

INVESTMENT AND PENSION FUND COMMITTEE

25 November 2022

Present:-

Devon County Council

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

District and Unitary Authorities

Councillors J O'Dwyer, A Lugger and J Pearce,

Other Employer representative

Councillor R Bloxham

Union and Retired Members

L Parker-Delaz-Ajete and M Daniell and R Franceschini.

Apologies:-

Councillor G Gribble

* 87

Minutes

RESOLVED that the Minutes of the Meeting held on 4 October 2022 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 Meeting of the Board held on 18 October 2022.

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Brunel Oversight Board

The Committee noted the Minutes of the Meeting of the Board held on 8 September 2022

* **91** **Audit Report on the Pension Fund Statement of Accounts 2021/22**

The Committee noted the Report of the Director of Finance and Public Value (DF/22/104) on the external audit which now had been substantially completed by Grant Thornton, subject to a small number of remaining items (draft Audit Findings Report attached at Appendix 1 to the report).

The draft Audit Findings included an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls and substantive testing on significant transactions and material account balances, including the procedures outlined in the report in relation to the key audit risks.

Subject to a small number of outstanding matters, Grant Thornton anticipated issuing a positive unmodified and unqualified audit opinion.

Members' questions and discussion points with a representative of Grant Thornton and the Head of Investments (Devon County Council) included:

- highlighted adjusted misstatements, misclassification in Appendix C of the report and disclosure changes, reflected in the version of the Statement of Accounts within the Pension Fund Annual Report which Officers had noted for consideration in future;
- the unadjusted misstatements highlighted in the report related to valuations of fund assets and adjusted for cashflows, where March valuations were not available and based on the best available evidence at the time and differences were not material and no adjustment to the statement of accounts had been proposed;
- the additional costs for Grant Thornton and fees for the County Council as a result of remote audit working arrangements and the Grant Thornton remained open to remote and/or to in-person audit inspections;
- the current accounting arrangements as part of the County Council's Statement of Accounts and any proposed '*de-coupling*' would require primary legislation and may be included in expected government consultation in relation to governance; and
- a request for more information in relation to a Government consultation on Pension Scheme investment in infrastructure assets.

The Chair thanked Julie Masci, Grant Thornton for their attendance and response to Members' questions.

* **92** **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 2022/23, cash management, and voting and engagement activity.

The Fund value at 30 September 2022 stood at £5,024.8 million, a decrease of around £120 million over the quarter and £390m since 31st March 2022.

Members' discussion points with Officers included:

- new tabular information which showed the impact of each asset class on the total fund valuation and investment return over the 6 months of the financial year to date;
- the impact of changing interest rates on Bond values since the recent 'fiscal event' and future prospects; and
- the longer-term positive returns of the Fund despite the short-term difficulties over the last few months attributable or linked to geo-political events and fiscal events.

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

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Actuarial Valuation 2022

The Committee considered the Report of the Director of Finance and Public Value (DF/22/106) on the actuarial valuation of the Devon Pension Fund conducted by a qualified independent actuary. The purpose of the valuation was to establish the Fund's liabilities in relation to its assets and determine the current funding level, and to set contribution rates for the Fund's employers for the next three years.

The Actuary had met with officers in September to confirm the assumptions to be used for the valuation. The Actuary had now provided the Fund level results from the valuation, as summarised in the Report.

The Report outlined the factors taken into consideration in relation to the inter-valuation experience and revised assumptions. The report also outlined that the results for individual employers would vary depending on their circumstances.

Officers would work with the fund Actuary to revise the Funding Strategy Statement, based on the approach taken to the Valuation and a revised Funding Strategy Statement would then be brought back to the Committee for approval, following consultation with employers and the Devon Pension Board.

Members' questions and discussion points with the Officers included:

- the overall results with a funding level for the whole fund at 98% and progress towards the long term objective of 100% and the possible benefits in aiming for a higher solvency rate and reductions in the deficit recovery period for those employers with a deficit;

- the impact on Employer contributions - some fund employers will see their overall contribution rates, including deficit payments, reduce, while others would see increases which would place extra pressures on them;
- the average primary rate for employers would increase from 16.9% to 19.2% of pensionable pay but the improved funding level would result in lower deficit contributions being required, which would offset the increased primary rate;
- the investment return going forward had been assumed to be 4.7%, which compared with an assumption of 5.1% at the last valuation; and
- the need for a prudent approach with assumptions which were comparable with other Local Pension Fund Scheme Pension Funds and with regard to maintaining a stable contribution rate as possible.

It was **MOVED** by Councillor R Bloxham, **SECONDED** by R Franceschini and

RESOLVED

(a) that the process carried out by the Fund Actuary as a basis for revision of the Funding Strategy Statement be approved;

(b) that the proposed policy for allowing discounts to employers who pay their deficit contributions in advance, as detailed in the Report, be approved.

(N.B. In accordance with Standing Order 32(4) Councillor O' Dwyer requested that his abstention from the vote be recorded)

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Dates of Future Meetings

3 March 2023, 16 June, 15 September, 24 November, and 1 March 2024 Up to date information available at: [Browse meetings - Investment and Pension Fund Committee - Democracy in Devon](#)

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Exclusion of the Press and Public

RESOLVED that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that 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.

* 96 **Brunel Pension Partnership - Climate Change Policy**

(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/22/107) on the issues that Brunel have looked to address through a review of their climate change policy. Brunel worked in partnership with its client funds, it would be expected that Brunel's policy should be broadly representative of and consistent with the policies of each of the partner funds.

Members discussion points with the Officers included:

- whether the objective of investing 5% of the fund in renewable energy or climate solution infrastructure by 2025 related to investment in the UK or globally (the Officers agreed that they would raise this point with Brunel);
- the scope for investments locally as proposed in a portfolio developed by Brunel for the Cornwall Pension Fund on which a paper would be brought to this Committee in the future and as part of the Government's levelling up agenda; and
- that climate change policy was consistent across the pooled fund in the Brunel Partnership and that Brunel was at the forefront of climate change policy development nationally.

It was **MOVED** by Councillor M Hartnell and **SECONDED** by Councillor Y Atkinson and

RESOLVED

(a) that the proposed development of Brunel's Climate Change Policy, as set out in the report be approved; and

(b) that the comments referred to above be relayed to Brunel.

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 12.05 pm