

## INVESTMENT AND PENSION FUND COMMITTEE

4 October 2022

Present:-

Devon County Council

Councillors J Morrish (Chair), P Bullivant (Vice-Chair), Y Atkinson, G Gribble, and M Hartnell,

District and Unitary Authorities

Councillors J O'Dwyer and J Pearce (remote, non-voting),

Other Employer representative

Councillor R Bloxham,

Union and Retired Members

L Parker-Delaz-Ajete (remote, non-voting) and M Daniell (non-voting), and R Franceschini.

Apologies:-

Councillors H Gent and A Lugg

\* 72

**Minutes**

**RESOLVED** that the Minutes of the Meeting held on 17 June 2022 be signed as a correct record.

\* 73

**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* 74

**Devon Pension Board**

The Committee noted the Minutes of the Meeting of the Board held on 19 July 2022.

\* 75

**Brunel Oversight Board**

The Committee noted the Minutes of the Meeting of the Board held on 9 June 2022

\* 76

**Pension Fund Annual Report and Accounts 2021/22**

The Committee considered the Report of the Director of Finance and Public Value (DF/22/77) on the Pension Fund Annual Report, including the

Statement of Accounts, which remained subject to approval by the County Council's Audit Committee on 29 November 2022 and completion of the external audit. The audit findings report for the Pension Fund would be presented at a future meeting.

The Annual Report included • a foreward from the Chair • an introduction from the Director of Finance and Public Value outlining the major issues during the year. • details of the training that Members had received as required by the CIPFA Code of Practice on Knowledge and Skills. • details of Members' attendance at both the Investment and Pension Fund Committee and the Pension Board. • a market update from the Fund's Independent Advisor. • an annual report detailing the work of the Pension Board. • a section on investment pooling, setting out the costs and savings to date resulting from the pooling initiative. • a cost transparency section highlighting the underlying investment costs over and above those included in the statement of accounts. • the Fund's key risks from the Risk Register and the mitigating controls. • details of the voting and engagement activity undertaken during the year in relation to the Fund's responsible investment policies set out in the Investment Strategy Statement. • details of the carbon footprint of the Fund's equity investments and the Fund's approach to climate change. • a summary of the performance of the Fund's external managers, including reports on the Brunel Pension Partnership managed portfolios and the funds still managed outside of the pool. • details of pension fund income and expenditure for the year against the budget forecast, and explanation of significant variances. • details of the employee and employer contributions paid during the year, split by employer. • Pensions Administration Performance – additional information on value for money and key performance data in relation to pensions administration. • the Statement of Accounts - this included adjustments identified since the formal publication of the Devon County Council unaudited statement of accounts 2021/22 on the Council's website. • more detailed information about the operation of the Fund. • details of the Fund's top equity and bond holdings and property and private markets funds, and • The Fund's statutory statements.

In particular, the section on Stewardship and Engagement had been strengthened further, taking note of the feedback received from the Financial Reporting Council (FRC) with regard to last year's report. A copy of the Annual Report would be submitted to the FRC during October for assessment in order to retain the Fund's status as a signatory to the UK Stewardship Code.

Members' discussion point with the Director of Finance and Public Value included:

- expected national consultation, as part of the 'Good Governance Project', that might include the proposal that pension funds' annual reports should be treated separately and not part of the host authority's accounts;

- the view by members of the good governance arrangements relating to the Devon Fund and the support and expertise of the key officers involved as referenced in the Risk Register;
- the link between earnings and value overtime (in regard to Taiwan Semiconductor company, for example); and
- and any drafting errors should be reported (before final publication) for example Page 133 of the Annual report in the list of Admitted Bodies relating to 'Torbay Economic Development Academy (Academy should be replaced with Company).

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor R Bloxham and

### **RESOLVED**

(a) that the position on the audit of the 2020/21 Pension Fund Statement of Accounts be noted;

(b) that the Pension Fund Annual Report and Accounts for 2021/22, subject to approval of the Statement of Accounts by the Devon County Council Audit Committee and completion of the external audit, be approved and adopted; and

(c) that the submission of the unaudited Pension Fund Annual Report and Accounts to the Financial Reporting Council for assessment against the requirements of the UK Stewardship Code be approved.

\* 77

### **Investment Management Report**

The Committee noted the Report of the Director of Finance and Public Value (DF/22/78) on the Fund value and asset allocation, performance against the benchmark, funding level, budget forecast 2021/22 and 2022/23, cash management, and voting engagement activity.

The Fund value at 30 June 2022 stood at £5,134.1 million, a decrease of around £280 million over the quarter.

Members' discussion points with Officers included:

- with regard to Appendix II officers LAPFF Voting Alerts, Officers would review the section on '*Rationale for Vote*' to improve the explanations and make them clearer and more understandable;
- in relation to recent market volatility the performance for the current quarter would be reported to the next meeting, noting that a long term outlook should be adopted; and
- in regard to the Performance Table and sector performance the Officers would review the need to include a 'contribution analysis' (with actual numeric figures as well as percentage information).

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

\* **78**      **Stewardship Survey**

The Committee considered the Report of the Director of Finance and Public Value (DF/22/79) on the survey of fund members undertaken to feed into the Fund's policies on stewardship and climate change.

The survey had been launched at the end of June 2022 and the results were set out in Appendix 1 of the Report - Survey Results - Investment Views. The survey had been answered by 4,278 fund members which represented around 3.2% of the total fund membership.

While the survey gave a clear message that maximising the investment return at the appropriate level of risk should continue to be the Fund's prime focus, the majority of respondents were also looking for the Fund to address climate change and other responsible investment issues.

The Report also outlined the awareness and interest issues raised by respondents and proposed investment options and how it would in due course consider how it addressed the Government Levelling - Up white paper which called on LGPS funds to put in place plans for how they would invest in the UK to support the levelling up agenda.

Brunel were currently working with Hermes EoS their engagement partner to set out their engagement priorities for the year ahead.

Members' comments and discussion points with Officers included:

- the positive value of the survey and need to signpost information to fund members to help raise awareness through a quarterly Newsletter for example; and that the relatively modest response (whilst a representative sample) was indicative of general satisfaction with performance;
- the alignment between member local authority net zero objectives with key target dates of 2030 (for services under their control) and 2050 (for place) or sooner;
- the need to promote investments which would help drive carbon reduction solutions;
- consideration to more information relating to the number of comments received in the open section;
- satisfaction by Members of the results which were broadly supportive of the Committee's approach; and
- whether to increase the allocation to the Global Paris Aligned passive Fund or retain the current allocation to the Global Developed Passive Equities.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by R Franceschini and

**RESOLVED**

(a) that the results of the survey of pension fund members on their views of the Fund's investment policies be noted;

(b) that the current allocation to the Global Developed Passive Equities be retained and no additional allocation to the Global Paris Aligned Passive Fund be made at this time, and the position be kept under review; and

(c) that a quarterly Newsletter be produced for circulation to Fund Members which would include signposting information to key published information and the work of this Committee.

\* 79 **Pension Fund Risk Register**

The Committee considered the Report of the Director of Finance and Public Value (DF/22/80) on the Risk Register as part of its scrutiny role in relation to risk and compliance (the Risk Register was attached at Appendix 1 of the Report). It highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. It incorporated the risk register of both the Investments Team and Peninsula Pensions.

In addition to the current mitigations in place, further actions planned to provide a greater level of assurance, were detailed together with the planned timescale for the action to take place.

Revisions to the Risk Register were also detailed in the Report along with a summary of the number of risks assigned to low, medium and high-risk scores, before and after mitigation.

It was **MOVED** by R Franceschini, **SECONDED** by Councillor P Bullivant and

**RESOLVED** that the Pension Fund Register along with the additional actions proposed to mitigate risk be approved.

\* 80 **LGPS Update**

The Committee noted the Report of the Director of Finance and Public Value (DF/22/81) on an update on the latest developments affecting the LGPS. This covered the 2016 Cost Cap and an outstanding legal challenge regarding the inclusion of McCloud; the Scheme Advisory Board annual report, AVCs and the 'Nudge Regulations'.

\* **81**      **Department for Levelling-Up, Housing and Communities consultation on Governance and Reporting of Climate Change Risks**

Report of the Director of Finance and Public Value (DF/22/90) on a Department for Levelling-Up, Housing and Communities consultation on governance and reporting of climate change risks within the Local Government Pension Scheme.

The consultation was based on the recommendations of the Taskforce for Climate-related Financial Disclosures or TCFD.

The consultation sets out proposals that would require LGPS Administering Authorities to publish climate-related disclosures broadly in line with TCFD. The full consultation document can be found at: [Local Government Pension Scheme \(England and Wales\): Governance and reporting of climate change risks - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-consultation-governance-and-reporting-of-climate-change-risks)

The new requirements on which DLUHC were consulting were summarised in the Report along with a draft response to the consultation (attached as Appendix 1 to this Report). The response welcomed the proposals, with more detailed comments on the specific questions.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor R Bloxham and

**RESOLVED** that the proposed response to the consultation on governance and reporting of climate change risks attached at Appendix 1 to the Report be approved.

\* **82**      **Employer Changes**

The Committee noted:

(a) New admitted bodies – The following application for admitted body status had been approved since the last meeting of the Committee: Plymouth Active Life took over Plymouth City Council leisure contract with effect from 1st April 2022.

(b) Employer Cessations - The following employer had left the scheme: SLM ceased membership on 31st March 2022 as the outgoing provider for Plymouth City Council's leisure contract.

(c) New Academy conversions and changes: (i) Torre Beaford Primary School converted to an academy and joined TEAM MAT on 1st June 2022. (ii) Coast Academies joined Connect Academy Trust on 1st June 2022. (iii) Estuaries MAT (Dawlish College, Newton Abbot College and Starcross Primary); and (iv) Osprey Learning Trust became Ivy Education Trust on 1st June 2022.

\* **83**      **Dates of Future Meetings**

25 November 2022; 3 March 2023, 16 June 2023, 15 September 2023, 24 November 2023; and 1 March 2024.

Up to date information here: [Browse meetings - Investment and Pension Fund Committee - Democracy in Devon](#)

\* **84**      **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.

\* **85**      **Infrastructure Funds**

(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/22/82) on the Fund's remaining investments managed outside of the pool which comprised 5 infrastructure funds and 2 private debt funds.

Devon County Council Pension Fund officers met with the fund managers on a regular basis to review the performance of the funds and managers of the current infrastructure investments had put forward proposals to take these funds forward in a different way. The Report set out the proposals and the options available to the Devon Fund.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor R Bloxham and

**RESOLVED** that subject to officers conducting due diligence on the final proposals, the transfer of investments as detailed in the Report be approved in principle.

\* **86**      **Brunel Reserved Matters Request**

(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/22/83) on a Reserved Matter request approved by the Council's Director

of Finance and Public Value which related to the remuneration of the Chair of the Board of the Brunel Pension Partnership as a result of the redistribution of some of the functions previously undertaken by the Chair.

The Committee's Independent Adviser reported his view that the approval represented good value.

**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 10.35 am and finished at 12.10 pm