

INVESTMENT AND PENSION FUND COMMITTEE

28 June 2019

Present: -

Devon County Council

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

Unitary and District Councils

Councillors L Parker-Delaz-Ajete (Plymouth City Council), J O'Dwyer (Torbay Council) and J Pearce (South Hams LGA)

Other Employers

D Healy

Unison and Retired Members

R Franceschini and J Rimron

Attending in Accordance with Standing Order 25 (2)

Councillor B Greenslade

Apologies: -

Councillor A Connett, D Healy and C Lomax

* 112

Minutes

RESOLVED that the Minutes of the Meeting held on 22 February 2019 be signed as a correct record.

* 113

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 114

Devon Pension Board

The Committee noted the Minutes of the Devon Pension Board of the 3 April 2019, which could be viewed [here](#).

* 115

Brunel Oversight Board

The Committee noted the Minutes of the Brunel Oversight Board held on 28 June 2019.

Members referred to the gender pay analysis which had been undertaken by Brunel and was available for Members as was their climate change statement. The Chair confirmed Brunel's commitment to the revised approved Business Plan and the significant cost benefits.

* 116

Internal Audit Report and 2019/20 Audit Plan

The Committee considered the Report of the County Treasurer (CT/19/60) on the Annual Internal Audit Report 2018/19 and the proposed Internal Audit Plan 2019/20. The Internal Audit Report provided the Authority with an assurance on the system of internal control of the Fund. Overall, and based on work performed during 2018/19, the Internal Audit found substantial assurance on the adequacy and effectiveness of the Fund's internal control environment.

The audit plans for the financial year 2019/20 allowed for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions. The details were set out in Appendix 1 Internal Audit Plan 2019/20 along with the Service Level Agreement.

Members noted that all data breaches were recorded and would be reported to the Pension Board and this Committee. Any significant breaches would also be reported to the Pensions Regulator. The Brunel Partnership had their own audit arrangements and any issues would be reported via the Brunel Oversight Board minutes.

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

RESOLVED

- (a) that the Annual Internal Audit Report for 2018/19 be accepted;
- .
- (b) that the Internal Audit Plan for 2019/20 as detailed in the Report be approved; and
- .
- (c) that the Assistant County Treasurer (Investments) be authorised to execute the Service Level Agreement relating to the Internal Audit Plan.

* **117** **Devon Pension Fund Risk Register**

The Committee considered the Report of the County Treasurer (CT/19/61) on an update of the Risk Register which included aspects commented on by the Pension Board. The Risk Register was attached at Appendix 1 to the Report and 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. This incorporated the risk register of both the Investments Team and Peninsula Pensions. The Committee noted the two additional Risks added (f4 and f16). In regard to f16 since publication, the Supreme Court had passed judgement and had not granted the Government leave to appeal. However, uncertainty remained as the level of increased liability for the Fund was subject to actuarial evaluation. The details and mitigating controls would be amended by officers accordingly.

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

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

* **118** **Investment Management Report**

(Councillor Greenslade attended in accordance with Standing Order 25(2) and spoke to this item in regard to the performance of Active Global Equities).

The Committee considered the Report of the County Treasurer (CT/19/62) on the Fund value and asset allocation, performance against the benchmark, funding level, budget outturn 2018/19 and forecast budget 2019/20, cash management and engagement activity. Members had also received the LAPFF Quarterly Engagement Report for the Quarter to December 2018.

The Fund value at 31March 2019 stood at £4,302.3 million, an increase of £270m over the quarter. Over the year to 31 March the Fund value rose by around £216m (5.6%).

Members discussed details relating to performance by the differing sectors, management fees, and changes relating to indirect costs which would be reported in the Annual Report as part of the national Cost Transparency initiative covering all pension funds.

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

RESOLVED

- (a) that the Investment Management Report be noted;
- (b) that compliance with the 2018/19 Treasury Management Strategy be noted.

* **119** **LGPS Update**

The Committee considered the Report of the County Treasurer (CT/19/63) on an update on some of the latest issues affecting the LGPS. In particular, the report focused on the Good Governance Project launched by the Scheme Advisory Board and various issues relating to actuarial valuations.

Following the current valuation, the Government was proposing to synchronise the timing of future valuations to coincide with the valuations of the unfunded public sector pension schemes. The Government had therefore issued a consultation (deadline by end of July) on moving to a four-yearly cycle from 2024 onwards with an LGPS valuation in 2024. The consultation also included a proposal to remove the requirement for further Education corporations, sixth form college corporations and higher education corporations in England to offer new employees' access to the LGPS. Each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible employees.

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

RESOLVED that the County Treasurer be authorised to approve a response to Government in consultation with the Chair and Vice Chair following circulation of a draft to all Members of the Committee.

* **120** **Training Review and 2019/20 Training Plan**

The Committee considered the Report of the County Treasurer (CT/19/64) on the proposed training programme for Committee and Board members to ensure that they had the skills and understanding required to carry out their stewardship role. The Report reviewed the training provided to both the Investment and Pension Fund Committee and the Devon Pension Board during 2018/19 and sets out the Training Plan for 2019/20. A draft of the Training Plan was presented to the Pension Board on 3 April 2019, and the Board's comments were set out within the report.

The Chair reported on the additional training he had undertaken as the Committee's representative on the Brunel Oversight Board and suggested that Brunel Partnership's Glossary was useful guide and should be circulated to members.

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

RESOLVED that the 2019/20 Training Plan be approved and adopted.

* **121** **Applications for Admitted Body Status**

The Committee noted the following applications for admitted body status approved since the last meeting:

(a) FCC Environment contract to provide waste management services to South Hams and West Devon, commencing on 1 April 2019: closed agreement and 90 staff transferred to the contractor; and

(b) Service Master Clean Contract Services: cleaning contract for St Andrews COf E Primary School, commencing on 1 April 2019: closed agreement and 4 staff transferred.

* **122** **Dates of Future Meetings**

13 September 2019; 15 November 2019; and 21 February 2020 at 10.30 am

* **123** **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded from the meeting for the following items of business (Minutes *124 and *125) 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.

* **124** **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 County Treasurer (CT/19/25) reported on the latest situation with regard to the deficit contributions of one of the Fund's employers.

* **125** **Brunel Update and Transition of Assets 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).

The Committee considered the Report of the County Treasurer (CT/19/65) on Brunel's progress in setting up the Property and Emerging Markets portfolios and proposed actions to transition from the Fund's current managers to the Brunel portfolios. It also proposed the delegation of the implementation of the current currency hedging strategy on the Developed World Passive Equity Portfolio to Brunel in conjunction with an external Manager and gave an update on recent reserved matters requests.

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

RESOLVED

(a) that the strategic allocation of 2% of the Fund to Global Property and 8% to UK Property be approved;

(b) that the County Treasurer be authorised to terminate the contracts of the Devon Pension Fund's currently appointed active emerging markets managers at the appropriate time and liaise with the Brunel Pension Partnership to arrange the transition of assets to the Brunel Emerging Markets Portfolio;

(c) that the implementation of the currency hedging strategy for the Developed World Passive Equity Portfolio be managed by Brunel in conjunction with the external Manager as set out in the Report; and

(d) that the reserved matters requests approved since the last meeting be noted.

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

INVESTMENT AND PENSION FUND COMMITTEE
28/06/19

The Meeting started at 10.30 am and finished at 12.54 pm