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To: The Chair and Members
of the Investment and
Pension Fund Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 7 September 2023

Contact: Fred Whitehouse, 01392 381362
Email: fred.whitehouse@devon.gov.uk

INVESTMENT AND PENSION FUND COMMITTEE

Friday, 15th September, 2023

A meeting of the Investment and Pension Fund Committee is to be held on the above date at 10.30 am at Daw Room, Committee Suite - County Hall to consider the following matters.

Donna Manson
Chief Executive

A G E N D A

PART I - OPEN COMMITTEE

1 Apologies for Absence

2 Minutes (Pages 1 - 8)

Minutes of the meeting held on 16 June 2023, attached.

3 Items Requiring Urgent Attention

Items which in the opinion of the Chairman should be considered at the meeting as matters of urgency.

4 Devon Pension Board (Pages 9 - 14)

Minutes of the meeting held on 6 July 2023, attached

5 Brunel Oversight Board (Pages 15 - 20)

Minutes of the meeting held on 8 June 2023, attached

6 Pension Fund Annual Report and Accounts 2022/23 (Pages 21 - 24)

Report of the Director of Finance and Public Value (DF/23/80), attached.

The Annual Report is attached as a supplementary document.

7 Investment Management Report (Pages 25 - 70)

Report of the Director of Finance and Public Value (DF/23/81), attached

8 Department for Levelling-Up, Housing and Communities consultation: Local Government Pension Scheme (England and Wales): Next Steps on Investment (Pages 71 - 112)

Report of the Director of Finance and Public Value (DF/23/82), attached

9 Pension Fund Risk Register (Pages 113 - 146)

Report of the Director of Finance and Public Value (DF/23/83), attached

10 Training Review 2022/23 and Training Plan 2023/24 (Pages 147 - 154)

Report of the Director of Finance and Public Value (DF/23/84), attached

11 Employer Changes

(a) New admitted bodies – The following application for admitted body status has been approved since the last meeting of the Committee:

- 1 January 2023 - Livewell with agreement from Plymouth City Council tuped 1 member of staff to NHS (Devon ICB)
- 1 April 2023 - Ted Wragg Trust retendered their catering contract and the new provider Dolce Ltd.
- 1 April 2023 - Ted Wragg Trust tuped cleaning staff to Fusion School Services Limited.

(b) Employer Cessations - The following employer has left the scheme

- 31/3/2023 Aspens catering contract with Ted Wragg Trust ceased.

(c) New academy conversions and changes.

- 1 March 2023 - Mount Tamar School joined Transforming Futures Trust.
- 1 March 2023 - Sidmouth College joined Ted Wragg Trust.
- 1 April 2023 - Wynstream Primary School joined Education South West.
- Atrium School closed on 30th April 2023 and the 5 remaining staff have been transferred to South Dartmoor CC wef 1/5/2023.

12 Dates of Future Meetings

The next meetings of this committee are scheduled for:

24 November 2023, 10.30am;
1 March 2024, 10.30am;
1 March 2024, 2.15pm (Staff/Retiree Consultation)

PART II - ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF PRESS AND PUBLIC ON THE GROUNDS THAT EXEMPT INFORMATION MAY BE DISCLOSED

13 Exclusion of the Press and Public

Recommendation: 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 (including the authority holding that information) 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.

14 <u>Review of Indemnity Bonds</u> (Pages 155 - 164)

Report of the Director of Finance and Public Value (DF/23/85), attached (restricted)

Members are reminded that Part II Reports contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). They need to be disposed of carefully and should be returned to the Democratic Services Officer at the conclusion of the meeting for disposal.

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Declarations of Interest for Members of the Council
It is to be noted that Members of the Council must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.

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Induction Loop available

INVESTMENT AND PENSION FUND COMMITTEE

16 June 2023

Present:-

Devon County Council
Councillors P Bullivant (Chair), Y Atkinson, H Gent, G Gribble, M Hartnell,

Unitary Councils
Councillor M Brook

Union and Retired Members
R Franceschini and M Daniell (remote)

Apologies:-

Councillor J Morrish, Councillor R Bloxham and L Parker-Delaz-Ajete

*** 114 Announcements**

(a) The Chair welcomed Mr R Hodgins who was attending the meeting in his capacity as a co-opted Member of the Standards Committee to monitor compliance with the Council's ethical and governance framework.

(b) The Chair welcomed Councillor M Brook (representing Torbay Council, Unitary Council) to his first meeting of this Committee.

*** 115 Minutes**

RESOLVED that the Minutes of the Meeting held on 3 March 2023 be signed as a correct record.

*** 116 Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

*** 117 Devon Pension Board**

The Committee noted the Minutes of the Meeting of the Board held on 18 April 2023.

- arising on Minute *108 the Head of Peninsula Pensions confirmed that staff vacancies had been filled; and
- arising on Minute *103: F2 investment strategy and sufficient returns, Officers confirmed that mitigations included stable contribution rates in

line with the Actuarial advice, alignment of investments in accordance with the Investment Strategy over the long-term, and continued monitoring by Officers and this Committee.

*** 118 Brunel Oversight Board**

The Committee noted the Minutes of the Board meeting held on 9 March 2023.

Arising on Minute 8 Members discussed the impact of the excess savings in China's economy as a result of their lockdowns.

*** 119 Annual Internal Audit Report 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/58) on the Internal Audit for the Pension Fund Review of 2022/23. The Annual Report (at Appendix 1) indicated that overall, and based on work performed during 2022/23, Internal Audit could provide reasonable assurance on the adequacy and effectiveness of the Fund's internal control environment. This was based on a total of 7 audits. Further information relating to these were provided in the Annual Report.

Members' discussion points with the Head of the Devon Audit Partnership and Director of Finance and Public Value included:

- Cyber Security: in relation to the finding of '*limited assurance*', this was also referenced and focussed in the Audit log presented to the Pension Board, and this would also be the subject to a session at a Members' training event on 6 July. The Director confirmed that this finding was common across the Council as reported to the Council's Audit Committee and the Council's Senior Leadership Team was fully cognisant.

The Committee noted the Internal Audit Report for 2022/23.

*** 120 Investment Management Report**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/59) 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 31 March 2023 stood at £5,312.8 million, an increase of around £185 million over the quarter but a decrease of £100m since 31st March 2022.

Members' discussion points with Officers included:

- despite the decrease in the value of the Fund in 2022/23, the Fund's performance was in the top quartile within the LGPF Universe; and

- issues in regard to Ethical, Social, Governance (ESG) and engagement.

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

(**N.B.** subsequent to the meeting, the Head of Investments circulated Brunel's 2023 Responsible Investment and Stewardship Outcomes Report: 2023 Responsible Investment and Stewardship Outcomes Report (brunelpensionpartnership.org); and in regard to Amazon and industrial relations/union recognition {raised during the meeting}, the case study (page 51 of the report) outlined the engagement conducted by LGIM (Legal and General Investment Management) on behalf of Brunel; and as stated in page 77 of the Report, Brunel was a member of HM Treasury's Transition Plan Taskforce and would therefore be fully involved in the work of the Taskforce).

*** 121** **Climate Change and Carbon Footprint**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/60) on climate change policy, the Carbon footprint at 31 December 2022, and reserves exposure. The report reviewed the Fund's policies on climate change in the light of revised policy by Brunel and new regulatory requirements.

The Fund's current climate change policy was to achieve net zero investment portfolios by 2050 and the latest sets of targets were detailed in the Report.

These targets were still considered appropriate and were aligned with the trajectory set out in the Paris Agreement. However, in line with the revised Brunel climate change policy it was considered that these should be enhanced by further targets and metrics. These were included in a proposed revised policy set out at Appendix 1 to the Report.

The Report also provided the Committee the opportunity to discuss whether to reduce fossil fuel reserves exposure further by moving the UK and World Developed passive allocations across to the Global Paris Aligned Benchmark (PAB) passive fund. The PAB funds included a range of exclusions related to fossil fuels and also enforced a 7% annual reduction in carbon emissions, with a phasing in of scope 3 emissions into the data. This move would also reduce the overall carbon footprint.

Members' discussion points with Officers included:

- the recent positive relative performance of the World Developed Paris Aligned Benchmark Fund;
- any proposed transfer of equities to the Paris Fund would be discussed with Brunel;
- the broad nature and wide-ranging companies included in the Paris Aligned Fund; and confirmation by the Committee's Independent Advisor

that the proposed move was not contradictory to the Committee's fiduciary duty and consistent with overall strategy; and

- the level of investment in private equities and consideration of Ethical, Social and Governance (ESG) issues on which Brunel would be asked to provide further information, for report to this Committee.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor Y Atkinson and

RESOLVED

(a) that the revised climate change policy as set out in Appendix 1 to the report for inclusion in the Investment Strategy Statement, be approved;

(b) that the current progress against the targets to reduce the Fund's carbon footprint, be noted;

(c) that the allocation to passive equities be consolidated in the World Developed Paris Aligned Benchmark Fund, subject to (i) the currency hedging strategy in place being applied to the Paris Aligned Benchmark Fund, and (ii) the timing of transfers being delegated to Officers.

* **122** **Actuarial and Consultancy Contracts**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/61) on the proposed use of national frameworks to undertake a joint procurement exercise for actuarial services with the Somerset Pension Fund and a separate procurement process for investment consultancy.

It was **MOVED** by Councillor P Bullivant and **SECONDED** by Councillor Y Atkinson, and

RESOLVED

(a) that a joint procurement exercise with the Somerset Pension Fund to secure a new contract for Actuarial Services, using the National LGPS Framework, be approved; and

(b) that a procurement exercise for Investment Consultancy Services, using the National LGPS Framework, be approved.

(c) that the appointment process and final decisions for both contracts be delegated to the Director of Finance and Public Value in consultation with the Chair.

* **123** **Employer Changes**

The Committee noted Employer changes not previously reported to the Committee as set out below:

(a) New admitted bodies - The following application for admitted body status had been approved: DCC Cleaning won the tender for St Peters School Plymouth Cleaning contract, commencing 1 September 2022

(b) New academy conversions and changes:
• On 6 September 2022, Launceston College MAT changed name to Athena Learning Trust.

• On 1 October 2022, Berry Pomeroy Parochial C of E Primary converted to an Academy and joined the Academy of Chartered Excellence.

• On 1 October 2022, St Sidwells C of E Primary School and nursery became an academy and joined St Christophers C of E (Primary) MAT.

• On 1 November 2022, Furzeham Primary School and Nursery became an academy and joined the Thinking Schools Academy Trust.

(c) Cessations:
• On 10 August 2022, Red One Limited ceased following the last member leaving. They were a subsidiary of Devon & Somerset Fire and had a passthrough in place. All assets and liabilities remained with Devon & Somerset Fire.

• On 3 October 2022, FCC Ltd ceased membership with staff returning to South Hams District Council.

* **124** **Dates of Future Meetings**

15 September 2023, 24 November; and 1 March 2024 (followed by the annual consultation meeting at 2:15 pm) all at 10.30 am.

Dates and other details available here: Browse meetings - Investment and Pension Fund Committee - Democracy in Devon

* **125** **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.

* **126** **Local Impact Investment**

(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/23/62) on proposed allocations to a Local Impact Investment portfolio and individual investments options. These options aligned with the fiduciary duty to provide the returns required to meet the funding strategy.

It was **MOVED** by Councillor P Bullivant and **SECONDED** by Councillor M Brook, and

RESOLVED

(a) that a 3% target allocation to a Local Impact Portfolio, be approved; and

(b) that the investments, as detailed in the Report, in Local Impact Funds (totalling £140m), be approved, subject to further due diligence.

* **127** **Brunel Pension Partnership - 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 and Public Value (DF/23/63) on the action taken by the Director of Finance and Public Value.

This related to a revised remuneration policy and people strategy, which following consultation with Partners had been made a ‘reserved matter’ which required approval of 80% of the Partners.

* **128** **Litigation and Class Actions**

(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/23/33) on the outcome and progress of outstanding legal cases (including class actions) where losses may have been incurred and where the Fund had sought to recover losses to the extent possible, subject to consideration of the risks and costs involved, in accordance with the Committee’s fiduciary duty.

In future, the Devon Fund was less likely to be directly involved in making claims on new cases as it no longer directly owned individual company shares, which were now owned by Brunel. It would be Brunel’s decision whether to pursue any losses as they deemed appropriate. Only cases that related to losses incurred prior to the transition of mandates to Brunel would be directly claimable by the Fund.

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 12.15 pm

DEVON PENSION BOARD

6 July 2023

Present:-

Councillors S Randall Johnson, C Slade (Chair), D Walshe, C Hearn, P Phillips, A Bowman (Vice-Chair), Ian Arrow and R Jeanes

Apologies:-

None

* **112** **Election of Chair and Vice Chair**

RESOLVED that Councillor Colin Slade be elected Chair and Andy Bowman be elected Vice Chair for the ensuing year.

* **113** **Minutes**

RESOLVED that the Minutes of the Meeting held on 18 April 2023 be signed as a correct record.

The Chair took the opportunity to thank Democratic Services Officer Gerry Rufolo, who was retiring, for his support as Clerk to the Board.

* **114** **Items Requiring Urgent Attention**

No item was raised as a matter of urgency.

* **115** **Membership**

The Board welcomed Ian Arrows (representing Fund members) to his first meeting of the Board.

Mr Arrows introduced himself and gave brief information about his background in law and his formal employment as a Senior Coroner for Plymouth, Torbay, and South Devon.

* **116** **Review of Attendance**

The Board received and noted the Report of the Director of Finance and Public Value (DF/23/69) on the attendance of Members at both Board meetings and training.

*** 117 Contributions and Breaches Monitoring**

The Board noted the Report of the Director of Finance and Public Value (DF/23/70) on current procedures for monitoring of timely payment of contributions from employers. A table in the Report showed a summary of the monthly contributions received in Q4 2022/23.

There were no payments of material significance, which required notification to the Pensions Regulator of the employer's failure to meet the legal deadline.

It was highlighted that an additional section on Breaches had been added and this would be included as a standard section for future reports. It was pleasing to note that an employer mentioned in the last report as not meeting deadlines was now delivering information on time.

It was suggested that there should be amended date in the table in the report for the third date to say after the 21^{st} to allow for digital payments which had a deadline of that date. Additional information about whether employers were providing information in a timely manner was felt to be a useful addition to the report.

It was proposed by Mr Walshe and seconded by Mr Bowman and

RESOLVED that a new process be introduced where employers who have not met the deadlines for data information to the Authority at year end be publicly named to reduce the risk of the fund breaching legal deadlines.

The Report was also noted.

*** 118 Devon Pension Fund Risk Register**

The Board considered the Report of the Director of Finance and Public Value (DF/23/71) on the risks incorporated into the Fund's Risk Register (attached at Appendix 1 of the Report). The Board had previously considered the Risk Register at its meeting on 18th April 2023, and comments made had been taken on board in updating the register.

The Register 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. The Investment and Pension Fund Committee was the ultimate risk owner for the Pension Fund and last reviewed the Risk Register in October 2022.

In addition to the current mitigation in place, further actions were planned to provide a greater level of assurance, and these were detailed together with the planned timescale for the action to take place. The level of risk will be reviewed once these additional actions have been implemented. As a result of the incorporation of the risk register into the Authority's risk management system, there was now a more rigorous system in place for regular review of the risks identified, enabling better risk management.

The Report also detailed new risks added to the risk register as a result of changes in regulations/legislation and decisions by the Investment and Pension Fund Committee.

Members' discussion points with the Officers included:

- Reference was made to risk F4 regarding management of Environmental, social and governance issues. The fund has been accredited by the FRC as signatories to the UK Stewardship code and this had been updated in the risk register.
- Communications to members through newsletters and surveys – these would continue but further clarification was needed to find out whether these would be available in paper as well as electronic form.
- Inflation risk was addressed by the strategic review if the fund's investment strategy which took place every 3 years. This had last been presented to the Investment and Pension Fund committee in February 2022.

RESOLVED that the Pension Fund Register and the additional actions proposed to mitigate risk be noted.

* **119** **Investment and Pension Fund Committee**

The Board noted the Minutes of the Investment and Pension Fund Committee meeting held on 16 June 2023.

It was questioned whether the Pension Fund Investment policy of allocating a certain percentage for local impact funding should be identified as a separate risk. This would be considered and fed back at the next meeting. The training plan would also be included in the October meeting.

120 **Actions and Recommendations Trackers**

The Board considered the Report of the Director of Finance and Public Value (DF/23/72) on progress made on completing actions arising from internal audits and pension board recommendations.

The Audit action log tracked progress and completion of audit actions and recommendations. In addition, the report detailed a log of actions and requests raised by the Board, and final audit reports issued relating to 2022/23 audits that had not already been brought to the Board. Previously completed actions have been removed.

It was highlighted that the final audit report on cyber security had been completed and was attached and there were a number of actions that had been addressed or were in progress. Members were reminded there was a training session this afternoon for them on cyber security.

* **121** **Peninsula Pensions Administration - Performance Statistics**

The Board considered the Report of the Director of Finance and Public Value Please (DF/23/73) on the performance of Peninsula Pensions against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the statutory requirements regarding the disclosure of pension information.

The report detailed the team performance, which included total performance against the Occupational and Personal Pension Schemes (Disclosure of information) Regulations 2013 for the quarter ending 31 March 2023, performance for previous quarters, work with employers to implement improvements; the processing of outstanding deferred benefit and amalgamation cases in preparation for the McCloud remedy and the work to prepare the Pension Dashboard, which had impacted performance. The team received a total of 10 compliments between 1 January 2023 and 31 March 2023.

Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Devon Pension Fund only, for the quarter ending 31 March 2023, and the full year 1st April 2022 – 31st March 2023, against the statutory Disclosure Regulations.

In addition, a further chart, as requested by the Board, has been included to highlight the variants in performance when compared with firstly, the previous quarter, and secondly, the previous 12-month period. And Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Devon Pension Fund only) for this financial year from 1st April to 31 March 2023. Appendix 3 of the report highlights the amount of work received over the last 12 month rolling period, compared to the same period in the previous year.

Other updates included the McCloud Member factsheet link for information.

Peninsula Pensions' would be reviewing the Pension Administration Strategy and targets included during 2023, which included the internal target for Peninsula Pensions and expected performance requirements from individual Fund employers.

Members' questions and discussion points included:

- Administration Performance data shown in Appendix 1 might need revising. This would be checked and revised if needed.
- Some of the text in the charts in Appendices 2 and 3 were difficult to read. This would be made clearer for future.

- Recognised that the pandemic had led to an increase in change of people's working situations with some wishing to move to jobs in which they could work fully remotely.
- Requested that comparison data on performance from other comparable pension funds be made available to the Board
- Members were reminded that the outcome and recommendations from the Good Governance review were also awaited and might help with comparable data.

The Board noted the Report.

*** 122 LGPS Update Report**

The Board received and noted the Report of the Director of Finance and Public Value (DF/23/74) on an update on the latest developments affecting the LGPS. These related to the McCloud judgment and draft regulations concerning the remedy; consultation on changes to the Scheme Advisory Board's cost management process; and an update on the Pension Dashboard project.

Members' questions and discussion points with Officers included:

- When the conclusion of the McCloud remedy would come into effect – this had been scheduled to be at the beginning of October, but the legislation was not coming before Parliament until after the summer recess.
- Pension Schemes would then have 18 months to review all the records and implement any revisions accordingly.
- The Pension administration team were formally thanked for all their hard work on this.

*** 123 Future Work Programme**

The Board received and noted the Report of the Director of Finance and Public Value (DF/23/75) on the proposed Future Work Programme over the next three meetings.

It was highlighted that the TPR Code of Practice was scheduled for January 2024 though officers had recently heard that the code would not be out in time and this will need moving to later in the year. The Pension Regulator data scores had been moved to the October meeting. Also scheduled for October was the Communications Policy Review, and the Governance Policy Review currently planned for January was likely to be pushed back due to awaiting the result of the Good Governance Review.

RESOLVED that the following topics be added to the Work Programme:

Review of the administration strategy

* **124** **Dates of Future Meetings**

The Pension Board will meet at 10.30am on the following dates:

Friday 13th October 2023
Tuesday 30th January 2024
Monday, 29 April 2024

Members were informed that future dates for the next council year would be available shortly.

Updates and other information available here

Browse meetings - Devon Pension Board - Democracy in Devon

***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 11.11 am

BRUNEL OVERSIGHT BOARD

Public Minutes

8th June 2023

10:30 am – 12:15 pm

Attendees

Pension Committee Representatives		
Paul Crossley	Avon	
Timothy Butcher	Buckinghamshire	
Jayne Kirkham	Cornwall	
James Morrish	Devon	Apologies
John Beesley	Dorset	
Robert Gould	EAPF	
Lynden Stowe	Gloucestershire	
Kevin Bulmer	Oxfordshire	
Sarah Payne	Somerset	
Richard Britton	Wiltshire	

Member Representative Observers		
Andy Bowman	Scheme Member rep.	
Alistair Bastin	Scheme Member rep.	

Fund Officers and Representatives		
Nick Dixon	Avon	
Julie Edwards	Buckinghamshire	
Sean Johns	Cornwall	
William Cresswell	Cornwall	Minutes
Mark Gayler	Devon	
Craig Martin	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	

Brunel Pension Partnership		
Laura Chappell	Brunel, CEO	
Denise Le Gal	Brunel, Chair	
Liz Mckenzie	Brunel, SNED	
David Vickers	Brunel, CIO	
Joe Webster	Brunel, COO	
Tim Dickson	Brunel, HoCR	
Alice Spikings	Brunel, SO	

Minutes

No.	Item
1.	**Confirm agenda** **Requests for Urgent items for information** **Any new declaration of conflicts of interest**
	RG welcomed everyone to the meeting. The agenda was confirmed and there were no new declarations of interest.
2.	**Review minutes**
	ABr noted his emailed objection to the minutes has been resolved. ABr requested the mailing lists are checked to ensure scheme members reps receive the same information as committee reps. The minutes were approved.
3.	**SRM update**
	LC noted a resolution was found and the SRMs have been approved. As a result, the REMCO have agreed new pay figures which are now in action. Brunel's projects will become 'unpaused' when current vacancies have been filled. LC noted shareholders have requested the Client Group review the governance structure following the SRMs discussion to future proof and add resilience. RG highlighted the role of the Brunel Oversight Boards is to oversee the investment performance of Brunel.
4.	**Brunel CEO Report**
	LC presented the CEO report and noted the optimism for the future of Brunel now the SRM is passed. LC brought out the following highlights from the report: • No new information from DLUCH on the pooling consultation. Meeting planned with Rachel Reeves to discuss Labour's plans. • CEO of Central Mike Weston left purportedly due to disagreements on pooling.

- Helen Price, Head of Brunel Stewardship leaving to join CofE Pension Fund.
- Climate Policy and Climate Policy Stocktake Launched and available on Brunel's website.

JK agreed with LC on DLUCH and noted she is happy about the assets owners' group and asked if the fund managers are aligning to Brunel's RI policy.

LC recommended the RI Outcomes Report which is available on the website for case studies.

LC noted FTSE Russell have offered a small compensation for the index error. FTSE Russell view the compensation as a gesture of goodwill as they were not legally required to.

LS asked if Brunel's absence days figures could be provided and changed to "working days lost" to allow comparison with public sector positions.

LC noted the figures would not be meaningful as their terms of employment are different to the public sector. KB noted BOB was not the correct forum for this discussion.

ABo thanked Brunel for discussing the FTSE error and asked if there was a timescale for regulators looking into index providers and also for independent data providers.

DV noted they are not aware of a timeline for regulation but noted FW and DV's works involves engaging with data providers to encourage standardisation. It would require global accounting standard changes which will take a significant amount of time.

JK asked if there was any additional information on the reputational risk and also on the change in policy on gifts and entertainment.

LC noted the policy change was due after their compliance team reviewed the policy, and they are very strict on gifts and entertainment due to their position on responsible investing.

JK asked if there is a timeframe for a new chair.

LM noted a proposed schedule for a new chair was agreed but doesn't have a fixed end date. ABo, ABr and RG have agreed to help find a new chair and conversations will start soon, Brunel will start looking in the Autumn.

5. Brunel CIO Update

DV noted Brunel have signed a contract with a Private Equity partner who will provide support in the background and provide greater resilience to the private equity model.

On performance, DV provided a macro-overview and noted every portfolio but one, outperformed their benchmarks. The positive tailwinds were the energy sector and the banking sector underperforming which the Brunel portfolios are underweight to.

The headwinds were 70% of gain was driven by the 6 largest stocks: Apple, Amazon, Microsoft, Tesla, Alphabet, and Nvidia. This creates a weak market and makes maintaining both returns and diversification more difficult.

DV gave an update on each of the portfolio's Q1 performance against their benchmarks.

DV noted more detailed BIRC reports are available to client officers on the Brunel Portal. These reports provide peer comparisons to provide extra context.

6.	**Client assurance framework**
	SJ noted the Brunel assurance process is being reviewed by the Client Group and feedback is being sort from BOB members. SJ noted the following investment performance reports are currently provided by Brunel and are condensed into the BOB assurance report: - Portfolio Deepdives Reviewing the current listed market portfolios to ensure agreed specifications are met. - Portfolio Monitoring Reports - Ad Hoc reports Event driven. E.g., Reports resulting from the invasion of Ukraine. SJ noted the Client Group are considering making the assurance review a full day item. SJ noted the client survey will be published in the next couple of months to gather feedback from client officers and BOB members. SJ welcomed suggestions on the assurance process be provided. JK asked if engagement work such as work with the asset owners' group, and voting outcomes feed through to the assurance reports? DV noted the engagement work is included on the outcomes report. SJ presented the assurance dashboard. SJ provided the following updates from the appendix of the BOB report: - ESG scores provider changed to Sustainalytics who provide additional context - Money weighted return added to the performance reports - Aggregated Position per Client Holding reports now available
7.	**Brunel Chair/SNED Update**
	DLG provided an update from discussions with HM Treasury. Discussions were centred around mandatory consolidation and the difficulties of stimulating growth in the UK. DLG noted it was important the LGPS is not politicised. ABa thanked DLG for representing the members. JK highlighted the difficulties of local investing and the restrictions preventing the pension funds investing. ABo asked if Transport for London would come into the LGPS? DLG noted Transport for London won't be joining the LGPS anytime soon. JB thanked DLG for her discussions and noted Brunel need to continue expressing their views especially at the Scheme Advisory Board. LM noted discussions with Wiltshire, Dorset, Gloucestershire, and Avon are in the diary. LM thanked everyone for the support in the Shareholder Forum in getting the SRM passed.

8.	**Any other urgent or for information items**
	TB noted cyber-attacks have been in the press recently and asked if Brunel could provide any assurance? JW noted the audit risk committee have scrutinised their cyber policies especially after Russia's invasion of Ukraine which increased the perceived risk. Cyber security was also audited by Deloitte and came back positive. Brunel have no cyber-attacks to report. LC added that Brunel are exploring the use AI to ensure the limitations are understood. LM added that the Board receives training on AI and Cyber to ensure they have the competencies to provide oversight. RG added that EAPF have recently been impacted by a cyber-attack against Capita. KB asked if additional assurance could be provided on regards to third parties' cyber security. SJ noted the Ops Sub-Group are due to be discussing funds cyber security. It was agreed to add cyber security to a future BOB agenda.

Next BOB Meeting:

7th September 2023

DF/23/80
Investment and Pension Fund Committee
15 September 2023

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2022-23

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1) Recommendation

That the Committee be asked to:

(a) Note the position on the audit of the 2020/21 and 2021/22 Pension Fund Statement of Accounts.
(b) Approve and adopt the Pension Fund Annual Report and Accounts for 2022/23, subject to approval of the Statement of Accounts by the Devon County Council Audit Committee and completion of the external audit.
(c) To approve 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.

2) Introduction

2.1 The Pension Fund Annual Report, including the Statement of Accounts, is brought to the Committee each year for approval. The draft report for 2022/23 is enclosed.

2.2 The Pension Fund Accounts are required to be included within the Devon County Council Statement of Accounts, which have yet to be considered by the Council's Audit Committee. Following the Covid pandemic, the deadline by which the audited accounts should be published was extended to 30th November, but this has now reverted to the previous deadline of 30th September. However, publication of the accounts will depend on the Council's external auditors being able to complete the audit.

2.3 The Investment and Pension Fund Committee's role is to approve the full Annual Report which contains the statement of accounts together with other information about the Fund's performance during the year. However, this will be subject to the approval of the Accounts by the Audit Committee and completion of the external audit. It will not be possible to formally publish the Annual Report until the audit has been completed.

2.4 The audit findings report for the Pension Fund will be presented at a future meeting.

3) Audit of Previous Years' Statement of Accounts

3.1 The Pension Fund Statement of Accounts also forms part of the Devon County Council Statement of Accounts. At the time of writing this report, the external auditors have yet to issue audit opinions on the Authority's Statements of Accounts for 2020/21 and 2021/22. Initial delays to the audits for both years were unrelated to the Pension Fund, but due to national issues relating to accounting for Infrastructure Assets. As audit opinions could not be issued, the final version of the Pension Fund Annual Report for those years has yet to be formally published.

3.2 The only issue now preventing the issue of the audit opinion for 2020/21 is in relation to ongoing discussions with the Council around agreed audit fees for that audit. Once that has been resolved, Grant Thornton will issue the audit opinion and it will be possible to formally publish the Fund's 2020/21 Annual Report.

3.3 Delays to the audit of the 2021/22 accounts have led to a further issue arising in relation to that year. The 2021/22 statement of accounts was produced in the summer of 2022 based on the 2019 triennial valuation and updated by the actuary for conditions at March 2022. Before COVID, audit opinions would have been issued by the end of September and the accounts closed before the results of the triennial review were available. However, because the 2021/22 accounts had not been signed off by the auditors, the results of the 2022 triennial review then became available. The auditors have indicated that this could mean that there is now subsequent information that would mean that the 2021/22 accounts would have to be amended. This issue is still to be resolved, causing further delay to completion of the external audit.

4) Annual Report and Statement of Accounts 2022/23

4.1 The Annual Report has been compiled in compliance with guidance issued by CIPFA (the Chartered Institute of Public Finance and Accountancy) in March 2019. The general principles in compiling the Pension Fund accounts are those recommended by CIPFA. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

4.2 The Annual Report includes:

- A forward from the Chair of the Investment and Pension Fund Committee.
- An introduction from the Director of Finance and Public Value outlining the major issues during the year.
- Details of the training that members have received as required by the CIPFA Code of Practice on Knowledge and Skills.
- Details of 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 each of 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 – Information on value for money and key performance data in relation to pensions administration.
- The Statement of Accounts.
- More detailed information about the operation of the Fund.
- Details of the Fund's top listed equity and bond holdings compiled on a "look through" basis showing the top underlying holdings within the pooled funds that the Fund is invested in.
- The Fund's statutory statements.

4.3 The Devon Fund is currently an accredited signatory of the UK Stewardship Code. The accreditation is based on an assessment of the Fund's stewardship activities as set out in the 2021/22 Annual Report. We have worked to improve the stewardship section of the 2022/23 Annual Report, based on previous feedback. In order to remain accredited, a copy of the Annual Report will need to be submitted to the Financial Reporting Council by 31st October for assessment against the stewardship criteria.

5) Conclusion

5.1 The Committee is asked to adopt the Pension Fund Annual Report and Accounts for 2022/23, subject to approval of the Statement of Accounts by the Audit Committee and completion of the external audit.

5.2 The Committee is also asked to approve the submission of the unaudited Pension Fund Annual Report and Accounts to the Financial Reporting Council for assessment, in order to retain the Fund's status as a signatory to the UK Stewardship Code.

Agenda Item 6

Angie Sinclair
Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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DF/23/81
Investment and Pension Fund Committee
15 September 2023

INVESTMENT MANAGEMENT REPORT

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1) Recommendation

That the Committee be asked:

(a) To approve the amendment of the strategic asset allocation targets for 2023/24 to reflect the table in Section 2 of the report.
(b) To approve the reallocation of £50 million from Passive Equities to Sterling Corporate Bonds.
(c) To approve the provision of flexibility to officers to increase the cash balance to up to 4% on a temporary basis.
(d) To note compliance with the 2023-24 Treasury Management Strategy.

2) Fund Value and Asset Allocation

The strategic asset allocation is set out in the Fund's Investment Strategy Statement (ISS). The ISS shows the long term target allocation, and the target allocation for the year. The target allocation for the year reflects the fact that the private markets allocations will take some time to be achieved as we wait for commitments to be called down.

It is proposed that the revised targets for 23/24 be adopted as shown in the following table:

Asset Class	Long Term Target	2022/23 Target	2023/24 Target
Sterling Corporate Bonds	7%	7%	7%
Multi-Asset Credit	12%	12%	12%
Cash	1%	1%	1%
Total Fixed Interest	**20%**	**20%**	**20%**
Passive Equities	25%	25%	25%
Global High Alpha Equities	5%	5%	5%
Global Smaller Companies	5%	5%	5%
Emerging Market Equities	5%	5%	5%
Sustainable Equities	10%	10%	10%
Total Equities	**50%**	**50%**	**50%**
Diversifying Returns Funds	-	6%	3%
UK Property	8%	8%	8%
International Property	2%	2%	2%
Infrastructure	9%	9%	9%
Private Equity	4%	3%	3%
Private Debt	4%	3%	4%
Local Impact Portfolio	3%	-	1%
Total Alternatives/Other	**30%**	**30%**	**30%**

The long-term target allocation now includes the amendments agreed at the last meeting of the Committee to set a 3% target for a local impact portfolio. An allocation to diversifying returns has been retained pending the drawdown of private market commitments, but the 2023/24 target shows a reduced target anticipating the continuing build-up of the private debt and private equity portfolios and the first allocation(s) to the local impact portfolio.

The table below shows the Fund value and the asset allocation for the Fund compared to the proposed 2023/24 target asset allocation as at 30 June 2023.

Fund Value and Asset Allocation as at 30 June 2023

	Fund Value as at 30.06.23	Target allocation 2023/24	Fund asset allocation at 30.06.23	Variation from Target
	£m	%	%	%
Fixed Interest				
Sterling Corporate Bonds	338.8	7	6.3	
Multi-Asset Credit	646.2	12	12.0	
Cash	30.3	1	0.6	
	1,015.3	**20**	**18.9**	**-1.1**
Equities				
Passive Equities	1,465.0	25	27.3	
Global High Alpha Equities	308.6	5	5.7	
Global Smaller Companies	281.9	5	5.3	
Emerging Markets	231.0	5	4.3	
Sustainable Equities	521.3	10	9.7	
	2,807.8	**50**	**52.3**	**+2.3**
Alternatives/Other				
Diversifying Returns Funds	372.3	3	6.9	
UK Property	365.8	8	6.8	
International Property	102.7	2	1.9	
Infrastructure	480.9	9	9.0	
Private Equity	51.6	3	1.1	
Private Debt	166.5	4	3.1	
Local Impact Portfolio	0.0	1	0.0	
	1,539.8	**30**	**28.8**	**-1.2**
Total Fund	**5,362.9**	**100**	**100.0**	

The key points with regard to the end of quarter asset allocation are summarised below:

a) The Fund value as at 31 March 2023 stood at £5,362.9 million, an increase of around £50 million over the quarter.

b) The fixed income allocation is 1.1% below the target allocation, with the biggest underweight being to Sterling Corporate Bonds. The overweight to equities has increased to 2.3% above target.

c) At the last meeting of the Committee, it was agreed that the UK and core global developed passive allocations should be consolidated into the Global Paris Aligned Benchmark passive fund. This has yet to be implemented due to the lower liquidity in markets during July and August. The intention is that the change will be implemented during the Autumn.

d) It is proposed that when the passive consolidation is implemented, £50 million should be redeemed as part of the reallocation in order to reduce the overweight and be reallocated to the Sterling Corporate Bonds portfolio.

e) Within Alternatives/Other, UK Property, private debt and private equity remain below the target allocation pending drawdown of commitments, while no investments have yet been made from the local impact allocation. The allocation to Quinbrook agreed at the last meeting has now been committed and an initial investment was called down in early September.

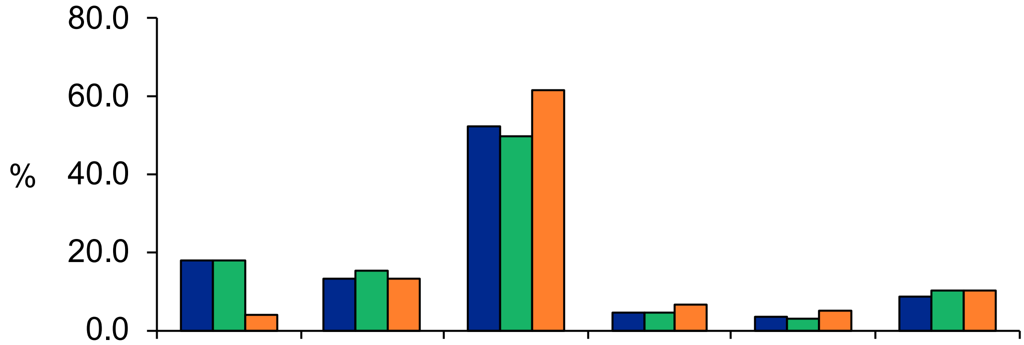
f) Given that the private markets allocations in (c) above are below the 2023/24 target weight, the allocation to diversifying returns funds (DRF) remains considerably over the target weight for the year by 3.9%.

g) With the increased level of interest rates, it is now possible to gain a return of over 5% for cash investments. It may therefore make sense to hold a higher allocation to cash on a temporary basis, pending drawdown of private markets commitments, rather than retaining the 3% overweight to the DRF portfolio. The Committee are therefore asked to allow officers additional flexibility to increase the cash allocation to up to 4% of the Fund value on a temporary basis and bring down the DRF allocation to the 2023/24 target allocation.

<u>Geographical Weighting of Equity Allocation</u>

h) The following chart gives the geographical split of the Fund's equity allocations against the FTSE All World Index geographical weightings.

<u>Geographical Split of Equity Allocation compared to the FTSE All World Index</u>



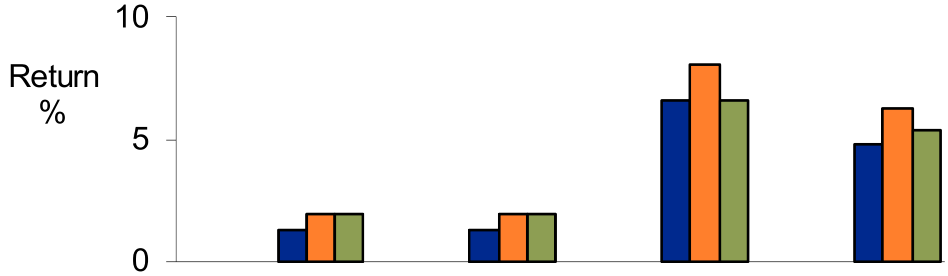
	UK	Europe Ex UK	North America	Japan	Asia/Pacific (ex Japan)	Emerging Markets
Fund: March 2022	18.0	13.0	52.6	4.3	3.4	8.7
Fund: March 2023	17.7	15.1	50.0	4.2	2.7	10.3
FTSE All World	4.1	13.1	61.5	6.4	4.7	10.2

i) As at 30th June, the Fund retained an overweight to the UK via the investment in the UK Climate Transition Benchmark (CTB) Tracker Fund. When the decision to consolidate the Fund's passive equity allocation, including the UK CTB Funds, into the global developed Paris aligned benchmark fund is implemented, the UK allocation will more closely align to its weighting in the FTSE All World and other global indices.

3) Fund Performance

The performance of the Total Fund over the last quarter, the financial year to date, and on a rolling three and five year basis is shown in the following chart.

<u>Longer Term Fund Performance Summary</u>



	Latest Quarter %	2023/24 %	3 Years % pa	5 Years % pa
Fund	1.3	1.3	6.6	4.8
Benchmark	1.9	1.9	8.1	6.3
Relative Return	-0.6	-0.6	-1.5	-1.5
LGPS Universe	1.9	1.9	6.6	5.4

Source for LGPS Universe: PIRC Local Authority Pension Performance Analytics

The performance statistics quoted are net of fees. The LGPS universe figures for the last quarter are based on the asset allocation of the PIRC Local Authority Universe with index returns applied. The previous periods are updated to include actual Universe returns.

The Fund achieved a positive return of +1.3% over the quarter to 30 June, compared with the fund strategic benchmark of +1.9%. The key areas of under-performance against benchmark were Sustainable Equities and Infrastructure.

A breakdown of the performance of the Total Fund for the financial year to date and three years to 30 June 2023 and the comparative Index returns are shown in the following table:

Performance to 30 June 2023

Sector	Financial Year To Date		Three Years		Benchmark Description
	Fund Return	Bench mark	Fund Return	Bench mark	
	%	%	%	%	
Fixed Interest					
Investment Grade Bonds	-2.5	-3.4	-7.8	-8.2	iBoxx Sterling Non-Gilts [1]
Multi-Asset Credit	+1.8	+2.0	+2.5	+6.9	GBP SONIA +4% [1]
Cash	+0.1	+1.1	+0.5	+1.1	GBP 7 Day LIBID
Equities					
Passive Equities	+3.7	+3.7	+10.9	+11.1	Devon Passive Index
Global High Alpha Equities	+3.9	+4.1	+11.1	+11.6	FTSE World / MSCI World
Global Smaller Companies	+0.3	+0.5	-	-	MSCI World Small Cap
Emerging Markets	-2.4	-1.7	+0.3	+1.7	MSCI Emerging Markets
Sustainable Equities	+0.1	+3.4	-	-	MSCI AC World
Alternatives/Other					
Diversifying Returns Funds	+1.0	+2.0	+3.2	+5.2	GBP SONIA +4% [1]
UK Property	+1.1	+0.3	+3.4	+2.3	AREF/IPD UK All Property
International Property	-1.9	-4.0	+8.4	+7.0	MSCI Global Property
Infrastructure	-1.0	+3.0	+6.7	+10.8	CPI + 4% [1]
Private Equity	+0.5	+3.4	-	-	MSCI AC World
Private Debt	+4.1	+3.0	+9.3	+10.8	CPI + 4% [1]
Total Fund	**+1.3**	**+1.9**	**+6.6**	**+8.1**	**Devon Bespoke Index**

Notes
1. the benchmark shown is the current benchmark, but the benchmark return will also incorporate the benchmarks applicable for the earlier part of the 3 year period where the benchmark has changed as a result of transition to Brunel.

a) The Sterling Corporate Bonds portfolio delivered a negative return of -2.5% in another difficult quarter for bonds, but performed better than the benchmark return of -3.4%.

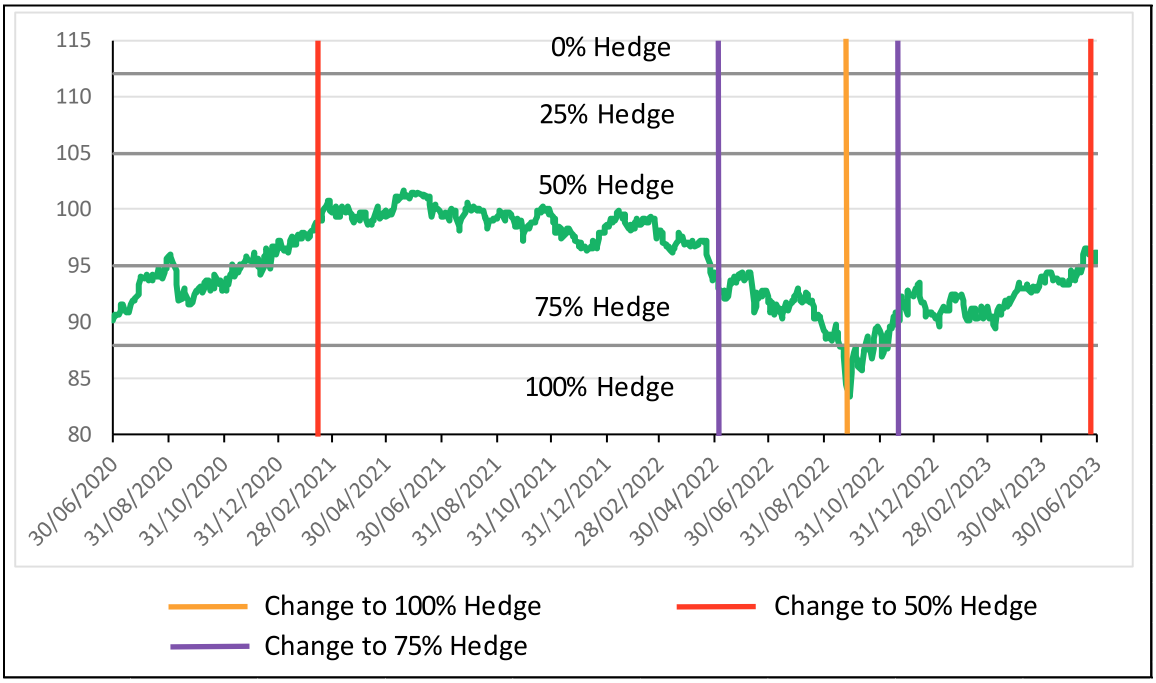
b) Within equities the biggest underperformance against benchmark was on Sustainable Equities. Positive investment returns over the quarter were driven by the outperformance of a small number of tech stocks (including Apple and Microsoft) at the very large cap end of the market cap spectrum, which contributed 85% of market return. The fund is underweight to these stocks, largely due to valuation considerations but also sustainable considerations when considering the investment case for Meta and Tesla.

c) Infrastructure was the other significant area of relative underperformance over the quarter. Rising interest rates have impacted on both Infrastructure and Private Equity, as they have fed through to an increase in the cost of capital, most obviously in debt funding costs. This has impacted on valuations to some extent, while the use of an inflation plus benchmark for Infrastructure has contributed to the underperformance given the high current level of inflation.

Currency Hedging

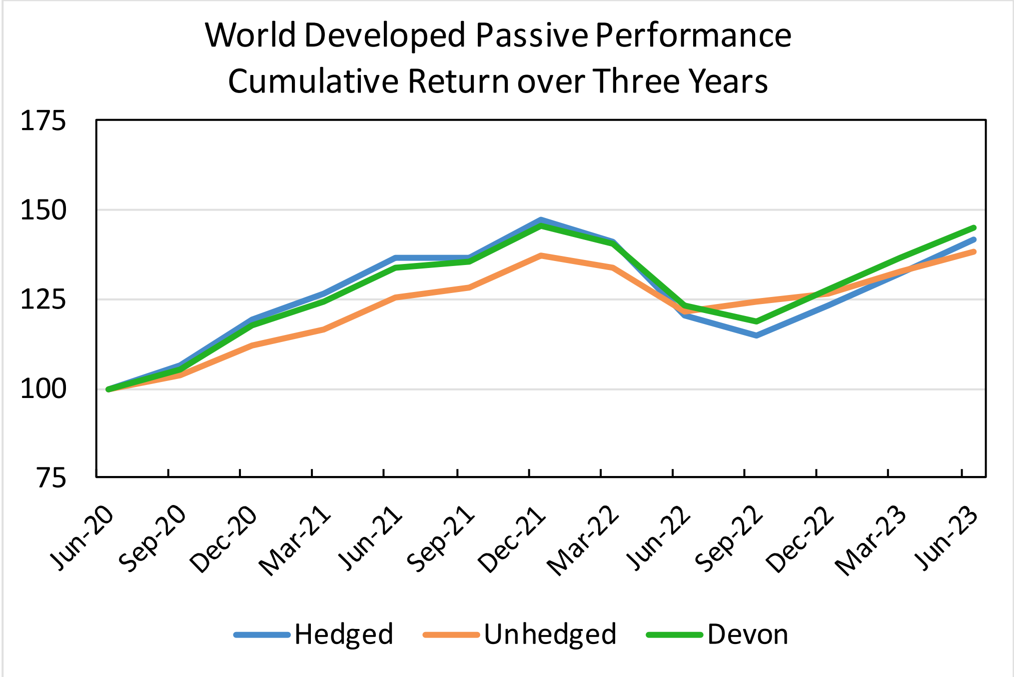
d) The following graph shows the value of Sterling against a weighted average of the other major currencies, over the three years to 31 March 2023. The currency strategy agreed by the Committee is to increase or decrease the hedge ratio on the Fund's global passive equity funds based on the ranges as shown on the chart. The middle (base 100) position reflects a weighted average of £1 = $1.40, £1 = €1.15 and £1 = ¥150.

Value of Sterling v. Weighted Average of US Dollar, Euro and Yen



e) The value of the pound rose over the quarter from $1.236 as at 31 March 2023 to $1.2714 as at 30 June. As a result, the hedge ratio reduced to 50% towards the end of June. After recovering from the low point of the Autumn "mini-budget", it now stands at a higher level than a year ago.

f) Over the quarter, a fully hedged strategy would have delivered a higher return on the global developed passive portfolio, but over the longer periods of one and three years the hedging strategy has delivered a better return than both a fully hedged or a fully unhedged portfolio. This is illustrated in the following chart.



Returns	Cumulative Since 31/06/20	Last Quarter	1 Year	Annualised 3 Years
Hedged	+41.5%	+7.2%	+17.3%	+12.3%
Unhedged	+38.0%	+3.9%	+13.4%	+11.3%
Devon	+45.1%	+6.4%	+17.7%	+13.2%

4) Funding Level

The triennial actuarial valuation, as at 31 March 2022, carried out by the Fund Actuary, Barnett Waddingham, determined that the Devon Pension Fund had a funding level of 98.4%.

The Fund Actuary has provided a funding update, as at 30 June 2023, using the approach of rolling forward the data from the 2022 valuation, and updating it for subsequent investment returns, pension and salary increases. While it is not possible to assess the accuracy of the estimated liability as at 30 June 2023 without completing a full valuation, the results will be indicative of the underlying position.

a) The returns over the period since the 2022 Triennial Valuation are shown in the following table.

Return since 31 March 2022 compared with Actuarial Assumption

	Actuarial Assumption	Actual Return
2022/23	4.7%	-1.5%
2023/24	4.7%	1.3%
Return since 31/3/22 (annualised)	**4.7%**	**-0.2%**

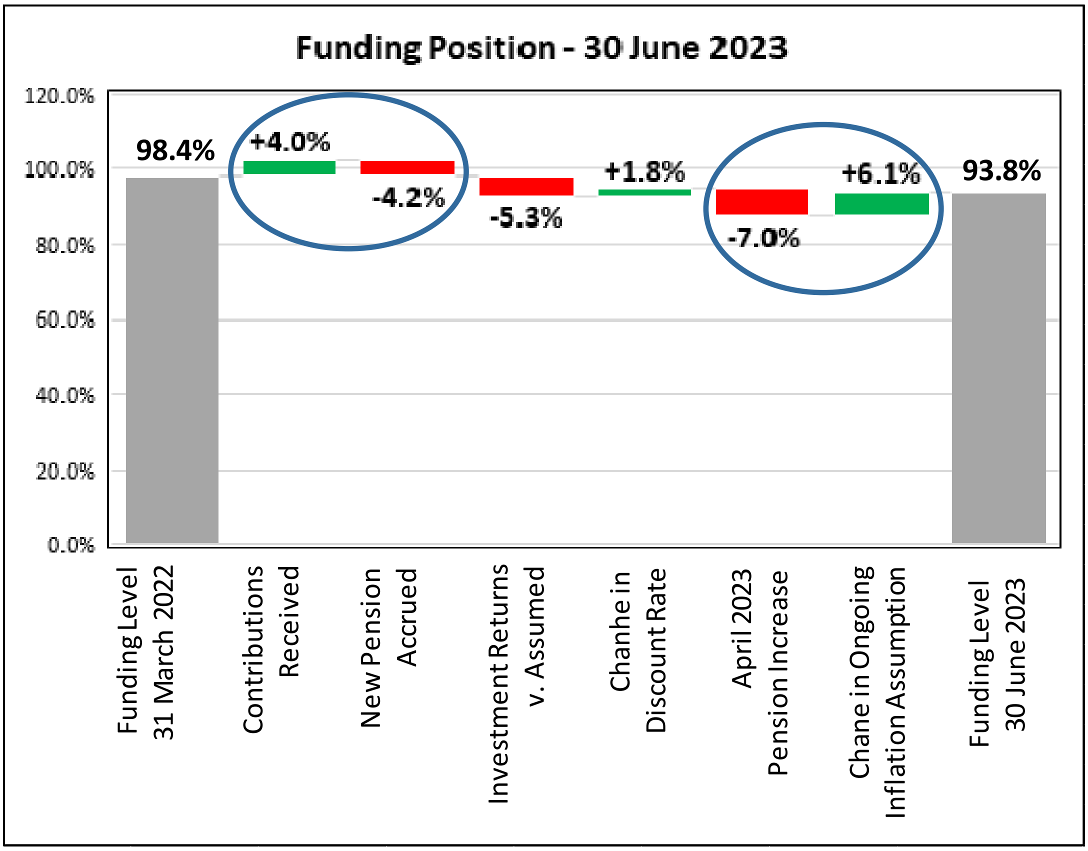
b) The negative annualised investment return of -0.2% since March 2022 is well below the Actuary's assumption of a +4.7% return. This has a negative impact on the value of Fund assets and therefore on the funding level.

c) The valuation of liabilities depends on the assumptions used by the Actuary, in particular those for pension and salary increases and the discount rate applied to liabilities. The assumptions used by the Actuary for the June 2023 funding update, compared with those used in the 2022 Triennial Valuation are shown in the following table.

Actuarial Assumptions	**March 2022**	**June 2023**
Pension Increases (CPI)	2.90%	2.48%
Salary Increases	3.90%	3.48%
Discount Rate	4.70%	4.85%

d) The assumption for pension and salary increases has been reduced, but this is offset by the pension increase applicable from April 2023, which is now reflected as an actual increase. The average inflation assumed going forward therefore now excludes the April 2023 increase.

e) The chart below shows the change in the estimated funding level between 31 March 2022 and 30 June 2023. The circled items show the effect of employer and employee contributions paid into the fund over the year offset by the additional pension liability accrued over the year, and then the impact of the April 2023 pension increase offset by the reduced inflation assumption going forward. The biggest impact is from the negative investment return during 2022/23 which has the effect of reducing the funding level by 5.3%.



f) In summary, the estimated funding level as at 31 March 2023 is 93.8%, compared with the funding level as at the 2022 Triennial Valuation of 98.4%. While this is a decrease from the 2022 funding level, it is a slight improvement on the estimated level as at 31 March 2023, which was 93.3%.

5) Budget Forecast 2023/24

Appendix 1 shows the income and expenditure for 2023/24 against the original budget forecast. The following points should be noted.

a) Contributions income and pension benefit payments to date are broadly in line with the budget.

b) Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. Income to date is ahead of budgeted income.

c) The high actual expenditure to date on Peninsula Pensions is because the annual licence fee for the pension administration system is paid during the first quarter. In addition, Somerset Pension Fund will not have been invoiced for their share. Therefore, no significant variance is anticipated at year end at this stage.

d) The invoiced investment management fees line represents the overhead costs of Brunel. All other fees are taken directly from the funds and are charged based on a percentage of the value of the assets under management. No significant variances are expected at this stage, but much will depend on asset performance over the rest of the financial year.

e) Transaction costs for the year to date are higher than expected, to some extent reflecting initial costs in relation to new private market fund commitments. These will be carefully monitored over the remainder of the year.

f) Oversight and Governance costs are anticipated to be in line with the budget forecast. The pattern of expenditure on these headings will be variable across the year depending on when charges are raised.

6) Cash Management

The following table shows that the unallocated cash on deposit, as at 30 June 2023, was £23.9 million, plus $3.4 million in US Dollars. By 31 August, the cash on deposit had increased to £52.1 million, plus $3.7 million in US Dollars. The increase in cash resulted from a redemption of £50 million from the Diversified Returns Fund portfolio in order to fund private markets calls. Further calls are expected during September.

The cash held has been maintained at a target level of only 1% of the Fund, mainly for cashflow purposes, although the return now achievable from cash is significantly higher than it was 12 months ago.

Cash on Deposit

Type of Deposit	Maturity period	Actual as at 30/06/23	Average Interest Rate	Current as at 31/08/23	Average Interest Rate
GBP Deposits		**£m**	**%**	**£m**	**%**
Call and Notice Accounts	Immediate	18.9	4.79	37.1	5.18
	35 Day Notice	0.0		0.0	
Term Deposits	<30 Days	5.0	5.00	15.0	5.90
	>30 Days	0.0		0.0	
TOTAL GBP		**23.9**	**4.83**	**52.1**	**5.38**
USD Deposits		**$m**	**%**	**$m**	**%**
Call and Notice Accounts	Immediate	3.4	5.18	3.7	5.40

Points to note:

a) The weighted average rate being earned on GBP cash deposits, as at 30th June 2023, was 4.83%. By the end of August this had increased to 5.38% as rates have continued to improve as the Bank of England have continued to make regular increases to the base rate.

b) The deposits in place during 2022-23 fully complied with the Fund's Treasury Management and Investment Strategy.

7) Voting and Engagement

As a responsible investor, the Fund should report regularly on its engagement activity. Each year the Financial Reporting Council (FRC) publishes a list of asset owners and asset managers who are accredited signatories to the UK Stewardship Code, which sets high standards for how asset owners should fulfil their responsibilities as owners of the assets they hold. The Devon Pension Fund are accredited signatories to the Code.

Voting and engagement are delegated to the Brunel Pension Partnership for the actively managed equity portfolios and to Legal and General Investment Management (LGIM) for the passive portfolios. On significant issues, Brunel may request that their shares held by LGIM are split out and a different vote made. The voting records of Brunel and LGIM at company meetings held over the last quarter is summarised in the following table.

Votes Cast at Company Meetings in the quarter to 30 June 2023

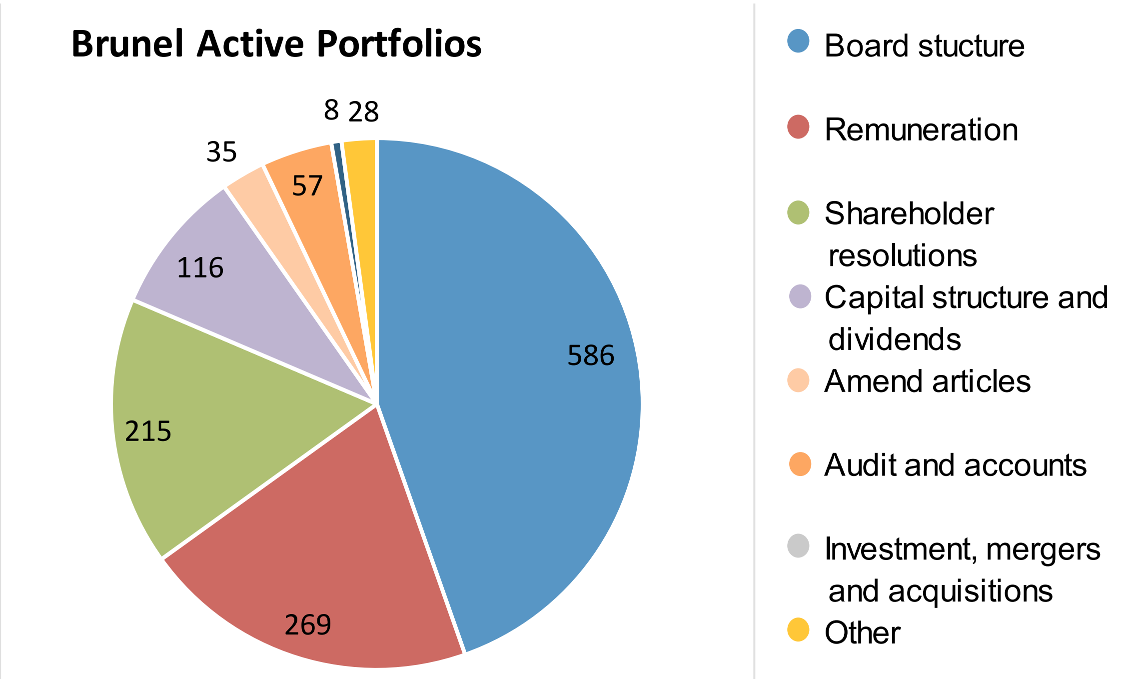
	Quarter to 30 June 2023		
Manager	**Number of Meetings**	**Number of Resolutions**	**Votes against management recommendation**
Brunel / LGIM Passive Portfolios	2,243	34,548	7,435
Brunel - Active Portfolios	544	7,214	1,314

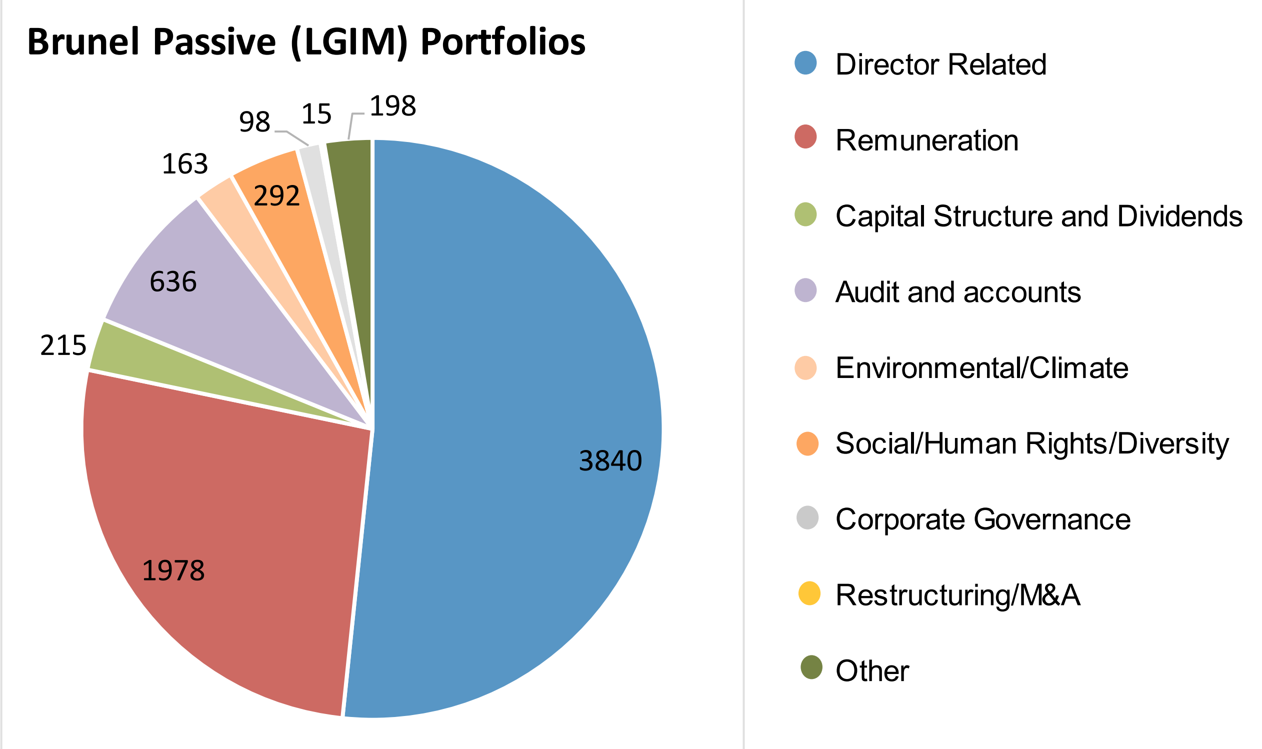
Points to note:

a) Brunel actively vote the shares held within their funds on behalf of their client funds, including Devon. The Brunel/LGIM passive allocation will include all the companies in the relevant indices, both UK and across the developed world, hence there are many more meetings voted at than for the active portfolios.

b) The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Devon Fund would expect that the votes against management should be primarily on the priority areas set out in the Fund's Investment Strategy Statement. An analysis of the issues where votes have been cast against management recommendations is set out below.

Votes against management recommendation by issue
Quarter to 30 June 2023





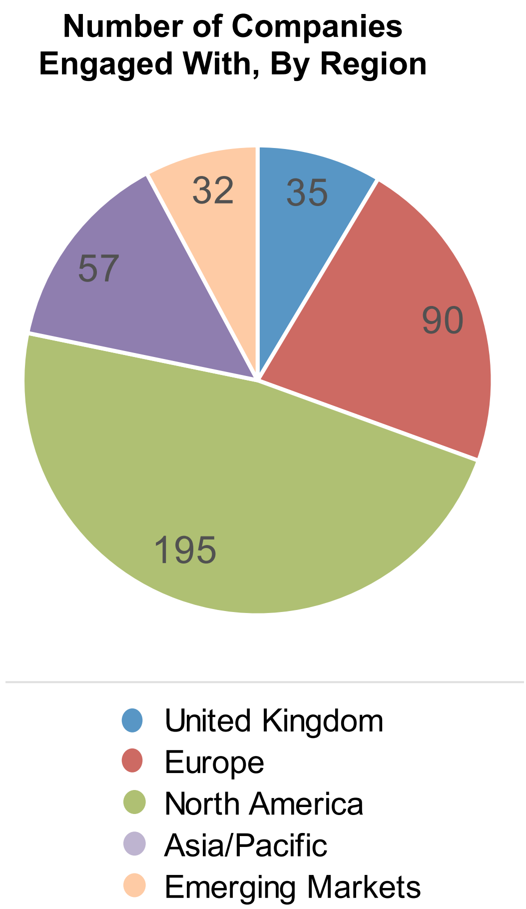
c) The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), who undertake engagement activity on behalf of their member funds. Where significant issues arise on the agendas of company meetings, LAPFF will issue voting alerts, with recommendations on how to vote. The Devon Fund will then pass on these recommendations to Brunel and ask them to report back on how they have voted.

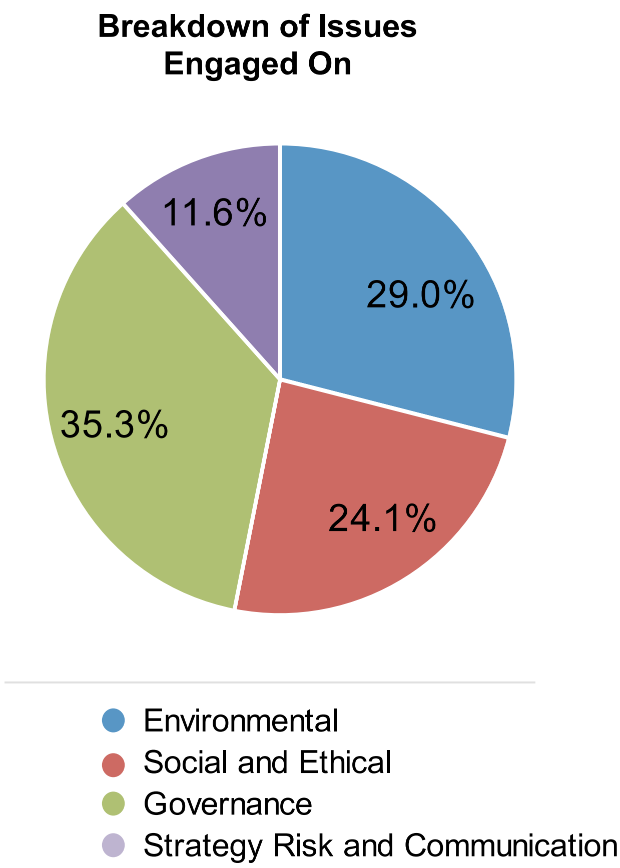
d) LAPFF issued a record number of voting alerts during the quarter to June. The second quarter of the calendar year is the period during which most companies hold their annual shareholder meetings. A summary of the voting alerts is attached at Appendix 2 to this report. This includes details of how Brunel and LGIM voted on the issues raised and their rationale for the way they cast their votes.

e) Brunel and/or LGIM may take a different view to LAPFF on some of the issues raised, particularly where they think a company is moving in the right direction which should be encouraged, but where LAPFF still feel the company is falling short.

f) Where Brunel and or LGIM have voted for resolutions urging companies to do more to transition their businesses and manage climate risk, the percentage of shareholders supporting these resolutions is growing, which is encouraging, but in nearly all cases the resolutions are still only supported by a minority of shareholders. While Brunel undertake the voting activity themselves via their engagement partner, many investors delegate the voting activity to their fund managers. Brunel have now begun to work with their underlying fund managers to encourage them to give greater emphasis to responsible investment issues in the way that they vote all their clients' shares, in order to exert more influence on companies to change their practices.

g) Brunel conduct significant engagement with investee companies on behalf of the Devon Fund and other clients. A breakdown of the engagement undertaken over the last quarter is summarised in the following charts:





h) More details on Brunel's engagement can be found in their quarterly report.

i) The LAPFF quarterly engagement report for the quarter to 30 June is attached at Appendix 3 to this report. The report headlines on the number of voting alerts issued during the busy AGM season. It also outlines current engagement with oil companies and banks around climate change, and dialogue with companies in relation to the human rights issues around their supply chain management, with particular reference to Myanmar and the Uyghur population in China.

Angie Sinclair
Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Appendix 1

Devon County Council Pension Fund Budget Outturn 2022/23 and Budget 2023/24

	Actual 2022/23 £'000	Original Forecast 2023/24 £'000	Actual to June 2023/24 £'000	Revised Forecast £'000	Variance 2023/24 £'000
Contributions					
Employers	(141,245)	(165,000)	(41,497)	(165,000)	0
Members	(49,905)	(52,000)	(12,629)	(52,000)	0
Transfers in from other pension funds:	(13,253)	(14,000)	(4,290)	(14,000)	0
	(204,403)	(231,000)	(58,416)	(231,000)	0
Benefits					
Pensions	176,799	200,000	48,203	200,000	0
Commutation and lump sum retirement benefits	27,720	30,000	9,125	30,000	0
Lump sum death benefits	3,826	4,000	1,094	4,000	0
Payments to and on account of leavers	981	1,000	173	1,000	0
Transfers Out	9,140	10,000	1,616	10,000	0
	218,466	245,000	60,211	245,000	0
Net Withdrawals from dealings with fund members	**14,063**	**14,000**	**1,795**	**14,000**	**0**
Investment Income	**(39,113)**	**(40,000)**	**(11,971)**	**(40,000)**	**0**
Administrative costs					
Peninsula Pensions	2,602	2,864	1,921	2,864	0
	2,602	**2,864**	**1,921**	**2,864**	**0**
Investment management expenses					
External investment management fees - invoiced	1,511	1,650	853	1,650	0
External investment management fees - not invoiced	21,602	24,000	5,325	24,000	0
Custody fees	30	35	(4)	35	0
Transaction costs	1,980	1,800	1,467	1,800	0
Class Action Proceeds	0	0	0	0	0
Other investment management expenses	27	30	0	30	0
	25,150	**27,515**	**7,641**	**27,515**	**0**
Oversight and governance costs					
Investment & Pension Fund Committee Support	92	95	36	95	0
Pension Board	41	45	13	45	0
Investment Oversight and Accounting	388	420	120	420	0
Brunel Pension Partnership	20	10	0	10	0
Legal Support	37	30	0	30	0
Actuarial Services	107	40	17	40	0
Investment Performance Measurement	72	75	0	75	0
Subscriptions	58	61	16	61	0
Internal Audit fees	21	24	0	24	0
External Audit fees	47	50	6	50	0
	883	**850**	**208**	**850**	**0**
Total Management Expenses	**28,635**	**31,229**	**9,770**	**31,229**	**0**

Appendix 2

LAPFF Voting Alerts - Q2

Rio Tinto PLC - 6 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Accept Financial Statements and Statutory Reports	Oppose	For	N/A	Approved (99.7% votes for)
2 Approve remuneration report for UK law purposes	Oppose	For	N/A	Approved (96.0% votes for)
3 Approve remuneration report for Australian law purposes	Oppose	For	N/A	Approved (96.0% votes for)
6: Elect Dominic Barton as director	Oppose	For	N/A	Approved (97.5% votes for)
7 Re-elect Megan Clark as director	Oppose	For	N/A	Approved (94.0% votes for)
10 Re-elect Sam Laidlaw as director	Oppose	For	N/A	Approved (97.0% votes for)

Rationale for vote:

Following recent constructive engagement with Rio Tinto on issues related to remuneration and with the chair of the Sustainability Committee, LGIM supported approval of the financial reports and re-election of directors.

CentrePoint Energy - 21 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5 Shareholder proposal relating to disclosure of Scope 3 emissions and setting Scope 3 emissions targets	For	For	N/A	Not Approved (81.7% against)

Rationale for vote:

LGIM supported the shareholder proposal as more information is required about how the company will meet Paris Agreement requirements

Bank of America - 25 April 2023	Active Portfolios held in: Global high alpha equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
8 Requesting greenhouse gas reduction targets	For	For	For	Not approved (88.5% against)
9 Requesting report on transition planning	For	For	For	Not approved (71.5% against)

Rationale for vote:

Brunel supported the shareholder proposal as it promotes better management of ESG opportunities and risks. LGIM voted in favour as they expect companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.

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PACCAR INC - 25 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6 Proposal regarding a report on climate-related policy engagement	For	For	N/A	Not approved (52.6% against)

Rationale for vote:
A vote in favour was applied, as LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.

Wells Fargo - 25 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
7 Climate change lobbying report	For	For	N/A	Not approved (67.7% against)
8 Climate change transition report	For	For	N/A	Not approved (68.9% against)

Rationale for vote:
A vote in favour of the shareholder climate change resolutions was applied, as LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.

Anglo American - 26 April 2023	Active Portfolios held in: Emerging markets equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Receive the Annual Report and accounts	Oppose	For	Oppose	Approved (99.0% votes for)
15 Approve Remuneration Policy	Oppose	For	For	Approved (95.9% votes for)
16 Approve remuneration implementation report	Oppose	For	For	Approved (94.6% votes for)

Rationale for vote:
Brunel voted against the annual report and accounts as insufficient consideration was given to climate change in the financial accounts and remuneration policies

Marathon Petroleum Corp - 26 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
9 Seeking a report on Just Transition	For	For	N/A	Not approved (83.6% votes against)

Rationale for vote:
A vote FOR was applied by LGIM. While they acknowledge the progress made by the company by publishing its first Just Transition report in March 2022, they believe investors would benefit from further quantifiable disclosure on goals and time-bound commitments associated with the company’s approach to a just transition.

Borgwarner Inc - 26 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
7 Board of directors to publish a Just Transition Report	For	For	N/A	Not approved (68.0% votes against)

Rationale for vote:
A vote in favour of this resolution was warranted because LGIM believe Just Transition considerations are essential aspects of climate strategy and should be reviewed in greater detail by the company.

Cenovus Energy - 26 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4 Lobbying and its alignment with our net zero ambition	For	For	N/A	Approved (99.5% votes for)

Rationale for vote:
A vote in favour was applied as LGIM expects companies to provide sufficient disclosure on contributions in respect of lobbying.

The Goldman Sachs Group Inc - 26 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
9 Policy to phase out fossil fuel-related lending and underwriting activities	For	For	N/A	Not approved (93.0% votes against)
10 Disclosure of 2030 absolute greenhouse gas reduction goals	For	For	N/A	Not approved (88.0% votes against)

Rationale for vote:
A vote in support of these proposals was applied as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company's stated commitments and recent global energy scenarios. This includes but is not limited to, devising sector exclusion policies for thermal coal and a time-bound policy to phase-out investment in new exploration and development of oil and gas supply. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.

Lockheed Martin Corp- 27 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
7 Report on the intention to reduce full value chain GHG emission	For	For	N/A	Not approved (64.6% votes against)

Rationale for vote:
A vote in favour was applied as LGIM supports companies reporting all material scopes of GHG emissions.

BP - 27 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Receive the Annual Report	Oppose	For	N/A	Approved (98.7% votes for)
3 Approve remuneration report	Oppose	For	N/A	Approved (94.2% votes for)
7 To re-elect Paula Rosput Reynolds as a director	Oppose	For	N/A	Approved (97.6% votes for)
25 Follow This shareholder resolution on climate change targets	For	Oppose	N/A	Not approved (83.3% votes against)

Rationale for vote:

LGIM expects companies to introduce credible energy transition plans, covering their direct and indirect emissions and consistent with the Paris objectives. A successful transition to a net zero emissions economy requires all sectors to align with those objectives and hence we place significant importance in our engagement and voting policies on Scope 3 emissions being integrated into a company's energy transition plan and decarbonisation efforts. Although we support the shareholder proposal, a vote AGAINST was applied as in their view, the wording of the proposal imposes inflexibility on the company that is challenging to justify at the present time, and could lead to unintended consequences as we transition to a net-zero emissions economy. For example, the non-linear nature of the energy transition and the importance of achieving real-world progress to cut emissions.

Lockheed Martin Corp- 27 April 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
7 Report on the intention to reduce full value chain GHG emission	For	For	N/A	Not approved (64.6% votes against)

Rationale for vote:

A vote in favour was applied as LGIM supports companies reporting all material scopes of GHG emissions.

Vale SA - 28 April 2023	Active Portfolios held in: Emerging markets equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Approval of the Financial Statements	Oppose	For	For	Approved (99.8% votes for)
5 Elect Manuel Lino Silva da Sousa	Oppose	For	For	Approved (93.1% votes for)

Rationale for vote:

LAPFF's recommendations related to ongoing concerns re the Brumadinho tailings dam collapse in 2019. LGIM chose not to vote against approval of the financial statements or the re-election of Manuel Lino Silva da Sousa, who was only appointed in 2021. However they did vote against the re-election of other directors due to governance concerns.

Raytheon Technologies Corp - 2 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
8 Greenhouse gas reduction plan	For	For	N/A	Not approved (62.2% votes against)

Rationale for vote:
A vote in support of this proposal was warranted as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company's stated commitments and recent global energy scenarios. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal. LGIM will continue to monitor the Company's commitments and disclosures in this regard.

Public Storage - 2 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5 Greenhouse gas reduction targets	For	For	N/A	Not approved (65.3% votes against)

Rationale for vote:
A vote in favour was applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.

Imperial Oil - 2 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Adopt an absolute greenhouse gas reduction target	For	For	N/A	Not approved (96.3% votes against)

Rationale for vote:
A vote FOR was applied as LGIM expects companies to introduce credible energy transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C.

Enbridge - 3 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Lobbying and political donations in the US creating business risk	For	For	N/A	Not approved (81.2% votes against)
2 Annual disclosure of all of the Company's scope 3 emissions	For	For	N/A	Not approved (74.5% votes against)

Rationale for vote:
Climate Change Lobbying - A vote in favour was applied, LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.
Emissions disclosure: A vote FOR this proposal was applied as LGIM expects companies to introduce credible energy transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emission.

Coterra Energy - 4 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
7 Report on corporate climate lobbying	For	For	N/A	Not approved (62.2% votes against)

Rationale for vote:
A vote in favour was applied, as LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.

HSBC - 5 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Receive the Annual Report	Oppose	For	N/A	Approved (99.7% votes for)
17 Resolution on strategy review	Oppose	Oppose	N/A	Not approved (96.8% votes against)

Rationale for vote:
LGIM chose not to vote against the Annual Report, but a vote AGAINST the strategy review proposal was applied as the dividend policy proposed by the dissident of a minimum dividend level in absolute USD terms appears overly restrictive and lacks detailed rationale.

Berkshire Hathaway - 6 May 2023	Active Portfolios held in: Global high alpha equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4 Report on climate-related Risks	For	For	For	Not approved (73.2% votes against)
5 Climate change risks audit	For	For	For	Not approved (82.0% votes against)
6 Climate change targets	For	For	For	Not approved (77.2% votes against)

Rationale for vote:
Brunel voted for the shareholder resolution, against management recommendation as the shareholder proposal promotes better management of ESG opportunities and risks. LGIM also voted in favour as they expect the company to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies.

Valero Energy - 9 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5 Set different GHG emissions reductions targets (Scopes 1, 2 and 3)	For	For	N/A	Not approved (66.9% votes against)

Rationale for vote:

A vote FOR was applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris objectives of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and respective short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal. Additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow shareholders to better understand how the company is managing its transition to a low carbon economy and climate change-related risks.

Ameren Corporation - 11 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5 Adoption of Scopes 1 and 2 emissions target	For	For	N/A	Not approved (86.2% votes against)

Rationale for vote:

LGIM commend the company for the steps it has taken to set Scope 1 and 2 reduction targets and moving towards their climate goals. However, A vote for the shareholder resolution was applied as LGIM expects companies to introduce transition plans, consistent with the 1.5°C goal based on the IEA's Net Zero 2050 Roadmap. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets.

JP Morgan Chase & Co - 16 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
9 Report on climate transition planning	For	For	N/A	Not approved (63.6% votes against)
12 Absolute GHG reduction goals	For	Oppose	N/A	Not approved (86.0% votes against)

Rationale for vote:

A vote in favour of these resolutions was applied as LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies. Such reporting will help the company to demonstrate to investors and other stakeholders how it is implementing its climate transition strategies and emissions reduction targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.

Chubb Ltd - 17 May 2023			Active Portfolios held in:	Sustainable equities
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
14 Greenhouse gas emissions targets	For	For	For	Not approved (71.1% votes against)

Rationale for vote:
Votes in favour were applied by LGIM and Brunel to improve transparency on the companies activities financing activities that will hamper climate change mitigation.

Quest Diagnostics - 17 May 2023			Active Portfolios held in:	None
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6 Greenhouse gas reduction and transition plan	For	For	N/A	Not approved (52.0% votes against)

Rationale for vote:
A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Welltower Inc - 23 May 2023			Active Portfolios held in:	None
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1a Director elections: Kenneth J. Bacon	Oppose	Oppose	N/A	Approved (93.1% votes for)

Rationale for vote:
A vote against was applied because LGIM have concerns regarding the time commitment required to manage all board positions and how this may impact their ability to remain informed and effectively contribute to board discussions.

Shell - 23 May 2023	Active Portfolios held in: Global high alpha equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
2 Approval of the directors remuneration policy	Oppose	For	Oppose	Approved (94.6% votes for)
3 Approve of directors remuneration report	Oppose	For	Oppose	Approved (94.7% votes for)
9 Reappoint Dick Boer as a director	Oppose	For	For	Approved (99.6% votes for)
10 Reappoint Neil Carson as a director	Oppose	For	For	Approved (99.4% votes for)
11 Reappoint Ann Godbehere as a director	Oppose	For	For	Approved (98.7% votes for)
12 Reappoint Jane Holl Lute as a director	Oppose	For	For	Approved (99.8% votes for)
13 Reappoint Catherine Hughes	Oppose	For	For	Approved (98.3% votes for)
14 Reappoint Sir Andrew Mackenzie as a director	For	For	Oppose	Approved (93.1% votes for)
15 Reappoint Abraham (Bram) Schot as a director	Oppose	For	For	Approved (99.8% votes for)
25 Approve Shell's Energy Transition Plan	Oppose	Oppose	Oppose	Approved (80.0% votes for)
26 Approve shareholder resolution 'Follow This'	For	Oppose	For	Not approved (79.8% votes against)

Rationale for vote:

* Remuneration - Brunel voted against the dreictors' remuneration and policy as it was misaligned with their remuneration principles.
* Director elections - Brunel chose to vote againat the re-election of Sir Andrwe Mackenzie, rather than the whole board, due to concerns relating to climate change strategy change.
* Energy Transition and Climate Change - Brunel voted against the transition plan and in favour of the shareholder resolution due to Inadequate management of climate-related risks. LGIM also applied a vote against the transition plan, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products, but remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory. However, LGIM applied a vote AGAINST the shareholder resolution as in their view, the wording of the proposal imposes inflexibility on the company that is challenging to justify at the present time, and could lead to unintended consequences as we transition to a net-zero emissions economy. For example, the non-linear nature of the energy transition and the importance of achieving real-world progress to cut emissions. Their approach to such resolutions will remain dynamic given the need for companies to demonstrate clearly how they will be net zero compliant in a transition.

Agenda Item 7

Amazon - 24 May 2023	Active Portfolios held in: Global high alpha equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6 Report on Retirement Plan Options (alignment with decarbonisation)	For	Oppose	For	Not approved (92.8% votes against)
7 Report on customer due diligence (use of technologies and services)	For	For	For	Not approved (65.8% votes against)
8 Additional reporting on content and product removal/restrictions	For	For	For	Not approved (89.5% votes against)
9 Additional reporting on content removal requests	Oppose	For	Oppose	Not approved (98.4% votes against)
10 Additional reporting on stakeholder impacts	For	For	For	Not approved (72.1% votes against)
11 Alternative tax reporting (tax transparency)	For	For	For	Not approved (82.3% votes against)
12 Additional reporting on climate lobbying	For	For	For	Not approved (76.1% votes against)
13 Additional reporting on gender/racial pay	For	For	For	Not approved (70.8% votes against)
15 Amendment to bylaws to require shareholder for certain future amendments (universal proxy)	For	Oppose	Oppose	Not approved (88.5% votes against)
16 Additional reporting on freedom of association	For	For	For	Not approved (65.1% votes against)
17 New policy regarding executive compensation process	For	For	Oppose	Not approved (93.5% votes against)
18 Additional reporting on animal welfare standards	For	Oppose	For	Not approved (94.4% votes against)
19 Additional board committee (public policy)	For	For	Oppose	Not approved (93.7% votes against)
20 Alternative director candidate policy	For	For	Oppose	Not approved (81.6% votes against)
21 Report on warehouse working conditions	For	For	For	Not approved (64.6% votes against)
22 Report on packaging materials	For	For	For	Not approved (67.7% votes against)

Rationale for vote:

The AGM included a large number of shareholder resolutions calling for improved reporting on a wide range of issues. Brunel and LGIM both supported the majority of these resolutions as improving transparency and risk management and being ion the interests of shareholders. LGIM chose not to support the resolution on retirement plan options, as the company's retirement plan is managed by a third-party fiduciary and employees are offered an option for investing more responsibly. Both Brunel and LGIM voted against resolution 15 on bylaw amendments as being overly restrictive of the board's ability to amend the bylaws, and not necessarily in the interest of shareholders. LGIM voted AGAINST the proposal on animal welfare as the company has already disclosed its animal welfare standards and practices, and the absence of verified controversy with the company's existing suppliers indicates that the company's audit procedures are adequately managing risks related to animal cruelty in its supply chain.

Southern Company - 24 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
7 Set Scope 3 GHG targets	For	For	N/A	Not approved (80.2% votes against)

Rationale for vote:
A vote in support of this proposal was warranted as LGIM expects increasing transparency of strategy aligned to 1.5C pathway in line with the company's stated commitments. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets. We will continue to monitor the Company's commitments and disclosures in this regard.

The Travelers - 24 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6 Shareholder proposal relating to GHG emissions	For	For	N/A	Not approved (85.3% votes against)

Rationale for vote:
A vote in favour was applied to improve transparency on the companies activities financing activities that will hamper climate change mitigation.

The Mosaic Company - 25 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
7 To report on the Company's plans to reduce greenhouse gas emissions	For	For	N/A	Not approved (70.2% votes against)

Rationale for vote:
A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Totalenergies SE - 26 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
A Targets for indirect Scope 3 emissions	For	Oppose	N/A	Not approved (69.6% votes against)

Rationale for vote:
Although LGIM supported the principles of this proposal, a vote AGAINST was applied as in their view, the wording of the proposal imposes inflexibility on the company that is challenging to justify at the present time, and could lead to unintended consequences as we transition to a net-zero emissions economy. For example, the non-linear nature of the energy transition and the importance of achieving real-world progress to cut emissions. LGIM's approach to such resolutions will remain dynamic given the need for companies to demonstrate clearly how they will be net zero compliant in a transition.

META Platforms - 31 May 2023		Active Portfolios held in: None			
Target Resolutions		**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
3	Government takedown requests	Oppose	Oppose	N/A	Not approved (99.6% votes against)
4	Dual class capital structure	For	For	N/A	Not approved (72.0% votes against)
5	Human rights impact assessment of targeted advertising	For	For	N/A	Not approved (83.0% votes against)
6	Report on lobbying disclosures	For	For	N/A	Not approved (85.4% votes against)
7	Report on allegations of political entanglement and content management biases in India	For	Oppose	N/A	Not approved (95.4% votes against)
8	Report on lobbying alignment with climate goals	For	For	N/A	Not approved (90.2% votes against)
9	Report on reproductive rights and data privacy	For	For	N/A	Not approved (90.4% votes against)
10	Report on enforcement of community standards and user content	For	For	N/A	Not approved (92.8% votes against)
11	Report on child safety impacts and harm reduction to children	For	For	N/A	Not approved (83.7% votes against)
12	Report on Pay Calibration to Externalized Costs	For	For	N/A	Not approved (92.8% votes against)
13	Performance review of Audit & Risk Oversight Committee	For	For	N/A	Not approved (93.3% votes against)

Rationale for vote:

LGIM supported the majority of shareholder resolutions:
* Shareholder rights: A vote in favour was applied as LGIM expects companies to apply a one-share-one-vote standard.
* Human rights: A vote in favour was applied as LGIM supports such risk assessments as we consider human rights issues to be a material risk to companies.
* Political lobbying: A vote in favour was applied as LGIM expects companies to provide sufficient disclosure on such contributions.
* Climate Change Lobbying - a vote in favour was applied, LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.
* Child Safety - A vote FOR this proposal was warranted, as additional disclosure on how the company measures and tracks metrics related to child safety on the company's platforms would give shareholders more information on how well the company is managing related risks.

LGIM voted against the resolution related to politics in India as the company has taken actions to improve transparency about its operations in India.

Glencore PLC - 26 May 2023	Active Portfolios held in: Global high alpha equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1 Approve the Annual Report	Oppose	For	For	Approved (99.3% votes for)
13 2022 Climate report	Oppose	Oppose	Oppose	Approved (69.8% votes for)
19 Resolution on climate action transition plan	For	For	For	Not approved (70.8% votes against)

Rationale for vote:

Brunel and LGIM chose not to vote against the Annual Report, but to vote against the Climate Report and in favour of a shareholder resolution calling for a climate action transition plan. Brunel considered that there was Inadequate management of climate-related risks from exposure to coal, while LGIM applied a vote against is applied as they expect companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While LGIM noted the progress the company has made in terms of disclosure, they remain concerned over the company's activities around thermal coal, as it remains unclear how the planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario

Exxon Mobil Corp - 31 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
9 Establish a Scope 3 target and reduce hydrocarbon sales	For	Oppose	N/A	Not approved (89.5% votes against)
14 Litigation disclosure beyond legal and accounting requirements	For	For	N/A	Not approved (90.9% votes against)
16 Energy transition social impact report	For	For	N/A	Not approved (83.4% votes against)

Rationale for vote:

LGIM expects companies to introduce credible energy transition plans, covering their direct and indirect emissions and consistent with the Paris objectives. A successful transition to a net zero emissions economy requires all sectors to align with those objectives and hence they place significant importance in our engagement and voting policies on Scope 3 emissions being integrated into a company's energy transition plan and decarbonisation efforts. Although LGIM supported the principles of this proposal, a vote AGAINST was applied as in their view, the wording of the proposal imposes inflexibility on the company that is challenging to justify at the present time, and could lead to unintended consequences as we transition to a net-zero emissions economy. For example, the non-linear nature of the energy transition and the importance of achieving real-world progress to cut emissions.

LGIM supported the shareholder resolutions on litigation disclosure and energy transition social impact reporting, as they believe investors would benefit from further disclosure around litigation risks and the goals and time-bound commitments associated with the company's approach to a just transition.

Chevron Corporation - 31 May 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5 Proposal to rescind the 2021 “reduce scope 3 emissions”	Oppose	Oppose	N/A	Not approved (98.7% votes against)
6 Proposal to set a medium-term Scope 3 GHG emissions reduction target	For	Oppose	N/A	Not approved (90.4% votes against)
9 Report on worker and community impact from facility closures and energy transitions	For	For	N/A	Not approved (81.4% votes against)

Rationale for vote:

LGIM voted against a shareholder resolution to reduce the company's commitment to reduce scope 3 emissions. However, they also voted against the proposal to set a medium term target for scope 3 emissions. Although they supported the principles of this proposal, a vote AGAINST was applied as in their view, the wording of the proposal imposes inflexibility on the company that is challenging to justify at the present time, and could lead to unintended consequences as we transition to a net-zero emissions economy. They supported the resolution on worker and community impact of the energy transation as they believe investors would benefit from further quantifiable disclosure on goals and time-bound commitments associated with the company’s approach to a just transition

Comcast Corp - 2 June 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
9 Set different greenhouse gas emissions reduction targets	For	For	N/A	Not approved (90.2% votes against)
10 Report on political contributions and company values alignment	For	For	N/A	Not approved (81.0% votes against)

Rationale for vote:

LGIM voted in favour of the shareholder resolution on climate change as setting GHG emissions reduction targets in line with the Paris agreement and validated by the Science Based Targets initiative is best practice. They also supported improved transparency in this important area of political lobbying expenditure.

Dollarama - 7 June 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6 Adoption of net zero targets	For	For	N/A	Not approved (74.1% votes against)

Rationale for vote:

A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Alphabet Inc - 2 June 2023	Active Portfolios held in: Global high alpha equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6 Lobbying report	For	For	For	Not approved (82.1% votes against)
7 Congruency report	Abstain	Oppose	Oppose	Not approved (99.6% votes against)
8 Climate lobbying report	For	For	For	Not approved (85.8% votes against)
9 Report on reproductive rights and data privacy	For	For	Oppose	Not approved (93.0% votes against)
10 Human rights assessment of data centre citing	For	For	For	Not approved (86.9% votes against)
11 Human rights assessment of targeted ad policies and practices	For	For	For	Not approved (82.0% votes against)
12 Algorithm disclosures	For	For	For	Not approved (83.0% votes against)
13 Report on alignment of YouTube policies with legislation	For	For	For	Not approved (82.0% votes against)
14 Content governance report	Oppose	Oppose	Oppose	Not approved (99.4% votes against)
15 Performance review of Audit and Compliance Committee	For	For	For	Not approved (91.6% votes against)
16 By-laws amendment (universal proxy)	Oppose	Oppose	Oppose	Not approved (95.0% votes against)
17 Executives to retain significant stock	For	For	Oppose	Not approved (90.3% votes against)
18 Equal shareholder voting (eliminate dual class stock)	For	For	For	Not approved (69.2% votes against)

Rationale for vote:

Brunel and LGIM voted in favour of the majority of shareholder resolutions, particularly around providing additional transparency on lobbying and human rights issues. Resolution 14 on content governance was by contrast seeking to limit the company's approach to these types of issue as a way of protecting freedom of speech and was opposed. On reproductive rights, LGIM considered that additional reporting on risks, costs and potential mitigating actions on enforcement of changes to state law regarding abortion access would aid the board and investors in fully considering the risks to the company, and ultimately its shareholders. Brunel took the view that they preferred to engage through their engagement partner(Hermes EOS)'s ongoing digital rights work and the Global Network Initiative.

Costar Group Inc - 8 June 2023	Active Portfolios held in: Sustainable equities			
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5 Manage Climate Risk Through Comprehensive Science-Based Targets	For	For	For	Not approved (72.5% votes against)

Rationale for vote:

A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Caterpillar Inc - 14 June 2023		Active Portfolios held in: None		
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6 Report on corporate climate lobbying in line with Paris Agreement	For	For	N/A	Not approved (71.6% votes against)

Rationale for vote:

A vote in favour was applied, as LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.

Toyota Motor Corp - 14 June 2023		Active Portfolios held in: None		
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4 Partial Amendments to the Articles of Incorporation	For	For	N/A	Not approved (84.9% votes against)

Rationale for vote:

A vote FOR this proposal was warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. They acknowledge the progress that Toyota Motor Corp (TMC) have made in relation to their climate lobbying disclosure in recent years and welcome planned improvements to expand the number of trade associations in scope of assessment and intentions to seek third party alignment reviews. However, they believe that additional transparency is necessary on the process taken by TMC to assess how its direct and indirect lobbying activity align with its own climate ambitions, and what actions are taken when misalignment is identified. Further to this, they expect TMC to improve its governance structure to oversee this climate lobbying review.

Tokyo Electric Power Co Inc - 28 June 2023		Active Portfolios held in: None		
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
2 Partial Amendment to the Articles of Incorporation. Add Chapter X. “Transition Plan”)	For	For	N/A	Not approved (Vote %s not available)

Rationale for vote:

A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Electric Power Development Co Ltd - 28 June 2023		Active Portfolios held in: None		
Target Resolutions	**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
3 Partial amendment to the Articles of Incorporation to Disclose Business Plan through 2050 Aligned with Goals of Paris Agreement	For	For	N/A	Not approved (78.7% votes against)

Rationale for vote:

A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Sumitomo Mitsui Financial Group - 29 June 2023		Active Portfolios held in: Global high alpha equities			
Target Resolutions		**LAPFF Recommend-ation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
3	Partial Amendments to the Articles of Incorporation (Issuing and disclosing a transition plan to align lending and investment portfolios with the Paris Agreement)	For	For	For	Not approved (Vote %s not available)

Rationale:

A vote in support of this proposal was warranted as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the Company's commitments and recent global energy scenarios, including the setting of short-, medium- and long-term emissions reduction targets, taking account of the full range of financing activity. LGIM engaged with the Company and while they positively note improved disclosures and commitments under the Net Zero Banking Alliance, they think that these goals and policies could be further strengthened - especially around the bank's coal policy and the scope of emission reduction targets - and they believe the shareholder proposal provides a good directional push.

Quarterly Engagement Report

April-June 2023

Local Authority Pension Fund Forum

AGM Season, LAPFF Brazil Visit Report, Climate Voting Alerts, BP, Shell

UPDATES

AGM Season

LAPFF is always busy during AGM season, and this year was no different. In addition to attending six AGMs (including the US-based Home Depot's meeting) this quarter, LAPFF drafted a record number of voting alerts. These alerts showcased LAPFF's climate voting alert initiative, for which voting alerts were issued on over 50 climate-related shareholder resolutions.

LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies. These recommendations were prompted by another round of shareholder resolutions at US technology companies covering a range of ESG issues. Notably, Amazon faced 16 resolutions this year, with Alphabet and Meta Platforms each facing 10 and 11 respectively. A couple of LAPFF members even co-filed resolutions on freedom of association and collective bargaining.

LAPFF issued a voting alert for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a whopping 52 percent of the shareholder vote. There were a number of shareholder resolutions on this topic at US AGMs this year, and LAPFF anticipates more during the 2024 season.

Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the Follow This resolutions at BP and Shell. The resolution received nearly 15 percent support at BP and over 20 percent support at Shell. LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

Drax's rhetoric and practices on climate have been a particular concern for LAPFF over the last few years. Consequently, LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

It is interesting to note that while many ESG resolutions, and in particular socially oriented resolutions, gained traction this year, the so-called 'anti-ESG' resolutions aimed at questioning the value of ESG issues in relation to financial performance, appeared to lose ground. LAPFF will continue to issue voting alerts throughout the year as appropriate.

LAPFF Report on Visit to Brazil

As reported previously, LAPFF Chair, Cllr Doug McMurdo, visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam, which has not collapsed but about which surrounding community members have concerns.

The report of LAPFF's findings from this visit has now been made public. A related video is also available.

The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

Cllr McMurdo also met with company

"I knew the visit would be difficult, but I wasn't prepared for the scale of devastation I saw nearly seven years on from the Mariana collapse and three and a half years on from the Brumadinho collapse. Seeing it with my own eyes was a wake up call – investors must do more! It was truly heartbreaking. My main concerns were the issues around water quality and availability and the apparent lack of communication between the companies and the communities. I can't see how there can be meaningful progress until this communication gap is rectified, but it is a tall order. I am also now more convinced than ever that this is an issue of financial materiality."

LAPFF Chair, Cllr Doug McMurdo

VOTING ALERTS

representatives and Brazilian investors during his visit. Vale Chair, José Penido, spent two days showing Cllr McMurdo two resettlement areas in Mariana and the site of the dam collapse at Brumadinho. Cllr McMurdo met with staff at Samarco to understand better how the collapse had happened and measures the company is taking to rectify the problems. JGP Asset Management then organised a meeting of LAPFF, Brazilian investors, and Vale to discuss a sustainable way to rectify the outstanding reparations work. BHP declined to make a representative available to meet with LAPFF in Brazil.

It was clear to LAPFF from these meetings that the companies need to do a better job of communicating to both communities and investors the steps they are taking to address human rights and environmental concerns.

CLIMATE VOTING ALERTS

Objective: Due to the scale of the investment risks and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These alerts recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition.

Achieved: Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale of support highlights the support for climate action among responsible investors and delivered a strong message to companies on the need for credible climate action policies and plans.

Resolutions focused on climate transition plans did well. Almost half (48 percent) of shareholder votes backed a resolution at Quest Diagnostics and over a third at Raytheon Technologies (37 percent), and JPMorgan Chase (35 percent). Similar resolutions received significant support at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

Several resolutions focused on emission targets, including targets that cover all emission scopes, absolute emission reductions targets and Paris aligned targets. There were significant votes on the issue at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Shareholder requests for reports into alignment of direct and indirect lobbying activity with climate goals gained significant backing by shareholders. Cenovus board supported the shareholder proposal which received backing of 99 percent of shareholder votes. Lobbying resolutions were also strongly supported in spite of board opposition at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

This year also saw shareholder resolutions on just transition reporting, a topic which LAPFF has focused on over the past few years. The just transition resolution at BorgWarner received 31 percent of shareholder votes, 27 percent at Amazon and 16 percent at Marathon Petroleum.

In Progress: LAPFF will continue to issue climate voting alerts to support resolutions aligned with LAPFF engagement objectives. LAPFF also intends to follow up with the companies where there were significant votes in favour of shareholder resolutions to understand how the board intends to respond.

MINING VOTING ALERTS

Objective: LAPFF issued voting alerts this quarter for Rio Tinto, Anglo American, Glencore, and Vale. The aim of these voting alerts was to draw attention to both the companies and investors that there is still significant work to do on both human rights and decarbonisation in respect of creating shareholder value for investors.

Achieved: Three of the resolutions for which LAPFF recommended oppose votes at Rio Tinto were related to executive remuneration and the re-election of the sustainability committee chair. These resolutions received the highest number of oppose votes from voting shareholders. The sustainability committee chair is scheduled to step down later in the year because she reached her nine-year limit on the board. However, LAPFF has opposed her re-election since 2021 because she has been in this role since before the company's destruction of Juukan Gorge in 2020. LAPFF also recommended opposing Anglo American's remuneration implementation and policy reports, which received oppose votes at the AGM of over five and four percent respectively.

In addition to issuing voting alerts for Rio Tinto and Anglo American, LAPFF attended the AGMs of these two companies. As with the Rio Tinto sustainability committee chair, the Anglo American sustainability committee chair received a high oppose vote (over six percent). However, unlike his Rio Tinto counterpart, he was not present at the AGM. The Anglo American chair also received an oppose vote of over three percent. LAPFF was quite surprised and disappointed when he requested that people asking questions at the meeting do so only in English, especially given that a number of affected community members had travelled from South America to attend the AGM and ask questions.

The Vale and Glencore AGMs were in Brazil and Switzerland, respectively, so LAPFF was not able to attend. Nearly 22 percent of votes opposed and abstained on Vale's annual report (the vast majority abstaining); LAPFF had recommended an oppose vote on this report in relation to its coverage of the Mariana and Brumadinho tailings dam collapses. LAPFF recommended a vote in favour of the shareholder resolution on climate at Glencore, which received nearly 30 percent support from voting shareholders.

In Progress: LAPFF will continue to engage all of these companies on both their human rights and environmental practices on the basis that improved practice in these areas will set the conditions for sustainable shareholder returns.

COMPANY ENGAGEMENTS

The headquarters of Tesla Motors

TECHNOLOGY VOTING ALERTS

Objective: LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies over the last few years and did so again this year. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement with US companies with which it deems there are ESG or financial concerns. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

Achieved: LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

In Progress: Prior to issuing voting alerts, LAPFF sends the draft alerts to the target companies for comment. If the companies comment, LAPFF includes the company comments in the alert issued to its members. However, none of the technology companies receiving voting alerts provided comments or responses to LAPFF. LAPFF continues to seek ways to engage these companies meaningfully in relation to the issues of concern to LAPFF.

COMPANY ENGAGEMENT MEETINGS

Shell

Objective: LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

Achieved: After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommend voting for his re-election and against the incumbent NEDs that were appointed prior to him.

In Progress: LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. We therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BP

Objective: LAPFF sought a meeting with the CEO to better understand BP's decision to move down its 2030 reduction targets.

Achieved: LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow.
In Progress: Further contact and engagement with the company is ongoing.

HSBC

Objective: LAPFF's aim in engaging with HSBC is to ensure the company continues to show leadership in climate and addresses the human rights concerns arising from the increasing integration of Hong Kong into mainland China. While HSBC has made substantial progress on climate, certain aspects of its strategy need strengthening, in particular over the assessment of credible transition plans when lending. HSBC also faces growing human rights challenges from the increasing integration of Hong Kong into mainland China and has faced criticism for blocking the accounts of activists and the payment of pensions to those leaving Hong Kong. This point relates to shareholder proposals to split the UK and Hong Kong businesses, which have been strongly opposed by management but would be one approach to easing human rights concerns.

Achieved: LAPFF met with the Senior Independent Director to discuss its concerns. On the issue of the company split LAPFF explained that it is prepared to support the company for now, but this issue does link with broader human rights concerns over strategy and involvement in mainland China.

As a result of this meeting, LAPFF decided to issue a voting alert, recommending voting against the report and accounts as the human rights disclosures were inadequate and a broader strategy in response to the changes in Hong Kong is needed. Climate disclosure too could be improved, in particular around credible transition plans.

In Progress: The company has invited LAPFF to a follow up meeting to focus on human rights. LAPFF will seek to explore further with HSBC how it can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective direct control of mainland China, while maintaining a progressive international reputation. LAPFF has also been invited to have further discussion with the company on climate finance and reporting.

Barclays

Objective: The aim of meeting with Barclays was two-fold. The first objective was to ensure continued progress on climate related disclosure and investment, including challenging the company on fossil fuel investments. The second objective was to seek to improve governance, noting CEO appointments have been a long-term issue for the company.

COMPANY ENGAGEMENTS

Headquarters of Barclays Bank in Canary Wharf

Achieved: LAPFF was offered a very late meeting with the Chair, where it expressed its concerns primarily over governance. The discussion centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier, and what that might mean for the analysis and judgement of the Board. Recent press allegations had further heightened our concerns, with suggestions that the Board could have known more. LAPFF was considering issuing a voting alert recommending abstaining on the election of the Chair. However, in light of further discussions with the Chair, the alert was withdrawn.

In Progress: LAPFF expects to follow up with the Chair shortly and will further discuss governance, seeking reassurances and identifying any possible actions. LAPFF will also follow up with Barclays on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

Rio Tinto

Objective: LAPFF was outspoken about Rio Tinto's destruction of Juukan Gorge and has been engaging consistently with communities around the world affected by the miner's activities. Although LAPFF met briefly with Rio Tinto's new Chair, Dominic Barton, at the 2022 Rio Tinto AGM, it had not met with him one-on-one. LAPFF's aim was to have a meaningful meeting with him and ensure that the company is being overseen by an effective chair.

Achieved: LAPFF Chair, Cllr Doug McMurdo, met with Mr Barton toward the end of March to discuss the company's on-going transformation in the wake of Juukan Gorge. The meeting was cordial, and Mr Barton was receptive to LAPFF's thoughts and observations. LAPFF also met with community representatives from the US, Serbia, and Madagascar to hear about their experiences with Rio Tinto. Shortly after meeting Mr Barton, Cllr McMurdo attended the Rio Tinto AGM and posed a question about how the company is seeking to improve its social license to operate.

The morning of the AGM, LAPFF also met with Vicky Peacey, the new head of Rio Tinto and BHP's joint venture, Resolution Copper, in Arizona. Having met with a community representative from Arizona, it was helpful to hear about Resolution Copper's view on the project's developments and its perceptions of community concerns about the project.

In Progress: In addition to continued community concerns about Rio Tinto's engagement with them on social and environmental matters, LAPFF continues to question the company's approach to social and environmental impact assessments. LAPFF's view is that these impact assessments need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

Anglo American

Objective: LAPFF's main objective in engaging with Anglo American this quarter was to obtain the company's views on its report from LAPFF's time in Brazil visiting communities affected by Anglo American's Minas Rio mine. However, as a member of the PRI Advance group on Anglo American, LAPFF also sought to work with the other group members to establish a relationship with the company through that forum.

Achieved: Anglo American engaged significantly with LAPFF in relation to the Brazil report. Part of the engagement included a meeting with operational staff familiar with Minas Rio and with community concerns in relation to the mine and its tailings dam. The company's insights and contributions were extremely useful, and LAPFF was able to include many of them in the Brazil report.

LAPFF also attended the Anglo American AGM after having met community members from Peru, Colombia, and one of the Brazilian community members it had met during its visit. LAPFF's AGM question was whether the board would commit to visiting community members affected by Anglo American's operations during its visits to various Anglo American project sites throughout the year. The Anglo American Chair, Stuart Chambers, stated that the board would make this commitment.

Toward the end of the quarter, LAPFF joined with lead investors, Morgan Stanley and Schroders, to meet with Anglo American through the PRI Advance initiative. The company representatives appeared to welcome the engagement. LAPFF asked about the company's perceptions of why affected community members did not want to meet with local management at Anglo American sites.

In Progress: LAPFF was surprised at the Chair's request that AGM participants ask

COMPANY ENGAGEMENTS

their questions in English given the effort and expense made by the community members in traveling to the UK to attend the AGM. In the PRI Advance meeting, LAPFF asked whether the company would be willing to re-think this requirement at the next AGM. LAPFF will also seek to engage the chair about this decision.

BHP

Objective: LAPFF was pleased that BHP began to respond to LAPFF's request for engagement in relation to Brazil given that the company did not grant a meeting with BHP Brazil during LAPFF's visit. LAPFF's aim was to meet with the company to discuss further its approach to non-operated joint ventures and its community engagement approach, as well as developments in Brazil.

Achieved: The company provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse. Samarco is a joint venture between Vale and BHP, with BHP being the non-operating joint venture partner.

In Progress: LAPFF will continue to try to engage meaningfully with BHP, including in relation to its role in the reparations for the Mariana communities in Brazil affected by the Samarco tailings dam collapse.

Vale

Objective: An ongoing area of engagement with Vale has been the time it has taken for affected community members to be resettled following the destruction of their homes in the tailing dam disasters. Alongside gaining assurances regarding the resettlement process, LAPFF sought to engage the company on other findings in the report from LAPFF's time Brazil.

Achieved: LAPFF met with representatives from the company. Whilst still slow, the company indicated that progress was being made regarding the resettlement process. LAPFF heard how the company was continuing to seek to learn from what happened to improve its practices and that the changes occurring were in part due to engagement it has had with LAPFF. The meeting also discussed the importance of investors spending time with NGOs and communities, as LAPFF did in its visit to Brazil.

In progress: LAPFF will continue to follow the progress of the resettlement projects and engage on issues highlighted in LAPFF's report, including dam safety and water quality.

B&Q DIY store, Kingfisher plc

Kingfisher

Objective: Kingfisher was cited in a Financial Times article as providing above inflation wage increases for its lowest paid staff, in contrast to the vast majority of FTSE100 companies. LAPFF sought a meeting to understand the company's approach to remuneration and employee engagement, particularly in the context of a cost-of-living crisis.

Achieved: LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, looking at benefits as well as salary increases. Overall, Kingfisher described steps it was taking business-wide in this context.

In Progress: LAPFF continues to monitor company remuneration, looking at both CEO and employee pay.

Bank Leumi

Objective: As a part of the Forum's engagement with companies considered to be active in the Occupied Palestinian Territories, LAPFF has sought a meeting with Bank Leumi, an Israeli bank, to encourage the company to undergo an independently led human rights impact assessment, and to better understand the company's approach to human rights in its financing decisions.

Achieved: LAPFF met with representatives from the bank, who were open to dialogue. The Forum pointed out areas it believed disclosures could be enhanced around human rights and how the company managed such risks in its investment decisions. Whilst the company talks about human rights in its reporting, it does not provide any detail on its risk management protocols when looking at investment decisions, and how it manages potential direct and indirect adverse human rights impacts.

In Progress: LAPFF continues to push companies for meetings to discuss their approaches to human rights risk management in relation to the Occupied Palestinian Territories.

COMPANY ENGAGEMENTS

Garment factory workers in Myanmar

Home Depot

Objective: The Home Depot was reported to have alleged links to forced labour in its polyvinyl chloride (PVC) supply chain in the 'Built on Repression' report produced by Sheffield Hallam University. Alongside members from the Investor Alliance on Human Rights Uyghur Working Group, LAPFF met with the company in December and subsequently asked a question at the company's AGM in May.

Achieved: At the AGM, LAPFF asked the company if it would commit to undertaking a mapping of its supply chain in higher-risk areas such as Xinjiang, and whether it would undertake an independently led human rights impact assessment on its PVC supply chain. The company provided a general response on its supply chain due diligence but did not commit to either of LAPFF's requests.

In Progress: Alongside the other investors involved in the engagement, LAPFF will be seeking to organise another call with the company to further discuss its global supply chain due diligence with a focus on its PVC supply chain and Uyghur forced labour.

Next

Objective: Myanmar has been under an extended state of emergency and fraught with a variety of human rights issues since the military coup in February 2021. The Ethical Trading Initiative posted guidance last September for companies in the country's garment sector, with many choosing to exit the country having exhausted efforts to leverage positive human rights outcomes. Next is one of just a few companies still operating in the country, so LAPFF wanted to understand why the company has chosen to stay.

Achieved: LAPFF Executive member, Sian Kunert, met with Next to discuss its position in the country and what it was doing in the context of human rights risk management and due diligence. Sian asked the company representatives if they thought that Next was doing something different from its peers that allowed it to stay in the country and to respect workers' and community members' human rights in doing so. Whether it was safe to carry out audits in the country was also probed. LAPFF requested increased disclosure of child labour concerns and remediation practices.

In Progress: LAPFF will continue to monitor the company's response to the ongoing coup in Myanmar and potential labour rights issues that may arise and affect its approach to human rights.

Adidas

Objective: Adidas is another company that maintains operations in Myanmar. It was also subject to a letter from the US House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour. As with Next, LAPFF was keen to understand why Adidas has decided to maintain operations in the country.

Achieved: LAPFF met with Adidas to discuss these supply chain issues in the context of the company's approach to human rights risk management in its

COLLABORATIVE ENGAGEMENTS

global supply chains. LAPFF Executive member, Sian Kunert, asked questions about the development of the company's human rights policy, its decision to remain in Myanmar, and on its due diligence regarding Uyghur forced labour in its supply chains, which the company provided comprehensive answers to.

In Progress: It is unclear whether Adidas' response to the House Select Committee is something that will be made public. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang.

COLLABORATIVE ENGAGEMENTS

Toyota – CA100+

Objective: Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. It is also a sector in the middle of significant transition, as technology advances and regulations and public policies make EVs more price competitive. Those companies not making the shift and seeking to slow the passage of environmental laws and regulation are therefore creating investment risks associated with not staying within 1.5 degrees of warming and being left behind by competitors shifting to EVs. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. Through the CA100+ transportation group, LAPFF has been seeking to ensure these risks are properly addressed.

Achieved: This quarter LAPFF signed on to a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments, which called on the company to align its strategy and lobbying activity to a 1.5 degree scenario.

Concern about Toyota's lobbying activity led to a shareholder resolution, calling for an annual review and report on the impact on Toyota caused by climate-related lobbying activities and the alignment of their activities with the goals of the Paris Agreement. As part of its climate voting alerts LAPFF supported the resolution.

During the quarter, LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it. The company outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

In Progress: LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

Welltower – IIRC

Objective: LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with $4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. The initiative not only engages with care providers, but also Real Estate Investment Trusts to ensure that they are supporting operators meet expectations on such standards. As part of the initiative, LAPFF wrote to Welltower, a US-based REIT, seeking a meeting. LAPFF also requested the company provide information including on exposure levels and oversight mechanisms.

Achieved: As the company had not responded to requests for a meeting and information, LAPFF decided to issue a voting alert. As set out in LAPFF's policy guide, investee companies are expected to engage with shareholders and LAPFF expects boards to keep in touch with shareholder opinion. Given the lack of engagement from the company and the potential investment risks, LAPFF recommended voting against the chair of the company. In total 6.9 percent of shareholders voted against the chair, which although a minority position does indicate some concern from shareholders with the chair of the company.

In Progress: LAPFF will continue to participate in the IIRC and will follow up with Welltower to engage on the potential social risks facing the REIT.

National Grid – CA100+

Objective: LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. LAPFF is one of the co-leads at CA100+ on National Grid. Despite a positive superficial impression, detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition, continuing involvement in gas distribution without a clear long term transition plan for it, and growing delays in connecting to the grid in UK, affecting the roll out of clean energy in the UK.

Achieved: Several meetings as part of LAPFF's leadership of the group have been held with the company, giving it the chance to explain its concerns and suggest best practice. The company has acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. In our meeting with the Chair, she acknowledged some of our concerns over strategy communication, and therefore LAPFF will expect to see further improvement on this in the coming year.

In Progress: LAPFF's focus is on understanding the company's broader long-term strategy and the assumptions behind it, in particular the role it sees for domestic gas. Continuing support for gas may explain much of its reluctance to embrace Net Zero more fully. Improved strategic disclosure would help address this, including a more balanced discussion of the use of low carbon gas, and the Company's own plans or vision for improving grid connections (ideally with targets) rather than passing the blame to regulators. These areas will form the focus on LAPFF ongoing engagement with the company over the coming year.

COLLABORATIVE/STAKEHOLDER ENGAGEMENT

National Grid gas distribution operations

Vale and Anglo American - PRI Advance

Objective: LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. Both groups are in the process of establishing their engagement strategies, and LAPFF's aim is to contribute its knowledge from its own engagements with both companies to these engagement strategies, and to the engagements themselves.

Achieved: The Vale group held a meeting to establish its engagement strategy, and the Anglo American group held its first meeting with the company. Anglo American appeared to be very receptive to a meeting with the group, and the meeting was cordial. LAPFF contributed content to the questions posed at the meeting.

In Progress: LAPFF has been asked to become a lead investor in the Vale group given its work in Brazil and has accepted this invitation. It will continue to work with both the Vale and Anglo American groups to engage the companies and push for meaningful human rights improvements.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF met with Sanwa Holdings and Kamigumi Co in April. Although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their company wide, and senior level diversity efforts.

In Progress: The Group has continued to extend its outreach to companies outside of the UK, with LAPFF set to lead on engagements through the Group's Global Workstream subgroup.

STAKEHOLDER ENGAGEMENT

OECD Forum on Responsible Supply Chains

Objective: LAPFF was asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil and, more broadly, its engagement with stakeholders affected by mining operations. It was also useful to engage with the other panellists to understand their work and perspectives better.

Achieved: LAPFF was approached by a number of event participants after its presentation. These participants stated that they were impressed with LAPFF's work in this area and wanted to learn more about LAPFF's experience.

In Progress: LAPFF is continuing to engage with these contacts and others made through them to explore

STAKEHOLDER ENGAGEMENT

opportunities to develop this work stream further.

Mining Communities and Workers

Objective: Communities affected by mining operations always approach LAPFF in the run up to mining company AGMs. LAPFF's aim in meeting with them is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. This information then feeds into questions LAPFF poses at company AGMs and company meetings.

Because LAPFF has been engaging with these communities for a number of years now, much of the engagement is focused on updates from community members about mining impacts. However, there are sadly always new communities and new concerns arising from community experiences. LAPFF is keen to learn about the perspectives of these new communities too.

LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

Achieved: LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries reported their concerns about Glencore's practices.

LAPFF attended a webinar to hear about the Amazon shareholder resolution on freedom of association and collective bargaining. There were Amazon workers on the call who spoke about their experiences and views about Amazon's work place practices. This webinar informed the content of LAPFF's voting alert for Amazon.

In Progress: LAPFF is continuing to meet with representatives of all of these communities on a regular basis to obtain updates for company engagements. In LAPFF's experience, the companies are receptive to the information conveyed. The ultimate goal, though, is to ensure that company practice on human rights and the environment meets community needs so that it can create the conditions for more sustainable shareholder returns.

Uyghur activists and other supporters gathered on Parliament Square

Uyghur Forced Labour in Green Technology Supply Chains

Objective: This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. Within this, Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology, such as electric vehicles and solar panels. The project aims to provide guidance on how investors can address the risk of Uyghur forced labour and other affected peoples in green technology holdings.

Achieved: LAPFF took part in an initial consultation process for the project, looking at the Forum's understanding of forced labour in these sectors. LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, taking an in-depth look at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at potential avenues to move forward.

In Progress: LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

CONSULTATION RESPONSES

UN Working Group on Business and Human Rights

Objective: The UN Working Group on Business and Human Rights ran a consultation this quarter on extractives, human rights, and the just transition. LAPFF has been working heavily in all three of these areas so was keen to share its views and experiences.

Achieved: LAPFF submitted a consultation response that expressed support for good human rights and environmental due diligence legislation and emphasised the need for improved stakeholder engagement by extractive companies. LAPFF welcomed the opportunity to respond, appreciating the consultation's recognition that both state and business actors have imperatives to act effectively on these issues. LAPFF's response called for mandatory reporting on climate plans to cover just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

WEBINARS/MEDIA

In Progress: LAPFF will continue to look for opportunities to respond to consultations when it believes it can contribute helpfully based on its engagement and policy experience.

LAPFF WEBINARS

All-Party Parliamentary Group

In early April, the LAPFF-supported APPG on Local Authority Pension Funds held a meeting with LGPS minister, Lee Rowley MP, accompanied by a senior civil servant from the Department for Levelling Up, Housing and Communities.

The meeting focused in large part on the proposed consultations on LGPS pooling and investment in illiquid assets. The minister indicated the government's preference would be for a voluntary approach to both issues and stated that the pooling consultation would be published in the coming months. On the matter of TCFD reporting, because the department received so many responses to its consultation, it was suggested that reporting requirements may not come into force until the following financial year.

The APPG also met at the end of June to discuss the LGPS and investment in illiquid assets. In the 2023 Budget, the government stated that it would: "Consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets."

On the back of the proposed consultation, the meeting heard from the Karim Palant (director of External Affairs) and Garry Wilson (chairman) of the British Private Equity & Venture Capital Association (BVCA) who highlighted the opportunities of such investment. The meeting also heard from Andrew Williamson of Cambridge Innovation Capital on the growth of venture capital. Sian Kunert, Head of Pensions at East Sussex Pension Fund and LAPFF Executive member, outlined what her fund was already doing and the opportunities and challenges of investing in illiquid assets.

LAPFF/IndustriALL Garment Workers Webinar

LAPFF again partnered with IndustriALL to host a webinar on the importance of concluding negotiated, binding agreements rather than relying on voluntary, business-driven standards to reduce both human rights risk and business risk. The webinar was chaired by LAPFF Vice Chair, Cllr John Gray, and included speakers from Due Diligence Design, Aviva Investors, IndustriALL Global Union, and the Bangladesh Garment & Industrial Workers Federation (BGIWF).

MEDIA COVERAGE

Climate

Financial Times: Only 5% of FTSE100 companies have 'credible' climate transition plans, says EY
Reuters: UK's LAPFF recommends vote for BP climate activist resolution at AGM
CNBC: Oil major BP braces itself for shareholder revolt after scaling back its climate targets
Minuto Mais [Portuguese]: BP to quell shareholder anger after climate strategy flip
Reuters: Shell shareholders urged by LAPFF to back climate activist's resolution
Syndicated in Canada's Financial Post and Globe and Mail
The Times: Climate backlash from Shell investors
The MJ: Shell hits back after council fund criticism
Offshore Technology: LAPFF urges Shell shareholders to back climate resolution
Net Zero Investor: Shell's upcoming AGM showcases the challenges for shareholder activism
CNBC: Oil giant Shell braces for shareholder revolt over climate plans
Reuters: Analysis: Shell faces tense shareholder meeting as profits and climate collide
Capital Monitor: How investors voted on climate change at Big Oil AGMs

Plastics

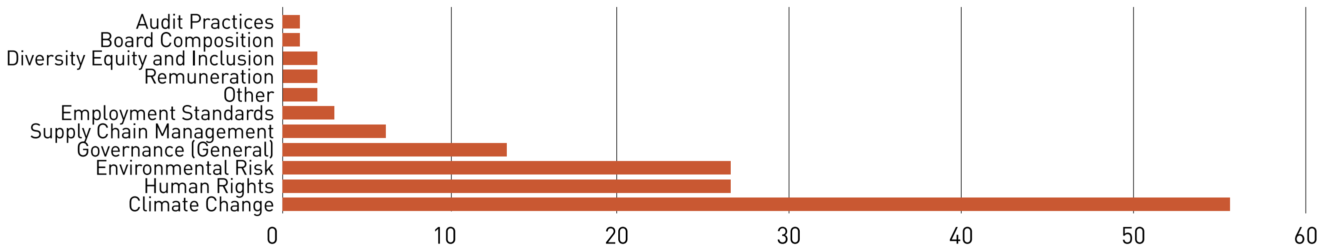
Business Green: Investors sound alarm over weak corporate plastic pollution policies

Mining and Human Rights

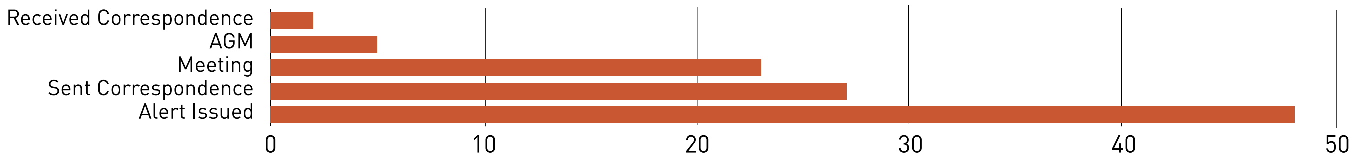
Daily Mail: BHP blasted over clean-up of deadly mine disaster
Legal Future: Supreme Court will not hear appeal on largest-ever group action
The Times: Mindful miner Jakob Stausholm is trying to dig Rio Tinto out of a hole

ENGAGEMENT DATA

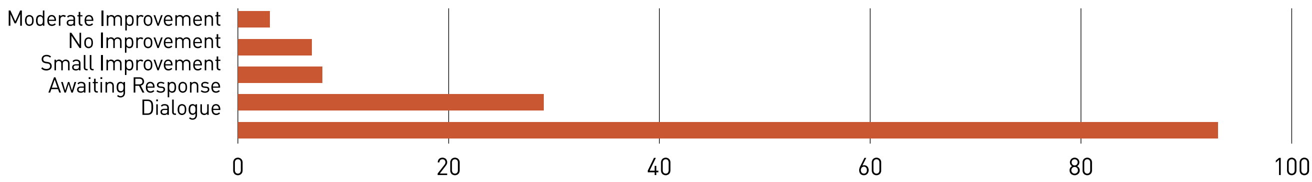
ENGAGEMENT TOPICS



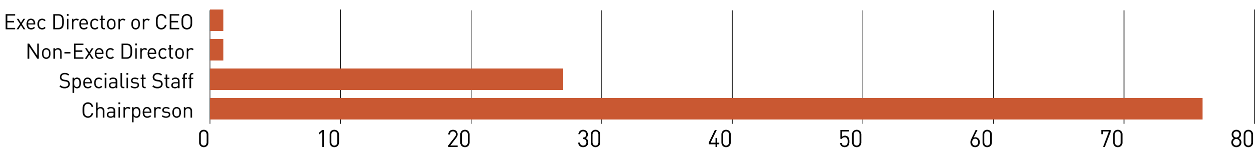
ACTIVITY



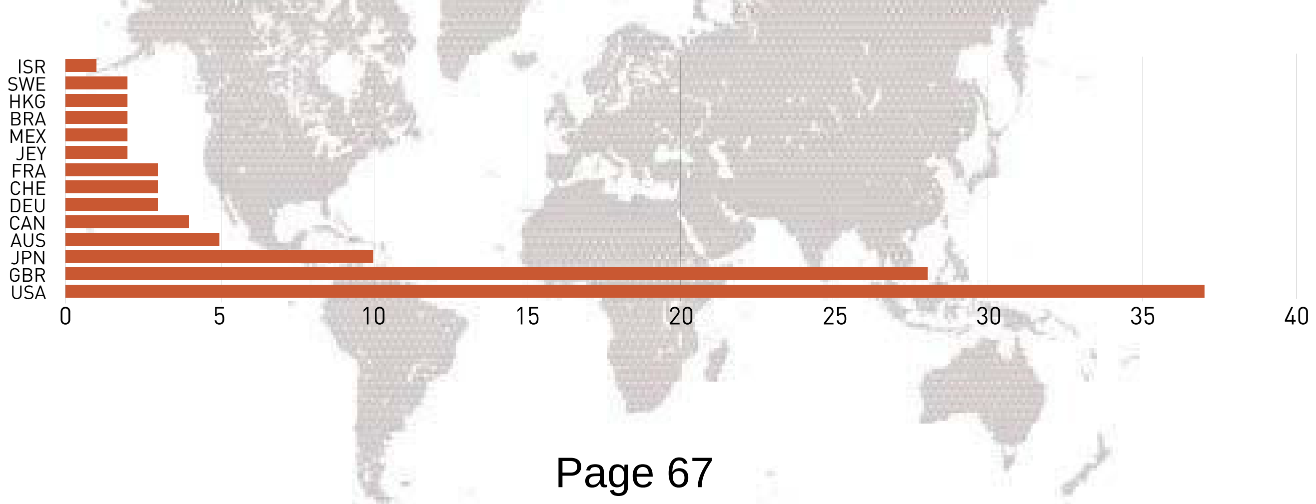
MEETING ENGAGEMENT OUTCOMES



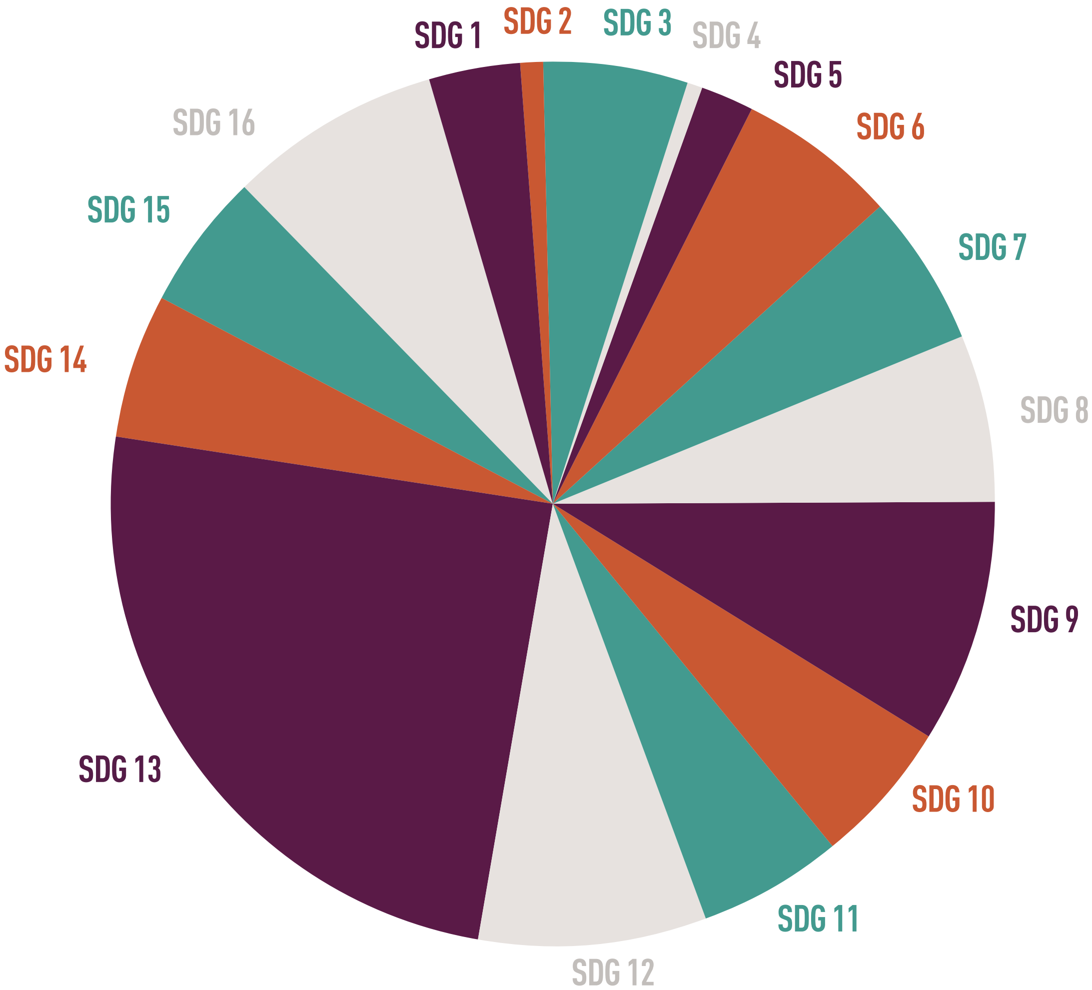
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	18
SDG 7: Affordable and Clean Energy	16
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
SDG 14: Life Below Water	16
SDG 15: Life on Land	15
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

LAPFF engaged 84 companies during the quarter

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Meeting	Supply Chain Management	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMEREN CORPORATION	Alert Issued	Climate Change	Dialogue
ANGLO AMERICAN PLC	AGM	Human Rights	Dialogue
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	Small Improvement
BORGWARNER INC	Alert Issued	Climate Change	Dialogue
BP PLC	Alert Issued	Environmental Risk	Dialogue
BRIDGESTONE CORP	Meeting	Board Composition	Small Improvement
CENOVUS ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Social Risk	Awaiting Response
CHEVRON CORPORATION	Alert Issued	Climate Change	Dialogue
CHUBB LIMITED	Alert Issued	Climate Change	Dialogue
CK HUTCHISON HOLDINGS LTD	Sent Correspondence	Environmental Risk	Awaiting Response
COMCAST CORPORATION	Alert Issued	Climate Change	Dialogue
COSTAR GROUP INC	Alert Issued	Climate Change	Dialogue
COTERRA ENERGY INC	Alert Issued	Climate Change	Dialogue
DBS BANK LTD	Meeting	Climate Change	Dialogue
DOLLARAMA INC	Alert Issued	Climate Change	Dialogue
DRAX GROUP PLC	AGM	Governance (General)	Dialogue
E.ON SE	Sent Correspondence	Social Risk	Awaiting Response
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Social Risk	Awaiting Response
ELECTRIC POWER DEVELOPMENT CO	Alert Issued	Climate Change	Dialogue
ENBRIDGE INC	Alert Issued	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	Dialogue
GLENCORE PLC	Alert Issued	Human Rights	Dialogue
GRUPO MEXICO SA DE CV	Sent Correspondence	Human Rights	Dialogue
GSK PLC	Sent Correspondence	Climate Change	Awaiting Response
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HONEYWELL INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
HSBC HOLDINGS PLC	Alert Issued	Governance (General)	Dialogue
IBERDROLA SA	Sent Correspondence	Social Risk	Awaiting Response
IDEX CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
IMPERIAL OIL LIMITED	Alert Issued	Climate Change	Dialogue
JPMORGAN CHASE & CO.	Alert Issued	Climate Change	Dialogue
KAMIGUMI CO LTD	Meeting	Diversity Equity and Inclusion	Small Improvement
KELLOGG COMPANY	Meeting	Other	No Improvement
KINGFISHER PLC	Meeting	Employment Standards	Moderate Improvement
LINDT & SPRUNGLI AG	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	Dialogue
MARATHON PETROLEUM CORPORATION	Alert Issued	Climate Change	Dialogue
MARKEL CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
META PLATFORMS INC	Alert Issued	Human Rights	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Alert Issued	Climate Change	Dialogue
NATIONAL GRID PLC	Alert Issued	Climate Change	Dialogue
NEW YORK COMMUNITY BANCORP INC	Alert Issued	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
NIKE INC.	Sent Correspondence	Human Rights	Awaiting Response
NINTENDO CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
PACCAR INC.	Alert Issued	Climate Change	Dialogue
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
PUBLIC STORAGE	Alert Issued	Climate Change	Dialogue

Agenda Item 7

COMPANY PROGRESS REPORT

QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	Dialogue
RAYTHEON TECHNOLOGIES CORP	Alert Issued	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	AGM	Human Rights	Dialogue
ROCHE HOLDING AG	Sent Correspondence	Environmental Risk	Awaiting Response
SANOFI	Sent Correspondence	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	No Improvement
SOUTHERN COMPANY	Alert Issued	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	Dialogue
TESLA INC	Alert Issued	Human Rights	Dialogue
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	Dialogue
THE HOME DEPOT INC	AGM	Human Rights	No Improvement
THE MOSAIC COMPANY	Alert Issued	Climate Change	Dialogue
THE TJX COMPANIES INC.	Sent Correspondence	Environmental Risk	Awaiting Response
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	Dialogue
TOKYO ELECTRIC POWER CO INC	Alert Issued	Climate Change	Dialogue
TOTALENERGIES SE	Alert Issued	Climate Change	Dialogue
TOYOTA MOTOR CORP	Meeting	Climate Change	Small Improvement
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Environmental Risk	Dialogue
VALERO ENERGY CORPORATION	Alert Issued	Climate Change	Dialogue
VOLVO AB	Sent Correspondence	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	Dialogue
WELLTOWER INC	Alert Issued	Governance (General)	Dialogue
WH GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

DF/23/82
Investment and Pension Fund Committee
15 September 2023

DEPARTMENT FOR LEVELLING-UP, HOUSING AND COMMUITIES CONSULTATION: LOCAL GOVERNMENT PENSION SCHEME (ENGLAND AND WALES) NEXT STEPS ON INVESTMENT

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1) Recommendation

That the Committee be asked to approve the response to the consultation on next steps on investments attached at Appendix 2 to the report.

2) Introduction

2.1 A consultation on the future of investment pooling in the LGPS has been expected for some time. The consultation document attached at Appendix 1 was published on 11th July, following a speech by the Chancellor of the Exchequer at Mansion House the evening before at which he outlined some of the proposals contained in the consultation.

2.2 A proposed response to the consultation is set out at Appendix 2 to this report.

3) Investment Pooling

3.1 Since the Government announced proposals for investment pooling in 2015 eight investment pools have been created across England and Wales, including the Brunel Pension Partnership, set up by 10 LGPS administering authorities across the South West and across to Oxfordshire and Buckinghamshire.

3.2 Whilst around 90% of Brunel clients' investment assets have now transitioned to the pool, progress in some of the other pools has been much slower. In London, two of the boroughs have yet to transition any assets across to the London Collective Investment Vehicle. Different pools have set up different structures to support the pooling initiative, and some have worked less well than others.

3.3 To some extent, the current consultation aims to address the issues with those pools where progress has been slow, or where the structure is seen as not being in line with the Government's objectives for investment pooling. Whilst this may not be an issue for Brunel, the Government is also looking for pools to be a larger size, each with assets under management of at least £50 billion. The combined assets under management of the 10 Brunel funds is currently around £36 billion, so Brunel is below the Government's recommended £50 billion figure. This would suggest some form of realignment of the current pools is required, which may include mergers or expansion of some pools and the termination of others.

3.4 From the Devon Fund perspective, the biggest concern would be that a realignment of pools might result in further transition costs at the expense of the Fund. It took four years before the savings achieved from pooling exceeded the cost of transition, and we are now in a position of benefiting from significant savings each year over and above the level of management fees being paid pre-pooling. We would not want to see those net savings put at risk by a new round of transition costs. Larger pools may also result in more governance issues and a reduction in their accountability and accessibility to local funds. The proposed response to the consultation highlights these issues.

4) Levelling Up and Private Equity

4.1 The consultation also highlights the Government's desire to see more funds invested in the levelling up agenda and in support of UK businesses via private equity.

4.2 The Fund already has significant investments in unlisted infrastructure and has begun to increase its investments in private equity, albeit on a global rather than a UK basis. In addition, at the last meeting of the Committee it was agreed to make a 3% target allocation to a local impact portfolio, which would be in line with supporting the Government's levelling up agenda.

4.3 The proposed response asks for more clarity around the Government's definition of private equity and whether it also includes unlisted infrastructure. It also draws out the benefits of the current Brunel area being broadly aligned with the South West region, which supports the agenda of investing in the local area.

5) Other Issues

5.1 Paragraphs 32 – 33 of the consultation set out proposals with regard to ensuring that pensions committee members are appropriately trained. The Devon Fund has always put significant emphasis on training; therefore we welcome these proposals. We expect the proposals to be built on further when the Government issues another expected consultation around governance.

5.2 The consultation also has a couple of questions on tidying up rules around investment consultancy and the definition of investments. These are non-controversial and welcomed.

6) Conclusion

6.1 The Committee are asked to approve the proposed response to the consultation. If members have any further points they would like to add, or amendments they would like to make, then a revised version can be circulated and signed off by the Director of Finance and Public Value in consultation with the Chair. The consultation period ends on 2nd October 2023.

Angie Sinclair
Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:
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Address: Room 196 County Hall

Appendix 1

GOV.UK

Department for Levelling Up,
Housing & Communities

Open consultation

Local Government Pension Scheme (England and Wales): Next steps on investments

Published 11 July 2023

Applies to England and Wales

Contents

This publication is available at https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments

Scope of the consultation

Topic of this consultation:

This consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

Scope of this consultation:

DLUHC is consulting on proposals for new requirements on LGPS administering authorities.

Geographical scope:

This consultation applies to England and Wales.

Impact assessment:

The proposed interventions affect the investment of assets by local government pension scheme administering authorities. These authorities are all public sector organisations, so no impact assessment is required.

Basic Information

Body/bodies responsible for the consultation:

Department for Levelling Up, Housing and Communities (DLUHC)

Duration:

This consultation will last for 12 weeks from 11 July 2023 to 2 October 2023.

Enquiries:

For any enquiries about the consultation please contact:
LGPensions@levellingup.gov.uk

How to respond:

Please respond by completing an online survey (https://consult.levellingup.gov.uk/local-government-finance/local-government-pension-scheme-england-and-wales/).

Alternatively, please email your response to the consultation to LGPensions@levellingup.gov.uk.

Alternatively, please send postal responses to:

> LGF Pensions Team
> Department for Levelling Up, Housing and Communities
> 2nd Floor
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

When you reply, it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an email address

Chapter 1: Introduction

1. The Local Government Pension Scheme England and Wales (LGPS) is one of the world's largest funded pension schemes and a key player in global markets, investing around £364 billion (excluding Environment Agency funds) worldwide. Its scale enables it to have a significant impact through its investments and gives it the potential to lead the market in innovation and transparency. While long term stable returns in order to pay pensions for its members are the primary purpose of the investments, the government believes that there is scope to deliver substantial benefits to the UK as a whole at the same time. Good management of the LGPS is important for the financial stability of local councils, and ultimately is in the interests of local taxpayers.

2. The government also recognises that pension funds are under substantial pressure on a number of fronts. There is growing scrutiny of institutional investors on environmental issues and in the light of geo-political risks such as Russia's aggressive and illegal invasion of Ukraine. In addition, recent volatility in gilt and bond markets has underlined the need for the highest standards in managing financial risk. The LGPS as a public sector scheme is rightly subject to particularly high expectations and must keep pace with the best in managing these demands.

3. This consultation seeks views on proposals in 5 areas:

- First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why.

While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.

- Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the [Levelling Up White Paper (LUWP) (https://www.gov.uk/government/publications/levelling-up-the-united-kingdom)](https://www.gov.uk/government/publications/levelling-up-the-united-kingdom). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.
- Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
- Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.

4. The following chapters set out the government's proposals in more detail and provide the rationale for its proposals. Chapter 2 addresses the proposals regarding LGPS pooling, Chapter 3 outlines the plans for implementing the LUWP commitment, and Chapter 4 sets out a proposal to encourage the LGPS to contribute growth equity to the development of the UK. Chapter 5 explains the government's proposals in relation to the use of external investment consultants by LGPS funds and Chapter 6 sets out its proposal to update the definition of investments. Finally, Chapter 7 sets out our initial assessment of potential equalities impacts and invites views.

5. To assist those wishing to respond to the consultation, Annex A lists the proposals and Annex B lists the consultation questions.

Chapter 2: Asset pooling in the LGPS

6. The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. The aims were to deliver the benefits of scale, improved governance and decision making, reduced costs and excellent value for money, and capacity and capability to invest in infrastructure to help drive growth. LGPS administering authorities responded by coming together in groups of their own choosing to form 8 asset pools.

7. Those 8 pools are now operational, in most cases for over 4 years. Their scale makes them significant players at European and global level. Set up and running costs of around £400 million to 2022 have been fully covered by savings. Net savings of over £380 million have already been delivered, with annual savings of £180 million, and total net savings are forecast to be over £1 billion by 2025 (based on data provided by pools and administering authorities). Significant expertise and capacity have been developed in private markets and infrastructure investment, giving funds access to the higher returns in these markets. In particular, UK and global infrastructure investment has grown from below £1 billion to around £27 billion (based on data collected by the pools).

8. While pooling has delivered substantial benefits so far, progress has varied across the scheme. Accelerating consolidation of assets in the LGPS is crucial for ensuring the scheme is delivering value for money in the interests of scheme members, employers and local taxpayers. Stronger pools can also ensure the LGPS punches its weight on responsible investment, management of climate risks, investment in levelling up, and investment in unlisted equities in support of UK growth. To meet these challenging ambitions, the LGPS pools and their partner funds will need to strengthen their existing partnerships and work together to deliver outstanding net performance, risk management and transparency. This will enable the LGPS to provide long term finance for pensions for millions of low paid workers, and deliver for the UK through investment in the UK, while retaining local control and accountability. Government proposals, set out below, cover increased scale, governance and decision making, as well as transparency and accountability.

Delivering increased scale

Background

9. Across the scheme as at March 2022 £145 billion or 39% of assets have been transferred to the pools with the percentage varying by pool from under 30% (LGPS Central) to over 80% (LPP). A further £114 billion, or 31%, is under pool management and £34bn or 9% is covered by plans to transition into the pools. We make a distinction throughout this document between pooled assets and assets which are under pool management. Pooled assets are owned by the pool in their capacity as asset manager while assets under pool management are assets where the pool has some management or oversight arrangement without ownership.

10. The current scale of the individual pools (based on AUM pooled and assets under pool management) is in the range £16 billion to £60 billion. This covers a variety of arrangements including passively managed assets held by external managers under insurance contracts, and the pool’s oversight and monitoring of these may be limited. However, excluding assets under pool management, the pools range in size from £2 billion to £30 billion. The pools therefore remain significantly below the scale which they could achieve with all assets transferred from their partner funds, rather than remaining under pool management.

11. A further substantial increase in effective scale is a key priority to enable delivery of the benefits of pooling. Increased scale would allow the pools to deliver further savings and efficiencies, including through negotiating lower fees from external investment managers and service providers, and developing internal capacity for investment management. Increased scale would also enable the pools to invest in larger projects which would help the LGPS to take advantage of attractive opportunities in alternative assets.

12. The government therefore wishes to see the existing pools build scale as quickly as possible by accelerating the pace of transition of liquid assets from the funds into the pools, building on and expanding on successes so far. The approach to date has been to encourage funds through guidance to transition their assets into the pools, and substantial progress has been made over the last 4 to 7 years. However, progress is not consistent across the scheme and some pools have secured a much higher proportion of assets of their partner funds than others. We consider that the time is right for action to accelerate the delivery of savings and other benefits of pooling, and our proposals are set out in paragraphs 17 to 21.

Driving greater scale through fewer pools

13. In due course all assets including less liquid assets should be fully transferred to the pools. We recognise that this may need to take place over a longer period to minimise the costs including the costs of breaking existing arrangements. This would include passively managed insurance contracts which may be under some form of pool management. There may be some exceptions such as some types of local property investments. Once this was complete, 5 of the 8 pools would be around £50 billion or higher at current values and the remaining 3 pools would occupy the £25 billion - £40 billion range.

14. Completing the transition of assets would be a major step forward. However, we do not believe that this alone will deliver the full benefits of pooling in the long term. Our view is that the benefits of scale are present in the £50-75 billion range and may improve as far as £100 billion. As such, we should in future look towards a smaller number of pools in the region of or in excess of £50 billion in directly invested assets through merger. The benefits of scale were a key finding of 2021 research (https://www.brunelpensionpartnership.org/wp-content/uploads/2021/09/LGPS-in-the-UK-Learnings-from-International-Peers.pdf) (PDF, 5.7 MB) based on interviews with large international comparators. Respondents confirmed that scale had improved bargaining power with asset managers, enabled access to a wider set of opportunities such as private markets, and had allowed them to build internal capacity.

15. As well as making better use of expertise in managing external managers, there is potential to grow in-house investment management within the pools to reduce or replace the use of external private sector investment managers. This should offer substantial reductions in cost. A small number of larger funds have existing in house capacity and expertise in some areas of investment, and we would like to see this expertise fully shared within their pools. In due course there

should be scope for all pools to access in house capacity and expertise in specific areas of investment within other pools.

16. In the short to medium term, we believe there are benefits which could be secured through joint working without incurring the costs of merger. Some joint vehicles such as the London Fund (London CIV and LPP) and GLIL (LPP and Northern) already exist. We would like to see the pools move towards greater collaboration where this makes sense, and to consider specialisation, building on existing strengths in particular areas of investment, in order to deliver further benefits of scale and limit unnecessary duplication. Areas where specialisation or collaboration may be particularly attractive include infrastructure and other alternative investments including private equity, private debt and venture capital, as well as investments in levelling up projects and social investments.

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

A timetable for transition

17. Current statutory guidance relating to regulations on the management and investment of LGPS assets currently requires each fund to set out the proportion of its assets which it intends to pool in its Investment Strategy Statement (ISS). Funds are also required to provide in their ISS a summary of the assets which they do not intend to pool, with a rationale including value for money, and to review this at least every 3 years, including consideration of continuing value for money. This should be greatly assisted by the development of the LGPS Code of Transparency (https://lgpsboard.org/index.php/the-code) by the Scheme Advisory Board. This has enabled funds to access transparent cost data from 150 asset managers as of November 2022. However, current guidance sets no timetable for change and provides funds with limited assistance in considering rationale and value for money.

18. The government now seeks views on the setting a deadline for funds to transition all listed assets, as a minimum, to their pool within a reasonable timeframe. We consider a reasonable timeframe for liquid assets to be by 31 March 2025, which is the end of the current local fund valuation period. Transition of all assets should be considered in this timeframe, especially as pooling of illiquid investments may offer the greatest opportunities for reducing savings combined with higher returns.

19. If this is taken forward, funds would need to work with their pool to ensure that they have fully considered all the opportunities available through the pool for their assets. A detailed rationale for each asset remaining outside the pool including value for money considerations would need to be provided in the ISS in line with existing guidance if the asset is not intended to be pooled by 2025.

20. The government seeks views on setting out the transition timetable in statutory guidance on ISS, and requiring funds to review and revise their ISS in line with this expectation. Where funds have concluded that the asset should not be transitioned, the government will expect a rationale to explain why this is the case. We also propose to provide fuller guidance on the existing requirements for ISS in relation to pooling, including guidance on rationale, value for money and review for assets which it is not intended to pool.

21. For further proposals on annual reporting of progress against the plan set out in the ISS see paragraph 41.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Governance and decision making

Background

22. Administering authorities are responsible for setting the investment strategy of their funds, having taken proper advice. This includes setting the asset allocation to achieve a diversified portfolio of investments which overall is suitable to meet liabilities, as well as describing the approach to pooling and responsible investment, in line with statutory guidance.

23. Once the investment strategy has been chosen, the expectation set (https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance) when the funds were invited to form pools in 2016 was that as a minimum, the selection of external fund managers and the implementation of the investment strategy would take place at the pool level, in order to streamline decision making, reduce the number of external managers and deliver reduced fees.

24. In practice, funds have adopted a range of approaches. A small number of funds have transferred most of their assets to the pool and delegated strategy decisions below a very broad asset allocation as well as all implementation decisions to their pool, including for assets remaining outside the pool. Some funds have delegated manager selection and other implementation decisions to the pool for their pooled assets only, as well as agreeing broad mandates for some pool vehicles. The pool partnerships which have a higher degree of delegation, closer alignment of strategy and larger proportion of assets pooled have the conditions in place to deliver significantly higher savings compared to pools less advanced in their pooling journey.

25. Some funds have transferred some assets to the pool but only where the pool provides their preferred external manager or mix of assets within a pool vehicle. In these circumstances pools may respond by creating different products for each

partner fund or for small groups of funds, leading to a high number of pool sub-funds or vehicles, which limits the savings which can be achieved.

26. A very small number of funds have joined a pool but pooled no or very few assets. They may have benefited from a wider reduction in fees in the market, in part driven by pooling, but have chosen not to take up the other potential opportunities to date.

27. More effective and consistent governance and decision making is therefore the second key priority for the future of LGPS pooling. Research (https://www.brunelpensionpartnership.org/wp-content/uploads/2021/09/LGPS-in-the-UK-Learnings-from-International-Peers.pdf) (PDF, 5.7 MB) suggests that asset pools internationally are more effective with modern governance structures which enable delegation with accountability and allow decisions to be taken quickly on behalf of partner funds. This will include in particular effective delegation of strategy implementation to the pools by administering authorities.

28. It is the government 's view that the experience of the last 4 years has demonstrated that funds participating in a strong partnership with their pool and with other partner funds, in which they delegate effectively to their pool and align their strategies where possible, are likely to see the most gains, as these approaches allow the pool to deliver the benefits of scale. Others have moved more slowly but in order to maximise the benefits the full participation of all is essential. We want to see all funds moving in this direction in order to deliver the benefits of pooling for all.

Improving governance

29. Setting the investment strategy and asset allocation is a central responsibility for administering authorities, which gives them the most significant degree of influence on returns. It is generally accepted that the strategy accounts for most of the difference in net returns between portfolios, with implementation decisions such as manager selection having a relatively small impact. We do not propose any change to the responsibility of funds for setting investment strategies.

30. We therefore propose revised guidance on pooling to confirm and strengthen the existing guidance on delegation of manager selection and strategy implementation. It would also provide revised guidance on governance, including member representation, transition of assets and new investments outside the pool. We also propose to include guidance on investments in levelling up. This is discussed in Chapter 3.

31. Government recognises that each model has its own benefits. In order to move forward more quickly with the benefits of pooling, we regard the following aspects as being key to progress.

- Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. For this reason, we do not see inter-pool competition as a desirable progression. This does not preclude the potential for inter-pool collaboration, which is encouraged by government.

- Pools should be actively advising funds regarding investment decisions, including investment strategies.
- Pools should be equipped to implement an investment strategy as instructed by their partner fund. An investment strategy should be interpreted to mean a broad instruction regarding asset classes and level of risk. It should not include an excessive number of classes, or choice of specific assets.
- Pools should expect funds to invest via their existing sub-funds where possible. This avoids an unfavourable scenario whereby an excessive number of similar sub-funds undermine the purposes and benefits of pooling.
- Pool governance structures should be equipped to take quick decisions as opportunities present themselves, within the delegated remit of the fund.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

32. Pensions expertise is an important criterion for decision making, and there are some factors which may make it harder to acquire that expertise under current structures. Firstly, pensions committees generally have high levels of turnover. Second, members of such committees are not required to complete training and may have no specific expertise in pensions. The outcome of these factors is that expertise may be lower than an equivalent panel of trustees for a private sector scheme, with higher reliance on advisors. Some targeted requirements, specifically on training, would help administering authorities to manage these issues.

33. We propose that each administering authority sets a training policy for committee members. We propose that the administering authority should report regularly on the training undertaken by committee members and whether this is in line with their training policy.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Transparency and accountability

Background

34. Current reporting relevant to the assets of the LGPS comprises the following:

- **Official statistics** - The annual LGPS statistics collected on the SF3 form by the Department and published in September contain only the overall asset value for the scheme and each fund, with no data on asset classes or other information.
- **Annual reports.** Annual reports are required by CIPFA guidance (https://www.cipfa.org/policy-and-guidance/publications/p/preparing-the-annual-report-

guidance-for-local-government-pension-scheme-funds-2019-edition) to include the value and percentage of pooled and non-pooled assets, the costs and performance of pooled and non- pooled assets, the progress of transition during the reporting year and the plans for transition of non-pooled assets. Annual reports are required to be published by 1 December for the preceding financial year. Funds are also required by guidance on ISS to report annually to the SAB on the progress of asset transition to the pool against implementation plans (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627030/Guidance_on_preparing_and_maintaining_an_investment_strategy_statement.pdf) (PDF, 150 KB). Pool annual reports provide some additional information but vary considerably in level of detail.

- **Scheme Advisory Board (SAB) annual report.** The SAB produces a report which summarises data from published fund annual reports on governance, funding, membership, financial position, investments and stewardship. It does not currently include data on the progress of asset transition or other data or commentary on pooling. With respect to investments, the Scheme Annual Report reports the proportion of the scheme which is invested in pooled investment vehicles, public markets, bonds, direct property, derivatives, cash and other asset classes. This is based on data in the Net Asset Statement in the annual accounts of administering authorities. Authorities do not report their asset breakdown in a consistent way, and a degree of judgement is exercised by the SAB in interpreting their reports. The commentary on investment performance is based on data provided by PIRC which covers around two thirds of funds. The Annual Report is published in the spring following the end of the financial year to which it relates.

35. In addition, the government recently consulted (https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks) on new requirements for funds to report on climate-related risks to their assets. We will publish the government's response in due course.

36. The current reporting regime provides a substantial quantity of data but does not provide transparency on progress of pooling by fund, by pool or across the scheme. It also does not provide an overall view of asset allocation across the scheme.

37. It is the long-standing view of government, whatever the subject, that transparency should be welcomed. The government seeks views on increasing transparency of asset allocation, pooling, return and savings.

Annual Reports and LGPS statistics

38. We therefore propose to require a single standard set of data on investments across annual reports and LGPS statistics. This would consist of:

- data on the broad asset classes into which LGPS investments fall in a consistent way, for example equities, bonds, private equity, private debt, property. We would work with the SAB to define the asset classes to be chosen and seek the agreement of the Central-Local Information Partnership (Finance) in the normal way for the necessary changes to the data collected from funds for LGPS official statistics. In designing this table, we will take account of requirements for defined contribution schemes and the reporting requirements which apply to private defined benefit schemes via the scheme return (https://www.thepensionsregulator.gov.uk/en/trustees/submit-reports-payments-and-requests-to-us/scheme-return/db-and-mixed-benefit-scheme-return) (an annual return required by The Pensions Regulator).

- for each asset class, data on the assets which are pooled, under pool management and not pooled and that the definitions are clarified. This will include the allocation to infrastructure and levelling up.
- net savings achieved as a result of investing via the pool.

39. We also propose to define the categories as set out in paragraph 9. Pooled assets would mean that the assets are directly owned and managed by the pool. Assets under pool management would cover assets which are managed or overseen but not owned by the pool. Neither category would include any assets which are held by collective investment vehicles other than those managed by the 8 LGPS pools.

40. We propose that the requirements to report on asset allocation and pooling data would be set out in revised guidance on pooling and in revised guidance on annual reports which is under consideration by the SAB.

41. We also propose to introduce a requirement to include commentary in the annual report on the progress of asset transfer against implementation plans and the approach to pooling set out in the ISS, in order to ensure funds are transparent and accountable on the progress of asset transition.

42. We also view it as desirable that each fund report the returns achieved by assets invested in each asset class against an appropriate benchmark, in a way that is consistent across funds, and easily comparable between pooled and non-pooled assets. We welcome views on how such a regime may work in practice.

43. We believe that these measures would ensure that data and commentary on the progress of pooling and on asset allocation is available earlier, is consistent across the scheme and between LGPS statistics and annual reports. We recognise there may be increased costs arising from a change to the asset classes reported, but these can be met from the fund, and costs should be reduced by having a single standard set of data. We consider some additional costs can be justified to ensure better public accountability.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Scheme Annual Report

44. The SAB produces a Scheme Annual Report which aggregates information from fund annual reports. The purpose of the Annual Report is to provide a single source of information for members, employers and other stakeholders. Continual improvement of this report is a key priority of the SAB and is supported by the government. We intend the proposals in this consultation to assist the SAB in this goal.

45. We believe that the single standard set of data discussed above will make it easier to provide a clear overview of the scheme's asset allocation and of the progress of pooling. We have agreed with the SAB that they will incorporate this change into the Scheme Annual Report in future years by including a table which divides assets by category (equity, bonds, property etc) as well as by pooled status (pooled, not-pooled or under pool management).

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Directions by the Secretary of State

46. Under Regulation 8 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "2016 regulations" (https://www.legislation.gov.uk/uksi/2016/946/regulation/8/made)) the Secretary of State has power, after consultation, to make directions to a fund where that fund is in breach of statutory guidance. Directions can cover the fund's investment strategy statement, its assets, the running of the fund's investment function, or any other instruction in relation to its investment function.

47. No such directions have been issued by the Secretary of State under Regulation 8.

48. Government will expect administering authorities to act in accordance with statutory guidance once issued. Where funds do not comply with guidance, government will consider whether a direction is appropriate. Examples of activities which could result in this include: withdrawing pool membership, failing to transition assets in line with the timetable or failing to provide adequate justification for non-pooled assets.

49. The Secretary of State also has power under section 3(2)(a) and Schedule 3 of the Public Service Pensions Act 2013 to make regulations on the administration, management and winding-up of LGPS pension funds, subject to consultation and the consent of HM Treasury.

Summary of proposals

50. The proposals are:

- To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:

- assets which are pooled, under pool management and not pooled, and
- to provide a rationale, value for money and date for review for assets which are under pool management or not pooled
- To revise pooling guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.
- To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy
- To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, a report of the net savings from pooling, and to report the returns achieved by each asset class against an appropriate benchmark
- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.
- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

51. Should this be taken forward, we intend to monitor progress over the current valuation period (to 31 March 2025), based on fund annual reports, LGPS statistics, the Scheme Annual Report and other evidence. This monitoring will include progress on transition, governance and reporting and how effective these are in delivering improvements in efficiency, cost and performance.

52. Whilst reserving our ultimate position, the government's strong preference is to see progress continue on a voluntary basis within a strengthened framework. This will maintain local management and accountability in the LGPS, while delivering significant savings and better risk management, and avoiding waste and duplication. But we will consider action to ensure progress if necessary, including making use of existing powers to direct funds.

Chapter 3: LGPS investments and levelling up

Background

53. In the Levelling Up White Paper (LUWP) (https://www.gov.uk/government/publications/levelling-up-the-united-kingdom) the government set out its mission to tackle the uneven distribution of opportunity in the United Kingdom (UK). The aim is to level up the UK by spreading opportunity more equally across the country and bring left behind communities up to the level of more prosperous areas. To do so will mean that the whole country succeeds by

growing the economy and realising the potential of places and people across the UK.

54. One of the key ambitions in the levelling up programme is to boost productivity, grow the economy, and raise living standards across the UK. One way in which this mission can be achieved is by ensuring that some of the funds managed by institutional investors flow into projects that help deliver levelling up while also offering attractive returns.

55. The Local Government Pension Scheme (LGPS) with assets of £364 billion, projected to increase to £500 billion by 2030, is a major institutional investor. The government wishes to encourage the LGPS to continue to meet its core fiduciary duty of funding pensions for members while also supporting levelling up by investing in infrastructure, housing, regeneration, and small and medium enterprise (SME) finance across the whole UK, not only in the local area of an authority. Overall, £27 billion of LGPS funds had already been invested in infrastructure in the UK and overseas by March 2022.

56. The government has set an ambition in the LUWP for LGPS funds to invest up to 5% of their assets under management (AUM) in projects which support local areas. To implement this ambition, the Government is asking LGPS funds to work with LGPS asset pools to publish plans for increasing their local investment.

Defining investment in levelling up

57. In developing their plans, LGPS funds will need to consider what types of investments will contribute to levelling up. This section therefore sets out a proposed approach to assessing whether an investment supports levelling up, drawing on the LUWP and its discussion of different forms of capital and levelling up missions. The definition is intended to help LGPS funds and pools in considering how they could invest a share of their AUM in a way that promotes growth, supports levelling up, and meets their fiduciary duty to ensure members' pensions.

58. The ambition of the levelling up agenda is to reduce geographical disparities. While some areas of the UK already benefit from all the conditions for growth, the government is keen to improve productivity, boost economic growth, encourage innovation, create good jobs, and enhance educational attainment in those parts of the UK that have so far had an unequal share of the country's economic success. In pursuing this ambition, the government believes that a boost to productivity, pay, jobs, and living standards can be achieved through targeted interventions that extend opportunities more equally across the UK.

59. Current causes of the UK's spatial disparities include changes in the global economy and their uneven impact on the country's regions, but the key drivers lie in the 6 forms of capital identified in the LUWP (human, intangible, financial, physical, social and institutional). While each capital is important in its own right, it is their interaction that creates a virtuous cycle that encourages economic growth and the associated societal benefits

60. To address the imbalances in how the 6 capitals are distributed across the UK, the government has identified 12 medium-term levelling up missions (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). Institutional investors such as pension funds can contribute to the levelling up missions while also benefitting from such investments. Global investors, including pension funds from Canada and Australia, are already active investors in such projects, but UK institutional investors are under-represented.

61. The government believes that the LGPS should secure the benefits of such investment and can play a key role in building a pipeline of investable UK opportunities without costly deal by deal auctions. With assets of around £364 billion the LGPS has large investable assets, investment expertise in the pools, and local networks. It is well placed to identify investment opportunities and ensure these meet the risk/return profiles demanded by LGPS funds.

62. To help LGPS funds make their plans, the government proposes that an investment would meet the levelling up requirement if

- it makes a measurable contribution to one of the levelling up missions set out in the LUWP; and
- it supports any local area within the United Kingdom.

63. We consider the following existing LGPS investments as examples of investments which would fall within the proposed definition:

- Nottinghamshire Pension Fund invested £1.5 million (https://www.impactinvest.org.uk/case-study/direct-investment-nottinghamshire-community-energy/) in Nottinghamshire Community Energy in 2016 to help construct and manage a solar farm to produce clean energy. The profits help support projects in Nottinghamshire to address climate change mitigation, wildlife conservation, and reducing fuel poverty while delivering a good return on investment.
- Durham County Council Pension fund has committed £18 million (https://www.foresightgroup.eu/private-equity?tab=6) to enable the launch of a new private equity investment fund that supports SMEs across the North East. The fund's purpose is to support economic growth and create high-quality local jobs in the region, while targeting an appropriate rate of return for its investors.
- Greater Manchester Pension Fund has a £50 million (https://www.insidermedia.com/news/north-east/foresight-launches-new-fund-for-smes) Invest 4 Growth portfolio which makes investments that provide a commercial return and have beneficial economic, social, or environmental impacts.The fund also uses its £401 million Impact Portfolio to invest regionally in supported living accommodation, renewable energy, and loans to SMEs.
- South Yorkshire Pension invests around £80 million (https://bdaily.co.uk/articles/2022/12/09/80m-investment-from-south-yorkshire-pensions-authority-boosts-local-economy) in local development projects and aims to generate commercial return whilst delivering a positive local impact.

64. Funds should ensure that any levelling up investment plan they produce is consistent with their existing overall investment strategy statement and funding strategy statement. We intend to develop guidance working with the Scheme Advisory Board on levelling up investments which meet the requirement announced in the Levelling Up White Paper.

Question 7: Do you agree with the proposed definition of levelling up investments?

Fiduciary duty and investing in levelling up

65. This new requirement would not alter the established fiduciary duty of LGPS funds to make investment decisions in order to pay pensions. Investments that support levelling up may form part of a well-diversified portfolio with a range of risk/return characteristics. As current investment activity across the LGPS underscores, such investments may create attractive risk adjusted returns for pension funds and help deliver economic growth and societal benefits.

66. Under existing environment, social, and governance (ESG) criteria, set out in Guidance on Preparing and Maintaining an Investment Strategy Statement (https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement), funds may also take non-financial considerations into account when making investments, provided that they have good reasons to think the scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Enabling investment to support levelling up

67. Under these proposals, administering authorities would be expected to evaluate possible levelling up investments and assess their suitability for their fund's investment strategy. There is scope for projects of different scales, risk/return profiles, and geographical concentrations to be considered.

68. Private markets are a principal way through which investments that support levelling up can be made. These markets are particularly important in infrastructure, clean energy and regeneration investing and they are therefore likely to play a role in delivering funds' levelling up investments. This route to investment, however, presents challenges, especially for smaller LGPS funds. The minimum investment may be quite high, and at higher cost than public market investments. Specialist expertise is needed to assess risk and return profiles and source and negotiate opportunities.

69. The LGPS asset pools can offer a route to investing in levelling up through private markets. They can put together an investment of sufficient size with the participation of their partner funds. Those which are wholly owned companies can also provide investment at lower cost as they are established on a not for profit basis and have developed the expertise and capacity to invest in private markets

through intermediaries and in some cases are able to invest directly or to co-invest, which reduces costs.

70. There may also be concerns about local investments. Perceived or potential conflicts of interests may arise between the fund and the administering authority in its wider role as the local authority, if funds invest in inappropriately high-risk projects in the area in which they are located. The LGPS asset pools can assist by ensuring that decisions to invest in a local area can be taken at pool level to avoid any perceived or potential conflict of interest and take advantage of the pool's expertise.

71. Some LGPS asset pools have already created investment vehicles to enable funds to invest in levelling up projects more easily:

- GLIL was established in 2015 by the Greater Manchester Pension Fund and the London Pensions Fund Authority with £500 million in capital commitments. It was expanded in 2016 with the admission of 3 further LGPS funds. GLIL invests in core infrastructure assets predominantly in the UK and focuses on investment opportunities that are backed by physical assets, offer a reliable cash flow, and are isolated from business cycles. It currently has £3.6 billion of committed capital and has deployed £2.1 billion across 13 assets that include offshore windfarms, electric train fleets, and solar farms.
- The London Fund is a collaboration between the Local Pensions Partnership Investments (LPPI) and the London Collective Investment Vehicle (LCIV). The Fund's aim is to invest in the capital, with a focus on developing housing and infrastructure. In making investment decisions, the London Fund is seeking positive contributions to social and environmental issues too. For the fund's partners the London Fund also represents an opportunity to access a greater range of investment opportunities than if they acted alone.
- Brunel Pension Partnership has designed and implemented a portfolio for one of its partner funds, Cornwall Pension Fund, to facilitate local investment in affordable housing and renewable energy in Cornwall. Cornwall Pension Fund made an initial investment of £115 million despite being one of the smaller LGPS funds.

72. The government wishes to see specialist expertise in local investments within pools and their private sector partners continue to evolve, to ensure that funds and the UK as a whole can benefit from investment in levelling up. The scale of the LGPS and a new requirement for the LGPS to set a plan to invest in levelling up should provide an important spur to this development.

73. The government looks to the pools to develop further such solutions in collaboration with their partner funds. This approach will maximise the opportunities to capitalise on administering authorities' local knowledge and asset pools' scale and private market access. Pools may choose to leverage their local networks to work with local partners to develop opportunities and avoid the deal by deal auctions which can add cost to infrastructure investment. In due course they may also develop the capacity and knowledge to invest in smaller scale local

projects which may be too small for private sector intermediaries, and help tackle the capital gap for smaller projects.

74. However, some pools do not currently have internal asset management capacity, or the range of investment vehicles required to meet the needs of their partner funds. To increase the range of options available to funds to deliver investment in levelling up, it may be helpful for funds to invest through their own pool in investment vehicles provided by other pools. The government therefore proposes to set out in guidance that LGPS funds may invest through their pool in another pool's investment vehicle.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Implementing the requirement to publish plans for increasing local investment

75. The government proposes to amend regulations to require funds to publish a plan on how they will invest up to 5% of their assets under management (AUM) in projects that support levelling up across the UK. The plan may form part of the investment strategy statement. It should take account of the fund's investment and funding strategy statements and be reviewed at least every 3 years in line with the local valuation cycle.

76. It is proposed that the plan should include:

- The fund's current level of investment in levelling up investments
- A plan to increase levelling up investments to deliver an allocation of up to 5% of AUM including the timeline to delivery
- The fund's approach to working with their pool to reach their chosen allocation.

77. Many funds will already have some investments which contribute to levelling up, and in some cases this may exceed 5%. Some funds may wish to increase their investment above 5%. It will be for funds to decide the appropriate level of investment and types of investment.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

78. The government also proposes to require funds to report annually on their progress against their plan in their annual report. This requirement is proposed to provide transparency and accountability on the progress and investments made by funds. The section of the annual report on levelling up would be expected to include:

- The percentage of AUM invested in levelling up projects compared to the fund's plan for that year, the percentage in the previous year, and the ambition set by

the fund
- The amount and type of levelling up investments that have been made through the fund's LGPS pool, and outside the pool.
- A narrative account explaining the changes in AUM allocated and the progress against the fund's plan, and the rationale for investing through the pool or outside the pool.

79. The government intends to include guidance on the new requirement and on reporting progress in revised guidance on investment strategy statements and on pooling.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Divestment

80. Many administering authorities are under pressure to divest assets from certain countries or geographical regions, even though the UK government has no sanctions in place against those countries or regions. The government strongly believes that local authority pension funds do not, and should not, have their own foreign policies. The government intends to implement the manifesto commitment to prevent public bodies pursuing boycotts, divestments and sanctions campaigns (BDS) against foreign countries or territories, unless in line with the UK's official foreign policy, through the Foreign Affairs (Economic Activity of Public Bodies) Bill, introduced in June .

Chapter 4: Investment opportunities in private equity

Background

81. The government is launching a package of measures to reform the pensions landscape as part of the government's capital markets strategy, making more capital available to support UK companies and seeking to boost the retirement incomes of UK pension savers. These measures sit alongside legislative and regulatory changes that strengthen the UK's position as a destination for listings, and cement the UK's standing as a global trading hub, attracting world leading companies including tech firms to incorporate, list and grow here. This initiative seeks to support the high-growth, innovative technology companies that often struggle to obtain the scale-up capital they need to reach their potential. British Business Bank (BBB) research suggests that the UK's venture capital financing gap relative to the US is over £5 billion per annum, despite UK funds making similar returns to their US counterparts.

82. The LGPS is largely well funded and has a very long-term time horizon, unlike most private sector defined benefit funds, which are typically closed and much more mature. Investing a higher percentage of LGPS capital into high-growth companies via private equity (particularly venture capital and growth equity), could generate improved returns to pay pensions. This includes but is not limited to innovative UK companies operating in fintech, life sciences, biotech, and green technology sectors.

83. The Scheme Annual Report for 2021-22 indicates the LGPS has a strong investment allocation into private equity of 4.3%, recognising the exact figure will vary across funds and will cover late-stage private equity in addition to venture capital and growth equity. Private reports indicate this is the highest performing asset class across the LGPS.

Ambition of 10% investment allocation in private equity

84. The government wishes to see LGPS funds and pools doubling their current allocation into private equity, with a total ambition of 10% investment allocation, as part of a diversified but ambitious portfolio. This ambition will help drive business investment throughout the country, in a way that allows everyone in the UK to benefit from the growth of our economy, by boosting LGPS investment returns, incentivising companies to grow and list in the UK, and grasping productive opportunities of the future.

85. Each fund will be different and will need to make its own investment decisions based on potential risk and reward appetite. As with any other asset class, it is important for administering authorities to exercise judgement on their exposure to private equity, as with any other asset class, and any investment in these asset classes should be part of a diverse and balanced portfolio.

86. We propose that LGPS funds should complete this consideration of private equity opportunities, including growth equity and venture capital, as part of the regular review of their investment strategy statement, and that the new requirement would be set out in revised guidance on investment strategy statements.

87. As with investments in levelling up, we expect that funds will work with their pool in considering such investments to ensure that they make use of the scale, capacity and expertise of the pool and take advantage of the full range of opportunities in size and type. We welcome views on further opportunities for government to remove any barriers to investment in UK growth equity and venture capital by the LGPS.

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

British Business Bank

88. The British Business Bank (BBB) is a government-owned economic development bank that makes finance markets for smaller businesses work more effectively, allowing those businesses to prosper, grow and build UK economic activity.

89. One of the BBB's strategic objectives is to back UK innovation by improving the way that equity finance markets work to support the UK's most promising businesses. The BBB has a range of programmes to deliver this objective, including British Patient Capital (https://www.britishpatientcapital.co.uk/) (the BBB's commercial subsidiary with resources of £2.5 billion, which has delivered an internal rate of return of 32.9% since inception and Enterprise Capital Funds programme, which supports earlier stage businesses.

90. In delivering these programmes, the BBB has become the largest domestic investor in UK venture capital with deep expertise to support due diligence and the ability to invest at scale. This could be of benefit to the LGPS in finding attractive opportunities in this space. We support the LGPS, in particular the pools, to explore opportunities to collaborate and capitalise on the Bank's expertise and capabilities in venture capital and growth equity, and will bring forward any changes to secondary legislation which currently inhibit this.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Background

91. In 2017 the Financial Conduct Authority (FCA) published its final Asset Management Market Study Report (https://www.fca.org.uk/publication/correspondence/provision-view-uil-mir-investment-consultancy-services.pdf) (PDF, 317 KB). At the same time, the FCA made a reference to the Competition and Markets Authority (CMA) for a market investigation into the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK.

92. The CMA focussed its investigation on pension funds as the core clients for investment consultancy and fiduciary management services, and published its final report (https://assets.publishing.service.gov.uk/media/5c0fee5740f0b60c8d6019a6/ICMI_Final_Re

port.pdf) (PDF, 3.1 MB) in December 2018.This found that for both investment consultancy and fiduciary management services there was a low level of engagement by trustees, a lack of clear and comparable information to assess value for money, and an incumbency advantage for investment consultants in steering clients to their own fiduciary management services.

93. Based on its findings, the CMA made The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the Order) (https://assets.publishing.service.gov.uk/media/5cfdfa86e5274a090f9eef8e/Order_investment_consultants.pdf) (PDF, 230 KB) in June 2019 to tackle the adverse effects on competition identified. The Order applies to all registrable pension schemes including the LGPS and came into force on 10 December 2019.

94. The Order was intended as an interim measure to make changes quickly while statutory authorities take steps to implement the remedies in the relevant legislation. DWP has implemented the Order's requirements for private pension scheme trustees through The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022 (https://www.legislation.gov.uk/uksi/2022/825/note/made).

95. However, LGPS administering authorities fall within the exemption in the Order at Article 3.6 that exempts any pension scheme trustees that are contracting authorities for the purposes of the Public Contracts Regulations 2015. These regulations cover local authorities including administering authorities, which means that administering authorities are exempt from the requirement of the Order to put fiduciary management services out to competitive tender.

96. Further, LGPS pool companies owned by LGPS funds are exempt from the Order under Article 1.7(b) which excludes in house or wholly owned investment consultancy providers and fiduciary management service providers. The exclusion under Article 1.7 of the Order applies to the Order as a whole (see para 15 of the Explanatory Note to the Order). This also puts LGPS pool companies outside the scope of the Order regarding any investment consultancy services they provide.

97. As a result, the only requirement in the Order which requires implementation in the LGPS is the requirement to set strategic objectives for investment consultancy they receive outside the LGPS pool companies. The Order prohibits funds from receiving any investment consultancy services unless they have set strategic objectives for their investment consultancy provider (Art 12). These strategic objectives should also closely relate to the fund's investment strategy and be reviewed at least every 3 years or whenever the investment strategy changes significantly. Further, there is an expectation of regular performance reporting by the investment consultancy provider that measures performance against these strategic objectives (see paragraph 91 of the Explanatory Note to the Order).

Implementing the CMA Order for the LGPS

98. As the responsible authority for the Local Government Pension Scheme, the Department for Levelling Up Housing and Communities (DLUHC) proposes to

amend LGPS regulations and statutory guidance to implement the Order's requirements for the provision of investment consultancy services for the LGPS.

99. Setting strategic objectives for investment consultants is in line with wider ambitions to improve governance and transparency in the LGPS and should encourage administering authorities to better monitor performance and improve the quality and value for money of such services over time.

100. We therefore propose that:

- Where the administering authority uses investment consultancy services in relation to its Investment Strategy Statement or for other matters, it must set strategic objectives for the investment consultancy provider, unless the provider is exempt (such as the LGPS pools);
- Administering authorities must not enter investment consultancy services contracts or continue to receive such services from any provider unless the authority has set strategic objectives for that provider
- Administering authorities must review strategic objectives at least every 3 years or every time the ISS changes substantially
- Strategic objectives must have regard to guidance on setting objectives for providers of investment consultancy services issued by the Pension Regulator in November 2019.

101. Investment consultancy services would include services where the provider advises the administering authority in relation to one or more of the following:

- investments that may be made or retained by or on behalf of the administering authority
- any matters in respect of which the administering authority is required by law to seek advice in relation to the preparation or revision of the investment strategy statement
- strategic asset allocation
- manager selection

102. In line with the definition of investment consultancy services in Article 2.1 of the Order, advice would mean advice on the merits of the administering authority taking or not taking a specific course of action and includes any recommendation or guidance to that effect. It is not intended that the term would cover the high-level commentary provided by actuaries in or in respect of triennial valuation reports and with regard to the link between investment approach and the administering authority's funding objectives.

103. The government proposes to implement these requirements by amending The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations) (https://www.legislation.gov.uk/uksi/2016/946/contents/made) and associated guidance (https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement).

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

104. In making the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (S.I. 2016/946 (https://www.legislation.gov.uk/uksi/2016/946/contents/made)) (the 2016 Regulations), the Government intended to ensure that the definition of investments which were or could be made by LGPS administering authorities included passive insurance contracts, private equity and derivatives.

105. After laying the 2016 Regulations, the Joint Committee on Statutory Instruments (JCSI) identified an issue relating to the drafting of regulation 3(1)(b) and regulation (4) of the 2016 Regulations. Regulation 3(1)(b) was intended to include contributions in an unquoted securities investment partnership within the definition of investment but reads as follows:

> Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment

106. Regulation 3(4) defines unquoted securities investment partnerships as a partnership for investing in securities which are normally not quoted on a recognised stock exchange when the partnership buys them.

107. The Department undertook to amend regulation 3(1)(b) of the 2016 Regulations to align it with regulation 3(4) at the earliest available opportunity. We therefore propose to add the word ‘partnership’ to regulation 3(1)b as follows:

> Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment partnership

108. The proposed amendment to regulation 3(1)b would ensure consistency with the language used in regulation 4, where unquoted securities investment partnerships are defined. The proposed amendment should also eliminate any ambiguity in regard to regulation 3(1)b.

Question 14: Do you agree with the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

109. The Department's policies, guidance and procedures aim to ensure that the equalities impact of any decisions, new policies or policy changes upon groups with protected characteristics is properly considered, and that in formulating them the Department has had due regard to its obligations under the Public Sector Equality Duty at s.149(1) of the Equality Act 2010.

110. We have made an initial assessment and we believe our proposals on reforms to pooling, investment in levelling up, investment in venture capital, requirements on the use of investment consultants and changes to the definition of investment in chapters 2 to 6 do not affect any particular groups with protected characteristics adversely, as there will be no change to member contributions or benefits as a result. There may be an indirect benefit to protected groups who live in deprived areas which benefit from levelling up investments.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

Annex A: List of consultation proposals

Pooling

To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:

- assets which are pooled, under pool management and not pooled, and
- to provide a rationale, value for money and date for review for assets which are under pool management or not pooled

To revise pooling guidance so as to set out fully how funds and pools should interact and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.

To implement a requirement in guidance for administering authorities to have an investment-related training policy for pensions committee members and to report against the policy

To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling., and to report the returns achieved by each asset class against an appropriate benchmark

For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.

To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

Investment in levelling up

To amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.

Investment in private equity

To revise ISS guidance to require funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

Investment consultancy services

To amend regulations to set requirements funds with respect to investment consultants in line with the CMA order.

Definition of investment

To amend investment regulations to correct an inconsistency in the definition of investment.

Annex B List of consultation questions

Chapter 2: Asset pooling in the LGPS

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Chapter 3: LGPS investments and levelling up

Question 7: Do you agree with the proposed definition of levelling up investments?

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Chapter 4: Investment opportunities in private equity

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

Question 14: Do you have any comments on the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

About this consultation

This consultation document and consultation process have been planned to adhere to the [consultation principles (https://www.gov.uk/government/publications/consultation-principles-guidance)](https://www.gov.uk/government/publications/consultation-principles-guidance) issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation. In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Levelling Up, Housing and Communities will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the complaints procedure (https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities/about/complaints-procedure).

Personal data

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Department for Levelling Up, Housing and Communities (DLUHC) is the data controller. The Data Protection Officer can be contacted at dataprotection@levellingup.gov.uk or by writing to the following address:

> Data Protection Officer
> Department for Levelling Up, Housing and Communities
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

Sensitive types of personal data

Please do not share special category (https://ico.org.uk/for-organisations/guide-to-data-protection/guide-to-the-general-data-protection-regulation-gdpr/lawful-basis-for-processing/special-category-data/#scd1) personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By ‘special category personal data’, we mean information about a living individual’s:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics
- health (including disability-related information)
- sex life; or
- sexual orientation.

By ‘criminal offence data’, we mean information relating to a living individual’s criminal convictions or offences or related security measures.

3. Our legal basis for processing your personal data

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by DLUHC of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or ‘criminal offence’ data (terms explained under ‘Sensitive Types of Data’) which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR (‘substantial public interest’), and Schedule 1 paragraph 6 of the Data Protection Act 2018 (‘statutory etc and government purposes’). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

4. With whom we will be sharing your personal data

DLUHC may appoint a ‘data processor’, acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

6. Your rights, e.g. access, rectification, restriction, objection

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you

b. to ask us to stop using your data, but keep it on record

c. to ask to have your data corrected if it is incorrect or incomplete

d. to object to our use of your personal data in certain circumstances

e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/ (https://ico.org.uk/), or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: dataprotection@levellingup.gov.uk or

> Knowledge and Information Access Team
> Department for Levelling Up, Housing and Communities
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for 2 years before it is deleted.

↑ Back to top

Appendix 2

Director of Finance and Public Value

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EX2 4QD

Tel: 01392 383621
Email: mark.gayler@devon.gov.uk

LGF Pensions Team
Department for Levelling Up, Housing and Communities,
2nd Floor, Fry Building,
2, Marsham Street.
London
SW1P 4DF

September 2023

Re: Consultation Document: Local Government Pension Scheme (England and Wales): Next Steps on Investments

Thank you for the opportunity to comment on the consultation document: Local Government Pension Scheme (England and Wales): Next Steps on Investments.

This consultation response is submitted on behalf of Devon County Council in its capacity as the Administering Authority for the Devon Pension Fund and has been approved by the Investment and Pension Fund Committee at its meeting on 15th September 2023.

The Devon Pension Fund is a shareholder and client of the Brunel Pension Partnership (Brunel). Brunel was set up in 2018 following the completion of a thorough business case approved by all ten of the partner funds. The business case set out the forecast savings that could be achieved over the longer term from the pooling proposals, and also the short-term costs that would be incurred in transitioning investment assets to the new arrangements. Brunel is now working well, and the Fund reached the point in 2022 when the cumulative savings achieved exceeded the initial costs of set up and transition. Therefore, we are now in the position of harvesting the savings achieved.

The Devon Fund has now transitioned 95% of its assets to Brunel. The remaining 5% of assets are held in closed ended private markets funds, which will return capital over time which will then be reinvested via Brunel.

Given that it took 4 years to break even, based on savings achieved versus transition costs incurred, and that we are now achieving significant savings each year, our over-arching concern is that the proposals should not result in another round of significant transition costs that negate the savings now being achieved as a result of the implementation of the original pooling proposals.

Answers to the specific questions posed are provided below:

Question 1

The Brunel pool is working well. 90% of client assets have now transitioned to the pool, the Devon Fund has transitioned 95% of our assets. We recognise that other pools have not all made the same level of progress, and our view is that the Government should focus on addressing the barriers that are preventing other pools from working effectively. Those pools, such as Brunel, who are working effectively should be allowed to continue with minimum disruption.

While the pool's assets are currently below £50 billion, there would be disadvantages in expanding the size of the pool:

- Brunel largely serves a defined geographic region, the South West, providing a level of local accountability that would be reduced if the pool covered a wider area.

- The regional basis of Brunel should help with setting up local investment portfolios to promote investment in the South West, in line with the Government's levelling up agenda. An expanded pool would change investment priorities in this regard.

- Brunel was set up as a partnership of like-minded LGPS funds. The involvement of a larger number of funds may reduce the like-mindedness of the partner funds which would result in governance issues, as have been experienced by other pools.

- As stated above, the Brunel pool has largely gone through the pain of transition and is now working effectively and benefiting from the cost savings resulting from pooling. It would be unhelpful to go through another round of transition costs in order to form a larger pool, which would undermine the savings that are now being delivered.

Therefore, we would urge the Government not to be too fixated on a particular number in terms of a pool's assets under management, but to consider a range of criteria in analysing how well the existing pools are performing and what action is required to support the delivery of excellent value for money and outstanding net performance. We would support greater collaboration between pools as an alternative to forced mergers between pools.

Question 2

The Devon Pension Fund has already transitioned all of its listed assets to Brunel, our LGPS pool, well in advance of the proposed March 2025 deadline.

Question 3

We agree with the statement that responsibility for setting the investment strategy should remain with the individual LGPS funds. It is therefore the pool's responsibility to implement the strategy of each of its client funds.

The original pooling proposal aimed to take manager selection away from the individual funds and make it the responsibility of the pool. We support the idea that if an LGPS fund wishes to invest in e.g. a core global equity portfolio, then the pool should provide such a portfolio and be responsible for selecting a manager or managers to manage that portfolio (or provide internal management). Where more than one manager is selected for a portfolio, then it should be for the pool to allocate funds between the managers on the same basis for each client, and it should not be permissible for the individual LGPS Fund to decide which of the managers it wishes to allocate funds to. The pool should not provide more than one core global equity portfolio with different managers for different portfolios which would then effectively enable individual LGPS funds to retain the ability to choose a manager.

The pool should, however, provide a range of equity portfolios with different risk and return characteristics, e.g. emerging market equities, smaller company equities, sustainable equities, choice of active/passive, in order to meet the requirements and implement the strategies of each client fund.

We do not believe it is the pool's role to act as investment consultants for client funds in determining their investment strategy.

<u>Question 4</u>

The Devon Fund is committed to ensuring Pension Committee members are adequately trained. We already produce an annual training plan and report on the training undertaken by committee members in the Fund Annual Report. We therefore support this proposal.

<u>Question 5</u>

We support the proposal for each fund to report in a consistent way against a set of broad asset class headings through their annual reports and statistical returns.

We would not support reporting against standard benchmarks. The choice of benchmark reflects the level of risk and target return required from an investment portfolio, which will be different depending on the investment strategy. A standard benchmark across all funds and/or pools would influence the investment strategy in an unhelpful way. If the objective is to compare the investment performance of funds, then that can be done through comparison of net returns, without the need to enforce standard benchmarks.

<u>Question 6</u>

We are happy with the proposals for the Scheme Annual Report.

<u>Question 7</u>

The Devon Fund already has significant investments in UK infrastructure. In addition, the Investment and Pension Fund Committee has recently agreed to allocate 3% of the Fund to a local impact portfolio. We believe that these investments would contribute to the Government's levelling up agenda and would be happy with the requirement to set these out in a plan and report on them through the Fund's Annual Report.

The aim of the local impact portfolio is to invest in Devon and the wider South West, recognising that there is a need locally to level up to more prosperous areas. Where possible, we will work with Brunel on our objectives, but we would urge that the Government recognise that when funds are looking at local investments there may be a requirement to work with fund managers outside the pool arrangements, as the pools will be focusing on a wider area and larger scale investments that may not allow for a more localised investment. Individual LGPS Funds will need to ensure that conflicts of interest are managed, but adopting an over-prescriptive approach to investing through the pool on such investments may risk undermining local aspirations and the achievement of the Government's agenda on levelling up.

Question 8

We believe that funds should be committed to one pool, but if that pool then decides that the best way to deliver the required investment is to invest in another pool's investment vehicle, then that should be permitted and encouraged.

Question 9

We would support the inclusion of the levelling up plan within each fund's Investment Strategy Statement, rather than as a separate policy.

Question 10

The Devon Fund will be happy to report on levelling up investments within our Annual Report. Pools will need to be able to produce the required data in respect of such investments made through the pool.

Question 11

The Devon Fund is a supporter of investing in private markets. Since February 2022, the Fund has had a medium term target allocation of 10% to infrastructure, 5% to private equity and 5% to private debt. The Investment and Pension Fund Committee has now agreed to reduce each of those allocations by 1% to create the 3% allocation to a local impact portfolio, as described in the answer to question 7, but the local investments would also be in the private markets space.

Previously, the Government has had an ambition for LGPS funds to invest 10% in infrastructure. It is unclear from the consultation document whether the definition of private equity includes unlisted infrastructure. If the 10% proposed allocation to private equity is additional to a 10% ambition for (mostly unlisted) infrastructure investments, that makes a 20% allocation to a high risk area of the market. This may be above the risk appetite for some funds.

Many funds also have an allocation to private debt, which would also support the Government's aspirations to support growing businesses. It would therefore be helpful for the Government to be clearer on whether the 10% objective is across private markets or a much narrower definition of private equity.

Another aspect that the Government needs to consider is that the requirements on unlisted companies with respect to ESG issues, and specifically on climate reporting, are currently lower than they are for listed companies. Given the Government's intention to require LGPS Funds to increase the extent of their

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www.devon.gov.uk

climate related reporting, it may be more difficult to source the data they will need from an increased allocation to private equity.

Question 12

The lack of availability of suitable investment opportunities can be a barrier to the LGPS investing in the UK. If working with the British Business Bank helps to overcome that barrier and results in an increased provision of suitable investment opportunities, with the appropriate level of risk and return expectation, then the Devon Fund would support that.

Question 13

The Devon Fund supports setting strategic objectives for investment consultants.

Question 14

This appears to be a straight-forward tidying up amendment, so we support it.

Question 15

We do not consider that there are any particular groups who would either directly benefit or be disadvantaged by any of the proposals.

Yours Sincerely

Mark Gayler
Head of Investments

Textphone 0845 155 1020 SMS Text 0777 3333 231
www.devon.gov.uk

DF/23/83
Investment and Pension Fund Committee
15 September 2023

PENSION FUND RISK REGISTER

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1) Recommendation

1.1 That the that the Committee be asked to approve the Pension Fund Register and the additional actions proposed to mitigate risk.

2) Introduction

2.1 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks. The risks that have been identified are incorporated into the Fund's Risk Register.

2.2 The Pension Board monitors the Risk Register as part of its scrutiny role in relation to risk and compliance and will raise any specific concerns to the Investment and Pension Fund Committee, as necessary. The Board previously considered the Risk Register at its meeting on 6th Jul 2023, and comments made at board meetings have been taken on board in updating the register.

2.3 The Risk Register is attached at Appendix 1 to this report. It highlights 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 incorporates the risk register of both the Investments Team and Peninsula Pensions.

2.4 The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and last reviewed the Risk Register in October 2022.

3) Assessment of Risk

3.1 Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score. Each risk is scored assuming no mitigation, and then on the basis of the mitigation in place.

3.2 In addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and these are detailed together with the planned timescale for the action to take place. The level of risk will be reviewed once these additional actions have been implemented. As a result of the incorporation of the risk register into the Authority's risk management system, there is now a more rigorous system in place for regular review of the risks identified, enabling better risk management.

3.3 Further risks are likely to arise from future decisions taken by the Investment and Pension Fund Committee, and from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

4) Revisions to the Risk Register

4.1 The Risk Register is a dynamic document and will be updated as and when new risks arise or new mitigations are put in place. The most recent amendments, as reported to the Pension Board in July are as follows:

- B3 (Brunel): the controls have been updated to reflect recent progress in taking forward the people strategy.
- CM1 (Communication): reference to the new Pension Fund newsletter has been added.
- F1: the control regarding the annual training plan has been downgraded to amber status as this has yet to be approved by the Investment and Pension Fund committee. This is an item on the agenda for this meeting, so will be updated to green should the plan be agreed.
- F4 ESG Issues: a control has been added regarding the fund's accreditation to the UK Stewardship Code.
- F13 (Climate): the controls have been updated with the December 2022 WACI figures. A new control was added at the request of the board at a previous meeting to refer to the climate policy.
- F14 Cyber security: the controls have been updated to reflect assurances received from suppliers.

4.2 Peninsula Pensions risks PP10, PP17 and PP18 have been amended and updated highlighting cyber security potential risks. These amendments have been with the assistance of the Senior Auditor for Risk Management.

4.3 Two new temporary risks have been added to the Peninsula Pensions register relating to the McCloud and Pension Dashboard projects.

4.4 There are now 43 risks recorded in the Risk Register, 23 of which relate to Devon Pension Fund management and 20 to Peninsula Pensions. The following table summarises the number of risks assigned to low, medium and high-risk scores, before and after mitigation.

Risk Category	Number of Inherent Risks Identified	Number of Risks following mitigating action
Devon Pension Fund		
High	9	3
Medium	11	6
Low	3	14
Peninsula Pensions		
High	3	0
Medium	9	4
Low	8	16

4.5 Across Devon Pension Fund management and Peninsula Pensions, action taken to mitigate risks has reduced the number of high risks from 12 to 3. The remaining high risks are in respect of:

- F5- Global Financial Crisis leading to a failure to reduce the deficit.
- F2 -Investment strategy not providing sufficient returns longer term.
- F14 – Cyber Security

5) Conclusion

5.1 The Committee are asked to approve the Pension Fund Register and the additional actions proposed to mitigate risk.

Angie Sinclair
Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:
Name: Charlotte Thompson
Telephone: 01392 381933
Address: Room 180 County Hall

Appendix 1

Devon Pension Fund Risk Register

Risk Management - is a modern management discipline and is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other.

<table>
<tr><th>1. Identify your risks</th><th>2. Assess your risks</th><th>3. Respond to risks</th><th>4. Monitor and Review</th></tr>
<tr>
<td>
Risk: an event or action that will have affect our ability to achieve our objectives
Opportunities <u>and</u> Threats
Event leads to Impact
Identify in groups - by those responsible for delivery of the objectives
When:
Setting strategic aims
Setting business objectives
Early stages of project planning & key stages
Entering partnerships
Categories can help:
Political, Economic/Financial, Social, Technological, Legislative/Legal, Environmental, Community, Professional/Managerial, Physical, Partnership/Contractual.
</td>
<td>
Combination of the probability of an event and its consequences; Impact x Likelihood:
<table>
<tr><td rowspan="5">LIKELIHOOD</td><td>6</td><td>12</td><td>18</td><td>24</td><td>30</td></tr>
<tr><td>5</td><td>10</td><td>15</td><td>20</td><td>25</td></tr>
<tr><td>4</td><td>8</td><td>12</td><td>16</td><td>20</td></tr>
<tr><td>3</td><td>6</td><td>9</td><td>12</td><td>15</td></tr>
<tr><td>2</td><td>4</td><td>6</td><td>8</td><td>10</td></tr>
<tr><td></td><td colspan="5">IMPACT</td></tr>
</table>
24 - 30 VERY HIGH (VIOLET)
• Immediate action
15 - 20 HIGH (RED)
• Regular review to seek better control
10 - 12 MEDIUM (AMBER)
• Review current controls / incorporate into action plan
1 - 9 LOW (YELLOW)
• Limited action - long term plans
</td>
<td>
Concentrate on Top Risks:
• Set risk appetite
• Proportionate and cost-effective response
Can we reduce likelihood?
Can we reduce impact?
Can we change the consequences?
Treat
Transfer
Tolerate
Terminate
Devise Contingencies
Business Continuity Planning
</td>
<td>
Risk Registers:
Baseline data to be prepared and monitored regularly; these should clearly indicate impacts, responses and contingencies as well as the risk owner.
Use early warning indicators.
Review Top Risks regularly as agenda item.
Report progress to senior management.


</td>
</tr>
</table>

Risks: Devon Pension Fund

Risk status (score)	Overdue (0 - 0)	Low (1 - 9)	Medium (10 - 14)	High (15 - 23)	Very high (24 - 30)

Mitigating controls	Not started	Green	Amber	Red	Completed

Risk details	Status and Risk owner	Mitigating controls
A1: Accounting Cause: Lack of training/awareness around pension fund accounting regulations. Event: Non compliance with accounting regulations and fin regs. Impact: Reputational damage. Qualified accounts.	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Mark Gayler Accountable officer: Philip Edwards Category: Compliance Last review: 5th April 2023 Latest review details Controls reviewed and confirmed.	Green Staff are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures. Green Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the DCC Financial Regulations. Green Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers. Green Internal Audits are carried out on an annual basis. Green External Audit review the Pension Fund's accounts annually.
Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated		

Risk details	Status and Risk owner	Mitigating controls
B3: Brunel Pension Partnership Cause: Ineffective governance of Brunel or departure of key people from Brunel Event: Ineffective management of the Fund's investments or at the extreme breakup of the partnership. Impact: Significant costs to the Fund and financial loss. Reputational damage.	Inherent status : 16 High Current status : 12 Medium (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 21 June 2023 Latest review details Review of mitigating actions and updated	Green Shareholder agreement in place sets out governance framework and is regularly reviewed Green Strong team now in place at Brunel, so not dependent on one or two key individuals. Green Brunel have their own risk register which is regularly monitored both by the Brunel Board and the Oversight Board and Client Group. Amber Brunel have put in place a revised People Strategy to support recruitment and retention of key staff though some key posts are still to be filled
Cm1: Communication Cause: Inadequate communications plan and/or insufficient resource to action. Event: Insufficient communication and engagement with pension fund stakeholders. Impact: Damage to reputation. Uniformed policy decisions. Non compliance with legislation/best practice. Notes 13/08/2019 - Risk wording updated and category added.	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 21 June 2023 Latest review details Controls reviewed and updated. Risk score reviewed	Amber A communications strategy is in place and is due to be reviewed during 2023. Green The Devon Investment Services and Peninsula Pensions websites are kept up to date. Green Fund Performance is reported to the Investment & Pension Fund Committee on a regular basis. Green Meetings are held regularly with the Fund's Employing Authorities. Green Benefit illustrations are sent annually to contributing and deferred Fund members. Green The contact list for employers is updated regularly. Green Annual forums are held for employers and scheme members.

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Risk details	Status and Risk owner	Mitigating controls
		Green The annual report and accounts are published on the Devon Pension Fund website. Green Quarterly investment update is published on the Fund’s website
Cu1: Custody Cause: Changing economic climate, fraud or changing financial position of the Custodian. Event: Failure of Pensions custodian. Impact: Financial loss. Failure to decrease deficit. Adverse media interest/damage to reputation. Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.	Inherent status : 9 Low Current status : 6 Low Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023 Latest review details Controls reviewed and confirmed.	Green The custodian contract is subject to regular review and periodic re-tendering by the Brunel Pension Partnership. Green The custodian must adhere to FCA and PRA financial regulations. Green Fund assets are protected in the event of insolvency of the custodian
D1: Data Protection Cause: Failure to secure and maintain pension fund systems. Event: Loss of sensitive data. Impact: Reputation risk. Financial loss arising from legal action.	Inherent status : 9 Low Current status : 6 Low (⇔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023 Latest review details Review of controls and risk score	Green It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's data protection policy.

Agenda Item 9

Risk details	Status and Risk owner	Mitigating controls
Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated. 17/09/2021 - Devon Audit Partnership risk management team note Gov.UK press release 28.06.21 which may be of relevance https://www.gov.uk/government/news/eu-adopts-adequacy-decisions-allowing-data-to-continue-flowing-freely-to-the-uk		
F 1: Funding and Investments Cause: The committee Members and Investment Officers have insufficient knowledge of financial markets and inadequate investment and actuarial advice received. Event: The committee Members and Investment officers make inappropriate decisions. Impact: Poor fund performance/financial loss. Increased employer contribution costs. Notes 13/08/2019 - Wording of risk updated and category added. 25/02/2020 - Wording of mitigation updated to reflect delay in producing handbook due to delay in new website	Inherent status : 16 High Current status : 12 Medium (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Financial Last review: 21 June 2023 Latest review details Review of controls	Green The Investment Strategy is set in accordance with LGPS investment regulations and takes into account the Fund's Liabilities Green The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee. Green DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy. Amber An Annual Training Plan for 2023/24 is yet to be approved by committee. Training programmes are available for Committee Members and Investment Staff. This can be delivered virtually where required Green Members and Officers are encouraged to challenge advice and guidance received when necessary. Green Sharepoint site dedicated to training and knowledge in development is in place

Risk details	Status and Risk owner	Mitigating controls
		Green An induction session and pack will be provided for new members of the Committee and Board.
F 2: Funding and Investments Cause: The Pension Fund's investment strategy / strategic asset allocation fails to produce the required returns. Event: Volatility in the global and/or UK economy due to e.g. geo-political instability, changes to interest rates, Brexit, etc. Impact: Financial loss. Insufficient funds available to meet future obligations. Notes 13/08/2019 - Wording of risk updated and category added.	Inherent status : 20 High Current status : 15 High (↔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Financial Last review: 5th April 2023 Latest review details Mitigations remain in place	Green Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2022 actuarial valuation includes provision for the fund to achieve full funding over 15 years. Green The funding level is updated on a quarterly basis, based on roll forward of the Triennial valuation data and subsequent investment returns, pension and salary increases and reported to the Committee. Green The investment strategy is reviewed annually by the Pension Fund Committee with advice from the External Investment Advisor to determine whether any action needs to be taken to amend the fund's asset allocation strategy. Green The Fund's investments are diversified across a range of different types of assets and globally to minimise the impact of losses in individual markets. Green Fund-specific benchmarks and targets are set. Assets are under regular review as part of the fund's performance management framework Green Long term nature of the Fund provides some mitigation as the volatility caused by issues such as Brexit will reduce over time.

Risk details	Status and Risk owner	Mitigating controls
		Green External review of the Fund's investment strategy is commissioned at minimum every three years. The last review was undertaken by Mercers who presented their review to the Investment and Pension Fund committee in February 2022.
F 3: Funding and Investments Cause: Collapse of Fund manager, investment arrangements are structured poorly, fraud. Event: The fund is exposed to unnecessary risks and avoidable costs. Impact: Financial loss. Notes 13/08/2019 - Risk wording updated and category added.	Inherent status : 10 Medium Current status : 8 Low (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023 Latest review details Controls reviewed and confirmed	Green The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. Green The new cost transparency initiative should ensure full transparency of costs Green Specialist services (e.g. transitions, currency transfers) are considered where appropriate in order to reduce costs. Green The Investment and Pension Fund Committee will monitor investment arrangements under Brunel to ensure they provide for effective risk management and risk adjusted returns across the portfolios. Green Fund managers are required to be fully compliant with FCA, PRA and other regulatory requirements. Green The risk that a fund manager cannot provide a service during windup is mitigated by the availability of transition management arrangements put in place by the Brunel Pension Partnership.
F 4: Funding and Investments Cause:	Inherent status : 15 High Current status : 8 Low (Unchanged)	Green The Fund requires the Brunel Pension Partnership, and its other fund managers, to monitor and manage the risks associated with

Risk details	Status and Risk owner	Mitigating controls
Inadequate risk management policies on Environmental, Social and Governance Issues. Lack of awareness/training. Event: The fund fails to manage environmental, social and governance risks. Impact: Financial loss. Damage to reputation. Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated	Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 21 June 2023 Latest review details New control added	ESG issues, and will review with managers on a regular basis how they are managing those risks. Brunel has a leading reputation for responsible investment. Green The Fund will engage (through Brunel, its asset managers, the Local Authority Pension Fund Forum or other resources) with investee companies to ensure they can deliver sustainable financial returns over the long term. Green The Fund holds annual meetings for both employers and scheme members to provide the opportunity for discussion of investment strategy and consideration of non-financial factors. Green The Fund is accredited by the FRC as a signatory to the UK Stewardship Code
F 5: Funding and Investments Cause: Global financial crisis. Substantial political changes. Event: The market crashes, reducing the value of investments. Impact: The deficit increases, or there is a failure to reduce the deficit. Financial loss. Increased employer contribution costs.	Inherent status : 20 High Current status : 16 High (⇔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Financial Last review: 5th April 2023 Latest review details (F6) Controls reviewed and confirmed	Green The fund is well diversified and consists of a wide range of asset classes which aims to mitigate the impact of poor performance from an individual market segment. Green Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. Green The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced.

Risk details	Status and Risk owner	Mitigating controls
Notes 13/08/2019 - Risk wording updated and category added.		
F 6: Funding and Investments Cause: Substantial changes to UK or global economies. Event: Pay and price inflation are higher than anticipated. Impact: There is an increase in liabilities which exceeds the previous valuation estimate. Notes 13/08/2019 - Risk wording updated and category added.	Inherent status : 16 High Current status : 12 Medium (↔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 5th April 2023 Latest review details (F7) Controls reviewed and updated	Green The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. Green Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees. Green The Fund is increasing its target allocation to investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases. Green Inflation risk was addressed in the strategic reviewed undertaken by Mercer which was presented to the Investment and Pension Fund committee in February 2022.
F 7: Funding and Investments Cause: Public services are cut and ill health increases. Event: There is an increase in the number of early retirements. Impact: There is an increase in liabilities which exceeds the previous valuation estimate.	Inherent status : 9 Low Current status : 6 Low Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 5th April 2023 Latest review details (F8)Controls reviewed and confirmed. Risk score reviewed and revised	Green Employers are charged the extra capital cost of non ill health retirements following each individual decision. Green Employer ill health retirement experience is monitored.

Risk details	Status and Risk owner	Mitigating controls
Notes 13/08/2019 - Risk wording changed and category added.		
F 8: Funding and Investments Cause: The average life expectancy of pensioners is greater than assumed. Event: The actuarial assumptions are incorrect. Impact: There is an increase in liabilities which exceeds the previous valuation estimate. Notes 13/08/2019 - Risk wording updated and category added.	Inherent status : 12 Medium Current status : 9 Low (↔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 12 Jan 2023 Latest review details (F9) Controls reviewed and confirmed.	Green Life expectancy assumptions are reviewed at each triennial valuation. For the 2022 Valuation this included a review of the impact of COVID19 on mortality. Green Mortality assumptions include an allowance for future increases in life expectancy. Green Data used for the 2022 valuation suggest that life expectancy improvements are slowing down
F9: Funding and Investments Cause: Inadequate training. Availability of staff. Cashflow issues for employers Event: Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately. Impact: There are increased costs across all remaining scheme employers.	Inherent status : 12 Medium Current status : 9 Low (↔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023 Latest review details (F10) Review of controls	Green The team has procedures in place to monitor the receipt of contributions to the fund. Green The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately. Green Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments. Green Contribution monitoring report is presented to the Pensions Board at each meeting for review

Risk details	Status and Risk owner	Mitigating controls
Notes 13/08/2019 - Risk wording updated and category added.		
F10: Funding and Investments Cause: An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value. Event: Departing employer does not fully meet their liabilities. Impact: Increased costs across the remaining scheme employers. Notes 13/08/2019 - Risk wording updated and category added.	Inherent status : 12 Medium Current status : 6 Low (↔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Financial Last review: 5th April 2023 Latest review details (F11) Controls reviewed	Green Vetting prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required. Green The Actuary has an objective of keeping contributions as stable as possible whilst ensuring the long term solvency of the Fund. Green Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. Green The actuarial valuation attempts to balance recovery period with risk of withdrawal. Green If necessary, appropriate legal action will be taken. Green Bond levels for each relevant employer and Employer covenant risks are re-assessed following each triennial actuarial valuation. Green Following changes to regulations, new policies have been put into place with regard to Deferred Debt and Debt Spreading Agreements. These will assist in managing exiting employer deficits.
F11: Funding and Investments Cause:	Inherent status : 12 Medium Current status : 8 Low (↔ Unchanged)	Amber Currently much of the EU regulation has been retained in UK law following Brexit although this could change

Risk details	Status and Risk owner	Mitigating controls
Failure to meet regulatory requirements Event: Updated Legislative and regulatory requirements. Impact: Additional work to ensure compliance. Fines for noncompliance. Damage to reputation. Loss of members. Notes 13/08/2019 - Risk wording updated and category added.	Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Compliance Last review: 5th April 2023 Latest review details (F14) Controls reviewed	Green Officers receive regular briefing material on regulatory changes and attend training seminars and conferences, in order to ensure that any regulatory changes are implemented in the management of the Fund. Green All the Fund's current fund managers and financial counterparties have accepted Devon's application for elective professional client status Green Robust training plan to ensure committee and officers have required knowledge and experience to meet the qualitative criteria to opt up.
F12: Funding and Investments Cause: Remedies resulting from McCloud and Sargeant legal cases. Event: Significant additional pension liabilities for the Fund. Impact: Increased employer contribution costs. Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.	Inherent status : 10 Medium Current status : 10 Medium Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 5th April 2023 Latest review details (F16) Controls updated now valuation finalised and annual pension increase confirmed	Green Employer costs from the 2022 valuation has included estimated impact of McCloud Green CPI revaluation on CARE benefits currently high which will result in the McCloud guarantee applying to less members though actual impact unknown until the member leaves
F13: Funding and Investments Cause: Climate Change	Inherent status : 16 High Current status : 12 Medium (⇔ Unchanged)	Green 100% of Brunel's portfolios, across all asset classes, are carbon and climate aware. Consideration of climate change impacts is

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Risk details	Status and Risk owner	Mitigating controls
Event: Impact on investee companies of the consequences of climate change and the transition to a low carbon economy Impact: Financial loss and/or failure to meet return expectations Increases employer contribution costs	Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Last review: 21 June 2023 (F17) Controls reviewed and updated	fully embedded into their manager selection process Green Brunel integrates climate change into their risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, and seek to reduce unrewarded climate and carbon risk. Green The Devon Fund requires its non-Brunel investment managers (Infrastructure and Private Debt) to take climate change risks into account and report back regularly. Green The Devon Fund will undertake an annual assessment of the carbon footprint of its investments. The assessment as at 31 December 2022 showed a 45% reduction in the Weighted Average Carbon Intensity of the Fund's equity investments compared with 31 March 2019 Green The Investment Strategy Statement contains the Fund's approach to Climate change and adopts the Brunel Climate change policy Completed The Fund has moved its UK and Smart Beta passive allocations to new UK Climate Transition and Global Paris Aligned funds to significantly reduce exposure to fossil fuel reserves. Not Started – Investment Committee agreed to move the UK and World developed passive

Risk details	Status and Risk owner	Mitigating controls
		allocations to the Global Paris Aligned Benchmark fund
F14: Cyber Security Cause: Cyber Attack Event: Loss of access to key systems Impact: The fund cannot continue to operate and deliver its propriety services following a disaster, IT incident or data loss scenario	Inherent status : 20 High Current Status: Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Last review: 20 Jan 2023	Green - Logotech system is a hosted system which is backed up daily. System can be accessed via non DCC computers in the event of a disaster recovery situation. Green – Supplier Contract management - Business Continuity Plan in place as well as incident response plans, penetration testing which are all tested annually. Green – Brunel's cyber security arrangements have been audited by Deloitte which came back positive. Annual assurance framework in place with Brunle Green - All staff have completed mandatory cyber security training Green - All pensions and investment committee members and pension board members have received cyber security training Not Started - Business Continuity Plans include supplier contact details and plan to be tested every 12 months. The plan is reviewed by the Pensions Board.
G1: Governance Arrangements Cause: The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board.	Inherent status : 12 Medium Current status : 8 Low (↔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 5th April 2023	Green DCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008. Green The Governance Policy and Compliance Statement is reviewed and updated regularly and scheme employers are consulted to ensure that the policy remains appropriate.

Risk details	Status and Risk owner	Mitigating controls
Event: The administering authority is non compliant with legislation and/or best practice. Impact: There is an inability to determine policy. There is an inability to make effective decisions. There is an inability to deliver service. Negative impact on reputation. Notes 13/08/2019 - Wording of risk updated.	Latest review details Controls and risk score reviewed	Green The Statement is published on the Devon Pensions website: https://www.devonpensionfund.org.uk/fund-policies/important-documents/ Green Pension fund stakeholders are made aware of the Statement. Green DCC has appointed an Investment and Pension Fund Committee to discharge the duties of the Council as Administering Authority of the Pension Fund. Green The Committee review and approve the annual statement of accounts of the Devon Pension Fund, consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from any audit that need to be brought to the attention of the Council. Green A Pension Board has been established as required by the Public Service Pension Act 2013. Green Support and training are being provided to ensure that the Board is equipped to undertake its role.
G2: Governance Arrangements Cause: Poor governance arrangements. Event: The Investment and Pension Fund Committee and Pension Board are unable to fulfil their responsibilities effectively.	Inherent status : 12 Medium Current status : 9 Low (⇔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023	Green The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills, and regular training is provided to ensure that members have the level of understanding required. Green An Annual Training Plan is agreed by the Committee and Pension Board on an

Risk details	Status and Risk owner	Mitigating controls
Impact: Non-compliance with legislation and/or best practice. There is an inability to determine policy, make effective decisions and/or deliver service. There is a risk to reputation. Possibility of fines/sanctions. Notes 13/08/2019 - Wording of risk updated and category added.	Latest review details Controls and risk score reviewed	annual basis. The plan has been adapted to ensure provision of on-line sessions given the Coronavirus pandemic Green A training and induction programme is available for new Committee and Pension Board Members. Amber Some Committee members have yet to complete the Pension Regulator Public Sector Pensions Toolkit Green The Fund subscribes to relevant bodies (e.g. CIPFA, LAPFF, PLSA) and sends representatives to major conferences. Green DCC organises at least two training days per year for Investment and Pension Fund Committee and Pension Board members, with an additional engagement day being held with the Brunel Pension Partnership. Green Committee and Pension Board members are made aware of and adhere to the Governance Compliance Statement, and are encouraged to identify training requirements. Green Following a request by the Pension Board, officers have produced a web based handbook to act as a knowledge hub
I1: Internal Cause: Concentration of knowledge in a small number of staff.	Inherent status : 16 High Current status : 12 Medium (⇔ Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler	Green The Investment Manager is able to cover in the absence of the Head of Investments

Risk details	Status and Risk owner	Mitigating controls
Event: Loss of staff leading to a breakdown in internal processes and service delivery. Impact: Financial loss and potential risk to reputation. Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.	Category: Strategic Last review: 12 Jan 2023 Latest review details Controls and risk score reviewed	Green Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. Green Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. Green A formal training record for officers is maintained centrally. Green A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken. Green The Devon Investment Services procedure manual will continue to be refined and updated on an ongoing basis. Green The review of CIPFA's knowledge and skills framework relating to officers should result in key outcomes being delivered.
I2: Internal Cause: Inadequate treasury management practices. Event: Fraud, corruption or error. Impact: Risk of financial loss. Damage to reputation. Notes 13/08/2019 - Risk wording updated and category added.	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023 Latest review details Controls reviewed and remain appropriate	Green Counterparty transactions are authorised by senior staff outside of the investment team. Green All staff are covered by fidelity insurance up to £15 million Green Sufficient members in the team to cover absence and leave Green Appropriate separation of duties exists. Green Treasury Management Practices are reviewed and updated regularly.

Risk details	Status and Risk owner	Mitigating controls
		Green Up to date financial regulations and practices. Green Processes in place ensure that all elements of the daily treasury management activity can be carried out remotely away from the office. Green Annual internal audit undertaken which achieved substantial
PP – Readiness for connection to Pensions dashboards Cause(s)- Lack of resource/capacity to fully implement the required changes in a timely way; Delays in receiving national guidance. Event Peninsula Pensions is not fully prepared for connection to Pensions dashboards Impact(s) – Scheme members experience delays in connections to dashboards In the absence of connection to dashboards Members planning for retirement could experience delays in identifying their pensions/understanding the value of their pensions Reputational impact to Peninsula Pensions Possible legal implications (fines/penalties) for Peninsula Pensions	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Compliance Last review: 18 May 2023 Latest review details Initial score and mitigating controls input	Green Internal project team in place Green Communications to employers and members

Risk details	Status and Risk owner	Mitigating controls
PP – Readiness for implementation of changes relating to the McCloud judgment Cause(s) – Lack of resource/capacity to fully implement the required changes in a timely way; Delays in receiving national guidance. Event – Peninsula Pensions is not fully prepared for implementation of the legislative changes (remedy) following the McCloud judgement. Impact(s) – Scheme members experience delays in the 'remedy' being applied Financial impact to scheme members Reputational impact to Peninsula Pensions Possible legal implication (fines/penalties) for Peninsula Pensions	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Compliance Last review: 18 May 2023 Latest review details Initial score and mitigating controls input	Green Internal project team in place Green Data cleansing activity underway including with employers Green Communications to employers and members

Risk details	Status and Risk owner	Mitigating controls
PP 1 - Annual Benefit Statements Cause/s Staffing Absences ICT Failures Poor data quality Event Annual Benefit statements are not sent to active and deferred members by 31st August. Impact Fines from the regulator Damage to reputation Increased complaints from Members Increased demand on resources to rectify the situation Creation of a backlog of other tasks due to diverted resource.	Inherent status : 8 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green • Project management approach • Regular contact with employers to obtain data. • Monthly interfacing to reduce workload at year end • Statements to employers for 31/07 to allow time for distribution to staff prior to 31/08 Amber Following the completion of the historic data sign off exercise, employers will move to monthly interfacing which will reduce the number of queries at year-end. Target date for completion is 31st March 2023.

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Risk details	Status and Risk owner	Mitigating controls
PP 2 - Failure to provide basic information about the LGPS Cause/s Inability to access basic LGPS information via the website due to IT issues or non publication. Starter Packs not being sent and/or received by members. General scheme literature not being made available to members. LGPS Administration team not informed of new members. Event Failure to make available provide Basic information about the LGPS including: how benefits are worked out; how member and employer contributions are calculated. Impact Negative reporting by or fines from the Pension's regulator. Damage to reputation.	Inherent status : 10 Medium Current status : 8 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate Risk reviewed by the Pension Board on 7th Feb 2023	Green Reviews of documentation/letters Green Website regularly updated Completed Links to Pension Funds investment information and LGPS included on website Completed A revised New Starter pack has been designed and is now provided to members Completed Our methods and content of communication will be reviewed to ensure that members and employers are provided with accurate and relevant information.
PP 3 - Non-compliance with legislation and failure to correctly implement new legislation and regulations Cause Lack of structure/process to identify new legislation as it is released. Event Non-compliance with legislation/regulations. Impact Incorrect benefit payments. Damage to reputation. Fines from Regulators.	Inherent status : 12 Medium Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green LGA/External training Green Project work approach to implementation of legislative changes. Green In house training for all staff. • Use of Perspective and Bulletins Completed A Training and Technical team is now in place, following the Pension Review. The team has commenced delivering training across the teams.

Risk details	Status and Risk owner	Mitigating controls
PP 4 - Failure of employing authority to provide timely and accurate member data Cause Employing authorities not fulfilling their responsibilities. Event Delays in the provision of pensions member data. Inaccuracies in the pension member data. Impact Incorrect benefit calculations. Financial Loss due to compensation to members. Incorrect benefit payments Delays to payments Additional work to request and correct information	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green Pension Administration Strategy in place since April 2015 and was revised in 2020. Employer duties are clearly identified in the PAS. Ability to fine employers is provided for in PAS and LGPS regulations. Green Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors. Green Outstanding data queries are passed to Employer and Communications Team to monitor Completed Guidance available on website Green Individual employer meetings include review of employer performance Completed An Employer and Communications team is now in place. The team will consider employer performance and take action to address any issues, as required.

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Risk details	Status and Risk owner	Mitigating controls
PP 5 - Withdrawal of support for Employer Self Service Cause Pensions software provider withdrawing support for ESS Event Employers will no longer be able to access member records, run estimates or submit and receive information via ESS. Impact Increased workloads and reduced efficiency for PP which may result in delays in information being provided to employers, possible breaches and an increase in complaints.	Inherent status : 12 Medium Current status : 8 Low Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green Software provider is required to give 12 months' notice before any change to the contract Amber Consideration is being given to a number of options. The development of an internal solution is being prioritised to ensure continued service delivery. The E&C team have commenced work on this project and are aiming to have a solution in place by 31/12/2022 Completed New internal interface solution in place January 2023

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Risk details	Status and Risk owner	Mitigating controls
PP 6 - Communication of Entitlements Cause Insufficient communication and engagement with LGPS scheme members/employers. Event Employers and or Members are not made aware of their entitlements within LGPS resulting in Non-compliance with legislation and/or best practice. Impact Inability to determine policy Employees not joining the scheme. Inability to make effective decisions and/or deliver service	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green The Peninsula Pensions website is kept up to date Green Meetings between PP managers and Communications team on a regular basis, with a communications plan and strategy for the year ahead Green Meetings are held with the Funds Employing Authorities and on request for training Green Benefit illustrations are sent annually to contributing and deferred Fund members Green The contact list for employers is updated regularly. Green Annual forums are held for employers and Trade Unions Green The annual report and accounts are published on the Peninsula Pensions website Amber A Communication Policy exists for the Devon Pension Fund, which includes Peninsula Pensions. The Peninsula Pensions Senior Management team are considering creating a separate communication policy for Peninsula Pensions which will be brought to the Board for consideration during 2023

Risk details	Status and Risk owner	Mitigating controls
PP 7 - Non Payment of Pension Benefits Cause Systems Failures Lack of information from employers Poor internal processes Event Pension benefits are not paid. Impact Damage to Reputation. Financial loss arising from compensation claims.	Inherent status : 12 Medium Current status : 8 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green The payroll system is set up to pay pensioners monthly. Green Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure Green The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems. Amber Fully updated Pensioner Payroll Manual is now in place. An online training resource is being developed and will be completed during 2022.
PP 8 - Payment to deceased pensioners Cause LGPS Information is not updated as circumstances change. Poor internal processes. Event Pension benefits continue to be paid to deceased pensioners. Impact Damage to Reputation. Financial loss arising from overpayments. Additional resource to recover funds	Inherent status : 8 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green All pensioners are contacted annually. Green Pension suspended if post is returned Green Pensioners are incorporated into National Fraud Initiative Green Further targeted checks are conducted with credit reference agencies as appropriate Green Monthly mortality screening is undertaken and any positive matches are ceased immediately Green Western Union overseas existence service undertaken bi annually Green Tell us once service has been rolled out to LGPS. All relevant staff now have access and we are using fully utilising the service.

Risk details	Status and Risk owner	Mitigating controls
PP10 - Data and System Security Cause Insecure pensions and administration data. Event Loss/disclosure of Sensitive Data/Information. Impact Financial costs from legal action. Fines from ICO.	Inherent status : 9 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 18 May 2023 Latest review details Review by Rachel Lamb and minor updates/enhancements made to the risk mitigating controls	Green Access and security controls exist and the system is tested regularly by Heywoods and PP. Responsible Offier: Systems Development Officer Green System controls in place including systems access controls, approval/workflow controls and audit trail. The system is subject to regular checks by internal audit. Green In-house GDPR training is delivered to all new and existing team members on an annual basis to ensure that staff are fully aware of requirements under the data protection legislation. In addition to this, all staff are required to complete DCC's GDPR and DCC's mandatory Cyber Security e-learning assessment annually.
PP11 - Personal Member Data Cause Error when printing/sorting/compiling data. Poor internal processes. Event Information issued to the wrong person/organisation. Impact Financial Costs from legal action. Fines from ICO.	Inherent status : 9 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's data protection policy. Green In-house GDPR training is delivered to all new and existing team members on an annual basis to ensure that staff are fully aware of requirements under the data protection legislation. In addition to this, all staff are required to complete DCC's GDPR e-learning assessment annually. Completed Internal e-Learning training 'Sharing personal data' was also undertaken by whole office during March 2018. All staff are required to complete DCC's e-learning assessment annually.

Risk details	Status and Risk owner	Mitigating controls
PP12 - Knowledge Management Cause Departure or non-availability of staff who hold key knowledge. Event Breakdown in internal processes and service delivery. Impact Financial Loss due to costs of obtaining resource, or delays/inefficiencies in existing processes. Reputation Damage.	Inherent status : 16 High Current status : 12 Medium (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Strategic Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by Devon Pension Board on 7th Feb 2023	Green Knowledge of all tasks are shared by at least two team members and can in addition be covered by senior staff Green Training requirements are set out in job descriptions. Amber The Training and Technical team have created training and procedure notes for the team covering all major processes. These will help to ensure consistency across the teams and will assist with the training of new recruits. Training notes are kept under review and updated as and when regulations come into effect.

Risk details	Status and Risk owner	Mitigating controls
PP13 - Scheme Membership Data Cause Incorrect information from employers. Fraudulent provision of data. System errors Poor internal processes. Event Unauthorised or invalid payments. Impact Financial loss Reputational Damage	Inherent status : 9 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green Information and instructions are only accepted from authorised sources. Green Employers and scheme members are required to review and confirm membership records annually Green Benefit calculations are checked by senior colleagues and are subject to independent authorisation Green All transactions comply with DCC financial regulations and are subject to independent authorisation Green All staff are covered by fidelity insurance up to £15 million Green Members approaching 75 are separately identified monthly Green Data accuracy checks undertaken by the systems team including address / NINO checks Completed Employer Self Service introduced. Amber Employers are currently in the process of undertaking a historic data sign off exercise. Once an employer has been signed off, they will move to monthly data submissions. Target date for completion is 31st March 2023.

Risk details	Status and Risk owner	Mitigating controls
PP14 - Compliance with Disclosure Regulations Cause Requirement to issue information within a certain timescale after a request/event. Event Failure to comply with disclosure regulations and to process accurate pension benefit payments in a timely manner. Impact Complaints which take up time to resolve. Additional Time spent chasing data Regulator Fines Compensation costs for members	Inherent status : 9 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green Robust workflow management system in place. Green Payroll deadline procedures in place Green Item in Business Continuity/Disaster Recovery Plan Green Participate in National Fraud Initiative (NFI) Green Life Certificates exercise carried out /mortality checks Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies. Target date for completion 31/12/22 (with ongoing reviews and development after this date).
PP15 - Fraud, Corruption and Error Cause Poorly designed or implemented management practices/processes. Staff deliberately updating or providing fraudulent data. Event Fraud, corruption or error. Impact Financial Loss Reputational Damage	Inherent status : 12 Medium Current status : 9 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green Transactions are authorised by senior staff Green All staff are covered by fidelity insurance up to £15 million Green Sufficient members in the team to cover absence and leave Green Heywoods Audit trace report Green Appropriate separation of duties exists Green Up to date regulations and practices Green Internal and external audit checks performed to ensure that appropriate and effective controls are in place

Risk details	Status and Risk owner	Mitigating controls
PP16 - Loss of Shared Service Partner Cause Shared service partner choosing to use a different pensions administrator. Event Peninsula pensions no longer operates on the same scale. Impact Reputational Damage. Loss of staff / redundancies.	Inherent status : 9 Low Current status : 9 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Strategic Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by Devon Pensions Board on 7th Feb 2023	Green Constant assessment of Performance Green Quarterly Shared Service meetings with key Fund colleagues Green Regular meetings between Peninsula Pensions and Employers Green Employer Newsletters Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies. Target date for completion 31/12/22 (with ongoing reviews and development after this date).
PP17 - Pensions System Failure Cause Connection issues. Supplier fault Cyber Attack. Event The hosted Altair pensions system fails. Impact • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action	Inherent status : 15 High Current status : 10 Medium (-5) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 18 May 2023 Latest review details Review by Rachel Lamb and enhancements made to the risk mitigating controls and new control added.	Green The system is backed-up daily. System is hosted by Heywoods Green A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually. Green Supplier management – Business Continuity Plan in place, along with incidence response plans, penetration testing and an annual disaster recovery test. In addition other documentation is provided with assurances of most recent UKAS certified body ISO (currently 27001) / cyber essentials / SOC2 compliance

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Risk details	Status and Risk owner	Mitigating controls
PP18 - Cyber Attack Cause Cyber-attack on the Pensions ICT systems and or host systems. Event Loss of system access. Theft of confidential/personal data. Impact Inability to make payments to members. Fines from the ICO. Financial loss. Loss of membership data. Disclosure of sensitive data.	Inherent status : 15 High Current status : 10 Medium (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 18 May 2023 Latest review details Risks score and controls reviewed by Rachel Lamb	Green Ensure that the relevant people are suitably vetted and trained, that administrators and service providers have measures in place to avoid security breaches Green A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually Green Information from The Pensions Regulator: You can assess how secure your scheme is and find out more about protecting yourself on the government's Cyber Essentials website. And for more information about protecting against cyber threats, visit the National Cyber Security Centre's website.
PP19 - Member Self Service Cause Member Self Service access is compromised due to insecurity or lack of maintenance. Event Data is accessed and or obtained inappropriately. Impact Damage to reputation Loss of data Fines from ICO.	Inherent status : 9 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023	Green Information and Instructions are only accepted from authorised sources Green It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's Data Protection Policy Green Regular penetration testing Green Secure website (annual license renewal)

DF/23/84
Investment and Pension Fund Committee
15 September 2023

TRAINING REVIEW 2022/23 AND TRAINING PLAN 2023/24

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

1) Recommendation

That the Committee is asked to approve and adopt the 2023/24 Training Plan.

2) Introduction

2.1 The Devon Pension Fund has had a longstanding commitment to training for Committee and Board members to ensure that they have the skills and understanding required to carry out their stewardship role. This is vital to ensure the effective governance and management of the pension fund. In support of this the Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

2.2 In addition, there are specific requirements for members of the Pension Board. In accordance with Section 248 of the Pensions Act 2004, every individual who is a member of a Local Pension Board must:

- Be conversant with the rules of the LGPS;
- Be conversant with any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund;
- Have knowledge and understanding of the law relating to pensions;
- Have knowledge and understanding of such other matters as may be prescribed.

2.3 The Pension Board will comply with the requirements of the Pensions Act 2004, including compliance with the Scheme Advisory Board Knowledge and Skills framework, the agreement of an Annual Training Plan and shall report on members' attendance at training events.

2.4 The current Government consultation on "next steps for Investments" has reiterated the importance of committee members being well trained and a further consultation on good governance is expected at some point, although it keeps being delayed. We anticipate that the knowledge requirements that currently apply to the pension board will be extended to members of the Investment and Pension Fund Committee.

3) Training 2022/23

3.1 Several training sessions were held during 2022/23 for members of the Investment and Pension Fund Committee and Devon Pension Board. Dates and a summary of items covered are detailed below:

Pension Fund Training Event – 27th May 2022
- LGPS update
- Climate Scenario Analysis
- Actuarial Valuation
- Global Economy overview
- Climate Change Policy stocktake

Brunel Investor Day – 28th September 2022
- Macro outlook
- Emerging Markets
- Long termism and sustainability
- Investing with Profit and Purpose
- Stewardship

Pension Fund Training Event – 3rd November 2022
- Actuarial Valuation results
- LGPS update
- Global economic outlook
- Administering Authority Discretions
- Impact investing and levelling up
- Devon Fund long term performance

4) Proposal

4.1 The 2023/24 Training Plan is attached at Appendix 1 and sets out a proposal for training to be provided over the year in order to ensure that members of both the Investment and Pension Fund Committee and the Pension Board have the knowledge and skills required in accordance with the CIPFA Code.

4.2 As the Committee will be aware, the first event happened in July. The next scheduled event is the Brunel Investor day on 20th September and committee and board members have been made aware of the details.

4.3 In anticipation of the requirement for committee members to have completed the Pension Regulator's Public Sector toolkit, officers will focus on providing this training to ensure compliance.

4.4 A training needs analysis will be undertaken in due course in order to identify areas of training for future events. Officers have reviewed the Training plan to ensure that it reflects current best practice.

5) **Conclusion**

5.1 The Committee is asked to approve and adopt the training plan for 2023/24.

Angie Sinclair
Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Appendix 1

Devon Pension Fund Training Plan 2023/24

Devon County Council

1 Introduction

The Devon Pension Fund has had a longstanding commitment to training for those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This has included regular events to cover the latest developments in the LGPS, investment strategy and performance monitoring. In February 2014, the Investment and Pension Fund Committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Investment and Pension Fund Committee and the Devon Pension Board receive appropriate training in order to carry out their roles effectively.

Following completion of the Good Governance Project undertaken by the Scheme Advisory Board, it is anticipated that it will become mandatory for both committee and pension board members to have completed the Pension Regulator's Public Sector Toolkit modules within six months of appointment.

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next year.

2 Knowledge and Skills Framework

There are six areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for LGPS funds. They are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practices.

Members of the Investment and Pension Fund Committee and the Pension Board are expected to have a collective understanding and senior officers are expected to have expertise of these areas of knowledge and skills.

3 Pension Board Specific Requirements

Under the regulations the members of the Pension Board are required to have the capacity to take on the role. In addition, in accordance with Section 248A of the Pensions Act 2004, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations);
- Be conversant with any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund;
- Have knowledge and understanding of the law relating to pensions;
- Have knowledge and understanding of such other matters as may be prescribed.

4 Committee and Pension Board Training

Training for the Investment and Pension Fund Committee and the Pension Board during the year will focus on the following areas:

1. **The six areas of the Knowledge and Skills framework** – These will continue to be a major area of focus, with training focused on gaps in knowledge identified through the annual training needs analysis exercise. In addition, the Pensions Regulator Public Sector toolkit and introduction to investment module will provide good foundation knowledge and all members of the committee and pension board are required to complete this training and achieve full accreditation in anticipation that this will soon be a statutory requirement. Officers will continue to work with the Devon County Council Member Development Officer and individual Committee and Board members to ensure that they have the skills and knowledge required.
2. **Brunel Pension Partnership** – Training and briefings will continue to be provided regarding pooling and the service provided by the Brunel Pension Partnership. The training will focus on performance on investment and how Brunel manage Environmental, Social and Governance (ESG) issues. The training will aim to ensure that the Committee and Board are able to effectively monitor the ongoing operation of the company to ensure it is providing the required level of service in a cost-effective manner.
3. **Potential new investment opportunities** – Training will be provided on new areas of investment that may be considered by the Committee. Sessions will be provided to keep Committee and Pension Board members up-to-date with the latest market developments, and look at the Fund's long-term performance.

4. **Regulatory / Legislative Changes** – Training will be provided on the implications of any legislative and regulatory changes. This will include anticipated new regulations and guidance on climate reporting, governance and any new initiatives related to investment pooling.
5. **Training manual** – Online resource covering a base level of knowledge required of pensions and the Devon Fund and covers topics included in The Pension Regulator toolkit.

Training will be delivered through the following events to be held during the year.

Devon Pension Fund Training - July 2023

In person training event which will include pension administration and the latest regulatory changes and an update on financial markets and economic outlook.

The Pension Regulator Toolkit Training and investments module – as required

An opportunity for those new to the investment committee or pension board, those who have not yet completed the online toolkit or for those simply wanting a refresher to review the contents of the toolkit with officers.

Brunel Investor Days– Autumn 2023

A further joint event is planned to be held with other LGPS funds within the Brunel pool to provide a further update on the Brunel Pension Partnership. This will focus on the portfolios and services being provided by Brunel including market analysis and stewardship and climate change policies.

Devon Pension Fund Training Day – Autumn 2023

Further training will be provided to include an update on financial markets and economic outlook, administration and the latest regulatory changes and areas of training highlighted as a result of a training needs analysis.

Other Training

Training needs analysis will be undertaken annually to help identify training gaps in individual members' knowledge. Any gaps will be addressed in future training plans. Any areas identified that will not be met by the core training described above, then additional training can be accessed to meet those needs.

Specific training can be identified for the Chairman of the Investment and Pension Fund Committee and the Pension Board to support them in their role if required. In addition, induction training will be provided for all new members of the Committee and Pension Board.

Resources are available to meet all the training requirements outlined above.

Following the Covid pandemic, many courses and events are now made available online. Committee and board members are particularly encouraged to sign up for these events as advised by officers when events become available.

5 Officer Training

It is important that officers have the required training to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Senior Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have expert knowledge of the six areas of the framework.

Senior officers will attend relevant conferences and seminars during the year to ensure that they remain up-to-date with the latest requirements. In addition, they will be expected to keep up to date through use of the internet, and conduct research on relevant issues where required. All staff will have specific training identified to meet assessed requirements. Individual training plans will be put in place and these will be recorded and reviewed as part of the annual appraisal process.

A central training record will be maintained by each of the Investment Team and Peninsula Pensions of the events attended and training received by all members of staff.

For senior officers, there will be a particular focus on the following areas:

1. **Governance** – Understanding the new governance requirements resulting from the Good Governance Project when they are issued for consultation and ultimately enacted in revised regulations.
2. **Investment Arrangements** – the latest pooling guidance and its impact on the relationship with the Brunel Pension Partnership. Further developing the contract management skills required to manage the relationship with the Brunel company.
3. **Climate Change and ESG** – Understanding the new requirements under Taskforce for Climate-related Financial Disclosures (TCFD). It is anticipated that new regulations and guidance will be issued during 2023/24 following the consultation in Autumn 2022.
4. **New Investment Products** – Keeping up-to-date with what the market is offering, in order to assess the validity of new products for investment by the Devon Fund.
5. **Accounting Issues** – Keeping up to date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report, including new requirements resulting from investment pooling.
6. **Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
7. **Pensions Admin Systems** - Keeping up to date with updates/new releases to our software system Altair, passing down training to all staff.
8. **Wider Pensions Issues** – Understanding the impact of wider Government reforms to pensions, such as the dashboard project, the 95k redundancy cap and the McCloud remedy.

6 Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

Officers will monitor and implement the requirements arising from DLUHC guidance following the conclusion of the Good Governance project to ensure compliance and best practice is maintained.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 14

Document is Restricted