

## INVESTMENT AND PENSION FUND COMMITTEE

18 June 2021

Present:-

Devon County Council

Councillors J Morrish (Chair), P Bullivant (Vice-Chair), Y Atkinson, H Gent, M Hartnell,

Other Employer

D Healy,

Unions/Retired Members

R Franceschini and J Cook,

Unitary/District Councils

J O'Dwyer, M Lowry, Cllr J Pearce and S Teague

Apologies:-

Councillors G Gribble

Members attending in accordance with Standing Orders 8 and 25

Councillor J Hodgson

\* **1** Minutes

**RESOLVED** that the Minutes of the Meeting held on 26 February 2020 be signed as a correct record.

\* **2** Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

\* **3** Pension Board

The Committee noted the Minutes of the Meeting of the Board held on 26 April 2021.

\* **4** Brunel Oversight Board

The Committee noted the Minutes of the Meetings of the Board held on 28 January 2021 and 25 March 2021.

\* **5**      **Annual Internal Audit Report 2020/21 and Proposed Internal Audit Plan 2021/22**

The Committee considered the Report of the County Treasurer (CT/21/53) on the Annual Internal Audit Report – 2020/21, the Internal Audit Plan 2021/22 and the Service Level Agreement with the Audit Partnership service.

Members noted that overall, and based on work performed during 2020/21, Internal Audit had provided ‘reasonable assurance’ on the adequacy and effectiveness of the Fund’s internal control environment. This assurance opinion was comparable to the previous year’s assurance rating of “significant assurance”.

The proposed Audit Plans for the financial year 2021/22 allowed for up to 40 days of internal audit support for the Pension Fund and 45 days for Peninsula Pensions, which provided 85 days of internal audit provision overall. Details of the Plan were set out in Appendix 1 of the Report. The ongoing situation with Covid-19 and its potential impact on resources within the Devon Pension Fund, Peninsula Pensions and the Devon Audit Partnership was noted. Audit Officers would liaise with management regarding audit prioritisation and any impacts on the audit timetable as the situation unfolded.

Members discussion points with the Head of Audit included:

- a summary of management actions from last year’s audit was included in the Report and there had been no areas where management had not agreed with Audit proposals;
- remote working over the pandemic had been effective as both the client and Audit had had the necessary IT infrastructure and with robust continuity planning; and in future more in-person contact would be resumed with the continued option for remote working; and
- re-assurance about the high grade data security within Peninsula Pensions for the protection of fund members and employers.

It was **MOVED** by Councillor J O’Dwyer, and **SECONDED** by D Healy and

**RESOLVED**

(a) that the Annual Internal Audit Report for 2020/21 be noted;

(b) that the Internal Audit Plan for 2021/22 be approved;

(c) that the Assistant County Treasurer (Investments) be authorised to execute the Service Level Agreement relating to the Internal Audit Plan for 2021/22.

\* **6**      **Investment Management Report**

(Councillor J Hodgson attended in accordance with Standing Order 25 (2) and spoke to this item and referred to the engagement activity carried out by the Local Authority Pension Fund Forum on behalf of the Committee detailed in Appendix 2 of the Report and requested further more direct action by this Committee in regard to its investments associated with fossil fuels and also referred to the data relating to this)

The Committee considered the Report of the County Treasurer (CT/21/54) on the Fund value and asset allocation, performance against the benchmark, funding level, budget forecast 2020/21 and 2021/22, cash management, and engagement activity. The value of the Fund as at 31 March 2021 stood at £5,035m, an increase of around £110m over the last quarter.

Members' discussion points with Officers included:

- reference to the Committee's active engagement with companies to address climate change issues in accordance with the agreed strategy as adopted by the Brunel Partnership and weighting in fossil fuels largely due to its passive investments and work to address this and misleading data (in regard to the CO2 investments) which did not take account of the relative size of the Devon Fund;
- the encouraging data relating to Committee's Investment CO2 footprint which was reducing and ongoing initiatives in this regard to passive investments;
- the proposal for investment in corporate bonds in-line with the agreed strategy and on which more detailed information relating to areas covered would be provided to the Committee by Brunel in their updates and briefings; and
- note of the current good total value of the Fund in excess of £5bn (largely due to recovery of equities) following a significant dip as a result of the pandemic.

It was **MOVED** by Councillor Y Atkinson, **SECONDED** by Councillor J Pearce and

#### **RESOLVED**

(a) that the Investment Management Report be noted;

(b) that an additional £50 million be invested in the Brunel Sterling Corporate Bonds portfolio, funded by the overweight allocation to Passive Equities;

(c) that compliance with the 2020-21 Treasury Management Strategy be noted.

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

(Councillor J Hodgson attended in accordance with Standing Order 25 (2) and spoke to this item and referred to proposals for infrastructure investments to promote local initiatives in accordance the Devon County Council declaration on a climate emergency).

The Committee considered the Report of the County Treasurer (CT/21/55) on climate change policy and the Committee's commitment to achieving net zero investment portfolios by 2050, the Fund's carbon footprint; explanation of the reserves exposure; and Brunel's launch of sustainable equities portfolio. The full text of the net zero commitment, which had been launched by the Institutional Investors Group on Climate Change (IIGCC) in March, was set out at Appendix 1 to this Report. The full detail of the commitment would require further strengthening of the Fund's policies on climate change, and this was addressed further in the Report.

A key element towards achieving the net zero target entailed 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 being carried out on an annual basis, and this Report also provided details of the assessment as at 31 December 2020.

Members' discussion points with Officers included reference the Committee's investment in renewable infrastructure funds via Brunel and the relative exposure of the Committee's investments in companies associated with fossil fuels and an initiative to address this by the proposed increased investment in sustainable equities.

It was **MOVED** by R Franceschini and **SECONDED** by Councillor H Gent and

**RESOLVED**

(a) that the revised climate change section of the Investment Strategy Statement set out at Appendix 2 to this Report be approved;

(b) that the allocation of an additional £100 million to the Brunel Sustainable Equities portfolio to be funded from the UK Passive allocation be approved.

\* **8** **Funding Strategy Statement and Supporting Policies**

The Committee considered the Report of the County Treasurer (CT/21/56) on the Funding Strategy Statement (FSS) drafted in consultation with all employers. The purpose of the FSS was to explain the funding objectives of the Fund and how the cost of the benefits provided under the Local Government Pension Scheme were met through the Fund. It also defined the objectives in setting employer contribution rates and the funding strategy that was adopted to meet these objectives.

As a result of the new regulations and guidance, revisions were proposed to the Funding Strategy Statement (revised version was attached at Appendix 1 to the Report). The revised FSS made reference to two new policies, one in relation to contribution reviews and one in relation to Deferred Debt Arrangements (DDAs) and Debt Spreading Agreements (DSAs). These were also attached at Appendices 2 and 3 to the Report.

The Report also detailed other changes to the Statement in relation to inflation assumptions, the McCloud/Sargent issue which still remained unresolved and the position in regard to School Multi Academy Trusts (MATs).

It was **MOVED** by Councillor Y Atkinson, **SECONDED** by R Franceschini and

**RESOLVED**

(a) that the revised Funding Strategy Statement set out at Appendix 1 to the Report be approved;

(b) that the Contributions Review Policy set out at Appendix 2 to the Report be approved;

(c) that the Deferred Debt and Debt Spreading Agreement Policies set out at Appendix 3 to the Report be approved.

\* **9**      **Training Review and 2020/21 Training plan 2021/22**

(Councillor J Hodgson attended in accordance with Standing Order 25 (2) and spoke to this item and requested that she and other members be offered the training proposed in this Report)

The Committee considered the Report of the County Treasurer (CT/21/57) on the training undertaken in 2020/21 (subject to update from Members as necessary) and the proposed 2021-22 Training Plan (attached at Appendix 2) which set out proposals for training to be provided over the year in order to ensure that both the Members of this Committee and the Pension Board gained the knowledge and skills required in accordance with the CIPFA Code.

The training plan had been reviewed to ensure that it reflected current best practice. The training plan had also been considered and endorsed by the Devon Pension Board at their meeting on 26th April 2021.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor H Gent and

**RESOLVED** that the Training Plan be approved and adopted for 2021/22.

\* **10**      **Employer Changes**

The following applications for admitted body status; and academy conversions and changes had been approved since the last meeting of the Committee:

(a) New Admitted Bodies

- Expedite commenced cleaning contract for ALUMNIS MAT 1 May 2021, closed agreement.
- Innovate Ltd commenced catering contract for Colyton Grammar School 1 Sept 2020, closed agreement.
- Mid Devon District Council 'Tuped' 1 person to 3 Rivers Development Ltd 1 April 2021 closed agreement.
- Transforming Futures MAT have 'Tuped' various groups of staff to DELT 1 May 2021 as a passthrough arrangement.

(b) New Academy Conversions and Changes

- Orchard Manor School joined Thinking Schools Academy Trust 1 February 2021.
- Queen Elizabeth Academy Trust joined Ted Wragg MAT 1 February 2021.

\* **11**      **Dates of Future Meetings**

17 September 2021, 26 November 2021; and 25 February 2022 followed by the fund members' consultation meeting.

\* **12**      **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.

\* **13**      **Aviva Infrastructure Fund**

(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/21/58) on the Fund's investment in the Aviva Investors Infrastructure Income Fund.

The Report detailed a number of options that could be considered in relation to the Devon Fund's investments in this area.

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

**RESOLVED** that the County Treasurer be delegated to take action as appropriate as set out in the Report.

\* **14**      **Brunel Update 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)

The Committee noted the Report of the County Treasurer (CT/21/59) on the appointment of Non-Executive Directors and the agreement of a revised Shareholder Agreement which had been authorised by the County Treasurer under delegated powers.

\* **15**      **Independent Investment Advisor Arrangements**

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

(The Committee's Independent Adviser withdrew from the meeting for the duration of the consideration of this item)

The Committee considered the Report of the County Treasurer (CT/21/60) on the specification for the role of the Independent Advisor whose current contract was due to expire in September 2021, and proposed changes to the specification and procurement process. Members also referred to a performance appraisal process for the current and future advisor for further consideration, which could be fed-in to the audit arrangements.

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

**RESOLVED**

(a) that the revised specification for the role of the Independent Investment Advisor to the Committee and the proposed procurement process be approved;

(b) that Councillor J O'Dwyer, Councillor Y Atkinson and R Franceschini be authorised (on behalf of the Committee) to attend the provider presentations; and

(c) that should there be a delay in the procurement, the County Treasurer be authorised to extend the current contract for up to a limit of 6 months.

**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 12.15 pm

