

INVESTMENT AND PENSION FUND COMMITTEE

1 March 2024

Present:-

Devon County Council

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

Unitary Councils

Councillors M Brook, P Bialyk, and M Lowry (remote)

Union and Retired Members

R Franceschini, L Parker-Delaz-Ajete (remote) and M Daniell (remote)

Other Employers

Councillor R Bloxham

Apologies:-

Councillors Y Atkinson and G Gribble

* **154** **Chair's Announcements**

The Chair welcomed Mr Hodgins to the meeting who was attending 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.

* **155** **Minutes**

RESOLVED that the minutes of the meeting held on 24 November 2023 be signed as a correct record, subject to the addition of apologies by Councillor Hartnell which were not originally recorded.

* **156** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **157** **Devon Pension Board**

The Committee noted the minutes of the Devon Pension Board meeting held on 30 January 2024.

* **158** **Brunel Oversight Board**

The Committee noted the minutes of the Brunel Oversight Board meetings held on 13 December 2023 and 25 January 2024.

* **159** **Internal Audit Plan 2024/25**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/24) on the Draft Internal Audit Plan for 2024/25. The Report explained that the Local Authority had a statutory duty to ensure the proper administration of its financial affairs, with assurance that this is the case provided by the reporting of Internal Audit. The audit of the Pension Fund was the responsibility of Devon Audit Partnership, with up to 85 days of internal audit support for the Pension Fund allowed under the plans. The draft Internal Audit Plan for 2024/25 was attached at Appendix 1 to the Report.

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

RESOLVED that the proposed Internal Audit Plan for 2024/25 be agreed.

* **160** **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 (including the authority holding that information).

* **161** **Brunel Business Plan and Reserved Matters Requests**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/32). The Report outlined revisions that had been made to the Brunel Shareholders Agreement in relation to Special Reserved Matters and Reserved Matters in the context of a wider proposed review of governance around reserved matters; and the proposed Brunel Business Plan and budget for 2024/25. The Business Plan and budget had been presented to the Brunel Oversight Board on 25 January 2024, with a copy of the presentation and of the Business Plan attached to the Report as Appendices A and B respectively.

It was **MOVED** by Councillor Bloxham, **SECONDED** by Councillor Gent and **RESOLVED** that

(a) the Committee note the approval of revisions to the Brunel Shareholders Agreement; and

(b) the Committee endorse the Brunel Pension Partnership's business plan and budget for 2024/25 for approval by the Director of Finance and Public Value under her delegated power as the shareholder representative for Devon.

* **162** **Local Impact Portfolio Update**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/33) on proposed commitments under the Local Impact Portfolio, the setting up of which was agreed at June 2023 meeting of the Committee for investment in Devon and the wider South West, with a target allocation of 3% of the Fund ([Minute *126](#) refers).

Members were supportive of the proposals, with discussion centring on the structure of some of the companies who were proposed for receipt of funding; and on the speed of delivery, given the importance of continued investment return for the Fund.

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

RESOLVED that the three commitments outlined in the Report (totalling £120 million) be approved by the Committee, subject to further due diligence, with final decisions on the commitments be delegated to officers after due diligence.

* **163** **Brunel Climate Change Policy Implementation**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/34) which provided details on the methodology for Brunel's implementation of the Fund's alignment policy in relation to the Paris Agreement. The Report also requested feedback from members on Brunel's proposed activity-based exclusions policy, which aimed to exclude companies from Brunel's investment portfolio that engage in certain activities, on the basis that those activities do not represent responsible investment.

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

RESOLVED that the Committee support the activity-based exclusion criteria proposed within the Report on companies within the investment universe for the actively managed equity and corporate bond portfolios.

* **164** **Re-admission of the Public and Press**

RESOLVED that the press and public no longer need to be excluded from the meeting and could be readmitted.

* **165** **Investment Management Report**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/25). The Report outlined the Fund value and asset allocation, Fund performance, funding level, 2023/24 budget forecast, and cash management.

As at the 31st of December, the Fund value stood at just over £5.6 billion, which was in an increase of £275 million over the quarter. The Fund return was approximately 6.6% over the financial year to date. It was also noted that the total Fund return remained ahead of the Local Government Pension Scheme average for both the year-to-date and 3-year periods.

It was proposed in the Report to move £60 million out of the Passive Equities portfolio and split this between the Sustainable Equities portfolio and the Emerging Markets portfolio. Over the quarter, these portfolios performed above benchmark.

It was **MOVED** by Councillor Brook, **SECONDED** by Councillor Gent and

RESOLVED that

(a) the Report be noted;

(b) the proposed rebalancing within the Equities allocation by adding £25 million to the Sustainable Equities and £35 million to the Emerging Markets portfolios, funded from the Passive Equities allocation, be approved; and

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

* **166** **Treasury Management Strategy 2024/25**

(Due to the temporary absence of the Chair, the Vice-Chair assumed chairing responsibilities for this item).

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/26) on the proposed Treasury Management Strategy for

2024/25. Members were advised that, in line with the CIPFA Code of Practice, a treasury management strategy is required to be agreed each year in relation to the money that the Fund holds as cash, and how that cash is deposited. Cash only represented a small part of the Fund's investment. The proposed Treasury Management Strategy was set out in Appendix 1 to the Report.

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

RESOLVED that the adoption of the Treasury Management Strategy for 2024/25, as set out in Appendix 1 to the Report, be approved.

* **167** **Actuarial Services Tender Outcome**

(Due to the temporary absence of the Chair, the Vice-Chair assumed chairing responsibilities for this item).

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/27) which updated members on progress for awarding the contract to provide actuarial services to the Devon Pension Fund for the period from 1 April 2024 to 31 March 2030. The Fund required the professional services of an actuary in order to carry out the triennial actuarial valuation of the Fund and a variety of other tasks. Given that the current contract was due to expire on 31 March 2024, this procurement exercise was approved at the June 2023 meeting of the Committee.

The Fund went out to tender in one with the national framework set up for local government pension schemes, with two of the four eligible companies bidding for the contact. Subject to a standstill period that was due to end in March, the expectation was that the contract would be awarded to Barnett Waddingham.

* **168** **Pension Administration Strategy**

(The Vice-Chair assumed chairing responsibilities in opening this item. The Chair returned in advance of the next item).

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/28) on the revised Pension Administration Strategy, for approval by the Committee. The full revised Strategy was attached at Appendix 1 to the Report.

Officers highlighted two key proposed changes, these being: the introduction of a more detailed Peninsula Pensions Communication Policy Paper (Appendix A to the revised Strategy); and rechargeable administration costs where an individual employer is underperforming (Appendix C to the revised Strategy). The latter proposed change would allow Peninsula Pensions to levy fines on some employers that failed to engage with the team in a timely

manner despite multiple requests for information which has had an impact on, for instance, timely payment of pension payments to recent retirees, where employers have not advised Peninsula Pensions of individuals retiring in good time. In proposing this revision, Peninsula Pensions had considered the policies of other administering authorities and contacted them, and had been advised that – in most cases – one fine is usually sufficient to ensure better employer engagement and prevent future breaches.

In relation to the proposals regarding the levying of fines to employers, some concern was raised about the impact such a policy could have on the relationship between the administering authority and employers, particularly in relation to similar concerns raised by members of the Devon Pension Board. However, the members of the Committee were broadly in favour, as it represented a sound mechanism to ensure retirees received their pension payments in good time, where poor employer engagement should not detriment these individuals.

It was **MOVED** by Councillor Gent, **SECONDED** by Councillor Bloxham and **RESOLVED** that the revised Pension Administration Strategy be approved.

* **169** **Communications Strategy**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/29) on the updated Communications policy, which was one of the four statutory elements required for the Fund to have in place. The Communications Policy was last updated in November 2019. The revised policy was attached as Appendix 1 to the Report, with mainly cosmetic changes having been made, and comments from the Devon Pension Board actioned and included.

It was **MOVED** by Councillor Bloxham, **SECONDED** by Councillor Brook and **RESOLVED** that the revised Communications Policy be approved.

* **170** **Private Market Allocations**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/30) which summarised the current position on the Fund's private markets, investments and commitments. Officers outlined that Brunel planned to begin cycle 4 of investment in April.

It was proposed to commit a further £100 million to private equity as part of the strategy to build up the allocation gradually. In response to questioning from a Member, it was explained to the Committee that no allocation to infrastructure or private debt was proposed because targets had already been achieved.

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

RESOLVED that

(a) progress being made on the investment of the Fund's private markets commitment be noted;

(b) no allocation be made to Brunel's Cycle 4 Infrastructure and Private Debt portfolios; and

(c) the proposed £100 million allocation to Brunel's Cycle 4 Private Equity portfolio be approved.

* **171** **Local Government Pension Scheme Update**

The Committee considered the Report of the Director of Finance and Public Value (DFP/24/31) on latest developments impacting the LGPS.

Of note was the Government response to a consultation held last summer regarding proposals concerning the future of pooling, with Government setting out that their immediate priority was for existing assets to be pooled. To consolidate into future larger pools was set as a long-term ambition. It was noted that the Devon Fund had already pooled 95% of its assets with Brunel, including all listed assets. Member discussion focused around this, with concern expressed about central Government taking away local control of the Fund and investment decisions thereof.

Members noted the Report.

* **172** **Employer Changes**

The Committee noted:

(a) New admitted bodies - The following application for admitted body status has been approved:

- On 1 September 2023 Direct Cleaning Services took on the cleaning contract for some of the schools within Thinking Schools Academy Trust.
- On 30 October 2023 First Federation outsourced their out of hours school services to Fishkids.
- On 30 October 2023 First Federation outsourced their catering services at Willowbank School to Norse

(b) New academy conversions and changes:

- On 1 September 2023

- The Castle Partnership Trust (TCPT) merged with Uffculme Academy Trust and became Blackdown Education Partnership. They have academies in both the Devon and Somerset Pension Funds.
 - Gulworthy Primary and Lamerton Cof E Primary Schools became academies and joined the Learning Academy Partnership.
 - Bay Education Trust became part of Thinking Schools Academy Trust.
 - The Burton Academy changed name to the Loadstar Academy and joined the Thinking Schools academy Trust.
 - The Brunel Academy joined the Special Partnership Trust.
 - Matford Brook – A new School officially opened and became part of the Ted Wragg Trust.
- On 1 October 2023
 - St Margarets C of E Junior School became an academy and joined Ventrus.
 - Newtown Primary School became an academy and joined Academy for Character & Excellence.
 - Pilton Infants and Horwood & Newton Tracey School joined TEAM Multi Academy Trust.
 - On 1 November 2023
 - Wolborough Cof E Primary School became an academy and joined Link Academy Trust.
 - Trinity C of E School became an academy and joined Academy for Character & Excellence.
 - St Christophers Secondary MAT became part of Athena Learning Trust.

(c) Cessations:

- With effect from 1 June 2023 Torbay Youth Trust ceased membership of the LGPS with all active staff taping back to Torbay Council. The assets and liabilities will also transfer to Torbay Council.

* 173

Annual Consultative Meeting with Staff and Retired Members

The Committee noted the Annual Consultative Meeting scheduled for the afternoon.

Officers also suggested that it may be more appropriate to hold the Annual Consultative Meeting in June, to enable more timely reporting of performance over the financial year ending on 31st March, with the Committee in support of this suggestion.

* 174 **Dates of Future Meetings**

The Committee noted the future meetings.

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 10.34 am and finished at 12.40 pm