

INVESTMENT AND PENSION FUND COMMITTEE

2 December 2024

Present:-

Councillors J Morrish (Chair), J Trail BEM (Vice-Chair), Y Atkinson, H Gent, R Bloxham; and Mr R Franceschini

Present (virtual):-

Councillors M Brook and M Lowry; and Mr M Daniell

Apologies:-

Councillors G Gribble, M Hartnell and P Bialyk

Members attending in accordance with Standing Orders 8 and 25

Councillor J Hodgson

* **32** **Chair's Announcements**

At the request of the Chair, those in attendance held a moment of silence in respect of Mary Davis, former County Treasurer of Devon County Council, who had recently passed, and expressed best wishes to Mary's family.

* **33** **Declarations of Interest**

The Chair reminded Members they should declare any interests they may have in any item to be considered, prior to any discussion taking place on that item. The details of District and or Town and Parish Twin Hatters was on the attached list - [A list of county councillors who are also district, borough, city, parish or town councillors](#)

* **34** **Minutes**

RESOLVED that the minutes of the meeting held on 13 September 2024 be signed as a correct record.

35 **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **36** **Devon Pension Board**

The Committee noted the minutes of the Devon Pension Board meeting held on 21 October 2024.

* **37** **Brunel Oversight Board**

A comment was made by a trade unionist representative on the Committee regarding non-voting members of the Brunel Oversight Board, suggesting that increased influence by having a vote would be sensible given the ongoing discussions around Fund pooling arrangements, to ensure fund member representatives have a say in the future of these arrangements.

The Committee noted the minutes of the Brunel Oversight Board meeting held on 5 September 2024.

* **38** **Notice of Motion**

Councillor M Lowry declared a personal interest in this item by virtue of being an ex-employee and current shareholder of Babcock International Group, who he was in receipt of a pension from.

In accordance with Standing Order 8, Councillor J Hodgson attended the meeting and spoke to this item.

This Notice of Motion had been submitted to the County Council by Councillor J Hodgson and had been referred to the Investment and Pension Fund Committee in accordance with Standing Order 8(2) for consideration, to refer it to another Committee or make a recommendation back to the Council. The notice of motion is recorded below:

Further to withdrawing over £2 million in investments from companies selling arms to Israel. Devon County Council now commits to investigating withdrawing the £84 million that remains invested through its investments and pension funds in such companies, including Rolls Royce (£1,951,241), Barclays Bank (£12,889,533), BAE Systems (£4,969,449), and Babcock (£360,850).

Devon County Council seeks immediate withdrawal of these investments, particularly in light of the tragic loss of over 20,000 children in Gaza. Our pension fund should not support activities contributing to such atrocities.

Devon County Council seeks to fully divest from these companies and to uphold values of peace, justice, and ethical responsibility.

The Committee considered the factual briefing note on the matter (the Report of the Director of Finance and Public Value (DFP/24/122)) which briefed members on the motion and referred also to a petition received by the Council

with approximately one thousand signatories that was in support of the motion.

The report addressed an £84 million investment, referred to in the motion, by the Devon Pension Fund in companies that sell arms to Israel. It was highlighted that this seemed to be based on figures from 2021, since when significant changes to the Fund's investment strategy had been made. The report also referred to the Global Paris Aligned Fund which excluded certain companies including on the basis of the manufacture of controversial weapons, which the report defined.

Also referred to was the UN Guiding Principles on Business and Human Rights as a framework on engaging with companies doing business in high risk regions, including Gaza and the West Bank.

Officers advised, in reference to the report, that the Devon Pension Fund was not directly invested in the companies concerned, and that it would not be possible to divest the shares. Additional exclusions from the Paris Aligned Fund could be requested; however this would present challenges as the Fund's investments were based on a formula and had other investors, not just the Devon Pension Fund.

It was further explained to members that the Fund is a passive equity investment; this means that investment decisions are algorithmically dictated, and that there were no passive options currently available via Brunel that would omit the companies at issue. Moving to an active equity investment would mean higher fees, as these involve more of a human decision-making element, and possibly more risk of the Fund losing money.

Councillor Hodgson, who had submitted the Notice of Motion, referred to the destruction and loss of life resulting from the crisis in Gaza. Councillor Hodgson acknowledged the Committee's duty to ensure investment return for Pension Fund members and the complex nature of the Fund making it difficult to divest, but referred to the destructive impact of the Fund's investments that contributed to arms sales to Israel, and queried whether it being difficult to divest was a justification. Councillor Hodgson felt that the 'business as usual' approach was actively harmful in this respect and referred to a London borough, and other authorities, that had – or were in the process of – divesting from companies that contributed armaments to the Israel-Palestine conflict.

Members of the Committee referred to the difficulty of divesting, with some questioning the rationale behind a decision to divest. A member argued that to divest from a company only separates oneself from the problem; the shares still exist to be bought by someone else, and it would rid the Fund of the position – as a shareholder – of possibly having some role in lobbying companies to reduce their involvement in arms production.

Also referred to by members was a shift in the Fund's investment strategy over the few years prior which demonstrated a consideration of relevant social, political and environmental issues, including climate change and controversial weapons.

A member commented that the investment rules of the passive investment fund already excluded certain companies such as those heavily involved in fossil fuel extraction and tobacco production and felt that it should therefore be possible to exclude companies that, for instance, sell to governments that have been subject to certain judgements by bodies such as the International Criminal Court (ICC). It was noted by another committee member that Israel had not been found formally guilty of war crimes or genocide, so that, depending on the wording of any such regulation were it to be introduced, companies selling arms to them may not necessarily be excluded from investment.

There was comment on the role of the Investment and Pension Fund Committee, in particular their key role in looking after the financial interests of those that contribute their money to the Fund. A member referred to the petition submitted, noting a number of non-Devon signatories. This member felt that, on the basis of consulting with Fund members, to divest from such companies was not in line with the views of these members who consistently expressed having a secure and well-performing pension as a priority. It was argued that the Committee should not impose the personal views of some on the Fund in trying to dictate investment decisions.

Another member commented that making decisions in the public interest was, on their understanding, in line with the Council's fiduciary duty, and that, although protecting the investments of scheme members was vital, it was not the only consideration for the Committee.

It was expressed that pushing for discussions with Brunel and pool members would be pertinent in light of the controversies around the Israel-Palestine conflict and related investments, as the Committee naturally did not wish to be supporting war crimes. In relation, the UN Guiding Principles on Business and Human Rights, referred to in paragraph 3.10, were referred to as being a positive set of guidelines that the Committee should aim to adhere to.

It was **MOVED** by Councillor Trail, **SECONDED** by Councillor Bloxham and

RESOLVED that the Council be recommended to:

- (a) Express solidarity with the innocent people directly affected by the ongoing situation in Israel and Gaza;
- (b) Support the engagement activity undertaken on behalf of the Devon Pension Fund by the Brunel Pension Partnership with companies operating in high risk areas including Gaza and the West Bank to use their influence to promote positive human rights outcomes;

(c) Support the exclusion from investment portfolios of companies manufacturing controversial weapons (cluster bombs, biological and chemical weapons, antipersonnel landmines);

(d) Affirm the inclusion in the Pension Fund investment strategy of the allocation to the Global Developed Paris Aligned Equity Fund, as part of the commitment to work towards net zero investment portfolios; and

(e) Have officers and members engage in conversations with Brunel representatives and other pool members on ensuring that the UN Guiding Principles on Business and Human Rights, as set out in paragraph 3.10 of the report, are fully reflected in investment policies.

* **39** **Audit Report on the Pension Fund Statement of Accounts 2023/24**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/123) which updated members on the progress of the external audit of the Council's Statement of Accounts.

At the last meeting of the Committee, the Annual Report and Accounts for 2023/24 were approved pending approval of the Statement of Accounts by the Council's Audit Committee, and completion of the external audit.

The audit had since been completed, and audit opinions issued.

Members heard from a representative of Grant Thornton, that there were no material changes to draft financial statements which was a positive sign; members should have confidence that the information provided to them by officers, which did require a level of forecasting and estimation, was therefore accurate throughout the year.

Members noted the report.

* **40** **Government Consultation: Local Government Pension Scheme (England and Wales) Fit for the Future**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/124), on the Government's Local Government Pension Scheme consultation. The consultation sought views on proposals relating to the investments of the Local Government Pensions Scheme (LGPS) including asset pooling and UK and local investment. A draft response, submitted for approval by the Committee, was attached at Appendix 1 to the report.

Under the current proposals, officers advised that there were some concerns regarding the Fund being able to meet some elements of its fiduciary duty, despite the impact on Brunel being less than a number of other Fund pools.

Member concern was raised about the possibility of changing responsibilities that may see the Committee have less power to inform investment strategy and decisions. In relation to questions 27 and 28 (as in Appendix 1), which concerned pool governance and ensuring that “members’ views and interests are taken into account by the pools” (question 28), it was expressed that representatives of fund members on pool company boards should have direct voting powers and that an expression of this wish should be reflected in the consultation response.

It was **MOVED** by Councillor Gent, **SECONDED** by Councillor Atkinson and

RESOLVED that the draft response to the Government consultation document attached at Appendix 1 be approved, subject to the amendments put forward to questions 27 and 28 (as detailed above).

* **41** **Investment Management Report**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/125). The Report outlined the Fund value and asset allocation, Fund performance, funding level, 2024/25 budget forecast, cash management and voting and engagement activity, as at 30 September 2024.

Highlights from the report included:

- That the fund value stood at over £6 billion, with a +2% return over the quarter to 30 September 2024;
- The Equity allocation remained overweight against target but had been reduced to be less overweight than previously. As such there were no rebalance proposals included in the report;
- An additional £31.8 million had been invested by Brunel at the end of September, increasing the UK Property allocation up to 7% of the Fund;
- In terms of performance, the Fund was ahead of the Local Government Pension Scheme average but below benchmark. In relation to the earlier discussions around the Fund’s passive equity investment, the performance statistics demonstrated that funds with active management have found it highly difficult to meet benchmarks; and
- There had been a large transfer into the Fund from Dorset relating to transfer of non-uniformed staff from Dorset Police to Devon and Cornwall Police. As such there was now a higher forecast of transfers in than was originally forecast.

The Committee noted the report and compliance with the 2024-25 Treasury Management Strategy.

* 42 **Investment Consultancy Contract Procurement and Investment Strategy Review**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/126). The report referenced the resolution of the Committee to undertake a procurement exercise for investment consultancy services, agreed June 2023. The report briefed members on the process undertaken and the outcome of the procurement exercise. It explained that, of six submissions, Redington were deemed to be the best candidate and were awarded the contract.

Following this appointment, it was proposed to commission a review of the Fund's investment strategy and strategic asset allocation. A specification on the strategic investment review, and strategic objectives for consultants, was laid out in Appendix 1 to the report. The setting of strategic objectives for the investment consultancy provider was a requirement under Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

The Committee noted the appointment of Redington.

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

RESOLVED that

(a) the commissioning of an external review of the Fund's investment strategy and strategic asset allocation be approved; and that

(b) the specification and strategic objectives, as set out at Appendix 1 to the report, be approved.

* 43 **Section 13 Report on the 2022 Actuarial Valuation and Planning for the 2025 Actuarial Valuation**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/127). The report outlined the statutory obligations for administering authorities to complete an actuarial valuation of their Pension Fund every three years; and the resulting requirement for the Ministry of Housing, Communities and Local Government to undertake a 'Section 13' valuation to review the results of these actuarial valuations.

This report allocates 'flags' to each Fund across a number of areas as an indicator of performance, including compliance with regulations and long-term cost efficiency. The Devon Pension Fund achieved 'green flags' in all areas. Looking forward to the 2025 actuarial valuation, members heard that contributions need to be carefully considered to ensure that the Fund achieves 'green flags' moving forward, continuing its good performance.

The report provided a timeline for the 2025 actuarial valuation, with officers seeking the Committee's approval of the timeline.

Members noted the outcome of the Section 13 Review.

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

RESOLVED that the process and timetable for undertaking the 2025 Triennial Actuarial Valuation be approved.

* **44** **Peninsula Pensions Administration Update and Performance Statistics**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/128) on the performance of Peninsula Pensions

Members heard that the implementation of the revised Pension Administration Strategy, which was approved in April 2024, had helped Peninsula Pensions with procuring timely information from Fund employers which was, in turn, aiding performance in other areas.

Appendices 1 and 2 to the report provided a breakdown of administration performance relating to the Devon Pension Fund only, for the quarter ending 30 September 2024 (Appendix 1) and longer-term (Appendix 2). Appendix 3 showed the amount of work received over a 12 month period compared to previously and indicated a decrease in demand for this quarter.

In response to a member question around when data on individual employer performance would be presented to the Committee, it was explained that individual reports were presently being sent to employers; and that fund-level information would be worked on following, to be presented to members in the next quarter.

The Committee noted the report.

* **45** **Employer Changes**

The Committee noted the employer changes.

46 **Dates of Future Meetings**

The Committee noted the dates of future meetings of the Committee.

47 **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, information

relating to the financial or business affairs of an individual (including the authority holding that information).

* **48** **Brunel Reserved Matters**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/129) regarding a Brunel Special Reserved Matter, which was explained to be a policy issue set out in the Shareholders Agreement which required shareholder consent. The Director of the Finance and Public Value had delegated power to sign these off. As such the Committee noted approval of the request and next steps as laid out in the Part II report.

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 10.31 am and finished at 12.33 pm