

## INVESTMENT AND PENSION FUND COMMITTEE

15 November 2019

Present:-

Devon County Council

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

Unitary and District Councils

Councillors J Pearce, L Parker-Delaz-Ajete and J O'Dwyer

Other Employers

D Healy

Unison and Retired Members: Non Voting Observers

R Franceschini, J Rimron and S Teague

Apologies:-

Councillor A Connett

Attending in Accordance with Standing Order 25

Councillor C Slade

\* 141

**Minutes**

**RESOLVED** that the Minutes of the Meeting held on 13 September 2019 be signed as a correct record.

\* 142

**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* 143

**Pension Board**

The Committee noted the Minutes of the Devon Pension Board meeting held on 21 October 2019.

The County Treasurer confirmed that matters raised by the Board relating to drafting changes (Minute \*137) and reference to Climate Change in the Risk Register (Minute \*139) would be actioned by Officers.

\* 144

**Brunel Oversight Board**

The Committee noted the Minutes of the Meeting of the Board held on 25 July 2019.

\* 145

**Actuarial Valuation 2019**

The Committee considered the Report of the County Treasurer (CT/19/107) on the actuarial valuation of the Devon Pension Fund conducted by the independent Actuary, Barnett Waddingham. The purpose of the valuation was to establish the Fund's liabilities in relation to its assets and determine the current funding level and set contribution rates for the Fund's employers for the next three years.

Following meetings with Officers the Actuary had now provided the Fund level results from the Valuation and this was summarised in the Report. The Report outlined factors that had been taken in account, overall results and effects on individual employers and conclusions.

The Officers would now work with the Actuary to revise the Funding Strategy Statement based on the Valuation and following consultation with Employers and the Pension Board the proposed Statement would be presented to this Committee for consideration.

The Committee also received a presentation from the Actuary which covered the results of the triennial review, assumptions made and how they related, risk factors, investment strategy review and the next steps including communication with Employers.

Members noted the positive progress made towards the long term objective of 100% solvency with the funding level increasing from 84% to 91% and the deficit recovery period reducing from 22 to 19 years and the potential benefits and risks associated with allowing discounts for employers who pay deficit contributions in advance.

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

**RESOLVED**

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

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

\* 146

**Pensions Administration Strategy**

The Committee considered the Report of the County Treasurer (CT/19/108) on the proposed Pension Administration Strategy (PAS). Although not a legal requirement, the PAS provided a mechanism to formulate a service level agreement between the administering authority and the scheme employers. It covered a number of areas including procedures for liaison and communication and set out the performance standards and expectations for employers and the administering authority. A PAS also helped improve governance arrangements, ensuring that scheme employers and Peninsula Pensions worked together to ensure compliance with regulations.

The draft PAS had been presented to the Devon Pension Board at its meeting on 21st October 2019 and its recommendations were incorporated in this draft Statement (attached at Appendix 1 of the Report).

Members comments/points in discussion with the Officers included:

- the relatively very small number of Employers making late payments;
- the possible impact on administration dependent on the outcome of the Mcloud Case which was still awaited, and
- Peninsula Pensions officers would work with Employers to avoid and address breaches which would now be logged and following any persistent breaches, consideration would be given to report to the Regulator and the need for close working relations for the benefit of Fund Members.

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

**RESOLVED** the revised Pension Administration Strategy be endorsed.

\* 147 **Statutory Statements - Communications Policy**

The Committee considered the Report of the County Treasurer (CT/19/109) on the Communications Policy which set out the Fund's policies on the provision of information and publicity about the Scheme to Fund Members and their representatives and employing authorities. It set out the format, frequency and method of distributing such information or publicity to other key organisations.

The Policy was last updated and considered by the Investment and Pension Fund Committee in November 2018. Further changes had been made to the Policy as set out in the Report which had been discussed by the Pension Board at their meeting in October 2019, and their comments were also reflected in the revised Policy (Appendix 1 to the Report).

It was **MOVED** by Councillor Saywell, **SECONDED** by Councillor Parker Delaz-Ajete and **RESOLVED** that the revised Communications Policy be approved.

\* 148 **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/19/110) on the Fund value and asset allocation, performance against the benchmark, funding level, budget monitoring, cash management and engagement activity.

The Fund value at 30 September 2019 stood at £4,558.6m, an increase of £94m over the quarter.

Members noted a substantial payment by an Employer to eliminate their deficit.

It was **MOVED** by Councillor Saywell, **SECONDED** by Councillor Bloxham and **RESOLVED**

(a) that the Investment Management Report be noted; and

(b) that compliance with the 2019/20 Treasury Management Strategy also be noted.

\* 149 **Private Markets Allocations**

The Committee considered the Report of the County Treasurer (CT/19/111) on proposed private market investments in line with the Strategic Investment Review which had been conducted by Mercer Investment Consultants in 2017 relating to infrastructure, private debt and private equity. The Report also reviewed the direction of travel and proposed that additional commitments should be made to move towards the long-term target allocation.

The Committee's Independent Adviser fully supported the proposal.

It was **MOVED** by Councillor O'Dwyer, **SECONDED** by Councillor Parker Delaz-Ajete and **RESOLVED** that the following further commitment in private markets be approved

(a) £250 million to the Brunel Infrastructure Portfolio;

(b) £100 million to the Brunel Private Debt Portfolio; and

(c) £125 million to the Brunel Private Equity Portfolio.

\* **150**      **Global Investor Statement to Governments on Climate Change**

The Committee considered the Report of the County Treasurer (CT/19/112) on a proposal by the Brunel Partnership for the County Council to sign up to the Global Investor Statement to Governments on Climate Change. This represented a call from investors to policy makers for the full and urgent implementation of the Paris Agreement, a quicker transition to a low carbon economy and greater climate-related financial reporting. The statement was attached as Appendix 1 to this Report.

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

**RESOLVED** that the Devon County Council Pension Fund becomes a signatory to the Global Investor Statement to Governments on Climate Change.

\* **151**      **Dates of Future Meetings**

28 February 2020, 19 June 2020, 18 September 2020, 27 November 2020 and 26 February 2021 all at 10.30 am at County hall, Exeter,

\* **152**      **Exclusion of the Press and Public**

**RESOLVED** that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, information relating to the financial or business affairs of an individual other than the County Council and, in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

\* **153**      **Brunel Pension Partnership - Transition of Assets and Reserved Matters**

(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 County Treasurer (CT/19/113) on Brunel's progress in setting up the Property, Emerging Markets, Active High Alpha Global Equities and Diversified Growth portfolios and proposed actions required to transition from the current diversified growth fund investments. The Report also provided an update on the current position with regard to the remuneration terms of the vacant Brunel Chief Executive Officer post and current issues around Brunel's governance arrangements.

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

**RESOLVED**

(a) that the County Treasurer be authorised to terminate the current investment in the diversified growth funds at the appropriate time and liaise with the Brunel Pension Partnership to arrange the transition of assets to the Brunel DGF Portfolio; and

(b) that the position with regard to the Brunel governance review be noted.

\* **154**      **Devon Fund Governance Review**

(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 County Treasurer (CT/19/114) on a review by the Pensions Regulator of the governance arrangements of 10 unnamed LGPS funds selected at

random which had taken place between October 2018 and July 2019 and which had included the Devon Fund. Following the Regulator's work with the Devon Fund a letter detailing their observations had been received and reported to the Pension Board at its meeting on 21 October 2019. Officers reported that, whilst it had been a detailed and time consuming exercise, it had been a very useful review of all operations.

The Board had commended the positive findings arising from the thorough independent review and congratulated the senior officers and staff involved. This view was endorsed by the Committee.

The Pension Regulator had now published its report on the whole LGPS engagement exercise which can be found at:

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report>

None of the participating funds were named in the wider Report.

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

The Meeting started at 10.30 am and finished at 12.20 pm

