three financial years from 2020/21.

The Report summarised the proposed approach and timetable for the valuation, analysis of the review of the 2016 Valuation by the Government Actuary's Department (GAD) under Section 13 of the Public Sector Pensions Act and implications for the 2019 Valuation; and other actuarial issues. The GAD had given the Devon Fund 'green flags' on all measures assessed. The Report also considered changes to regulations whereby exit credits would be required where an employer exiting the Fund was deemed to be in surplus.

It was **MOVED** by Councillor L Parker Deaz-Ajete; **SECONDED** by J O'Dwyer and

RESOLVED

(a) that the planned approach to the 2019 triennial valuation of the Pension Fund be approved; and

(b) that the addition of a paragraph to the Funding Strategy Statement in relation to exit credits as set out in the Report be approved.

* **85** **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/18/91) on the Fund value

and asset allocation, performance against the benchmark, funding level, budget forecast monitoring and cash management, and engagement activity by the Fund's external investment managers.

The Committee also received the Local Authority Pension Fund Forum (of which the Devon Fund was a Member) Quarterly Engagement Report detailing its engagement activity with companies.

The Fund value at 30 September 2018 stood at £4,332.6 million, an increase of around £93 million over the quarter.

Members referred to consideration of additional training in relation to hedging, the level of any exposure to Flybe and noted that further information on engagement activity was available on request.

It was **MOVED** by Councillor Y Atkinson, **SECONDED** by Councillor R Edgell and

RESOLVED

- (a) that the Investment Management Report be noted;
- (b) that the minimum amount transferred from UK Passive to Global Passive be reduced to £10 million over the next quarter, with further sums to be transferred if the trigger points are hit, as agreed by the Committee in February 2018; and
- (c) that compliance with the 2018/19 Treasury Management Strategy be noted.

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Strategic Investment Review

The Committee considered the Report of the County Treasurer (CT/18/92) on the reallocation of equities in accordance with the current Investment Strategy Statement (set out at Appendix 1 of the Report) and a proposed updated review of the current Strategy last carried out in 2016/17 by Mercer Investment Consultants. This would enable full consideration of current thinking on risk management and enable the Fund to take a considered view of its medium to long term investment strategy, rather than reacting to short term events.

Members referred to the fee proposed for the Consultants. Any significant change would be reported to the Committee. They also discussed the nature of Companies categorised as low volatile.

It was **MOVED** by Councillor R Hosking, **SECONDED** by R Edgell and

RESOLVED

- (a) that an initial £100 million be allocated to the Brunel Low Volatility Equities Portfolio, consistent with the medium-term target allocations set out in the Investment Strategy Statement; and
- (b) that Mercer Investment Consultants be commissioned to carry out a refresh of the investment review carried out in 2016/17 for report to the February meeting of the Committee with proposals for revising the Investment Strategy Statement for 2019/20.

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Applications for Admitted Body Status

The Committee noted the following application for admitted body status approved since the last meeting of the Committee: GemCare Southwest, a Plymouth based care provider taking over the social care reablement service for Plymouth City Council, replacing Human Support

Group with effect from 03/12/2018. However, it was understood that GemCare had now withdrawn from the contract so would not require admitted body status.

* **88** **Dates of Future Meetings**

Friday, 22 February 2019, Friday, 28 June 2019, Friday, 13 September 2019, Friday, 15 November 2019, and Friday, 21 February 2020

* **89** **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.

* **90** **Pending Court Case**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded, no representations having been received to such consideration under Regulation 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012).

The Committee noted the Report of the County Treasurer (CT/18/95) on an update on a fraud case that had involved irregularities in claiming an LGPS pension from the Devon Pension Fund.

* **91** **Independent Advisor Arrangements**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded, no representations having been received to such consideration under Regulation 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012)

(Mr S Tyson (Independent Investment Advisor to the Committee) declared a disclosable pecuniary interest and left the meeting for the duration of this matter)

The Committee considered the Report of the County Treasurer (CT/18/93) on the impending resignation of the current Independent Investment Advisor, effective following the February 2019 meeting.

It was **MOVED** by the Councillor Bloxham, **SECONDED** by Councillor Parker Deaz-Ajete and

RESOLVED that a Panel comprising the Chair, Vice-Chair, Councillor Parker Deaz-Ajete and a nomination from the Union and Retired Members Group, meet with candidates put forward by MJ Hudson Allen bridge under the existing contract and the County Treasurer, in consultation with the Panel, be authorised to appoint an Independent Investment Advisor.

* **92** **Brunel Business Plan and Reserved Matters**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded, no representations having been received to such consideration under Regulation 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012)

The Committee considered the Report of the County Treasurer (CT/18/94) on the Brunel Pension Partnership's revised annual business plan, which was subject to the unanimous support of the shareholders via a special reserved matters request.

The Business Plan for 2019/20 has been discussed by the Brunel Oversight Board at its meeting on 1st November 2018 and was also presented at the engagement days for the committees and pension boards of the 10 participating LGPS funds. Members noted the lack of detail in respect of the proposed staffing within the proposed budget at their engagement event and which was now fully reported at this meeting.

The County Treasurer commented on the quality of planning by the Brunel Board for the level of staffing and impact on their pricing policy despite the advice from her and the other Section 151 Officers from the local authority partners which had been given at the early stages.

It was **MOVED** by Councillor Y Atkinson, **SECONDED** by D Healy and

RESOLVED

(a) that the Brunel Pension Partnership's Business Plan for 2019/20 be endorsed for approval by the County Treasurer under her delegated powers as the shareholder representative for Devon; and

(b) that the reserved matters request in relation to the Brunel Pricing Policy be noted.

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

The Meeting started at 10.30 am and finished at 12.31 pm