

INVESTMENT AND PENSION FUND COMMITTEE

13 September 2019

Present:-

Devon County Council

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

Unitary and District Councils

Councillors M Lowry, J Pearce and J O'Dwyer

Other Employers

D Healy

Unison and Retired Members: Non Voting Observers

R Franceschini, J Rimron and S Teague

Apologies:-

Councillors A Connett and L Parker-Delaz-Ajete

* 126

Announcements

The Chair welcomed Mr Ray 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.

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Minutes

RESOLVED that the Minutes of the Meeting held on 28 June 2019 be signed as a correct record subject to a correction in Minute *115 to show the Committee noted the Minutes of the meetings of the Brunel Oversight Board held on 31 January 2019 and 30 April 2019.

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Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

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Devon Pension Board

The Committee noted the Minutes of the Devon Pension Board meeting held on 15 July 2019.

* 130

Pension Fund Annual Report and Accounts 2018/19

The Committee considered the Report of the County Treasurer (CT/19/81) on the draft 2018/19 Pension Fund Annual Report, including the Statement of Accounts.

The Pension Fund Accounts had been approved along with Devon County Council's accounts by the Audit Committee on 29 July 2019.

The Committee's role was to approve the full Annual Report which contained the statement of accounts together with other information about the Fund's performance during the year.

Revised guidance on what should be included in the Annual Report had been issued by CIPFA (the Chartered Institute of Public Finance and Accountancy) in March 2019. As a result, a number of new or revised sections had been added to the Annual Report. These

related to Investment Pooling, Cost Transparency, Pension Fund Budget, Employers Contributions and Pensions Administration Performance.

The Independent Auditor Grant Thornton UK confirmed that in their opinion the Authority's Statement of Accounts (including the accompanying Pension Fund Statement) were consistent in all material respects with the audited financial statement in accordance with proper practice.

In terms of the Pension Fund's Governance and Compliance Statement, the Employee and Retired Member representatives indicated that they would keep their non-voting status under review.

Members commended the work of the Officers for the investment performance and pension administration and for the production and approval of the Statement of Accounts.

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

RESOLVED that the Pension Fund Annual Report and Accounts for 2018/19 be adopted (subject to minor drafting changes).

* **131** **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/19/82) on the Fund value and asset allocation, performance against the benchmark, funding level, budget monitoring, cash management and engagement activity. Members also received the LAPFF Quarterly Engagement Report for the Quarter to April-June 2019.

The Fund value at 30 June 2019 stood at £4,461.6m, an increase of £160m over the quarter.

Members discussed issues surrounding proposed regulatory changes related to residential infra-structure/ground rents and implications for the Fund. The risks around this had been raised by Officers with the Fund Manager concerned.

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

RESOLVED

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

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

* **132** **Investment Policy and Climate Change**

(Councillor J Hodgson attended in accordance with Standing Order 25(2) and spoke to this item and referred to the need for a more active approach by the Fund in regard to the Council's declared climate emergency, including possible divestment in energy fossil fuel extraction companies).

The Committee considered the Report of the County Treasurer (CT/19/83) on an update on the Committee's role as a responsible shareholder, policy developments, the current position and direction of travel with the transitioning of the Fund's assets from existing external fund managers to the Brunel Pension Partnership. The Report outlined Brunel's approach (detailed in their Position statement, attached to the Report) on how it was addressing climate change with a focus across all investments and not just on fossil fuel extraction companies. However, pending the full transition, the Devon fund currently had no data on the carbon footprint of its investments and a proposed analysis as at 31 March 2019 would provide a useful benchmark. There would be a small additional cost for the benchmarking exercise.

The Committee's Independent Advisor outlined the Brunel approach working in partnership working with its Client Funds including Devon by addressing climate change by focussing across all investments, not just fuel extraction companies. They would engage with companies, monitor and track progress which may lead to divestment in the longer run where it was evident that sufficient progress was not being made and in accordance with the Committee's fiduciary responsibilities and good Social, Environmental and Ethical investment practice.

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

RESOLVED

(a) that the Climate Change Position Statement issued by the Brunel Pension Partnership be noted; and

(b) that the undertaking of an analysis of the Fund's carbon footprint as at 31 March 2019 be approved and additional fee approval be authorised by the County Treasurer in consultation with the Chair, and the outcome (including methodology and detailed assessments) be reported to a future meeting of this Committee.

* **133** **Court Case**

The Committee noted the Report of the County Treasurer (CT/19/84) giving an update on a fraud case that involved irregularities in claiming an LGPS pension from the Devon Pension Fund. Officers would continue to work with the Police and the Employer to pursue the recovery of the overpayments.

* **134** **Employer Changes**

The Committee noted the following applications for admitted body status and other changes approved since the last meeting of the Committee:

(a) St Peter's Voluntary Aided School: outsourced its cleaning to Churchill Services Limited: closed agreement involving 3 staff.

(b) New academy conversions and changes:

- Cockwood, Kenton and Kenn C of E primary schools joined Osprey Learning Trust (formerly Teignmouth Learning Trust) – 01/06/19;
- Plympton St Mary C of E Infant School joined St Christopher's Primary Multi Academy Trust (MAT) – 01/08/19;
- Plymouth Academy Trust moved to Westcountry MAT – 02/10/19;
- St Luke's Science & Sports College joined Ted Wragg MAT – 01/10/19.

(c) Cessations – the following employers exited the Fund:

- Admitted body: Innovate (re Torquay Girls Grammar School) following loss of contract; and
- Admitted body: Well Connected – the last active member left.

* **135** **Committee Training**

The Committee noted the following training and engagement events arranged for Members of the Committee and Pension Board:

- Devon Pension Fund Training on Wednesday 30th October from 10am to 4pm; and

- Brunel Pension Partnership Engagement Event on Tuesday 12th November from 10am to 3pm.

* **136** **Dates of Future Meetings**

15 November 2019 and 21 February 2020 at 10.30 am at County Hall, Exeter.

* **137** **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 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.

* **138** **Brunel Pension Partnership - 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 considered the Report of the County Treasurer (CT/19/85) on progress in setting up the Property, Emerging Markets, Diversified Growth and Active High Alpha Global Equities portfolios and actions required to transition assets. The transition required careful management to mitigate the risks and costs.

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

RESOLVED

(a) that the County Treasurer be authorised to terminate the contract of the Devon Pension Fund's currently appointed active global equity manager at the appropriate time and liaise with the Brunel Pension Partnership to arrange the transition of assets to the Brunel Active High Alpha Global Equities Portfolio;

(b) that a further £110 million be allocated to the Brunel Low Volatility Equities portfolio, to be funded from the Brunel Passive Global Developed Equities portfolio; and

(c) that the Investment Strategy Statement be amended to increase the 2019/20 target for Active Low Volatility Equities to 5% of the Fund, and to reduce the Passive Equities target allocation to 38%.

* **139** **Brunel Pension Partnership - 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/19/86) on reserved matters requests requiring shareholder consent.

The County Treasurer reported that she had referred the matter regarding a proposed salary cap for a new Chief Executive Officer of the Brunel Partnership to the Committee in order to provide guidance to her as the decision-maker for the Devon Fund. If a suitable candidate for the post could not be recruited within the proposed salary cap, which was subject to approval by the County Treasurer and the other partners, the matter would be reported back to this Committee.

The Acting Chief Executive Officer of Brunel, at the invitation of the Committee, joined the meeting and reported on the methodology used for setting a cap.

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

RESOLVED

(a) that the reserved matters request relating to the appointment of a Non-Executive Director on the Brunel Company Board be noted; and

(b) that an increase in the salary cap for Brunel's Chief Executive Officer post be approved in principle.

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Employer Contributions

(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/19/88) on a proposal by a Fund Employer to make an additional one-off payment to eliminate or reduce their future deficit contributions. The additional payment was now expected in October and it was proposed to use it to rebalance the current asset allocation back to target in accordance with the Investment Strategy.

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

RESOLVED

(a) that the proposed payment of a significant additional deficit contribution be noted; and

(b) that the investment of the additional deficit contribution as set out in the Report be approved.

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

The Meeting started at 10.30 am and finished at 12.50 pm