

INVESTMENT AND PENSION FUND COMMITTEE

23 February 2018

Present:-

Devon County Council

Councillors R Gilbert (Chair), Y Atkinson, C Channon, A Connett, R Edgell and R Hosking

Unitary and District Councils

Councillors J O'Dwyer (Torbay Council) and M Hicks (Exeter LGA)

Other Employers

D Healy

Unison and Retired Members: Non-Voting Observers

R Franceschini, C Lomax and J Rimron

Attending in Accordance with Standing Order 8

Councillor J Hodgson

Apologies:-

Councillors P Edwards and L Parker-Delaz-Ajete

* **36** **Standards Committee**

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

* **37** **Minutes**

RESOLVED that the Minutes of the meeting held on 17 November 2017 be signed as a correct record.

* **38** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **39** **Brunel Oversight Board**

The Committee received the Minutes of the Brunel Oversight Board meetings held on 24 November 2017 and 18 January 2018.

* **40** **Notice of Motion (County Council Minute 64/7 December 2017) "Pension Funds and Fossil Fuel Companies" and Environmental, Social and Corporate Governance Policy**

(Councillor J Hodgson attended the meeting in accordance with Standing Order 8 and spoke to this item)

The Committee considered the Report of the County Treasurer (CT/18/19) on a Notice of Motion on "Pension funds and Fossil fuel companies" submitted to the County Council on 7th December 2017 by Councillor Hodgson which had been referred to the Cabinet in accordance

with Standing Order 8(2), and then referred by the Cabinet to the Investment and Pension Fund Committee for its consideration and report, as detailed below:

“In line with its recently affirmed commitment to mitigating climate change, this Council will divest its pension funds away from fossil fuel companies and seek opportunities to invest in companies that support renewable energy. This is moving forward in line with other Local Authorities such as Southwark taking this important step”.

In addition, and because of a significant number of representations being received by members of the Committee and other Councillors in relation to investments in fossil fuel companies, the Committee had requested at its meeting on 17 November 2017 that a report be brought to a future meeting to enable it to review the current “ethical” investment policy. It was therefore timely to consider the Notice of Motion alongside these deliberations.

The Devon Pension Fund had set out its policies on Environmental, Social and Corporate Governance (ESG) within its Investment Strategy Statement (ISS) and last reviewed by the Committee in February 2017, when a new ISS had been approved.

The Report addressed, in detail, the issues raised both by the Council Motion and the concerns raised at the last Committee meeting, and proposed a way forward.

The County Treasurer reported that the Brunel Pension Partnership was cognisant of the social, environmental and governance issues and policy adopted by this Committee.

It was **MOVED** by Councillor Channon, **SECONDED** by Councillor Gilbert and

RESOLVED

(a) that the Committee reaffirms that the Devon Pension Fund is committed to being a responsible shareholder;

(b) that the Committee recognises the risks associated with Social, Environmental and Governance issues, such as investment in fossil fuels, and affirms that it will expect its appointed investment managers and the Brunel Pension Partnership to assess the associated risks and take them into account in their investment decisions;

(c) that the Devon Pension Fund will seek to engage (through the Brunel Pension Partnership, its asset managers, the Local Authority Pension Fund Forum, or other resources) with companies to ensure they can deliver sustainable financial returns over the long-term as part of comprehensive risk analysis;

(d) that the Devon Pension Fund takes the required action to become a tier 1 signatory to the UK Stewardship Code, and the revised Section 6 of the Investment Strategy Statement (as detailed in the Report) be approved;

(e) that the Devon Pension Fund becomes a member of the International Investors Group on Climate Change (IIGCC);

(f) that over the next 12 months, in liaison with the Brunel Pension Partnership Ltd, Officers further develop reports on stewardship and the carbon footprint of the Fund’s investments to be brought to the Committee on a regular basis; and

(g) that, in light of the resolutions above, including the commitment to assess associated risks of the Fund’s investment in fossil fuels, in accordance with the Committee’s fiduciary duty, and in line with the policies relating to Environmental, Social and Corporate Governance (ESG) in the Investment Strategy Statement (ISS) which is subject to regular review, the Council is asked to note the actions of the Investment and Pension Fund Committee and as a result take no further action on the Notice of Motion.

[Note: In accordance with Standing Order 32(4) Councillor Connett requested that his abstention from the vote be recorded.]

The non-voting representatives requested that their support for the vote taken be also recorded]

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

The Committee considered the Report of County Treasurer (CT/18/20) on the Fund value, allocations and performance against the benchmark, budget forecast monitoring and cash management, and engagement activity. The Fund value at 31 December 2017 stood at £4, 218.7 million, an increase of around £140 million over the quarter and £290 million since 31 March 2017.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Hicks and

RESOLVED

(a) that the Investment Management Report and compliance with the 2017/18 Treasury Management Strategy be noted; and

(b) that the Strategic Asset Allocation for 2018/19 be amended as set out in the Report and the Investment Strategy Statement be revised accordingly.

* **42** **Treasury Management Strategy 2018/19**

The Committee considered the Report of the County Treasurer (CT/18/21) on the Treasury Management Policy Statement together with a statement of its 'Treasury Management Practices' (TMPs). In December 2017, the Chartered Institute of Public Finance and Accountancy had published a revised Code of Practice for Treasury Management. An amended version of the TMPs was therefore being brought to this Committee for consideration.

The policy required the Investment and Pension Fund to consider a treasury strategy report, setting out the strategy and plans to be followed in the coming financial year. The Report set out proposed revised Treasury Management Practices and Treasury Management and Investment Strategy.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor O'Dwyer and

RESOLVED that the revised Treasury Management Practices as set out in Appendix 1 and the Treasury Management Strategy for 2018/19 (as set out in Appendix 2 of Report CT/18/21) be adopted.

* **43** **Actuarial Services Procurement**

The County Treasurer reported that the extended evaluation of tenders for the provision of actuarial services to the Devon Pension Fund.

In accordance with the results of the evaluation the County Treasurer, in consultation with the Chair of the Committee, had awarded the contract to Barnett Waddingham, the Fund's current Actuary for a further 6-year period from February 2018.

* **44** **Applications for Admitted Body Status**

The Committee noted that the following application for admitted body status had been

approved under delegated powers: Torbay Council with Libraries Unlimited for the provision of library services from 1 April 2018, there were 50 staff currently in the LGPS and admission would be on a closed basis.

* **45** **Annual Consultative Meeting with Staff and Retired Members**

The Committee noted the Annual Consultative Meeting was being held in the afternoon following the meeting, commencing at 2.15pm to which members were invited. Presentations would be made by Dawn Turner and Matthew Trebilcock from the Brunel Pension Partnership, Mark Gayler, Assistant County Treasurer, and Charlotte Thompson, Head of Peninsula Pensions.

* **46** **Dates of Future Meetings**

15 June, 14 September, 16 November 2018, 22 February 2019, and 31 May 2019, (all at 10:30am)

The County Council's Calendar available at:
<http://democracy.devon.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1>

* **47** **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.

* **48** **Brunel Business Case and Reserved Matters Requests**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded, no representations having been received to such consideration under Regulation 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012).

The Committee noted the Report of the County Treasurer (CT/18/22) on reserved matters requests received from the Brunel Pension Partnership and which had been given share holder consent.

* **49** **Transition of Assets to the Brunel Pension Partnership**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded, no representations having been received to such consideration under Regulation 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012).

The Committee considered the Report of the County Treasurer (CT/18/23) on the proposed transition of the Fund's assets across to portfolios to the Brunel Pension Partnership Trust and initial actions required.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Edgell and

RESOLVED

(a) that the outline transition plan described in the Report CT/18/23 and the initial allocations set out in Appendix 1 of Report be approved;

(b) that the County Treasurer be authorised to terminate the contracts of the Devon Pension Fund's currently appointed passive equity managers (UBS and State Street Global Advisors) at the appropriate time and liaise with the Brunel Pension Partnership Ltd to arrange the transition of the assets under their management to the Brunel portfolios as set out in Report CT/18/23;

(c) that following the transition of passive equity assets to the Brunel portfolios the County Treasurer be authorised to continue to move funds invested in UK passive equities to global passive equities on a phased basis, in accordance with the trigger points set out in the Report;

(d) that further reports be brought to this Committee to authorise the transition of the remainder of the Fund's assets at the appropriate times;

(e) that should Brunel's transition timetable be advanced such that an urgent decision is required, the County Treasurer in consultation with the Chairman be authorised to terminate relevant contracts and arrange the transition of assets in line with the outline transition plan; and

(f) that a new allocation of £75 million to infrastructure as set out in the Report to be sourced via Brunel, be approved.

* 50

Pending Court Case

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded, no representations having been received to such consideration under Regulation 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012).

The Committee noted the Report of the County Treasurer (CT/18/24) on potential legal proceedings against an individual for alleged financial irregularities. The County Treasurer undertook to bring to a future meeting a report on powers to reclaim pension awards issued as a result of fraud or error.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.30 am and finished at 12.20 pm

