

INVESTMENT AND PENSION FUND COMMITTEE

15 September 2023

Present:-

Devon County Council

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

Unitary Councils

Councillors M Brook and T Evans (remote, substitute)

Union and Retired Members

R Franceschini and M Daniell (remote)

(NB – attendees attending virtually are unable to participate in voting)

Apologies:-

L Parker-Delaz-Ajete and Councillors H Gent, R Bloxham, M Lowry

* 129

Minutes

RESOLVED that the minutes of the meeting held on 16 June 2023 be signed as a correct record.

* 130

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 131

Devon Pension Board

The Committee noted the minutes of the meeting of the Devon Pension Board held on 6 July 2023.

* 132

Brunel Oversight Board

The Committee noted the minutes of the meeting of the Brunel Oversight Board held on 8 June 2023.

* **133** **Pension Fund Annual Report and Accounts 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/80) on the Pension Fund Annual Report and Accounts 2022/23. The Annual Report, including the Statement of Accounts, was brought to the Committee each year for approval. The Statement of Accounts remained subject to approval by the County Council's Audit Committee and completion of the external audit. Formal publication of the Annual Report would not be possible until the audit had been completed.

The Report had been produced in line with CIPFA guidance and included within it statutory policy as required by such guidance. The Report highlighted that, at time of writing, the external auditors had yet to issue audit opinions on the Authority's 2020/21 and 2021/22 Statements of Accounts. As such, the final version of the Pension Fund Annual Report for those years was yet to be published.

Officers highlighted improvements made to the stewardship section of the Report in light of feedback from the UK Financial Reporting Council (FRC).

A member commented on the omission of a narrative report on the fixed interest Sterling Corporate Bonds and Multi Asset Credit portfolios. It was requested to officers that this be rectified and included for future annual reports.

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

RESOLVED

(a) that the position on the audit of the 2020/21 and 2021/22 Pension Fund Statement of Accounts be noted;

(b) that the Pension Fund Annual report and Accounts for 2022/23 be approved and adopted, subject to approval of the Statement of Accounts by the Devon County Council Audit Committee and completion of the external audit; and

(c) that the submission of the unaudited Pension Fund Annual Report and Accounts to the Financial Reporting Council for assessment against the requirements of the UK Stewardship Code, be approved.

* **134** **Investment Management Report**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/80). The Report outlined the Fund value and asset allocation,

Fund performance, funding level, 2023/24 budget forecast, cash management and voting and engagement activity.

As of 31 March 2023, the Fund value stood at £5,362.9 million which was an increase of approximately £50 million over the quarter. Performance wise, the Fund achieved a positive return of +1.3% over the quarter to 30 June. This represented an under-performance against the strategic benchmark of +1.9%.

A member queried recommendation (c) in respect of what was meant by 'a temporary basis.' It was explained by officers that, if approved, the intention would be to quickly withdraw funds to increase the cash balance given current interest rates of 5-6% on cash. The cash balance would gradually reduce back to target as private market commitments were drawn.

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

RESOLVED

(a) that the amendment of the strategic asset allocation targets for 2023/24, to reflect the table in Section 2 of the report, be approved;

(b) that the reallocation of £50 million from Passive Equities to Sterling Corporate Bonds be approved;

(c) that the provision of flexibility to officers to increase the cash balance to up to 4% on a temporary basis be approved;

(d) that compliance with the 2023-24 Treasury Management Strategy be noted.

* 135 **Department for Levelling-Up, Housing and Communities consultation: Local Government Pension Scheme (England and Wales): Next Steps on Investment**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/82) on the Department for Levelling-up, Housing and Communities Consultation on the future of investment pooling in the Local Government Pension Scheme (LGPS).

Officers explained that although they understood and supported the intention of Government to ensure current pooling arrangements were effective, they were concerned about the possibility of Government imposing a minimum pool value of £50 billion and the impact this would have on the Pension Fund. With the combined assets under management of the Brunel funds being less than this, officers were concerned that this would therefore force realignment resulting in additional costs at the expense of the Fund; and that this was unnecessary given the positive performance of the Fund.

Member discussion points centred around questions eleven and twelve of the consultation and the proposed response from the Devon Fund. Members were concerned that an investment strategy would be imposed which removed local control from the Fund, and that investment in areas which were less beneficial to the Fund would be forced by Government.

It was **MOVED** by Councillor M Brook, **SECONDED** by Councillor J Morrish and

RESOLVED

(a) that the proposed responses to questions eleven and twelve be amended to clearly reflect Member concerns around maintaining local control and not having an investment strategy as detailed above imposed on the Fund, with final wording delegated to the Director of Finance and Public Value in consultation with the Chair of the Committee; and

(b) that, subject to the changes outlined in recommendation (a), the response to the consultation on next steps on investment, attached at Appendix 2 to the report, be approved.

* 136

Pension Fund Risk Register

The Committee considered the Report of the Director of Finance and Public Value (DF/23/83) on the Pension Fund Risk Register. The report outlined the number of risks to both the Devon Pension Fund and to Peninsula Pensions, before and after mitigating actions had been applied.

Members debated the merit of including risks rated 'low' within the Register, with a member concerned that this might draw attention away from 'medium', 'high' and 'very high' risks which were inherently more important to address. Officers highlighted that this had been considered by the Devon Pension Board who wished to retain the 'low' risks in the Register. Other members expressed that 'low' risks could develop into 'medium', 'high' or 'very high' risks and that monitoring these – and therefore having these included in the Register – was important, in agreement with the judgement of the Devon Pension Board. Officers agreed to explore the issue with the Devon Pension Board.

A member commented that risk F2, which regarded the Pension Fund's investment strategy not achieving required returns, did not include the mitigating factor of the Committee's monitoring of the quality of external fund managers, and that this would be an important mitigating factor to be included.

It was **MOVED** by Councillor M Brook, **SECONDED** by Councillor Y Atkinson and

RESOLVED that the Pension Fund Register and additional actions proposed to mitigate risk be approved, subject to the inclusion of the mitigating control as outlined above to risk F2.

* **137** **Training Review 2022/23 and Training Plan 2023/24**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/84) which outlined the training made available to members of the Investment and Pension Fund Committee and the Devon Pension Board in 2022/23. Appendix 1 to the report proposed training to be provided over the year 2023/24 for members of the above-named committees.

It was **MOVED** by Councillor M Brook, **SECONDED** by Councillor Y Atkinson and

RESOLVED that the 2023/24 training plan be approved and adopted.

* **138** **Employer Changes**

The Committee noted:

- (a) New admitted bodies – The following application for admitted body status has been approved since the last meeting of the Committee:
- 1 January 2023 - Livewell with agreement from Plymouth City Council typed 1 member of staff to NHS (Devon ICB)
 - 1 April 2023 - Ted Wragg Trust retendered their catering contract and the new provider Dolce Ltd.
 - 1 April 2023 - Ted Wragg Trust typed cleaning staff to Fusion School Services Limited.
- (b) Employer Cessations - The following employer has left the scheme
- 31/3/2023 Aspens catering contract with Ted Wragg Trust ceased.
- (c) New academy conversions and changes.
- 1 March 2023 - Mount Tamar School joined Transforming Futures Trust.
 - 1 March 2023 - Sidmouth College joined Ted Wragg Trust.
 - 1 April 2023 - Wynstream Primary School joined Education South West.
 - Atrium School closed on 30th April 2023 and the 5 remaining staff have been transferred to South Dartmoor CC wef 1/5/2023.

* **139** **Dates of Future Meetings**

The Committee noted the dates of future meetings as:

24 November 2023, 10.30am;

1 March 2024, 10.30am;

1 March 2024, 2.15pm (Staff/Retiree Consultation)

* **140** **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involves 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 (including the authority holding that information) 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.

* **141** **Review of Indemnity Bonds**

(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 Director of Finance and Public Value (DF/23/85) on the risk to the Pension Fund of a fund employer ceasing to exist with insufficient funding available to settle outstanding debts, or where such an employer might refuse to pay the cessation value. This was a risk that had been identified in the risk register.

Partial mitigation of risk was achieved by the requirement on some admitted bodies to have a bond or guarantee in place. The Fund Actuary had been asked, in line with good practice, to review the indemnity levels of all admitted bodies coming under the valuation.

It was **MOVED** by Councillor M Brook, **SECONDED** by R Franceschini, and

RESOLVED

(a) that the proposed action to notify letting authorities of the revised recommended bond levels and the employer risk assessment risk scores be approved; and

(b) that maintenance of the required indemnity bonds for the three housing companies at the current level be approved.

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 10.35 am and finished at 11.49 am