

INVESTMENT AND PENSION FUND COMMITTEE

19 June 2020

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 and J Rimron

Apologies:-

Councillor A Connett and S Teague

* 172

Minutes

RESOLVED that the Minutes of the meeting held on 23 February 2020 be signed as a correct record.

* 173

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 174

Brunel Oversight Board

The Committee noted the Minutes of the Meeting of the Board held on 19 March 2020.

* 175

Annual Internal Audit Report 2019/20 and the proposed Internal Audit Plan 2020/21

The Committee considered the Report of the County Treasurer (CT/20/39) on the Annual Internal Audit Report – 2019/20 drafted by the Head of Devon Audit Partnership with an assurance opinion on the system of internal control of the Fund. This was set out in the Annual Report at Appendix 1. The Report also detailed the Internal Audit Plan for 2020/21 and the proposed Service Level Agreements.

Overall, and based on work performed during 2019/20, Internal Audit provided significant assurance on the adequacy and effectiveness of the Fund's internal control environment.

The County Treasurer confirmed that the recommended actions arising from 2019/20 Audit detailed in Appendix A of the Report would be addressed.

The Head of the Partnership outlined the details of the Audit Plan for 20120/21.

Members commended the positive assurance opinions in respect of the seven areas covered by the 2019/20 Audit which were all deemed to be of a 'Good Standard'.

It was **MOVED** by Councillor A Saywell, **SECONDED** by Councillor R Hosking and

RESOLVED

- (a) that the Annual Internal Audit Report for 2019/20 be accepted;
- (b) that the Internal Audit Plan for 2020/21 be approved; and
- (c) that the Assistant County Treasurer (Investments) be authorised to execute the Service Level Agreement relating to the Internal Audit Plan.

* **176** **Devon Pension Fund Risk Register**

The Committee considered the Report of the County Treasurer (CT/20/40) on risks that had been identified and incorporated into the Fund's Risk Register (Risk Register attached at Appendix 1 of the Report). The Pension Board had previously considered the Risk Register at its meeting on 16th January 2020 as part of its Scrutiny role, and comments made at that meeting had been taken on board in updating the Register.

The Report 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.

This Committee was the ultimate risk owner for the Pension Fund and it had last reviewed the Risk Register in June 2019.

The County Treasurer responded to Members' questions and comments relating to:

- a planned review by officers of the risks relating to Peninsula Pensions and confirmed all measures were in place to mitigate the high risk areas identified; and
- consideration to a possible review of the named Owner and Accountable Officers identified in the Register (whether the Owner should be different to that of the Accountable Officer for any individual risk).

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

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

* **177** **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/20/41) on the Fund value and asset allocation, performance against the benchmark, funding level, budget outturn 2020/21, cash management and engagement activity. During the last quarter 2020 global markets had been hit by the COVID-19 pandemic and as a result the value of the Fund as at 31 March 2020 stood at £4,011.1 m, a decrease of £682 (-14%) over the quarter and £291 over a year (-8%). However, markets were now recovering and the Value of the fund had increased back to £4.4 bn as at 31 May 2020.

Members referred to comparisons with the LGPS Universe, particularly over the last quarter and over 2019/20. The County Treasurer outlined the factors involved for the poor relative performance over the short term relating to the pandemic, including the Fund's exposure to UK equities, the fact that some funds had equity protection schemes and the currency hedging strategy in place, and noted that the figures were still subject to verification.

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

RESOLVED

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

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

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Carbon Footprint

The Committee considered the Report of the County Treasurer (CT/20/42) on an analysis of the Fund's carbon footprint as at 31 March 2019 which had been commissioned by the Committee in September 2019 and thereafter on an annual basis.

The Report outlined the position as at 31 March 2019, and then the updated position as at 31 December 2019. Future analyses will be undertaken as at 31 December each year. The carbon footprint analysis has been undertaken by the Brunel Pension Partnership working with an industry leader in carbon and environmental data and risk analysis.

The Report outlined how a company's emissions were calculated, greenhouse gases-scopes and other environmental metrics. This showed that the Devon Aggregate Portfolio was 21.5% less carbon intense in December 2019 than in March 2019, a significant improvement. Other positive metrics were outlined in section 5 of the Report.

Officers responded to Members' questions/comments relating to:

- the strategy of engagement by Brunel Managers with company boards to achieve the goal of sustained annual 7% reductions;
- re-allocation to the sustainable equities' portfolio (from World Developed Passive);
- an undertaking by the County Treasurer to provide further analysis of comparable investment; and
- the general decreasing exposure to coal power generation.

It was **MOVED** by Councillor R Bloxham; **SECONDED** by Councillor A Saywell and

RESOLVED

(a) that the reduction in the Fund's carbon footprint between March 2019 and December 2019 be welcomed;

(b) that the Devon Fund continues to work with Brunel to further reduce the Fund's carbon footprint by at least 7% per year.

* 179

Exit Credits Policy

The Committee considered the Report of the County Treasurer (CT/20/43) on Exit Credits first introduced into the Local Government Pension Scheme (LGPS) in 2018 which brought about the ability of LGPS funds to pay money to an employer exiting the LGPS where a surplus was revealed on cessation. Following a consultation new government regulations came into force on 20 March 2020. As a result, a revised Devon County Council Pension Fund Funding Strategy Statement had been drafted (attached to the Report). This took account of any risk sharing arrangements when calculating any potential exit credit to avoid exiting employers receiving a windfall whilst all or some of the pension risk and costs were borne by the original scheme employer.

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

RESOLVED that the Exit Credit Policy included in the revised Funding Strategy Statement set out in Appendix 1 to the Report be approved.

* **180** **Voting Rights for Local Government Pension Scheme Member Representatives**

The Committee considered the Report of the County Solicitor on voting rights for the Committee's LGPS scheme representatives. With recent changes to the Scheme Member Representatives the Report outlined a formal proposal for limited voting rights. One named Scheme Member would be authorised to exercise the vote and in their absence a nominated substitute was also requested. The Scheme Member representatives present expressed their support for the proposal.

A Member referred to the potential for public perception that this could lead to a possible conflict of interest.

It was **MOVED** by Councillor A Saywell and **SECONDED** by Councillor R Bloxham and

RESOLVED

(a) that one Group vote be granted to the 3 Scheme Members and R Franceschini be nominated as the Group member authorised to exercise the vote and in his absence J Cook be the nominated substitute to exercise that vote; and

(b) that the Pension Fund's Governance Policy and Compliance Statement be amended to reflect the change.

* **181** **Training Review and 2020/21 Training Plan**

The Committee considered the Report of the County Treasurer (CT/20/44) on a review of the training provided to both the Investment and Pension Fund Committee and the Devon Pension Board during 2019/20, and set out the Training Plan for 2020/21.

Members suggested that consideration could be given to virtual training events and that completion of the on-line Pension Regulatory Training should be recorded. The County Treasurer confirmed that the reference to on-line training could be included in the Training Log.

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

RESOLVED that the Training Plan for 2020/21 be adopted.

* **182** **Employer Changes**

The Committee noted the new admitted bodies as follows approved since the last meeting of the Committee:

- First Federation outsourced their Out of School staff from Blackpool Primary School to Fish4kids, closed agreement, with effect from 24 February 2020. (b) New academy conversions and changes.

- St Luke's Science & Sports College joined The Ted Wragg Trust with effect from 1 February 2020.

- South Dartmoor Multi Academy Trust has been re-brokered with effect from 1 February 2020. Atrium School, South Dartmoor College, Ashburton Primary School and Buckfastleigh Primary School moved to West Country Schools Trust. Moretonhampstead Primary School, Islington Primary School and Widecombe Primary School joined Link Academy Trust.

- Plymouth School of Creatives Art joined Reach South West with effect from 1 March 2020. • Marine Academy Plymouth became part of the Ted Wragg Trust with effect from 1 April 2020.

* **183** **Dates of Meetings**

18 September 2020; 27 November 2020; and 26 February 2021

* **184** **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, 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.

* **185** **Brunel Update and Transition of Assets**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded).

The Committee received the Report of the County Treasurer (CT/20/45) on the current position with the transition of the Fund's assets to the Brunel Pension Partnership and the impact of COVID-19. The Report also provided an update on the progress of the Brunel governance review and new issues with regard to Brunel's governance arrangements which would be subject to review by the Officers from Brunel and the local authority partners.

* **186** **Independent Investment Advisor**

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded).

(Mr A Fletcher declared a pecuniary interest and left the Meeting)

The Committee considered the Report of the County Treasurer (CT/20/46) on the role of the Independent Investment Advisor and proposed extension of the contract.

It was **MOVED** by Councillor R Hosking, **SECONDED** by Councillor R Edgell and

RESOLVED

(a) that an exemption from tendering be sought in order to extend the current contract with MJ Hudson for provision of the services of Anthony Fletcher as the Devon Fund's Independent Investment Advisor for a further year from 1 October 2020; and

(b) that a revised specification be drawn up with a view to undertaking a competitive procurement process for the role of Independent Investment Advisor during the first six months of 2021.

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

