

## INVESTMENT AND PENSION FUND COMMITTEE

17 June 2022

Present:-

Councillors P Bullivant (Chair), Y Atkinson, H Gent, G Gribble and M Hartnell,

Unitary and District Councils

Councillors J O'Dwyer and A Luggar,

Union and Retired Members

R Franceschini and L Parker-Delaz-Ajete

Apologies:-

Councillors J Morrish, R Bloxham and J Pearce

Member attending in accordance with Standing Orders 25

Councillor J Hodgson

\* 60

**Minutes**

**RESOLVED** that the Minutes of the Meeting held on 25 February 2022 be signed as a correct record

\* 61

**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* 62

**Devon Pension Board**

The Committee noted the Minutes of the Meeting of the Board held on 4 May 2022

\* 63

**Brunel Oversight Board**

The Committee noted the Minutes of meetings of the Board held on 17 March 2022.

Officers responded to questions relating to:

- assets in Russia which had either been disposed or zero valued where it had been impossible to sell;
- the Government 'levelling-up' white paper and 'local' investment on which a report on its implications for the Fund would be made to this Committee in due course; and
- property portfolio and infrastructure investments managed by Brunel.

\* **64**      **Annual Internal Audit Report 2021/22 and the proposed Internal Audit Plan 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/22/61) on the Annual Internal Audit Report 2021/22 and the proposed Internal Audit Plan 2022/23.

Overall, and based on work performed during 2021/22, Internal Audit (Devon Audit Partnership) had provided 'substantial assurance' on the adequacy and effectiveness of the Fund's internal control environment. Further explanation of this was provided in the Annual Internal Audit Report (attached to the Report).

The Service Level Agreement allowed for audit plans for the financial year 2022/23 for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions, which provided 85 days of internal audit provision overall. Further detail was set out in Appendix 1 of the Report.

Audit would liaise directly with management regarding prioritisation and any impacts on the audit timetable as the situation unfolded.

The Internal Audit plan for 2022/23 had been considered and endorsed by the Pension Board at its meeting on 4th May.

Member discussion points with the Devon Audit Partnership Officer and Fund Officers included:

- Member training to be considered later (Minute \*10 refers) and implications of the Levelling Up White Paper which would be reported to this Committee in due course;
- the impact of the pandemic on the work of audit which had been mitigated with effective adaptation by management and staff and noting that from now on more on-site audit work was anticipated with agreement of management; and implications of continued homeworking in terms of health and safety which could be the subject of a future audit with management agreement; and
- progress of the development of Peninsula Pensions Self-Service.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor Y Atkinson and

**RESOLVED**

(a) that the Annual Internal Audit Report for 2021/22 be accepted;

(b) that the Internal Audit Plan for 2022/23 be approved; and

(c) that the Head of Investments be authorised to execute the Service Level Agreement relating to the Internal Audit Plan.

\* **65**      **Investment Management Report**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item in regard to engagement activity in particular)

The Committee considered the Report of the Director of Finance and Public Value (DF/f22/62) on the Fund value and asset allocation, performance against the benchmark, funding level, budget forecast 2021/22 and 2022/23, cash management, and voting engagement activity.

The value of the Fund at 31 March 2022 stood at £5,412 million, a decrease of around £175 m over the last quarter, but an increase of £345 m over the year.

Members' discussion points with Officers included:

- implications of the Levelling - Up White Paper relating to investment and disinvestment decisions by Funds and political considerations and on which a report would be made to the committee in due course; and
- management fees related to the funds value and performance.

It was **MOVED** by Councillor H Gent, and **SECONDED** by Councillor J O'Dwyer and

**RESOLVED**

(a) that the Investment Management Report be noted;

(b) that compliance with the 2021-22 Treasury Management Strategy be noted; and

(c) that the position statement on investments in companies operating in the West Bank be noted.

\* **66**      **Stewardship**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item in regard to the proposed survey of Fund Members) particular)

The Committee considered the Report of the Director of Finance and Public Finance (DF/22/63) on how the Fund's stewardship met the requirements of the UK Stewardship Code 2020. The Report also proposes that a survey of fund members be undertaken to feed into the Fund's policies on stewardship and climate change and which also took into account points raised by the Pension Board.

Members' discussion points with the Officers included

- confirmation that the Self Service website function was available to approximately 80% of all Fund members and that consideration would be given to other forms of cost effective communication in order that the remaining could also be contacted; and it was planned that the survey would be carried out shortly for results to be reported at the September meeting;
- a suggestion that the results of the surveys could be reported to the annual consultation meeting in February and another suggestion that reference could also be made to the rate of carbon emission reduction in the survey; and
- contextual information in relation to the survey would be available on the website and that the survey represented a 'good start' and would be subject to review over time.

It was **MOVED** by Councillor H Gent, and **SECONDED** by Councillor G Gribble and

### **RESOLVED**

(a) that the accreditation to the Devon Pension Fund by the Financial Reporting Council as a signatory to the UK Stewardship Code 2020 be welcomed; and

(b) that the undertaking of a survey of pension fund members on their views of the Fund's investment policies be approved.

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### **Climate Change and Carbon Footprint**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item in regard to independent verification of the information as reported on carbon reduction).

The Committee considered the Report of the Director of Finance and Public Value (CT/22/64) on policies to mitigate the climate change impact of its investments which included the following commitments:

- That its portfolio of investments will be net-zero by 2050 at the latest.
- That the Weighted Average Carbon Intensity (WACI) of the Fund's investments will be reduced by a minimum of 7% per annum, and by between 50-75% by 2030, based on the March 2019 calculation of the WACI.
- That 5% of the Fund will be invested in renewable energy infrastructure by 2025.
- To review these policies in partnership with Brunel during 2022 with a view to the Committee approving a revised policy in early 2023.

In the near future it was expected that the Fund would need to report annually in line with the requirements of the Taskforce for Climate-related Financial Disclosures (TCFD). This Report outlined the expected timeframes around that requirement. A key element towards achieving the net zero target would be continued monitoring of the Fund's carbon footprint and exposure to extractive industry and potential stranded assets. A full analysis of the Fund's carbon footprint was carried out on an annual basis, and the Report also provided details of the assessment as 31 December 2021.

Officers also reported Mercer (consultants on the investment strategy) had updated their climate scenario analysis to include the revised asset allocation agreed at the previous meeting of the Committee.

In regard to the accuracy of the figures as reported these were supplied by an independent organisation on behalf of the Brunel Partnership and was dependent on accurate disclosure and discussion with companies. It was anticipated that in future there would be more statutory regulation in this area.

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

### **RESOLVED**

- (a) that the climate scenario analysis and the anticipated future requirements of the Taskforce for Climate related Financial Disclosures (TCFD) be noted;
- (b) that the results of the carbon footprint analysis undertaken as of 31 December 2021 and progress against targets be noted; and
- (c) that the Brunel climate change policy review be noted.

\* **68**      **Investment Strategy Statement**

The Committee considered the Report of the Director of Finance and Public Value (DF/22/65) on a revision of the Investment Strategy Statement required to be undertaken every three years.

The Investment Strategy Statement required by the regulations must include:-

- (a) A requirement to invest money in a wide variety of investments;
- (b) The authority's assessment of the suitability of particular investments and types of investments;
- (c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- (d) The authority's approach to pooling investments, including the use of

collective investment vehicles and shared services;

(e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

Following a review undertaken by Mercer, a revised Investment Strategy Statement (ISS) had been put together to reflect the outcome. This set the strategic asset allocation for 2022/23 and the medium-term targets. The revised Investment Strategy Statement was attached as Appendix 1.

Arising on a Member's question the Committee's Independent Adviser indicated that it was his view that the strategy adopted (including equity allocation) represented a sensible and prudent approach.

It was **MOVED** by R Franceschini and **SECONDED** by Councillor J O'Dwyer and

**RESOLVED** that the revised Investment Strategy Statement, as attached to Report DF/22/65 be approved.

\* **69**      **Training Review and 2021/22 Training Plan 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/22/66) on the Committee's and Pension Board's Training Log and proposed programme for 2020/2021 (attached at Appendix 1 and 2 respectively) to meet the training requirement for Members to help ensure good governance.

It was **MOVED** by Councillor G Gribble and **SECONDED** by Councillor H Gent and

**RESOLVED** that the 2022/23 Training Plan be adopted.

\* **70**      **Employer Changes**

The Committee noted:

(a) New admitted bodies – No new applications for admitted body status had been approved since the last meeting of the Committee.

(b) Employer Cessations - The following employer had left the scheme: Teign Housing departed the scheme on 31 March 2022.

(c) New academy conversions and changes.

- Torre Academy had joined Lipson Academy with effect from 1 April 2022.
- Lifton Community Primary School had joined the Learning Academy Partnership with effect from 1 April 2022.

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**Dates of Future Meetings**

16 September 2022; 25 November; and 24 February 2023

Up to date information on dates here:

[Browse meetings - Investment and Pension Fund Committee - Democracy in Devon](#)

**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 10.30 am and finished at 12.12 pm

