

## INVESTMENT AND PENSION FUND COMMITTEE

25 February 2022

Present:-

Devon County Council

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

Unitary and District Councils

Councillors J Mahony, J O'Dwyer and J Pearce

Other Employer Representative

Councillor R Bloxham

Union and Retired Members Representative

R Franceschini

Member attending in accordance with Standing Order 25

Councillor J Hodgson

Apologies:-

Councillors J Morrish and P Bullivant

\* **43**      **Election of Chair**

**RESOLVED** that Councillor M Hartnell be elected Chair for this meeting.

\* **44**      **Standards Committee**

Mr Ray Hodgins attended (remotely in his capacity as a Co-opted Member of the Council's Standards Committee to observe and monitor compliance with the Council's ethical governance framework.

\* **45**      **Minutes**

**RESOLVED** that the Minutes of the Meeting held on 26 November 2021 be signed as a correct record

\* **46**      **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* **47**      **Devon Pension Board**

The Committee noted the Minutes of the Meeting of the Board held on 2 February 2022.

\* **48**      **Brunel Oversight Board**

Arising on Minute 9 (2 December 2021) Members requested that information on what Brunel expected from COP 26 was shared. Officers reported that more guidance from Government on what was expected from the LGPS was due in the Summer and this would be shared with the Committee when available.

The Committee noted the Minutes of meetings of the Board held on 2 December 2021 and 27 January 2022.

\* **49**      **Investment Management Report**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item in regard to engagement activity in particular in relation to fossil fuel companies, the rate of change and need for urgency).

The Committee considered the Report of the Director of Finance (DF/f22/23) on the Fund value and asset allocation, performance against the benchmark, funding level, budget forecast 2021/22, cash management, and voting engagement activity.

The value of the Fund at 31 December 2021 stood at £5,585.7 million, an increase of around £214 m over the last quarter and £520 m over the year to date. Members' discussion points with Officers included:

- the significant improvements being made in regard to the CO2 footprint across Fund equities;
- the impact on the Fund following the economic sanctions on Russia in regard to the Ukraine situation noting that most investment in Russia related to emerging markets under passive management and Officers agreed that they would consider reference to this within the Risk Register; and
- the transition of UK passive equities to the Climate Transition portfolio launched by Brunel at the beginning of February.

It was **MOVED** by Councillor M Hartnell, **SECONDED** by Councillor G Gribble and

**RESOLVED**

(a) that the Investment Management Report be noted; and

(b) that compliance with the 2021-22 Treasury Management Strategy be noted.

\* 50      **Treasury Management Strategy 2022/23**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item and referred to the need to extend the proposed strategy to include reference to climate change, non-aggression policies and consultation with Scheme members).

The Committee considered the Report of the Director of Finance (DF/22/23) on a revised Treasury Management Policy Statement together with a revised statement of 'Treasury Management Practices' (TMPs) agreed by the County Council at its meeting on 17 September 2022 along with the Council's budget. These overarching policies were submitted for adoption by this Committee (as set out at Appendix 1 of the Report).

The Report also outlined a proposed treasury strategy for the management of the Fund's cash allocation and plans to be followed in the coming year (as detailed in Appendix 11 of the Report), for consideration by the Committee as required by the proposed policy.

Members discussed with Officers the appropriate level of the Fund's cash liquidity (set at 1 %).

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

**RESOLVED**

(a) that the revised Devon County Council Treasury Management Policy and Practices be adopted as the overarching framework for the treasury management of the Pension Fund's cash allocation; and

(b) that the Treasury Management Strategy for 2022/23 as set out in Appendix 2 be adopted.

\* 51      **Section 13 Report on the Actuarial Valuation**

The Committee noted the Report of the Director of Finance (DF/22/24) on the outcome of a "Section 13" review of the 2019 Triennial Valuation which had been conducted by the Government Actuary's Department (GAD) and which had been published in December 2021. The Report outlined the GAD findings and recommendations for the national Scheme Advisory Board.

The Fund Actuary would need to ensure that the contribution rates set by the 2022 Triennial Valuation would be sufficient to ensure no concerns from GAD. This meant that the Actuary would need to adopt a reasonable level of prudence and ensure that the recovery period continued to reduce.

\* **52**      **Local Government Pension Scheme Update**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item in support of the proposals for local investment).

The Committee noted the Report of the Director of Finance (DF/22/28) on an update on the latest developments affecting the Local Government Pension Scheme. This covered protection against pension 'scams' and new restrictions on transfer payments.

The Report also referred to a Department for Levelling Up, Housing and Communities White paper on Levelling Up the United Kingdom. Within the White Paper, the Government had set out its intention for LGPS funds, working with the LGPS asset pools, to publish plans for "increasing local investment", including setting an ambition of up to 5% of assets invested in projects which supported local areas.

It was officers' understanding that by "local", the Government had meant in the UK, not necessarily the local area, as opposed to overseas investment. As part of the pooling agenda, one of the Government's objectives was to encourage LGPS funds to invest more in infrastructure.

It was expected that further details would emerge with an expected summer consultation which would be reported to the Committee.

Members' discussion points with Officers included their welcome of the proposed anti- scam measures; and the need for proper investment evaluation of any local infrastructure proposals promoted by Government and potential for social housing investment.

\* **53**      **Private Markets Allocations**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item in regard the level of private funding).

The Committee considered the Report of the Director of Finance (DF/22/25) on private markets investments not traded on a public exchange or market including infrastructure investments; private debt and property investments.

The strategic investment review undertaken by Mercer investment consultants was subject to a separate report on the agenda for this meeting (Minute \*58 refers) which recommended target allocations for each of the above.

Member discussion points with officers included the commitment to renewable energy infrastructure across a range of opportunities; and the normal Brunel 2-year investment cycle period in making allocations.

It was **MOVED** by Councillor R Bloxham; **SECONDED** by Councillor H Gent and

## RESOLVED

(a) that the following commitment to Brunel's private markets cycle be approved:

- (i) £100 million to the Brunel Infrastructure Portfolio;
- (ii) £180 million to the Brunel Private Debt Portfolio; and
- (iii) £150 million to the Brunel Private Equity Portfolio;

(b) that the Property allocation be maintained at the target weight, with additional sums allocated as required.

\* **54**      **Employer Changes**

The Committee noted new approved admitted bodies and academy conversions and changes made since the last meeting of the Committee, as follows:

(a) New admitted bodies

- Haywoods School (LA School – DCC) retendered their catering services
- with Fresha the successful bidder. They took on the contract from 1 September 2021.
- Thinking Schools Academy Trust outsourced their catering services from 1 September to Compass Contract Services Ltd.
- Torbay Council set up an arms-length company from 1 November 2021 called Torbay Education Limited.

(b) New academy conversions and changes:

- Morchard Bishop C of E Primary School converted to an academy and joined Link Academy Trust from 1 October 2021.
- Plympton Academy joined Thinking Schools Academy Trust wef 1 January 2022.
- Ermington Primary School, Manor Primary School and Ugborough Primary
- School converted to academies and joined West Country Schools Trust from 1 January 2022.
- Lipson Academy joined Ted Wragg Academy Trust from 1 January 2022.

\* **55**      **Annual Consultative Meeting with Staff and Retired Members**

The Committee noted that the Annual Consultative Meeting was being held in the afternoon following the Investment and Pension Fund Committee meeting, commencing at 2.15pm.

\* **56**      **Dates of Future Meetings**

17 June 2022, 16 September 2022, 25 November 2022; and 24 February 2023 (all at 10.30 am) and annual consultation meeting (at 2.15 pm).

\* **57**      **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 it involves 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.

\* **58**      **Strategic Investment Review**

(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 (DF/22/26) on Mercer investment consultants' review of the Fund's investment strategy.

Mercer representatives attended and spoke to this item with the consent of the Committee giving a presentation on their recommendations.

The Report of Director of Finance set out the changes to the investment strategy proposed as a result of the review and discussion with the Committee's independent adviser, looking at each asset class in turn and outlining small areas of some divergence from the Mercer recommendations.

It was **MOVED** by Councillor R Bloxham, **SECONDED** M Hartnell and

**RESOLVED** that the proposals as set out in paragraph 5.3 of the Report be implemented with authority being delegated to the Director of Finance on the timing of implementation.

\* **59**      **Brunel Update: Business Plan and 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 on an update on the reserved matters requests (summarised in the Report) received from the Brunel Pension Partnership since the last meeting of the Committee and the updated Brunel Pension Partnership's Business Plan for 2022/23.

Reserved matters related to issues where Brunel needed the approval of

shareholders before they could act. A reserved matter needed the approval of 8 out of the 10 shareholders and a special reserved matter would need the approval of all 10 shareholders.

The reserved matters which had been approved related to the appointment of new external auditors and the Business Plan and pricing cost allocation policy.

**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 12.35 pm