

INVESTMENT AND PENSION FUND COMMITTEE

22 February 2019

Present: -

Devon County Council

Councillors R Bloxham (Chair), Y Atkinson, R Edgell and R Hosking

Unitary and District Councils

Councillors L Parker-Delaz-Ajete (Plymouth City Council) and J O'Dwyer (Torbay Council)

Other Employers

Ms D Healy

Unison and Retired Members: Non-Voting Observers

R Franceschini, C Lomax and J Rimron

Apologies: -

Councillors P Edwards, A Connett and A Saywell

* **93** **Standards Committee**

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

* **94** **Minutes**

RESOLVED that the Minutes of the Meeting held on 16 November 2018 be signed as a correct record, subject to the correction of the spelling of the name to read 'Councillor L Parker-Delaz-Ajete' in the list of attendees.

* **95** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **96** **Independent Advisor Arrangements**

The Committee noted the Report of the County Treasurer (CT/19/20) on the appointment by the County Treasurer (in consultation with a Panel comprising Members of this Committee) of Mr A Fletcher as the Independent Investment Advisor. The Committee welcomed Mr Fletcher to his first meeting.

* **97** **Devon Pension Board**

The Committee noted the Minutes of the Pension Board meeting held on 11 February 2019.

* **98** **Brunel Oversight Board**

The Committee noted the Minutes of the Brunel Oversight Board held on 1 November 2018.

* **99** **Brunel Update**

The Committee noted the Report of the County Treasurer (CT/19/21) on progress with investment pooling, and the relationship with the Brunel Pension Partnership Ltd. The key issues over the last quarter had been the agreement of Brunel's Business Plan for 2019/20, and progress on launching portfolios. Brunel was also planning a governance review. This Report had also been considered by the Pension Board meeting on 11th February 2019.

* **100** **Investment Management**

The Committee considered the Report of the County Treasurer (CT/19/22) on the Fund value and asset allocation, performance against the benchmark, funding level, budget forecast monitoring and cash management, and engagement activity by the Fund's external investment managers. Members had also received the LAPFF Quarterly Engagement Report for the Quarter to December 2018.

The Fund value at 31 December 2018 stood at £4,032.8 million, a decrease of £300m over the quarter, following significant market falls over the quarter. As a result, the Fund value at the end of December was around £50m lower than at 31 March 2018.

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

RESOLVED

(a) that the Investment Management Report be noted;

(b) that the monthly reallocations from UK Passive to Global Passive be suspended, to be reviewed further later in the year; and

(c) that compliance with the 2018/19 Treasury Management Strategy be noted.

* **101** **Treasury Management Strategy 2019/20**

The Committee considered the Report of the County Treasurer (CT/19/23) on a proposed Treasury Strategy and plans to be followed in the coming year, shown in draft at Appendix 1 to the Report. The Strategy set out the current treasury position, cash investments, prospects for interest rates and the investment strategy and was broadly consistent to that agreed for 2018/19.

It was **MOVED** by Councillor Bloxham, **SECONDED** by Councillor Parker-Delaz-Ajete and

RESOLVED that the Treasury Management Strategy for 2019/20 as set out in Appendix 1 of Report (CT/19/23) be adopted.

* **102** **MHCLG Policy Consultation: Fair Deal - Strengthening Pension Protection**

The Committee considered the Report of the County Treasurer (CT/19/24) on a Ministry of Housing, Communities and Local Government (MHCLG) consultation called 'Fair Deal – Strengthening Pension Protection' which was running from 10th January to 4th April 2019 (attached at Appendix 1 of the Report). The consultation had taken into consideration some of the concerns which had been raised in a previous consultation released in May 2016 regarding the introduction of greater pension protection for employees of LGPS employers who were compulsorily transferred to service providers.

The 2016 consultation had proposed that, in line with the Government's Fair Deal guidance of October 2013, most LGPS members in this position should have continued access to the LGPS with the new service provider. Whilst there was general agreement with the approach the draft response nonetheless detailed some areas of concerns relating to definitions,

additional administrative burdens for Administering Authorities in relation to the 'deemed employer status' proposals and the need for further guidance.

It was **MOVED** by Councillor Bloxham, **SECONDED** by Councillor Parker-Delaz-Ajete, and

RESOLVED that the Consultation response, attached at Appendix 2 of Report CT/19/24 be approved.

* **103** **Application for Admitted Body Status**

The Committee noted that the following application for admitted body status had been approved since the last meeting of the Committee: Exwick Ark, a new provider for a Devon County Council contract for Tresillian Nursery, commencing 1 January 2019 (closed agreement with 12 staff).

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

The Committee noted that the Annual Consultative Meeting was being held in the afternoon commencing at 2.15pm. Presentations would be made by Steve Tyson, in his capacity as Non-Executive Director of the Brunel Pension Partnership, Mark Gayler, Assistant County Treasurer, Daniel Harris, Head of Peninsula Pensions, and Charlotte Thompson in her role as lead officer for the Pension Board.

Members of the Committee were invited to attend.

* **105** **Committee Training**

The Committee noted the training day for Members of this Committee and the Pension Board on Thursday 28th March from 10am.

* **106** **Dates of Future Meetings**

28 June 2019, 13 September 2019, 15 November 2019, and 21 February 2020 at 10.30 am.

Dates of County Council meetings were available at online at:

<https://democracy.devon.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1>

* **107** **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded from the meeting for the following items of business (Minutes *107 and *108) 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.

* **108** **Employer Contributions**

(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).

The Committee considered the report of the County Treasurer (CT/19/25) on employer contributions set following each triennial actuarial valuation and comprised two elements: • A primary rate – to meet the liabilities accrued during the year. • A secondary rate, or deficit contribution, to meet the employers' past deficit over a period of years.

The report outlined the situation with regard to the deficit contributions of one of the Fund's employers.

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

RESOLVED that the County Treasurer, in consultation with the Chair, be authorised to take the action as set out in the Report.

* **109** **Strategic Investment Review**

(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).

The Committee received the Report of the County Treasurer (CT/19/26) on a "refresh" of the review (previously carried out by Mercer investment consultants in 2016/17) of the Fund's investment strategy. The Committee also received a presentation from Mercer Investment on the changes from the last review.

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

RESOLVED

(a) that the medium to long term proposals set out in the Mercer report be approved in principle, subject to further review;

(b) that an additional £100 million be committed to infrastructure via the Brunel private markets team;

(c) that further reports be brought to the Committee to authorise transition of assets to Brunel at the appropriate time; and

(d) that the County Treasurer be authorised to issue a notice of termination of contract to LaSalle Investment Management in respect of the management of the property portfolio at the appropriate time when Brunel are ready to take on management.

* **110** **Part 1 - Open Committee**

RESOLVED that the press and public be now readmitted to the meeting for the following item.

* **111** **Investment Strategy Statement**

The Committee considered the Report of the County Treasurer (CT/17/27) on a proposed revised Investment Strategy Statement. Guidance required that the Investment Strategy Statement should be revised at least every three years, and/or when any significant changes were agreed.

Following the review of investment strategy undertaken by Mercer the revised Investment Strategy Statement (ISS) reflected the outcome of the review (Minute 108 refers). This set out the strategic asset allocation for 2019/20 and the opportunity had also been taken to make

other minor amendments. The revised Investment Strategy Statement was attached as Appendix 1 of the Report.

It was **MOVED** by Councillor Bloxham, **SECONDED** by Ms Healy and

RESOLVED that the revised Investment Strategy Statement be approved.

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

The Meeting started at 10.30 am and finished at 1.07 pm

