

Phil Norrey
Chief Executive

To: The Chairman and Members of
the Devon Pension Board

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 31 March 2017
Please ask for : Rob Hooper 01392 382300

Email: rob.hooper@devon.gov.uk

DEVON PENSION BOARD

Monday, 10th April, 2017

A meeting of the Devon Pension Board is to be held on the above date, at 10.30 am in the Committee Suite - County Hall to consider the following matters.

P NORREY
Chief Executive

A G E N D A

[THE MEETING WILL BE PRECEDED - AT 10.00AM - WITH AN INFORMAL BRIEFING TO UPDATE MEMBERS ON INFORMATION PREVIOUSLY REQUESTED WHICH MAY NOT HAVE BEEN SENT OUT IN ADVANCE, BY EMAIL OR OTHER MEANS]

PART 1 - OPEN COMMITTEE

- 1 Apologies
- 2 Minutes (Pages 1 - 6)
Minutes of the meeting held on 20 October 2016, attached.
- 3 Items Requiring Urgent Attention
Items which in the opinion of the Chairman should be considered at the meeting as matters of urgency.
- 4 Membership
County Treasurer to report on progress with the filling of the current vacancy for a Fund Member representative (vice Ms Lewis) to secure an appointment at the earliest opportunity.

MATTERS FOR CONSIDERATION OR REVIEW

- 5 Devon Pension Board Budget : Outturn for 2016/17 and Budget for 2017/18 (Pages 7 - 8)
Report of the County Treasurer (CT/17/36), attached.

- 6 Devon Pension Board Annual Report 206/17 (Pages 9 - 12)
Report of the County Treasurer (CT/17/37), attached.
- 7 Actuarial Valuation 2016 (Pages 13 - 52)
Report of the County Treasurer (CT/17/38), attached.
- 8 Statutory Statements (Pages 53 - 90)
- (a) Funding Strategy
Report of the County Treasurer (CT/17/39), attached.
- (b) Investment Strategy
Report of the County Treasurer (CT/17/40), attached.
- 9 Devon Pension Fund Risk Register (Pages 91 - 110)
Report of the County Treasurer (CT/17/41), attached.
- 10 Internal Audit Report for 2016/17 and Internal Audit Plan for 2017/18 (Pages 111 - 122)
Report of the County Treasurer (CT/17/42), attached.

MATTERS FOR INFORMATION

- 11 Investment and Pension Fund Committee (Pages 123 - 132)
Minutes of Investment & Pension Fund Committee held on 2 December 2016 and 24 February 2017, for information.
- The Board's attention is drawn in particular to Minute 25 responding to a previous request/suggestion.
- 12 Pension Fund Annual Reports - Cost Transparency (Pages 133 - 136)
In line with the provisions of Standing Order 23, Mr Bowman (Fund Member Representative) has asked that the Board consider the apparent increases – and the reasons therefor - in transaction and management fund costs against those shown in previous Annual Reports.
- Report of the County Treasurer (CT/17/43), attached.
- 13 Peninsula Pensions Administration - Update and Performance Statistics (Pages 137 - 142)
Report of the County Treasurer (CT/17/44), attached.
- 14 Brunel Pooling Partnership: Progress Report
County Treasurer to report
- 15 Training Review 2016/17 and Plan 2017/18 (Pages 143 - 154)
Report of the County Treasurer (CT/17/45), attached.
- 16 Future Work Programme (Pages 155 - 156)
Report of the County Treasurer (CT/17/46), attached.

PART II - ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF PRESS AND PUBLIC ON THE GROUNDS THAT EXEMPT INFORMATION MAY BE DISCLOSED


None

FUTURE MEETINGS

Future meetings of the Board are scheduled for 16 October 2017 and 23 April 2018, as shown in the County Council's Calendar of Meetings at:

<http://democracy.devon.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1>

*Members are reminded that Part II Reports contain confidential information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s).
Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Democratic Services Officer at the conclusion of the meeting for disposal.*

Membership
<p>Devon County Council Councillors B Greenslade and S Randall-Johnson Fund Employer Representatives Graham Smith (Devon & Cornwall Police) and Carl Hearn (Tavistock Town Council) Fund Member Representatives Andy Bowman, Cheryl Lewis, Heather Keightley and VACANCY Independent Member (non-voting) William Nicolls</p>
Declaration of Interests
<p>Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.</p>
Access to Information
<p>Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Rob Hooper 01392 382300 Agenda and minutes of the Committee are published on the Council's Website and can also be accessed via the Modern.Gov app, available from the usual stores.</p>
Webcasting, Recording or Reporting of Meetings and Proceedings
<p>The proceedings of this meeting may be recorded for broadcasting live on the internet via the 'Democracy Centre' on the County Council's website. The whole of the meeting may be broadcast apart from any confidential items which may need to be considered in the absence of the press and public. For more information go to: http://www.devoncc.public-i.tv/core/</p> <p>In addition, anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.</p> <p>Members of the public may also use Facebook and Twitter or other forms of social media to report on proceedings at this meeting. An open, publicly available Wi-Fi network (i.e. DCC) is normally available for meetings held in the Committee Suite at County Hall. For information on Wi-Fi availability at other locations, please contact the Officer identified above.</p>
Emergencies
<p>In the event of the fire alarm sounding leave the building immediately by the nearest available exit, following the fire exit signs. If doors fail to unlock press the Green break glass next to the door. Do not stop to collect personal belongings, do not use the lifts, do not re-enter the building until told to do so.</p>
Mobile Phones
<p>Please switch off all mobile phones before entering the Committee Room or Council Chamber</p>
<p>If you need a copy of this Agenda and/or a Report in another format (e.g. large print, audio tape, Braille or other languages), please contact the Information Centre on 01392 380101 or email to: centre@devon.gov.uk or write to the Democratic and Scrutiny Secretariat at County Hall, Exeter, EX2 4QD.</p>
 <p>Induction loop system available</p>

DEVON PENSION BOARD

20 October 2016

Present

Fund Employer Representatives

Councillors B Greenslade and S Randall-Johnson
Mr C Hearn and Mr G Smith

Independent Member

Mr W Nicholls

Fund Employee Representatives

Mr A Bowman, Ms H Keightley and Mr C Shipp

18 **Chairman**

RESOLVED that Councillor Greenslade be elected Chairman for the remainder of the 2016/17 Municipal Year.

19 **Minutes**

RESOLVED that the minutes of the meeting held on 14 April 2016 be approved and signed as a correct record.

20 **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

21 **Membership**

The Chairman welcomed Councillor Randall Johnson to her first meeting of the Board and also reported the recent resignation of Ms C Lewis (Fund Member Representative) indicating that a replacement representative would be sought in the usual way, following an open competition.

MATTERS FOR CONSIDERATION AND REVIEW

22 **Statutory Statements**

(a) Communications Policy

The Board considered the Report of the County Treasurer (CT/16/81) together with the Communications Policy most recently updated and approved by the Investment & Pension Fund Committee, in 2015.

It set out the Pension Fund's policies relating to the provision of information and publicity to members, their representatives and employing authorities and key organisations and summarised, inter alia, the format, frequency and method of distributing such information or publicity. The policy reflected the value placed by the Pension Fund on communications and the professional expertise available to it. The Board was advised that the Plan had, during 2015/16, also received a good level of assurance from the Devon Audit Partnership.

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Members noted that this was one of four statutory statements the Fund was required to have in place which the Board was required to scrutinise and comment upon to the Council's Investment & Pension Fund Committee.

In reviewing operational aspects of this matter, Board Members sought assurances that Peninsula Pension's Quarterly Newsletter was indeed made available to fund members as indicated in the Annual Report through, for example, the County Council's internal 'Insider' staff newsletter.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Councillor Randall Johnson, and

RESOLVED that the Report be noted and the Communication Policy be endorsed.

(b) Funding Strategy Statement

The Board considered the Report of the County Treasurer (CT/16/82) together with the Funding Strategy Statement most recently updated and approved by the Investment & Pension Fund Committee in September 2014 and previously reviewed by the Pension Board in October 2015. The Statement outlined the Pension Fund's funding objectives and the management of the cost of the benefits provided under the Local Government Pension Scheme and the objectives/strategy for setting employer contribution rates.

The Statement had been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 and was due to be revised in 2017 - after the 2016 Actuarial Valuation - to ensure it reflected any significant changes to funding assumptions arising therefrom. That revised statement would necessarily be presented to the Board for review.

Members noted that this was one of four statutory statements the Fund was required to have in place which the Board was required to scrutinise and comment upon to the Council's Investment & Pension Fund Committee.

In reviewing related operational matters, Board Members drew attention to the emphasis within the Statement to the Funds 'relationship' with employers rather than with members, commenting also on the desirability of the Fund being seen to build 'trust' in its members of its financial viability and security (i.e that it was safe to invest their money in the Fund) and that this could usefully be expounded both in this Strategy Statement and the Communications Policy at Minute 22(b) above.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Mr Shipp, and

RESOLVED that the current Funding Statement and the process of review be noted subject to the view outlined above also being drawn to the attention of the Investment & Pension Funds Committee.

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External Audit Findings Report

The Board noted the Report of the County Treasurer (CT/16/83) on the outcome of the audit of the Pension Fund for 2015/16 outlining the work undertaken by Grant Thornton (the Council's external auditors) to address the risks identified in the Audit Plan endorsed previously by the Council's Audit Committee in March 2016.

The Auditor's Report, a copy of which was appended to the County Treasurer's Report, had been presented to and endorsed by the Audit Committee on 7 September 2016 and the Investment and Pension Fund Committee on 16 September 2016; it had not identified any significant issues and had given an unqualified opinion upon the Fund's financial statement.

While Members recognised it was in line with standard industry practice, some concerns were expressed at the apparently arbitrary financial levels specified by the Council's external

auditors of 'materiality' set out in the Annual Report. The County Treasurer's professional advice was that the current levels were both appropriate and proportionate and that no change could be supported, advising also that the Council could neither dictate nor enforce and such change.

24 Devon Pension Fund Risk Register

The Board received the Report of the County Treasurer (CT/16/84) together with the current Pension Fund Risk Register delineating actions to mitigate and mitigate identified risk(s); the Register had been reviewed previously at the last Board meeting.

Members noted that the Investment & Pension Fund Committee had, on 17 June 2016, accepted the Board's previous suggestion* that the Risk Register should incorporate references/additional risks relating to the Brunel Pooling Partnership/Arrangements, as incorporated in the Risk Register Report now submitted. The Board was assured that timelines for specific actions or target set out in the Register were on target or had been met. Members also acknowledged the potential impact on the operation of the Fund of:

- should asset pricing fall to pre 'quantitative-easing' levels;
- of constituent authorities externalising pension administration;
- on the potential impact of the leaving the EU (Brexit) and any consequential changes to regulatory frameworks; and
- on the outcome of the Actuarial Valuation for 2017/18-209/20; and.

The County Treasurer assured the Board that the Risk Register was regularly monitored and revised to reflect changing circumstances and that where changes occurred every effort was made to protect the Fund and, for example and in the case of externalisation, that the resulting burden rested with the relevant authority.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Mr Hearn, and

RESOLVED that the Report be noted and the Investment & Pension Funds Committee be asked to consider further variations to the Register in respect of the issues identified above.

*[NB *See also the Board's 'Action Log' referencing information or data previously circulated to the Board electronically or by other means arising from earlier consideration of this matter and discussed at the informal briefing session preceding the meeting]*

MATTERS FOR INFORMATION

25 Pension Fund Annual Report & Accounts 2015/16

The Board considered the Report of the County Treasurer (CT/16/85) together with the Pension Fund's Annual Report and Accounts for 2015/16, summarising and commenting upon the Fund's performance during the year; the latter having also been approved previously by the Council's Audit Committee.

Members noted that, for the first time, the Fund's Annual Report had also included information about the Pension Board including a brief summary of its activities and deliberations over the period in question (and the action taken by the Fund/Fund Manager as a consequence) in scrutinising and satisfying itself with the operation and management of the Fund during that period. It was acknowledged that the timeline for production of any future Annual Report and the work of the Board could usefully be reviewed.

Board Members expressed the view that the Annual Report could also more usefully show performance against comparable authorities or Funds rather than solely against internally set

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benchmarks and benefit from the use of 'plain English' . The publication of a short summary document for fund members outlining the key issues in the Annual Report was welcomed.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Councillor Randall Johnson, and

RESOLVED that the 2015/16 Pension Fund Annual Report and accounts be noted and consideration be given to more effective means of summarising performance in future Annual Reports in line with the views expressed at the meeting as summarised above.

26 Devon Pension Board: Budget Monitoring 2016/17

The Board considered the Report of the County Treasurer (CT/16/86) monitoring the Board's budget at Month 6, in respect of accommodation; training; legal, technical, administrative and professional support which showed a forecast underspend of £1,647.00.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Councillor Randall Johnson, and

RESOLVED that the budgetary position at Month 6 be noted.

27 Actuarial Valuation 2016 and Section 13 Report

The Board considered the Report of the County Treasurer (CT/16/87) on the work being undertaken in respect of the next three yearly valuation of the Pension Fund, due for publication by 31st March 2017, which would establish employer contributions for the period 2017/18 – 2019/2020.

Members noted that in addition to the formal actuarial valuation carried out the by the Fund the Department of Communities and Local Government would commission a Section 13 (Public Sector Pensions Act 2103) valuation by the Government Actuary's Department to examine the 2016 valuation results to see if, in their opinion, valuations were (a) compliant with the LGPS Regulations, (b) not inconsistent with other Funds and (c) would ensure solvency and long-term cost efficiency.

The County Treasurer's Report indicated that the Government Actuary's Department had already carried out a 'dry run' of the process using the 2013 valuation results which could be taken into account by the Fund and fed into its process for the 2016 valuation. Members noted that while the 'dry run' had revealed a standardised funding level of 82% (which was not significantly at variance from the 2013 level of 84%) it had identified a number of areas which could give rise to concerns in the formal Section 13 valuation. While, at least in part, those arose from the application of different assumptions and methodologies applied by different Actuaries and in order to prevent that happening, the Fund Manager had taken action to adopt a more prudent approach to the actuarial valuation. This would include, for example, reducing the period over which the current pension deficit would be reduced and the impact of that on the Fund's investment strategy which the County Treasurer confirmed, would be addressed in the forthcoming strategic review.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Councillor Randall Johnson, and

RESOLVED that the Board notes the Section 13 'dry run' report produced by the Government Actuary's Department and the resulting approach to the 2016 triennial valuation of the Pension Fund; the potential impact of which should also be reflected in the Fund's Risk Register (Minute 24 above refers) .

28 Admitted Bodies Process

The Board received the Report of the County Treasurer (CT/16/88) outlining the process for admitting bodies (e.g. the County Council) to admit other bodies into the Devon Fund, to enable existing members of the LGPS to remain in the scheme and continue to accumulate benefits under their existing LGPS arrangements whilst their employment was transferred

between different contractors and as long as they remained employed in connection with the delivery of the outsourced service.

Members also noted the potential impact of proposed changes to the current Regulations which would necessarily be reflected in existing processes.

29 Peninsula Pensions Performance Statistics

The Board received the Report of the County Treasurer (CT/16/89) incorporating performance data relating to Peninsula Pensions administration and action taken to ensure compliance within accepted industry norms and best practice.

Members acknowledged and welcomed the work being done to reduce previous backlogs by around 20% and cases older than 10 days by 28% and while recognising the difficulties and practicability of Peninsula Pensions being asked to provide discreet or disaggregated data, welcomed the data set out in Report CT/16/89 relating specifically to the Devon Fund area* for the current financial year, to assist Members in making a judgement as to the adequacy or otherwise of administrative costs for the Devon Fund.

The Head of Peninsula Pensions re-iterated that where specific performance targets had not been met these were kept under review and monitored to ensure action was taken within an acceptable period. She also outlined current and proposed arrangements for obtaining customer feedback* and commented further on such feedback and of any disputes logged or complaints received referred to in the County Treasurer's Report now submitted, confirming also that future performance management reports would provide more qualitative information as far as was practicable, would contain more detail on those PIs not governed by the 10 day rule and on complaints received by subject/themes.

The Board noted that further information on comparative data with other funds would be made available to members direct, following the recent publication by CIPFA of its Benchmarking data. That showed, inter alia, that Peninsula Pensions costs were below average and deficit backlogs were in line with the national average.

*[NB *See also the Board's 'Action Log' referencing information or data previously circulated to the Board electronically or by other means arising from earlier consideration of this matter and discussed at the informal briefing session preceding the meeting]*

30 Local Government Pension Scheme Pooling of Investments: Brunel Pension Partnership - Progress Report

The Board received the Report of the County Treasurer (CT/16/90) on progress with the establishment of the proposed 'pooling' arrangement for South West LGPS schemes, under the aegis of *Project Brunel*, and the preparation of the full business case for approval by the Investment & Pension Funds Committee and the County Council later this year. All Members of the Board would receive a copy of the final business case and were encouraged to attend the Investment & Pension Fund Committee on 2 December 2016 when the matter would be under discussion.

31 Investment and Pension Fund Committee

The Board received and noted the minutes of the Investment & Pension Fund held 16 September 2016.

32 Future Work Programme

The Board considered the Report of the County Treasurer (CT/16/91) outlining the proposed future work programme* and reviewed the suggestions therein and discussed at the meeting for inclusion in the Programme.

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It was **MOVED** by Councillor Greenslade, **SECONDED** by Councillor Randall Johnson, and

RESOLVED that the proposed work programme be approved and the Board reflect further, after the County Council elections in 2017, on its role and programme of activity (e.g. the Annual Report) and revisit the scheduling of its meetings.

*[NB *See also the Board's 'Action Log' referencing information or data previously circulated to the Board electronically or by other means arising from earlier consideration of this matter and discussed at the informal briefing session preceding that meeting]*

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Future Meetings/Diary Dates

The County Solicitor reported that the next meeting of the Board had been re-scheduled for 10 April 2017 (in place of 24 April) to avoid close proximity to the County Council Quadrennial Elections on 4 May 2017.

Dates of future meetings of the Board and of the Investment & Pension Fund Committee are published on the County Council's Calendar of Meetings, which is available on the Council's website at: <http://democracy.devon.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1>

The Meeting started at 10.32 am and finished at 12.38 pm

DEVON PENSION BOARD BUDGET– Forecast Outturn for 2016/17 and Budget for 2017/18

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

- Recommendations:**
- a) that the Board notes the forecast outturn for the Devon Pension Board budget 2016/17.**
 - b) that the Board approves the Devon Pension Board budget for 2017/18.**

1. Introduction

- 1.1. It is appropriate that the Devon Pension Board is given adequate resources to fulfil its task. As a minimum, the Board will require:
- allowances and/or expenses for Board members;
 - accommodation and administrative support to conduct its meetings and business;
 - training;
 - legal, technical and other professional advice (where required).
- 1.2. Regulation 106(9) of the Regulations specifies that the expenses of a Local Pension Board shall be regarded as part of the costs of administration of the Fund. These expenses will include, but are not limited to, the cost of secretarial support and any necessary advisory support, overheads attaching to the arranging of meetings and, if the Administering Authority makes provision, payment of allowances and/or expenses to members of the Local Pension Board.
- 1.3. A budget for the direct costs for the Devon Pension Board for 2016/17 was agreed by the Board at its meeting on 14th April 2016.

2. Devon Pension Board Budget Monitoring Statement – Forecast Outturn 2016/17

- 2.1. The budget monitoring statement showing the forecast outturn position for the financial year ending 31st March 2017 is set out below.

Devon Pension Board Budget 2016/17

Budget	Description	Forecast Outturn	Variance from Budget
£		£	£
2,000	Training	1,722	-278
1,000	Travel and Member expenses	585	-415
4,000	Committee Support	3,667	-333
20,000	Officer Support	19,396	-604
350	Printing and Postage	350	0
27,350	Total Expenditure	25,720	-1,630

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3. Devon Pension Board Budget 2017/18

- 3.1. Regulation 106(9) of the Regulations specifies that the expenses of a Local Pension Board shall be regarded as part of the costs of administration of the Fund. These expenses will include, but are not limited to, the cost of secretarial support and any necessary advisory support, overheads attaching to the arranging of meetings and, if the Administering Authority makes provision, payment of allowances and/or expenses to members of the Local Pension Board.
- 3.2. An indicative budget for the direct costs for the Devon Pension Board for 2017/18 is set out below. The budget has been formed by an analysis of the total estimated costs incurred during 2016/17.

Devon Pension Board Budget 2017/18

Forecast Outturn 2016/17	Description	Proposed Budget 2017/18
£		£
1,722	Training	2,000
585	Travel and Member expenses	1,000
3,667	Committee Support	4,000
19,396	Officer Support	20,000
350	Printing and Postage	350
25,720	Total Expenditure	27,350

4. Conclusion

- 4.1. The Board is asked to note the forecast outturn for the Devon Pension Board Budget 2016/17 and to approve the Devon Pension Board budget for 2017/18

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Dan Harris

Tel No: (01392) 382520 Room G99

DEVON PENSION BOARD ANNUAL REPORT 2016/17

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board consider the Devon Pension Board Annual Report for 2016/17

1. Introduction

- 1.1. The Devon Pension Fund Annual Report 2016/17 will be considered for approval by the Investment and Pension Fund Committee later this year. The report will contain the statement of accounts together with other information about the Fund's performance during the year.
- 1.2. The Annual Report will include a report detailing the work of the Pension Board undertaken during 2016/17. This report will highlight the areas examined by the Pension Board, and key recommendations that have been reported to and acted upon by the Investment and Pension Fund Committee.

2. Devon Pension Board Annual Report 2016/17

- 2.1. Officers have constructed an initial draft of the report for consideration and review by the Devon Pension Board. The draft report is attached at Appendix 1.
- 2.2. It is proposed to bring future draft reports to the April meeting of the Board of the Board in order to give members the opportunity to feed into the report and to make amendments as necessary.

3. Conclusion

- 3.1. The Board is asked to consider the Devon Pension Board Annual Report 2016/17.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
Contact for Enquiries: Dan Harris
Tel No: (01392) 382520 Room G99

DEVON PENSION BOARD ANNUAL REPORT 2016/17

The Devon Pension Board was established in 2015, following the introduction of new governance arrangements under by the Public Sector Pensions Act 2013. The Board is composed of four members representing scheme members, four representatives of scheme employers and one non-voting independent member.

The role of the Devon Pension Board is to provide scrutiny of the governance and administration of the pension fund, assisting the Administering Authority in securing:

- compliance with LGPS and any other relevant legislation;
- compliance with requirements imposed by the Pensions Regulator in relation to the LGPS;
- the effective and efficient governance and administration of the LGPS.

The Board makes recommendations to the Investment and Pension Fund Committee and to officers to improve governance standards.

Some of the key areas of work undertaken by the Board during 2016/17 are detailed below:

- Review of the internal audit reports for 2015/16 and the Internal Audit Plan for 2016/17. Additional information was requested regarding the process used to appoint the Independent Advisor and plans to implement performance monitoring in this area. The Board also requested greater clarity in future reports, in order to determine which organisation had commissioned individual audit reviews.
- Consideration of the External Audit report covering the Pension Fund Annual Report and Statement of Accounts 2015/16. While the External Audit Findings Report did not identify any control weaknesses and an unqualified opinion was provided, the Board questioned the financial levels of 'materiality' specified by auditors set out in the annual report. The Board accepted that that Council is unable to dictate or force any change to these levels.
- Adoption of a statement on impartiality, recognising the need to avoid conflicts of interest. The Board recommended that the Investment and Pension Fund Committee should also adopt the statement, and this was agreed at the meeting of the Committee in September.
- In reviewing the Pension Fund Risk Register, the Board identified the following additional risks for inclusion:
 - Brunel Pension Partnership Pooling Arrangements.
 - General reference to staffing issues (sickness), where relevant.
 - The impact of 'Brexit' and consequential changes to regulatory frameworks and legislation.

These were implemented in a revised risk register approved by the Investment and Pension Fund Committee in September 2016.

- A full review of the Statutory Statements, with the aim of making suggestions for improvements where necessary.

- Monitoring minutes from the Investment & Pension Fund Committee meetings held during 2016/17 to ensure that all decisions have been made in accordance with the terms of reference of the Committee.
- A review of the performance statistics of Peninsula Pensions.
- A review of the Pension Fund Annual Report and Accounts for 2015/16, making recommendations regarding more effective means of summarising fund performance in future annual reports.
- Consideration of the Annual Training Plan and reviewing the attendance of Committee and Board members at meetings and training events. Suggestions from the Board were incorporated into the final Training Plan approved by the Investment and Pension Fund Committee in June.

It is a legislative requirement that Pension Board members have the capacity to take on the role, and it is expected that members should receive relevant training. Training sessions are provided throughout the year and details of the events held and attendance can be found on pages xx-xx

Members are also in the process of undertaking self-assessments covering the 6 areas of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The results of this exercise will influence future training sessions and ensure that Board members have sufficient knowledge and skills to carry out their role effectively.

More information on the work of the Devon Pension Board can be found on the Peninsula Pensions website, including links to minutes, agendas and reports from meetings of the Board and the contact details of Board members:

<https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/>

ACTUARIAL VALUATION 2016

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board note the results of the Actuarial Valuation.

1. Introduction

- 1.1. Every three years Devon County Council (as the administering authority) is required to have an actuarial valuation of the Devon Pension Fund conducted by a qualified independent actuary. The purpose of the valuation is to establish the Fund's liabilities in relation to its assets and determine the current funding level, and to set contribution rates for the Fund's employers for the next three years.
- 1.2. The Board received a report at its October 2016 meeting outlining the factors taken into account in the valuation and the draft results. The Actuary has now signed off the final report.

2. Actuarial Valuation Outcome

- 2.1. The results of the 2016 actuarial valuation have been prepared in accordance with the current legislative arrangements for the Fund.
- 2.2. The Actuary has determined that the Devon Fund has a funding level of 84%. The Fund's assets were valued at £3,311m against future pension liabilities assessed at £3,939m, giving a deficit for this valuation of £628m. This, along with the comparative figures for the previous valuation in 2013, is shown in the table below:

	2013 Results	2016 Results
Assets	£2,985m	£3,311m
Liabilities	£3,588m	£3,939m
Deficit	(£603m)	(£628m)
Funding Level (whole Fund)	83%	84%

- 2.3. The Actuary has determined that an overall employer rate of 20.9% of pensionable payroll is required to meet future service accruals and to clear the current deficit:

	2013 Results	2016 Results
Future Service Rate	13.6%	14.9%
Deficit Contribution	5.2%	6.0%
Total Employer Contribution Rate	18.8%	20.9%

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- 2.4. The deficit recovery period for the Fund as a whole has been set at 22 years, which is three year reduction from the 25 year deficit recovery period set at the last Valuation.
- 2.5. The 20.9% contribution figure and the 22 year recovery period are the average required across the Fund, but individual employers within the Fund will have their own individual rates reflecting their own unique circumstances, and a deficit recovery period of no more than 24 years. All employers have now received formal notification of their contribution rates. For most employers the deficit contribution has been certified as a cash figure.
- 2.6. A copy of the draft report is attached at Appendix 1.

3. Funding Strategy Statement

- 3.1. Following completion of the triennial valuation, the Fund's Funding Strategy Statement (FSS) will be revised to reflect the outcome of the valuation and the assumptions that have been made concerning the future performance of the Fund.
- 3.2. A revised FSS has been drafted in conjunction with the Fund Actuary (Barnett Waddingham) and will be considered by the Board under a separate agenda item at this meeting.

4. Conclusion

- 4.1. The Board is asked to note the results of the 2016 Actuarial Valuation.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
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Devon County Council Pension Fund

Actuarial valuation as at 31 March 2016

Valuation report

Page 15



Introduction

In accordance with Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), we have been asked by Devon County Council to prepare an actuarial valuation of the Devon County Council Pension Fund (the Fund) as at 31 March 2016 as part of their role as the Administering Authority to the Fund.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future.

This report is provided further to earlier advice dated 16 September 2016 which set out the background to the valuation and explains the proposed underlying methods and assumptions derivation.

This report summarises the results of the valuation and is addressed to the Administering Authority of the Fund. It is not intended to assist any user other than the Administering Authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This advice is subject to and complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council (namely, the Pensions TAS and generic TASs relating to reporting, data and modelling).

We would be pleased to discuss any aspect of this report in more detail.

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1 Summary of results

A summary of the results of the valuation is as follows:

Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 84% of the accrued liabilities as at 31 March 2016.

This has increased since 2013.

Changes since 2013

The Public Sector Pensions Act 2013 and updated guidance from CIPFA have introduced and reinforced requirements to focus on securing **solvency** of the pension fund and **long-term cost efficiency**.

Method and assumptions

The resulting method and assumptions are set out in Appendix 2 and we believe are appropriate for the 31 March 2016 valuation.

Employer contributions

Individual employer contributions are set out in Appendix 3 in the Rates and Adjustment certificate to cover the period from 1 April 2017 to 31 March 2020.

The next actuarial valuation should be carried out with an effective date of 31 March 2019 and the contributions payable by the participating employers will be reviewed as part of that valuation.

2 Background to valuation approach

The purpose of the 2016 actuarial valuation is to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. This is required under regulation 62 of the LGPS Regulations. The Regulations for actuarial valuations have changed since the 2013 valuation and so has the context surrounding the valuation. Regulation 62 specifies four requirements that the actuary "must have regard to" and are detailed below:

- "the desirability of maintaining as nearly constant a primary rate as possible";
- "the current version of the administering authority's funding strategy statement";
- "the requirement to secure the solvency of the pension fund"; and
- "the long-term cost efficiency of the Scheme (i.e. the LGPS for England and Wales as a whole), so far as relating to the pension fund".

We have considered these changes when providing our advice and choosing the method and assumptions used and a number of reports and discussions have taken place with the Administering Authority before agreeing the final assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 16 September 2016 which provides information and results on a whole fund basis as well as more detailed background to the method and derivation of the assumptions.
- The follow up report dated 8 November 2016 confirming the agreed actuarial assumptions following the meeting of 19 September 2016.
- The Funding Strategy Statement which will confirm the approach in setting employer contributions.

Note that not all these documents may be in the public domain.

The final assumptions have been agreed with the Administering Authority. We suggest that the Fund's Funding Strategy Statement is reviewed to ensure that it is consistent with this approach as well as complying with the updated version of CIPFA's Funding Strategy Statement guidance.

Membership data

A summary of the membership data used for the valuation is set out in Appendix 1.

The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund accounts. Any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

Benefits

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS [website](#) and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Assets

Assets have been valued at a six month smoothed market value straddling the valuation date.

We have been provided with the audited Fund accounts for the years ending 31 March 2014, 31 March 2015 and 31 March 2016.

The market asset valuation as at 31 March 2016 was £3,335,915,000.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the assumptions used. The investment strategy is set out in the Fund's Investment Strategy Statement.

3 Results

Previous valuation

The previous valuation was carried out as at 31 March 2013 by Barnett Waddingham LLP. The results are summarised in the valuation report dated 27 March 2014 and show a funding level of 83% corresponding to a deficit of £603,149,000.

The average employer contribution was calculated to be 13.6% of Pensionable Pay in order to cover the cost of future benefits being built up by active members.

In practice, each employer paid their own contribution rate which will have been a combination of contributions to cover the cost of future benefits (which will not necessarily have been the same as the average given above) and contributions towards a past service deficit.

Shortfall between assets and liabilities

Using the assumptions summarised in Appendix 2, the results of the valuation are set out in the tables below which show:

- The past service funding position which means how well funded the Fund was at the valuation date; and
- The primary rate for the whole Fund which is the weighted average (by payroll) of the individual employers' primary rates.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustment certificate in Appendix 3. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

In Appendix 3 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning with 1 April 2017. The secondary rate is an adjustment to the primary rate each employer is required to pay.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

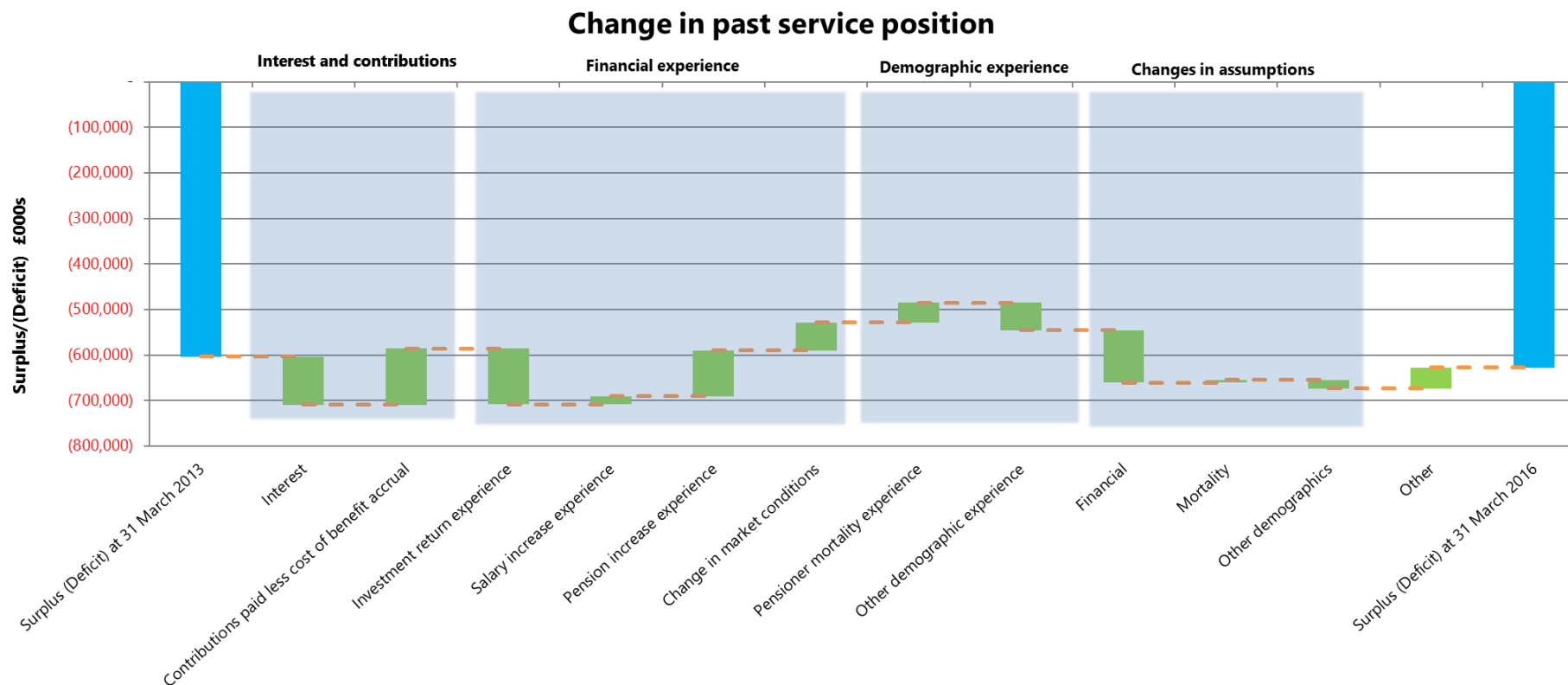
Past service funding position		31 March 2016
		£000
Smoothed asset value		3,310,834
Past service liabilities		
	Actives	1,252,812
	Deferred pensioners	746,954
	Pensioners	1,938,746
	Total	3,938,512
Surplus (Deficit)		(627,678)
Funding level		84%

Primary rate	% of payroll
Total future service rate	21.2%
less employee contribution rate	(6.3%)
Total primary rate	14.9%

There was a deficit of £627,678,000 in the Fund at the valuation date, and the Fund's assets were sufficient to cover 84% of its liabilities.

Reconciliation to previous valuation

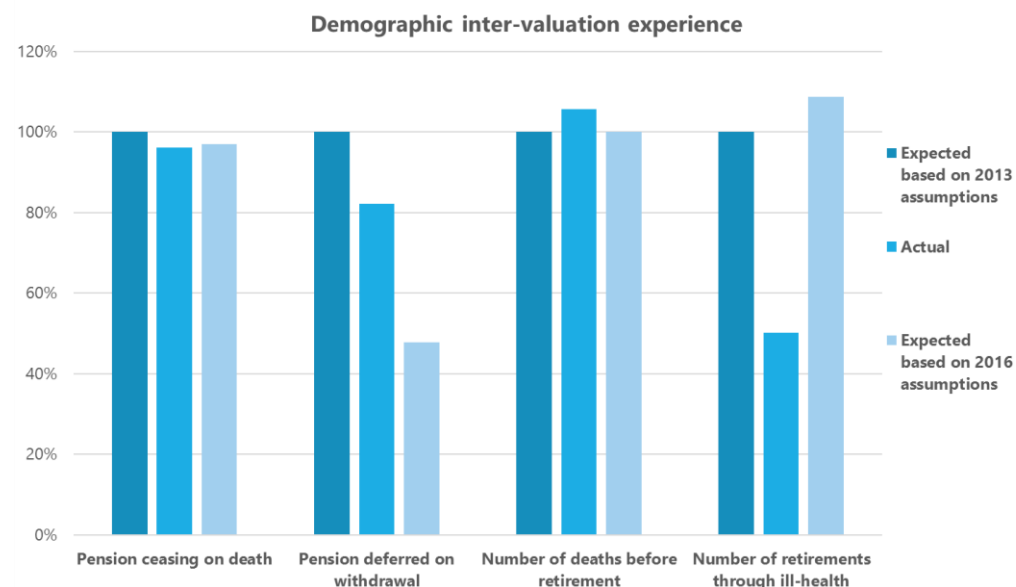
The key factors that have influenced the funding level of the Fund over the intervaluation period are as follows:



The funding level as a percentage has increased (due to employer contributions and positive experience) although this has been partly offset by lower than assumed investment returns and changes to the financial assumptions used.

The table below sets out the change in future service contribution rate over the intervaluation period.

Change in future service contribution rate		% of payroll
Average employer rate at 31 March 2013		13.6%
Change in market conditions		(0.5%)
Change in assumptions		
	Financial	1.2%
	Mortality	(0.2%)
	Other demographics	0.7%
Legislative changes		(0.3%)
Other		0.3%
Average employer rate at 31 March 2016		14.9%



Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2013 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2013.

Valuations on other bases

The liability value as set out in the previous section is known as the Fund's "funding target" and should be consistent with the Administering Authority's Funding Strategy Statement. However, as part of the valuation, we have also considered an estimate of the liabilities represented with all margins for prudence removed (the "neutral estimate").

Neutral estimate

The neutral basis is set with the main purpose of providing the Administering Authority an idea of the level of prudence contained within the funding basis. The neutral estimate represents our best estimate of the funding position, in other words, we believe that it is equally likely that the Fund will beat or miss the funding target based on the neutral assumptions derived.

For the assumptions used for the funding basis, it is appropriate to include a margin for prudence to protect against the risk of not meeting the funding target and to essentially build a cushion for future adverse experience.

The neutral estimate does not contain any margins for prudence.

The funding basis includes an allowance for prudence in the discount rate assumption only. The discount rate on the neutral basis is therefore 6.1% p.a. rather than 5.5% p.a. All other assumptions are the consistent with the ongoing funding basis.

The funding level on the neutral basis was 91%.

Projected future results

The progression of the funding level over time is influenced by a large number of factors, including the experience of the Fund's membership, the investment return achieved and the contributions paid.

We estimate that three years after the valuation date (i.e. at the next valuation) the funding position on a funding basis will be 87%. This allows for contributions to be paid as described in Appendix 3 and assumes that investment returns and other experience over the next three years is in line with the assumptions used for the valuation as set out in Appendix 2.

4 Sensitivity analysis

Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

Sensitivity analysis - Deficit



Sensitivities to the primary rate

The calculated primary rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below.

Sensitivity analysis - Primary rate							
	2016 results % of payroll	Discount rate		CPI inflation		Long-term salary increases -0.1%	Long-term rate of improvement 1.25%
		-0.1% % of payroll	+0.1% % of payroll	-0.1% % of payroll	+0.1% % of payroll	% of payroll	% of payroll
Total future service rate	21.2%	21.7%	20.7%	20.7%	21.7%	21.2%	21.0%
less Employee contribution rate	(6.3%)	(6.3%)	(6.3%)	(6.3%)	(6.3%)	(6.3%)	(6.3%)
Total primary rate	14.9%	15.4%	14.4%	14.4%	15.4%	14.9%	14.7%

5 Final comments

Funding Strategy Statement

The assumptions used for the valuation must be documented in a revised Funding Strategy Statement to be agreed between the Fund Actuary and the Administering Authority. We are able to help the Fund to prepare the Funding Strategy Statement using the latest guidance issued by CIPFA.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Legislative risk

Sensitivity to some of these risks were set out in section 4. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the Funding Strategy Statement.

Rates and Adjustment Certificate

The contributions payable in respect of benefit accrual, expenses and any deficit contributions under each employer's recovery period have been set out in Appendix 3 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions as set out in Appendix 3 in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, this is targeted in line with the Fund's Funding Strategy Statement and all employers are projected to be fully funded after a recovery period length of no more than 24 years.

This document has been agreed between the Administering Authority and the Fund Actuary. Contributions have been set that in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's Funding Strategy Statement.

The next formal valuation is due to be carried out as at 31 March 2019 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation. We would be happy to give more detail about the ways that this can be achieved.



Graeme Muir FFA
Barnett Waddingham LLP

Appendix 1 Summary of membership data

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison.

	Number		Pensionable pay				Average age	
	2016	2013	Total £000		Average £		2016	2013
			2016	2013	2016	2013		
Males	9,093	9,376	208,066	213,434	22,882	22,764	45.4	46.3
Females	27,254	24,768	355,474	339,352	13,043	13,702	45.4	45.9
Total	36,347	34,144	563,540	552,786	15,504	16,190	45.4	46.0

	Number		Annual pensions current				Average age	
	2016	2013	Total £000		Average £		2016	2013
			2016	2013	2016	2013		
Males	11,517	8,645	19,116	14,737	1,660	1,705	44.9	45.6
Females	34,032	23,666	33,195	23,537	975	995	46.1	45.9
Total	45,549	32,311	52,311	38,274	1,148	1,185	45.8	45.9

	Number		Annual pensions current				Average age	
	2016	2013	Total £000		Average £		2016	2013
			2016	2013	2016	2013		
Males	11,096	10,406	75,360	69,760	6,792	6,704	71.2	70.5
Females	15,322	12,726	47,133	38,706	3,076	3,041	69.3	68.8
Dependants	4,116	3,914	11,399	11,317	2,769	2,891	73.5	73.9
Total	30,534	27,046	133,892	119,783	4,385	4,429	70.5	70.2

- The numbers relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.
- Annual pensions are funded items only and include pension increases up to and including the 2016 pension increase order.
- Pensionable Pay is actual earnings.

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2016 to 31 March 2020 as required under the Rates and Adjustment Certificate.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Year to	Number of members	Retirement benefits £000
31/03/2017	1,466	15,795
31/03/2018	1,636	18,261
31/03/2019	1,964	20,814
31/03/2020	1,800	18,996

Appendix 2 Actuarial assumptions

A summary of the assumptions adopted in the valuation is set out below:

Asset class	Percentage of Fund	Return assumption (% p.a.)	Real (relative to CPI)
Gilts	6%	2.4%	0.00%
Other bonds	8%	3.3%	0.90%
Cash/temporary investments	2%	1.8%	-0.60%
Equities	55%	7.4%	5.00%
Property	14%	5.9%	3.50%
Absolute return fund	15%	5.8%	3.40%
Expenses (deduction)		-0.2%	
Neutral estimate of discount rate based on long-term investment strategy		6.1%	3.70%
Prudence allowance		0.6%	
Discount rate assumption		5.5%	3.10%

Financial assumptions		31 March 2016	31 March 2013
		% p.a.	% p.a.
Discount rate		5.5%	6.1%
Pay increases	Long-term	3.9%	4.5%
	Short-term	CPI for period from 31 March 2016 to 31 March 2020	CPI for period from 31 March 2013 to 31 March 2015
Retail Price Inflation (RPI)		3.3%	3.5%
Consumer Price Inflation (CPI)		2.4%	2.7%
Pension increases		2.4%	2.7%
Pension increases on GMP		Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.	No allowance for limit in increases for any members

Demographic assumptions		
	31 March 2016	31 March 2013
Pre-retirement mortality - base table	GAD tables (updated) with a 102% multiplier for males and 104% multiplier for females	GAD tables
Post-retirement mortality (member) - base table	90% of the S2PA tables	S1PA tables with a multiplier of 100% for males and 90% for females
Post-retirement mortality (dependant) - base table	80% of the S2DFA tables for female dependants and 115% of the S2PMA tables for male dependants	S1PA tables with a multiplier of 90% for female dependants and 100% for male dependants
Allowance for improvements in life expectancy	2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.
Promotional salary scale	GAD tables (updated)	GAD tables
Allowance for ill health retirements	GAD tables (updated)	GAD tables
Allowance for withdrawals	GAD tables (updated)	GAD tables
Allowance for cash commutation	Members will commute pension at retirement to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	Members will commute pension at retirement to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
Allowance for 50:50 membership	Based on members' current section	10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse	Males are three years older than their spouse and females are three years younger than their spouse
Proportion married	There is a 75%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These are the same as those used by the Government Actuary's Department when LGPS reforms were designed and are based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds, details of which are saved here: <http://www.lgpsregs.org/index.php/dclg-publications/dclg-other>

Allowance for ill health early retirements (GAD table b6.1)

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from our decrement table used:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.02%
40	0.05%	0.03%
45	0.10%	0.07%
50	0.20%	0.15%
55	0.41%	0.33%
60	0.84%	0.71%
65	1.72%	1.53%

The proportion of ill health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement for all members (GAD table b8)

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from our decrement table used:

Age	Males	Females
25	0.03%	0.01%
30	0.04%	0.02%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.13%
60	0.32%	0.20%
65	0.51%	0.30%

Allowance for withdrawals (GAD table b7)

This assumption is regarding active members who leave service to move to deferred member status or take a transfer out but do not yet retire. Active members are assumed to leave service at the following sample rates:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	8.10%	9.08%
30	6.38%	7.20%
35	5.02%	5.71%
40	3.95%	4.53%
45	3.11%	3.59%
50	2.44%	2.85%
55	1.92%	2.26%
60	1.51%	1.79%
65	1.19%	1.42%

Promotional salary scale (using GAD table b9)

In addition to the assumption made about annual salary increases, we have also included an allowance for a promotional salary scale which applies at each age and some sample rates are set out in the table below:

Age	Males	Females
25	1.0368	1.0165
30	1.1177	1.0526
35	1.1741	1.0820
40	1.2137	1.1033
45	1.2472	1.1040
50	1.2715	1.1043
55	1.2716	1.1044
60	1.2717	1.1045

Appendix 3 Rates and Adjustment Certificate

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2017 to 31 March 2020.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement and our report on the actuarial valuation dated 31 March 2017.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2017 to 31 March 2020 is set out in the table overleaf. The primary rate is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The primary rate for the whole Fund is the weighted average (by payroll) of the individual employers' primary rates, and is 14.9% of payroll.

The secondary rates across the entire Fund (as a percentage of projected payroll and as a monetary amount) in each of the three years in the period 1 April 2017 to 31 March 2020 is set out in the table below.

Secondary contributions	2017/18	2018/19	2019/20
Average as a % of payroll	6.0%	6.0%	6.0%
Total monetary amounts	£37,872,257	£38,777,103	£39,704,574

The average percentage of payroll shown is based on the deficit contributions on a whole Fund level, paid over a 22 year deficit recovery period. The total monetary amounts reflect the individual employers' deficit recovery plans.

General notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The Administering Authority, with the advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the Administering Authority and an individual employer.

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
1	Torrige District Council	15.8%	£702,829	£719,644	£736,862	15.8% plus £702,829	15.8% plus £719,644	15.8% plus £736,862	
2	North Devon District Council	15.5%	£895,586	£917,013	£938,954	15.5% plus £895,586	15.5% plus £917,013	15.5% plus £938,954	
3	West Devon Borough Council	13.3%	£500,044	£512,008	£524,258	13.3% plus £500,044	13.3% plus £512,008	13.3% plus £524,258	
4	Mid Devon District Council	14.7%	£975,122	£998,452	£1,022,341	14.7% plus £975,122	14.7% plus £998,452	14.7% plus £1,022,341	
5	Teignbridge District Council	14.6%	£1,369,253	£1,402,013	£1,435,557	14.6% plus £1,369,253	14.6% plus £1,402,013	14.6% plus £1,435,557	
6	Exeter City Council	15.8%	£1,293,897	£1,324,855	£1,356,553	15.8% plus £1,293,897	15.8% plus £1,324,855	15.8% plus £1,356,553	
7	East Devon District Council	15.0%	£774,171	£792,693	£811,659	15.0% plus £774,171	15.0% plus £792,693	15.0% plus £811,659	
8	Plymouth City Council	14.7%	£7,273,473	£7,447,497	£7,625,684	14.7% plus £7,273,473	14.7% plus £7,447,497	14.7% plus £7,625,684	
9	South Hams District Council	14.6%	£205,304	£210,216	£215,246	14.6% plus £205,304	14.6% plus £210,216	14.6% plus £215,246	
10	Torbay Council	14.8%	£2,138,539	£2,189,705	£2,242,096	14.8% plus £2,138,539	14.8% plus £2,189,705	14.8% plus £2,242,096	
11	Devon County Council	15.1%	£13,950,120	£14,283,888	£14,625,642	15.1% plus £13,950,120	15.1% plus £14,283,888	15.1% plus £14,625,642	
21	University Of Plymouth	13.0%	£668,282	£684,271	£700,642	13.0% plus £668,282	13.0% plus £684,271	13.0% plus £700,642	
23	Bicton College Of Agriculture	13.4%	-	-	-	13.4%	13.4%	13.4%	
25	Exeter College	13.2%	£126,637	£129,667	£132,769	13.2% plus £126,637	13.2% plus £129,667	13.2% plus £132,769	
27	Plymouth College Of Art & Design	12.0%	£43,970	£45,022	£46,099	12.0% plus £43,970	12.0% plus £45,022	12.0% plus £46,099	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
29	South Devon College	14.6%	£171,259	£175,356	£179,552	14.6% plus £171,259	14.6% plus £175,356	14.6% plus £179,552	
37	Dartmoor National Park	15.2%	£88,726	£90,849	£93,023	15.2% plus £88,726	15.2% plus £90,849	15.2% plus £93,023	
90	Devon & Somerset Fire Authority	14.8%	£307,141	£314,489	£322,014	14.8% plus £307,141	14.8% plus £314,489	14.8% plus £322,014	
99	Devon and Cornwall Police	14.1%	£2,016,155	£2,064,393	£2,113,785	14.1% plus £2,016,155	14.1% plus £2,064,393	14.1% plus £2,113,785	
106	Dame Hannah Rogers School	16.8%	£56,634	£57,989	£59,376	16.8% plus £56,634	16.8% plus £57,989	16.8% plus £59,376	
109	Devon & Severn IFCA	10.6%	1.4% plus £34,005	1.4% plus £34,819	1.4% plus £35,652	12.0% plus £34,005	12.0% plus £34,819	12.0% plus £35,652	
118	North Devon Joint Crematorium	15.5%	£10,185	£10,429	£10,678	15.5% plus £10,185	15.5% plus £10,429	15.5% plus £10,678	
123	Exeter Academy For Deaf Education	14.0%	£76,373	£78,201	£80,072	14.0% plus £76,373	14.0% plus £78,201	14.0% plus £80,072	
160	Plymouth Citizen Advice Bureau	22.8%	£12,675	£12,978	£13,289	22.8% plus £12,675	22.8% plus £12,978	22.8% plus £13,289	
162	Wolseley Community Economic Development Trust Ltd	13.1%	£23,000	£24,000	£26,000	13.1% plus £23,000	13.1% plus £24,000	13.1% plus £26,000	
164	Plymouth Shopmobility & Community Transport	24.4%	£8,175	£8,370	£8,570	24.4% plus £8,175	24.4% plus £8,370	24.4% plus £8,570	
166	DCH	0.0%	£82,142	£84,108	£86,120	£82,142	£84,108	£86,120	A
168	Torbay Coast & Countryside Trust	18.4%	£10,275	£10,520	£10,772	18.4% plus £10,275	18.4% plus £10,520	18.4% plus £10,772	
169	North Devon Homes	19.7%	£61,993	£63,476	£64,995	19.7% plus £61,993	19.7% plus £63,476	19.7% plus £64,995	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
172	Millfields Community Economic Development Trust	17.5%	£10,166	£10,410	£10,659	17.5% plus £10,166	17.5% plus £10,410	17.5% plus £10,659	
184	Teign Housing	20.1%	-	-	-	20.1%	20.1%	20.1%	
188	Leisure East Devon	19.6%	-	-	-	19.6%	19.6%	19.6%	
196	Tarka Housing	13.8%	£52,325	£53,577	£54,859	13.8% plus £52,325	13.8% plus £53,577	13.8% plus £54,859	
210	City College Plymouth (Plymouth College Of F.E)	13.7%	£253,260	£259,320	£265,524	13.7% plus £253,260	13.7% plus £259,320	13.7% plus £265,524	
211	Interserve Projects Ltd	24.0%	£2,709	£2,774	£2,840	24.0% plus £2,709	24.0% plus £2,774	24.0% plus £2,840	
215	Amey Lg Ltd	16.0%	£41,082	£42,064	£43,071	16.0% plus £41,082	16.0% plus £42,064	16.0% plus £43,071	
221	Plymouth Community Homes	15.6%	-	-	-	15.6%	15.6%	15.6%	
222	Innovate (Honiton Community College)	28.5%	£224	£229	£235	28.5% plus £224	28.5% plus £229	28.5% plus £235	
223	Plymouth Community Homes Services	15.6%	-	-	-	15.6%	15.6%	15.6%	
225	Interserve Plymouth Catering Services	23.9%	-	-	-	23.9%	23.9%	23.9%	
227	Petroc	14.9%	£304,890	£312,185	£319,655	14.9% plus £304,890	14.9% plus £312,185	14.9% plus £319,655	
230	Tor2Ltd Waste and Recycle (Kier PCG)	19.5%	-	-	-	19.5%	19.5%	19.5%	
231	Tor2Ltd Streetscene (Kier PCG)	20.2%	£143,223	£146,650	£150,158	20.2% plus £143,223	20.2% plus £146,650	20.2% plus £150,158	
232	Tor2Ltd Asset Management (Kier PCG)	20.2%	-	-	-	20.2%	20.2%	20.2%	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
244	English Riviera Tourism Company	13.1%	-	-	-	13.1%	13.1%	13.1%	
272	Torbay Economic Development Agency	16.3%	-	-	-	16.3%	16.3%	16.3%	
275	Norse Cleaning	15.1%	7.2%	7.2%	7.2%	22.3%	22.3%	22.3%	
286	Norse Catering	15.1%	7.9%	7.9%	7.9%	23.0%	23.0%	23.0%	
293	Exeter CVS	24.2%	-	-	-	24.2%	24.2%	24.2%	
296	Bournemouth Churches Housing Association	19.7%	-	-	-	19.7%	19.7%	19.7%	
297	Quadron	24.4%	-	-	-	24.4%	24.4%	24.4%	
298	Babcock	15.1%	4.0%	4.0%	4.0%	19.1% (16.1% by Babcock)	19.1% (16.1% by Babcock)	19.1% (16.1% by Babcock)	B
299	SLM Community Leisure	14.1%	-	-	-	14.1%	14.1%	14.1%	
301	Exeter Community Initiatives	12.0%	-	-	-	12.0%	12.0%	12.0%	
308	Action for Children (Torbay)	12.0%	-	-	-	12.0%	12.0%	12.0%	
314	Churchill Services	22.1%	-	-	-	22.1%	22.1%	22.1%	
323	Mama Bears Day Nursery	12.0%	-	-	-	12.0%	12.0%	12.0%	
324	Police and Crime Commissioner	14.1%	-	-	-	14.1%	14.1%	14.1%	
358	Virgin Care (ICS outsourcing)	15.1%	13.6%	13.6%	13.6%	28.7%	28.7%	28.7%	
368	University Commercial Services	16.1%	£3,582	£3,667	£3,755	16.1% plus £3,582	16.1% plus £3,667	16.1% plus £3,755	
373	Cormac	23.9%	-	-	-	23.9%	23.9%	23.9%	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
374	Aspen Services	21.2%	-	-	-	21.2%	21.2%	21.2%	
377	Peninsula Dental Social Enterprise CIC	15.6%	£3,112	£3,187	£3,263	15.6% plus £3,112	15.6% plus £3,187	15.6% plus £3,263	
385	Human Support Group Ltd	17.7%	£23,874	£24,446	£25,031	17.7% plus £23,874	17.7% plus £24,446	17.7% plus £25,031	
388	The Children's Society	12.0%	-	-	-	12.0%	12.0%	12.0%	
389	Healthwatch	18.9%	£1,569	£1,606	£1,644	18.9% plus £1,569	18.9% plus £1,606	18.9% plus £1,644	
390	Innovate (Torquay Girls)	16.4%	-	-	-	16.4%	16.4%	16.4%	
392	Devon Norse FM	15.1%	8.0%	8.0%	8.0%	23.1%	23.1%	23.1%	
393	SMRF	15.2%	£7,194	£7,366	£7,543	15.2% plus £7,194	15.2% plus £7,366	15.2% plus £7,543	
399	Strata	14.7%	£26,731	£27,370	£28,025	14.7% plus £26,731	14.7% plus £27,370	14.7% plus £28,025	
401	Churchill Cleaning Services Limited	25.0%	-	-	-	25.0%	25.0%	25.0%	
403	Delt Shared Services Ltd	14.1%	£16,718	£17,118	£17,528	14.1% plus £16,718	14.1% plus £17,118	14.1% plus £17,528	
404	Plymouth - Adult Care Cluster 5 (Barnardos)	21.1%	-	-	-	21.1%	21.1%	21.1%	
405	Plymouth - Adult Care Cluster 6 (Barnardos)	13.5%	£10,044	£10,284	£10,530	13.5% plus £10,044	13.5% plus £10,284	13.5% plus £10,530	
408	Community Development Trust	17.2%	-	-	-	17.2%	17.2%	17.2%	
409	Torbay Domestic Abuse Service	19.5%	£491	£503	£515	19.5% plus £491	19.5% plus £503	19.5% plus £515	
411	Compass	20.6%	-	-	-	20.6%	20.6%	20.6%	
412	South West Heritage Trust	22.4%	£2,365	£2,421	£2,479	22.4% plus £2,365	22.4% plus £2,421	22.4% plus £2,479	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
415	ISS (Torbay Schools)	18.4%	-	-	-	18.4%	18.4%	18.4%	
416	ISS (Eden Park Academy)	18.4%	-	-	-	18.4%	18.4%	18.4%	
418	ISS (St Christopher's Primary MAT)	18.4%	-	-	-	18.4%	18.4%	18.4%	
419	ISS (Plymouth CAST)	18.4%	-	-	-	18.4%	18.4%	18.4%	
454	CaterEd	15.8%	-1.1%	-1.1%	-1.1%	14.7%	14.7%	14.7%	
455	Plymouth Learning Partnership	16.0%	-	-	-	16.0%	16.0%	16.0%	
456	On-Course South West	13.9%	-	-	-	13.9%	13.9%	13.9%	
457	Livewell South West (Plymouth Community Healthcare)	13.6%	-	-	-	13.6%	13.6%	13.6%	
471	Action for Children (Torrington)	14.2%	-	-	-	14.2%	14.2%	14.2%	
477	Sodexo (Exeter Schools)	21.7%	£1,633	£1,672	£1,712	21.7% plus £1,633	21.7% plus £1,672	21.7% plus £1,712	
479	Compass (Great Torrington Academy)	20.6%	-	-	-	20.6%	20.6%	20.6%	
480	Compass (St Michael's C of E Primary Academy)	20.6%	-	-	-	20.6%	20.6%	20.6%	
483	South Devon College TUPE (MITIE)	12.0%	-	-	-	12.0%	12.0%	12.0%	
800	Plymouth City Bus	20.1%	£38,742	£39,669	£40,618	20.1% plus £38,742	20.1% plus £39,669	20.1% plus £40,618	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
Small Scheduled Bodies									
102	Ashburton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
104	Barnstaple Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
107	Dartmouth Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
113	Ilfracombe Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
116	Lynton Lynmouth Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
120	Okehampton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
128	South Molton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
132	Tavistock Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
133	Totnes Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
136	Ivybridge Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
137	Sidmouth Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
138	Newton Abbot Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
140	Cullompton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
143	Bideford Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
147	Combe Martin Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
149	Kingsteignton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
150	Exmouth Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
153	Dawlish Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
157	Ugborough Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
158	Crediton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
165	Fremington Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
171	Kingsbridge Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
175	Tedburn St Mary Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
176	South Brent Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
177	Great Torrington Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
181	Bovey Tracey Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
192	Brixham Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
243	Chudleigh Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
295	Honiton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
384	Bishopsteignton Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
430	Witheridge Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
452	Teignmouth Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
459	Stokenham Parish Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
476	Cranbrook Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
383	Seaton Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
478	Bradninch Town Council	17.2%	4.0%	4.0%	4.0%	21.2%	21.2%	21.2%	
Devon Academy Pool									
233	Broadclyst Community Primary School	15.4%	£20,103	£20,584	£21,076	15.4% plus £20,103	15.4% plus £20,584	15.4% plus £21,076	
234	Ivybridge Academy Trust	15.4%	£73,856	£75,623	£77,433	15.4% plus £73,856	15.4% plus £75,623	15.4% plus £77,433	
235	Dartmouth Academy	15.4%	£16,530	£16,926	£17,331	15.4% plus £16,530	15.4% plus £16,926	15.4% plus £17,331	
236	Uffculme Academy	15.4%	£40,880	£41,859	£42,860	15.4% plus £40,880	15.4% plus £41,859	15.4% plus £42,860	
237	South Dartmoor Academy	15.4%	£87,777	£89,877	£92,027	15.4% plus £87,777	15.4% plus £89,877	15.4% plus £92,027	
248	Templer Academy Trust	15.4%	£82,697	£84,676	£86,702	15.4% plus £82,697	15.4% plus £84,676	15.4% plus £86,702	
249	Teignmouth Community School	15.4%	£49,905	£51,099	£52,322	15.4% plus £49,905	15.4% plus £51,099	15.4% plus £52,322	
250	Bradworthy Primary Academy	15.4%	£6,244	£6,394	£6,547	15.4% plus £6,244	15.4% plus £6,394	15.4% plus £6,547	
253	The King's School	15.4%	£30,808	£31,545	£32,300	15.4% plus £30,808	15.4% plus £31,545	15.4% plus £32,300	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
254	Queen Elizabeth's Academy Trust	15.4%	£60,122	£61,560	£63,033	15.4% plus £60,122	15.4% plus £61,560	15.4% plus £63,033	
255	Exmouth Community College	15.4%	£77,644	£79,502	£81,404	15.4% plus £77,644	15.4% plus £79,502	15.4% plus £81,404	
256	Pilton Community College	15.4%	£44,664	£45,733	£46,827	15.4% plus £44,664	15.4% plus £45,733	15.4% plus £46,827	
264	Kingsbridge Academy	15.4%	£42,629	£43,649	£44,693	15.4% plus £42,629	15.4% plus £43,649	15.4% plus £44,693	
265	Clyst Vale Community College	15.4%	£29,599	£30,307	£31,032	15.4% plus £29,599	15.4% plus £30,307	15.4% plus £31,032	
270	Newport Community School Primary Academy	15.4%	£15,045	£15,405	£15,774	15.4% plus £15,045	15.4% plus £15,405	15.4% plus £15,774	
274	Honiton Community College	15.4%	£33,362	£34,160	£34,978	15.4% plus £33,362	15.4% plus £34,160	15.4% plus £34,978	
276	Newton Abbot Academy	15.4%	£34,660	£35,489	£36,338	15.4% plus £34,660	15.4% plus £35,489	15.4% plus £36,338	
278	Chulmleigh Community College	15.4%	£38,476	£39,397	£40,339	15.4% plus £38,476	15.4% plus £39,397	15.4% plus £40,339	
279	Great Torrington Academy	15.4%	£28,027	£28,697	£29,384	15.4% plus £28,027	15.4% plus £28,697	15.4% plus £29,384	
280	Stockland CofE Primary School	15.4%	£1,774	£1,816	£1,859	15.4% plus £1,774	15.4% plus £1,816	15.4% plus £1,859	
282	Colyton Academy	15.4%	£21,381	£21,892	£22,416	15.4% plus £21,381	15.4% plus £21,892	15.4% plus £22,416	
283	Ventrus (formerly The Primary Academies Trust)	15.4%	£77,654	£79,512	£81,415	15.4% plus £77,654	15.4% plus £79,512	15.4% plus £81,415	
285	Littleton Primary Academy and Nursery	15.4%	£21,674	£22,193	£22,724	15.4% plus £21,674	15.4% plus £22,193	15.4% plus £22,724	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
290	Stowford Primary School	15.4%	£12,062	£12,350	£12,646	15.4% plus £12,062	15.4% plus £12,350	15.4% plus £12,646	
292	Braunton School and Community College	15.4%	£26,089	£26,713	£27,352	15.4% plus £26,089	15.4% plus £26,713	15.4% plus £27,352	
304	The First Federation Trust	15.4%	£67,458	£69,072	£70,725	15.4% plus £67,458	15.4% plus £69,072	15.4% plus £70,725	
359	Ilfracombe Academy	15.4%	£30,798	£31,535	£32,290	15.4% plus £30,798	15.4% plus £31,535	15.4% plus £32,290	
362	Plymouth CAST (Devon)	15.4%	£63,655	£65,178	£66,738	15.4% plus £63,655	15.4% plus £65,178	15.4% plus £66,738	
363	St Christopher's Primary (Central staff)	15.4%	£1,997	£1,997	£1,997	15.4% plus £1,997	15.4% plus £1,997	15.4% plus £1,997	
367	Ted Wragg Trust	15.4%	£49,329	£50,511	£51,720	15.4% plus £49,329	15.4% plus £50,511	15.4% plus £51,720	
372	St Michael's Primary	15.4%	£10,337	£10,584	£10,837	15.4% plus £10,337	15.4% plus £10,584	15.4% plus £10,837	
375	Steiner Academy	15.4%	£5,258	£5,258	£5,258	15.4% plus £5,258	15.4% plus £5,258	15.4% plus £5,258	
380	Sparkwell Primary School	15.4%	£660	£660	£660	15.4% plus £660	15.4% plus £660	15.4% plus £660	
382	Exeter Mathematics Free School	15.4%	£1,293	£1,293	£1,293	15.4% plus £1,293	15.4% plus £1,293	15.4% plus £1,293	
386	St Marychurch Primary	15.4%	£16,709	£17,109	£17,518	15.4% plus £16,709	15.4% plus £17,109	15.4% plus £17,518	
391	Kingswear Academy	15.4%	£1,017	£1,042	£1,067	15.4% plus £1,017	15.4% plus £1,042	15.4% plus £1,067	
394	Route 39 Academy	15.4%	£980	£980	£980	15.4% plus £980	15.4% plus £980	15.4% plus £980	
396	East Allington Primary School	15.4%	£1,749	£1,791	£1,834	15.4% plus £1,749	15.4% plus £1,791	15.4% plus £1,834	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
397	Blackawton Primary School	15.4%	£3,610	£3,696	£3,785	15.4% plus £3,610	15.4% plus £3,696	15.4% plus £3,785	
398	Stoke Fleming Community College	15.4%	£2,372	£2,429	£2,487	15.4% plus £2,372	15.4% plus £2,429	15.4% plus £2,487	
410	DCC Acorn Federation	15.4%	£16,724	£17,124	£17,534	15.4% plus £16,724	15.4% plus £17,124	15.4% plus £17,534	
414	Gatehouse Primary School	15.4%	£7,290	£7,464	£7,643	15.4% plus £7,290	15.4% plus £7,464	15.4% plus £7,643	
451	Schools Company	15.4%	£47,824	£47,824	£47,824	15.4% plus £47,824	15.4% plus £47,824	15.4% plus £47,824	
453	TEAM MAT	15.4%	£14,312	£14,654	£15,005	15.4% plus £14,312	15.4% plus £14,654	15.4% plus £15,005	
462	St Peter's Church of England Junior School Tavistock	15.4%	£7,283	£7,457	£7,635	15.4% plus £7,283	15.4% plus £7,457	15.4% plus £7,635	
463	St Rumons Church of England School	15.4%	£6,561	£6,718	£6,878	15.4% plus £6,561	15.4% plus £6,718	15.4% plus £6,878	
465	St Matthews CoE Primary School	15.4%	£531	£531	£531	15.4% plus £531	15.4% plus £531	15.4% plus £531	
470	Schools Company Holborn	15.4%	£648	£648	£648	15.4% plus £648	15.4% plus £648	15.4% plus £648	
493	Bideford College	15.4%	£50,828	£52,044	£53,289	15.4% plus £50,828	15.4% plus £52,044	15.4% plus £53,289	
Plymouth Academy Pool									
239	Marine Academy Plymouth	15.3%	£49,355	£50,536	£51,745	15.3% plus £49,355	15.3% plus £50,536	15.3% plus £51,745	
240	The All Saints Church of England Academy	15.3%	£41,436	£42,427	£43,443	15.3% plus £41,436	15.3% plus £42,427	15.3% plus £43,443	
245	Oreston Community Academy	15.3%	£16,146	£16,533	£16,928	15.3% plus £16,146	15.3% plus £16,533	15.3% plus £16,928	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
257	Hele's Trust	15.3%	£37,212	£38,102	£39,014	15.3% plus £37,212	15.3% plus £38,102	15.3% plus £39,014	
258	Devonport High School for Girls	15.3%	£19,623	£20,092	£20,573	15.3% plus £19,623	15.3% plus £20,092	15.3% plus £20,573	
259	Coombe Dean School	15.3%	£31,549	£32,303	£33,076	15.3% plus £31,549	15.3% plus £32,303	15.3% plus £33,076	
260	Ridgeway School	15.3%	£32,220	£32,991	£33,780	15.3% plus £32,220	15.3% plus £32,991	15.3% plus £33,780	
261	Plymstock Academy	15.3%	£49,615	£50,802	£52,018	15.3% plus £49,615	15.3% plus £50,802	15.3% plus £52,018	
263	Stoke Damerel Academy	15.3%	£49,015	£50,188	£51,389	15.3% plus £49,015	15.3% plus £50,188	15.3% plus £51,389	
266	Lipson Academy	15.3%	£48,046	£49,195	£50,372	15.3% plus £48,046	15.3% plus £49,195	15.3% plus £50,372	
268	Tor Bridge High	15.3%	£43,067	£44,098	£45,153	15.3% plus £43,067	15.3% plus £44,098	15.3% plus £45,153	
284	Devonport High School for Boys	15.3%	£37,005	£37,891	£38,797	15.3% plus £37,005	15.3% plus £37,891	15.3% plus £38,797	
291	Old Priory Junior School	15.3%	£7,941	£8,131	£8,325	15.3% plus £7,941	15.3% plus £8,131	15.3% plus £8,325	
303	Elburton Primary Academy Trust	15.3%	£12,887	£13,196	£13,511	15.3% plus £12,887	15.3% plus £13,196	15.3% plus £13,511	
322	Widewell Academy	15.3%	£5,861	£6,001	£6,145	15.3% plus £5,861	15.3% plus £6,001	15.3% plus £6,145	
326	Hooe Primary School	15.3%	£7,028	£7,197	£7,369	15.3% plus £7,028	15.3% plus £7,197	15.3% plus £7,369	
365	Plymouth University Technical College	15.3%	£7,444	£7,622	£7,804	15.3% plus £7,444	15.3% plus £7,622	15.3% plus £7,804	
366	Plymouth School of Creative Arts	15.3%	£7,897	£7,897	£7,897	15.3% plus £7,897	15.3% plus £7,897	15.3% plus £7,897	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
370	Eggbuckland Community College Academy Trust	15.3%	£54,730	£56,039	£57,380	15.3% plus £54,730	15.3% plus £56,039	15.3% plus £57,380	
371	St George's Primary	15.3%	£3,303	£3,303	£3,303	15.3% plus £3,303	15.3% plus £3,303	15.3% plus £3,303	
378	Mayflower Academy	15.3%	£14,361	£14,705	£15,057	15.3% plus £14,361	15.3% plus £14,705	15.3% plus £15,057	
460	Plymouth CAST (Plymouth)	15.3%	£106,107	£108,646	£111,245	15.3% plus £106,107	15.3% plus £108,646	15.3% plus £111,245	
469	Plymouth Studio School	15.3%	£147	£147	£147	15.3% plus £147	15.3% plus £147	15.3% plus £147	
473	St Edwards Primary	15.3%	£5,474	£5,605	£5,739	15.3% plus £5,474	15.3% plus £5,605	15.3% plus £5,739	
484	Ernesettle Community School	15.3%	£17,429	£17,846	£18,273	15.3% plus £17,429	15.3% plus £17,846	15.3% plus £18,273	
Torbay Academy Pool									
246	Torquay Boys' Grammar School Multi Academy Trust	15.8%	£39,767	£40,719	£41,693	15.8% plus £39,767	15.8% plus £40,719	15.8% plus £41,693	
247	Churston Ferrers Grammar School Academy	15.8%	£16,592	£16,989	£17,395	15.8% plus £16,592	15.8% plus £16,989	15.8% plus £17,395	
262	St Margaret's Academy	15.8%	£14,202	£14,542	£14,890	15.8% plus £14,202	15.8% plus £14,542	15.8% plus £14,890	
267	Torquay Girls Grammar School	15.8%	£14,016	£14,351	£14,694	15.8% plus £14,016	15.8% plus £14,351	15.8% plus £14,694	
269	Hayes Road Academy	15.8%	£11,309	£11,579	£11,856	15.8% plus £11,309	15.8% plus £11,579	15.8% plus £11,856	
271	Shiphay Learning Academy	15.8%	£10,777	£11,035	£11,299	15.8% plus £10,777	15.8% plus £11,035	15.8% plus £11,299	

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
289	Brixham College	15.8%	£27,942	£28,611	£29,295	15.8% plus £27,942	15.8% plus £28,611	15.8% plus £29,295	
305	Curledge Street Academy	15.8%	£10,105	£10,346	£10,594	15.8% plus £10,105	15.8% plus £10,346	15.8% plus £10,594	
306	Kings Ash Academy	15.8%	£9,716	£9,948	£10,186	15.8% plus £9,716	15.8% plus £9,948	15.8% plus £10,186	
307	Paignton Community and Sports College	15.8%	£42,930	£43,957	£45,009	15.8% plus £42,930	15.8% plus £43,957	15.8% plus £45,009	
309	Barton Hill Academy	15.8%	£14,221	£14,561	£14,909	15.8% plus £14,221	15.8% plus £14,561	15.8% plus £14,909	
360	Combe Pafford Academy	15.8%	£20,613	£21,106	£21,611	15.8% plus £20,613	15.8% plus £21,106	15.8% plus £21,611	
361	Cockington Primary	15.8%	£12,228	£12,521	£12,821	15.8% plus £12,228	15.8% plus £12,521	15.8% plus £12,821	
369	Torre Church of England Primary	15.8%	£7,610	£7,793	£7,979	15.8% plus £7,610	15.8% plus £7,793	15.8% plus £7,979	
376	Devon Studio School	15.8%	£2,670	£2,734	£2,799	15.8% plus £2,670	15.8% plus £2,734	15.8% plus £2,799	
387	All Saints Primary School	15.8%	£1,248	£1,278	£1,308	15.8% plus £1,248	15.8% plus £1,278	15.8% plus £1,308	
395	All Saints C of E Primary	15.8%	£24,687	£25,278	£25,883	15.8% plus £24,687	15.8% plus £25,278	15.8% plus £25,883	
402	Preston Primary	15.8%	£22,119	£22,648	£23,190	15.8% plus £22,119	15.8% plus £22,648	15.8% plus £23,190	
458	South Devon UTC	15.8%	£1,115	£1,115	£1,115	15.8% plus £1,115	15.8% plus £1,115	15.8% plus £1,115	
461	Plymouth CAST (Torbay)	15.8%	£24,257	£24,837	£25,431	15.8% plus £24,257	15.8% plus £24,837	15.8% plus £25,431	
472	Riviera Primary Academy Trust	15.8%	£25,823	£26,441	£27,073	15.8% plus £25,823	15.8% plus £26,441	15.8% plus £27,073	

Notes

The notes below detail what the specific notes refer to in the table above:

- A We understand that as at 31 March 2016, West Devon Homes (employer 166) merged with Tor Homes (employer 167) and Call 24 Hour (employer 182) to form DCH which then closed to future accrual. It has been agreed that this employer will continue to pay contributions to repay their deficit over an agreed period of time and so the contributions certified reflect only deficit recovery contributions and no contribution towards future benefit accrual.
- B Babcock (employer 298) participates in the Fund with Devon County Council as the letting authority and has specific contract arrangements in place. In particular, an agreed 3% p.a. of payroll is to be met by the letting authority, with the remaining certified contribution to be paid by Babcock. Therefore the final rate payable by Babcock for the three year period to 31 March 2020 is 16.1% p.a. of payroll.

Post valuation employers

A number of employers joined the Fund on or after 1 April 2016 and their rates were certified at their date of joining and have been reviewed as part of the 2016 valuation process. The table summarises the start dates and contributions required from these employers where known.

Employer Code	Employer name	Transfer date	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
				2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
486	Devon Libraries	1 April 2016	19.0%	-	-	-	19.0%	19.0%	19.0%
494	Link Academy MAT	1 April 2016	15.4%	£21,484	£22,000	£22,528	15.4% plus £21,484	15.4% plus £22,000	15.4% plus £22,528
496	Burton Art Gallery	1 April 2016	17.4%	-	-	-	17.4%	17.4%	17.4%
501	Glen Cleaning - Kenn school	1 April 2016	29.4%	-	-	-	29.4%	29.4%	29.4%
507	Red One	1 May 2016	14.8%	-	-	-	14.8%	14.8%	14.8%
485	Upton St James C of E Primary School	1 May 2016	15.8%	£3,046	£3,119	£3,193	15.8% plus £3,046	15.8% plus £3,119	15.8% plus £3,193
495	Plymouth Academy Trust	1 June 2016	15.3%	£22,840	£23,388	£23,950	15.3% plus £22,840	15.3% plus £23,388	15.3% plus £23,950
500	ACE - Academy for Character and Excellence	1 June 2016	15.4%	£20,122	£20,605	£21,100	15.4% plus £20,122	15.4% plus £20,605	15.4% plus £21,100
499	Kingsteignton School	1 September 2016	15.8%	-	-	-	15.8%	15.8%	15.8%
502	Genesis Academy Trust	1 September 2016	15.4%	£27,553	£28,214	£28,891	15.4% plus £27,553	15.4% plus £28,214	15.4% plus £28,891

Employer Code	Employer name	Transfer date	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
				2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
344	Tidcombe School	1 September 2016	15.4%	£6,327	£6,478	£6,634	15.4% plus £6,327	15.4% plus £6,478	15.4% plus £6,634
515	Montpelier Primary School	1 October 2016	15.3%	£21,906	£22,431	£22,970	15.3% plus £21,906	15.3% plus £22,431	15.3% plus £22,970
509	Beer Primary	1 October 2016	15.4%	£3,480	£3,563	£3,649	15.4% plus £3,480	15.4% plus £3,563	15.4% plus £3,649
510	Lady Modifords	1 October 2016	15.4%	£2,651	£2,715	£2,780	15.4% plus £2,651	15.4% plus £2,715	15.4% plus £2,780
511	Meavy Primary	1 October 2016	15.4%	£1,683	£1,723	£1,765	15.4% plus £1,683	15.4% plus £1,723	15.4% plus £1,765
522	The Preston Centre	1 November 2016	15.8%	£15,742	£16,120	£16,507	15.8% plus £15,742	15.8% plus £16,120	15.8% plus £16,507
514	Fusion Leisure	1 December 2016	19.1%	-	-	-	19.1%	19.1%	19.1%
523	High Street School	1 December 2016	15.3%	£12,240	£12,580	£12,930	15.3% plus £12,240	15.3% plus £12,580	15.3% plus £12,930
518	Bowhill Primary School	1 January 2017	15.4%	£18,519	£18,964	£19,419	15.4% plus £18,519	15.4% plus £18,964	15.4% plus £19,419
519	Ide Primary School	1 January 2017	15.4%	£3,822	£3,914	£4,008	15.4% plus £3,822	15.4% plus £3,914	15.4% plus £4,008

Employer Code	Employer name	Transfer date	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
				2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
520	St Thomas Primary School	1 January 2017	15.4%	£4,623	£4,734	£4,848	15.4% plus £4,623	15.4% plus £4,734	15.4% plus £4,848
517	Alphington Primary School	1 January 2017	15.4%	£11,498	£11,774	£12,056	15.4% plus £11,498	15.4% plus £11,774	15.4% plus £12,056
524	Goosewell Primary School	1 January 2017	15.3%	£19,910	£20,470	£21,050	15.3% plus £19,910	15.3% plus £20,470	15.3% plus £21,050
525	Marlborough Primary Academy	1 January 2017	15.3%	£10,440	£10,730	£11,040	15.3% plus £10,440	15.3% plus £10,730	15.3% plus £11,040
526	Morice Town Primary Academy	1 January 2017	15.3%	£8,380	£8,620	£8,860	15.3% plus £8,380	15.3% plus £8,620	15.3% plus £8,860
521	Devon Youth Services Outsourcing	1 February 2017	14.9%	-	-	-	14.9%	14.9%	14.9%
530	Chartwells (North Tawton)	1 February 2017	23.7%	-	-	-	23.7%	23.7%	23.7%
529	Chartwells (Holsworthy)	20 February 2017	15.0%	-	-	-	15.0%	15.0%	15.0%

Any employer that joined the Fund after 31 March 2016 and is not listed above will be advised of their contribution rates separately.

FUNDING STRATEGY STATEMENT

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: That the Board notes the revised Funding Strategy Statement set out in Appendix 1 to this report, and submits any comments to the Investment and Pension Fund for consideration.

1. Introduction

- 1.1. The Local Government Pension Scheme (LGPS) Regulations 2013 require all Pension Administering Authorities to prepare a Funding Strategy Statement (FSS) in consultation with all Employers participating in their respective Fund.
- 1.2. Following completion of the 2016 Actuarial Valuation, a revised FSS has been drafted in conjunction with the Fund Actuary (Barnett Waddingham). The document is set out at Appendix 1. The document has been revised in order to reflect updated regulations, practice and actuarial assumptions.

2. Revised Funding Strategy Statement

- 2.1. The purpose of the FSS is to explain the funding objectives of the Fund and how the costs of the benefits provided under the Local Government Pension Scheme are met through the Fund. It also defines the objectives in setting employer contribution rates and the funding strategy that is adopted to meet these objectives.
- 2.2. The FSS sets out the assumptions used by the Actuary in the actuarial assessment, and how the Devon Fund plans to achieve long term cost efficiency while aiming to maintain contribution rates as stable as possible. It also analyses the risks to the funding strategy and how those risks are managed. It should be read in conjunction with the Investment Strategy Statement. These assumptions have been updated to reflect the 2016 Actuarial Valuation.
- 2.3. The other main changes in the revised FSS are set out below:
 - Section 5 Key parties – scheme members have been added.
 - Section 8 Deficit Recovery/Surplus amortisation periods – largely unchanged but now the deficit recovery period at Fund level is stated.
 - Stepping of employer contribution rates – this provision has been deleted as no stepping is allowed for in the Valuation.
 - Section 10 Cessation Valuations - new second and third paragraphs have been added to reflect the extra experience and expertise that have been added to the approach added during the inter-valuation period.

Agenda Item 8

- Section 11 – Links with the Investment Strategy Statement – new second paragraph added to tighten the approach.
- Section 12 Risks and counter measures – largely unchanged but Governance now includes a paragraph on the risk review of employers the Fund undertakes with the Actuary on a minimum three-yearly basis along with the communication of results to letting authorities in the event of an adverse result involving an admitted body.

3. Conclusion

- 3.1. The Board is asked to review the draft Funding Strategy Statement and consider whether it complies with the regulations, and provides an effective and efficient strategy to meet the Fund's liabilities and achieve full funding. In addition to comments from the Pension Board, the draft FSS will also be sent out for consultation to Fund employers through Pensions Line, the quarterly e-zine for Devon and Somerset LGPS employers.
- 3.2. Any comments from the Pension Board or Fund employers will be brought to the attention of the Investment and Pension Fund Committee and will be taken into consideration in the final version to be approved by the Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Mark Gayler / Martyn Williams

Tel No: (01392) 383621 Room G97/99

Devon County Council Pension Fund Funding Strategy Statement

**Draft presented to the Pension Board
10 April 2017**

1. Introduction

This is the Funding Strategy Statement for the Devon County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and describes Devon County Council's strategy, in its capacity as administering authority, for the funding of the Devon County Council Pension Fund (the Fund).

The Fund Actuary, Barnett Waddingham LLP, has been consulted on the contents of this Statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS)/Statement of Investment Principles (SIP) and has been prepared with regard to the 2016 guidance issued by CIPFA.

2. Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

3. Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purposes of the Fund are to:

- Pay pensions, lump sums and other benefits to scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive contributions, transfer values and investment income.

4. Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective.

5. Key parties

The key parties involved in the funding process and their responsibilities are as follows:

The administering authority

The administering authority for the Fund is Devon County Council. The main responsibilities of the administering authority are to:

- Operate the Fund;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS/SIP after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme Employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers, including admission bodies, participate in the Fund.

The responsibilities of each Scheme employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the administering authority within the statutory timescales;

- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation on the Fund.

Scheme members

Active scheme members are required to make contributions into the Fund as set by the Department of Communities and Local Government.

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

6. Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2016. A summary of the methods and assumptions adopted is set out in the sections below.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an “open” employer – one which allows new recruits access to the Fund, or a “closed” employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date (“past service”) and benefits in respect of service expected to be completed after the valuation date (“future service”). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members’ pay for pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as primary rate as defined in Regulation 62(5) of the Regulations) which is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year’s benefit accrual.

For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

7. Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (RPI). The RPI assumption adopted as at 31 March 2016 was 3.3% p.a.

Future pay inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 0.9% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the “ongoing” discount rate. The discount rate adopted for the 31 March 2016 valuation was 5.5% p.a.

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected “termination date”), the employer becomes an exiting employer under Regulation 64.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for closed employers may be set to a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

Asset valuation

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

Statistical assumptions

The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

2016 valuation results

As at 31 March 2016, as calculated at the 2016 valuation, the Fund was 84% funded, corresponding to a deficit of £628m.

The primary rate required to cover the employer cost of future benefit accrual was 14.9% of payroll p.a.

8. Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate, or one-off contributions, to reduce their deficit. Employers should discuss with the Administering Authority before making one-off capital payments.

The average recovery period across the Fund at the 2016 valuation was 22 years. This represents a reduction of three years from the 25 year recovery period set at the 2013 valuation. The ultimate aim is to reach 100% funding, and a reduction of three years in the recovery period since the 2013 valuation demonstrates that the Fund is progressing towards that goal. Recovery periods adopted for the individual employers in the Fund for the 2016 valuation varied from 3 years to 24 years. The period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

9. Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

10. Cessation valuations

When an employer leaves the Scheme and becomes an exiting employer, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

In certain circumstances the Fund may agree with an exiting employer that it will continue to be treated as an active employer with deficit contributions being set on an ongoing basis. This will only be permitted where the employer organisation is assessed as having a long term stable financial position, and where security is put in place to cover the full cessation deficit.

A Town or Parish Council may defer their exit if the last member leaves the scheme but the Town or Parish Council is intending to offer the scheme to a new employee. This will be in agreement with the Devon Pension Fund and any deficit payments due by the Town or Parish Council must continue to be paid during the suspension period. Any suspension period will be time-limited and at the discretion of the Fund.

In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

11. Links with the Investment Strategy Statement (ISS)/Statement of Investment Principles (SIP)

The main link between the Funding Strategy Statement (FSS) and the ISS/SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the ISS/SIP.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

12. Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process concerning proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Governance

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

13. Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

INVESTMENT STRATEGY STATEMENT

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: That the Board considers the Investment Strategy Statement and considers whether it wishes to make any comments to the Investment and Pension Fund Committee.

1. Introduction

- 1.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, came into effect on 1st November 2016. The new regulations require each LGPS administering authority to put in place an Investment Strategy Statement by 1st April 2017. The Investment Strategy Statement replaces the previous requirement for the Fund to publish a Statement of Investment Principles.
- 1.2. The Investment Strategy Statement required by the regulations must include:-
 - (a) A requirement to invest money in a wide variety of investments;
 - (b) The authority's assessment of the suitability of particular investments and types of investments;
 - (c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
 - (d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - (e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - (f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 1.3. The Investment Strategy Statement (ISS) has been constructed using the policies previously contained in the Statement of Investment Principles and also takes into account the strategic asset allocation review undertaken by Mercer and the impact of the pooling proposals.
- 1.4. The Investment Strategy Statement was approved by the Investment and Pension Committee on 24th February 2017, and is attached as Appendix 1.

2. Strategic Asset Allocation and Risk Management

- 2.1. Under the previous investment regulations, prescribed limits were set out for different types of investment. These limits have been abolished and replaced by a new prudential framework, within which the fund must invest in a diversified portfolio of investments. The ISS must set out clearly the balance between the different types of investments, and set out the acceptable range for each asset class. This will be based on the Fund's assessment of risk and its asset allocation policy.
- 2.2. The regulations also state that administering authorities must take proper advice in drawing up their ISS. This will include advice from the Fund's professional officers, its Actuary, and its Independent Investment Advisor. The recent asset allocation review conducted by Mercer is also an important source of advice for the ISS.
- 2.3. Section 2 of the ISS sets out the Fund's investment beliefs, and its strategic asset allocation. The strategic review carried out by Mercer proposes a direction of travel over the next five years, looking at the current scenario and how the asset allocation should develop following the transition to Brunel. The ISS sets out the target allocations proposed for 2017/18, and then a medium term target based on the direction of travel set out in Mercer's report, and the advice of the Fund's officers and the Independent Advisor.
- 2.4. Section 3 of the ISS sets out the Fund's approach to risk and the ways in which risks are to be measured and managed. This section sets out the key risks facing the fund and how they are to be managed. The investment strategy needs to be set in such a way that appropriate risk is taken to generate the required returns, whilst minimising volatility and downside risk as much as is feasible.
- 2.5. Section 4 of the ISS sets out the Fund's policy in relation to the pooling agenda. The Fund is committed to pooling its investments through the Brunel Pension Partnership Limited. The proposed arrangements for the Brunel pool have been formulated to meet the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 and Government guidance, and have been given the go-ahead from the Minister for Local Government responsible.

3. Responsible Stewardship

- 3.1. The regulation and guidance on publishing an ISS also require administering authorities to set out their policies on responsible stewardship and environmental, social and governance (ESG) factors. These policies are set out in sections 5 and 6 of the ISS. For the most part this is a restatement of existing policy contained in the Fund's current Statement of Investment Principles. It also draws on the investment principles drawn up for the Brunel Pension Partnership, agreed by the Committee as part of the pooling submission.
- 3.2. The Fund's primary responsibility is to seek to obtain the best financial return that it can for its members. However consideration of ESG issues is a key consideration in analysing risk which may have an impact on financial returns. The Fund also has a duty to be a responsible shareholder and asset owner, and to ensure that its shares are voted appropriately. The policies that have been in the Statement of Investment Principles for several years have demonstrated the Devon Fund's commitment to being a responsible shareholder, but the creation of the Brunel Pension Partnership will provide more resource to ensure that these policies are carried out and monitored more effectively.
- 3.3. The ISS also sets out how the Fund complies with the Myners Principles, which were established following a review of institutional investment by Lord Myners in 2000, and then revised in 2008.

4. Conclusion

- 4.1. The guidance requires that the Investment Strategy Statement should be revised at least every three years, and when any significant changes are made to the Fund's investment strategy. The move to the new investment pooling arrangements is likely to mean that the ISS will need to be reviewed on a more regular basis until the transition is complete.
- 4.2. Members of the Pension Board had the opportunity to debate and feed into the strategic investment review conducted by Mercer at a seminar held in February. The Board is now invited to consider the Investment Strategy Statement and whether it wishes to make any further comments to the Investment and Pension Fund Committee.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
Contact for Enquiries: Dan Harris
Tel No: (01392) 382520 Room G99

Devon County Council Pension Fund Investment Strategy Statement

**Approved by the Investment and Pension Fund Committee
24 February 2017**

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The regulations provide a new prudential framework, within which administering authorities are responsible for setting their policy on asset allocation, risk and diversity. The Investment Strategy Statement will therefore be an important governance tool for the Devon Fund as well as providing transparency in relation to how Fund investments are managed.

The Devon Pension Fund's primary purpose is to provide pension benefits for its members. The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for members' benefits in a way that achieves long term cost efficiency and effectively manages risk. The Investment Strategy Statement therefore sets out a strategy that is designed to achieve an investment return consistent with the objectives and assumptions set out in the Fund's Funding Strategy Statement.

We are long term investors: we implement our strategies through investments in productive assets that contribute to economic activity, such as equities, bonds and real assets. We diversify our investments between a variety of different types of assets in order to manage risk.

The Investment Strategy Statement will set out in more detail:

- (a) The Devon Fund's assessment of the suitability of particular types of investments, and the balance between asset classes.
- (b) The Devon Fund's approach to risk and how risks will be measured and managed, consistent with achieving the required investment return.
- (c) The Devon Fund's approach to pooling and its relationship with the Brunel Pension Partnership.
- (d) The Devon Fund's policy on how social, environmental or corporate governance considerations are taken into account in its investment strategy, including its stewardship responsibilities as a shareholder and asset owner.

Under the previous regulations the Fund was required to comment on how it complied with the Myners Principles. These were developed following a review of institutional investment by Lord Myners in 2000, and were updated following a review by the National Association of Pension Funds in 2008. While a statement on compliance with the Myners Principles is no longer required by regulation, the Devon Pension Fund considers the Myners Principles to be a standard for Pension Fund investment management. A statement on compliance is included at Annex 1.

This statement will be reviewed by the Investment and Pension Fund Committee at least triennially, or more frequently should any significant change occur.

2. Investment strategy and the process for ensuring suitability of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

The Funding Strategy and Investment Strategy are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The Funding Strategy Statement can be found on the Fund's website at:

<https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/>

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement

The Fund has the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term. More detail on this is provided in Section 5.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- Active management can add value to returns, albeit with higher short-term volatility.

The Fund's current investment strategy, along with an overview of the role each asset plays is set out in the table below:

Asset Class	Target Allocation 2017/18 (%)	Medium Term Target Allocation (%)	Role(s) within the Strategy
Equities	58	58	
Global and UK Passive	43	36	<p>Generate returns through capital gains and income through exposure to the shares of domestic and overseas companies; indirect links to inflation.</p> <p>The Fund invests in a range of actively and passively managed equity strategies to gain diversified exposure to global equity markets, using active managers and non-market cap indexation where appropriate and in the expectation that these will add value.</p> <p>Within this allocation are holdings in a number of specialist equity funds to gain exposure to a diverse range of return drivers (including small cap equities and focussed, activism funds).</p>
Global Active	5	5	
Emerging Markets Active	5	5	
Specialist Funds	5	-	
Low Volatility Equity	-	7	
Global Small Cap Equity	-	5	
Fixed Interest	13	13	
Global Bonds	6	-	<p>The Fund invests in a number of global bond investments, to provide diversified exposure to sovereign and corporate bond markets. These are expected to generate less volatile returns than equities, but also to generate returns above those available on domestic sovereign bonds ("gilts").</p> <p>Within these holdings, the Fund uses active management, and permits its fund managers a degree of flexibility to switch between underlying asset classes and credit qualities to enhance expected returns</p>
Corporate Bonds	-	6	
Multi-Sector Credit	6	6	
Cash	1	1	Held to meet benefit payments

Asset Class	Target Allocation 2017/18 (%)	Medium Term Target Allocation (%)	Role(s) within the Strategy
Alternatives / Other	29	29	
Diversified Growth	15	9	Deliver returns in excess of inflation, with a reasonably low correlation to traditional equity markets and providing a degree of downside protection in periods of equity market stress; opportunity for dynamic asset allocation.
Property	10	10	Generate inflation linked returns through income and capital appreciation via investment in global property markets, whilst providing some diversification away from equities and bonds.
Infrastructure / Private Markets	4	10	The Fund invests in a diversified portfolio of infrastructure investments, in order to gain exposure to attractive returns and investments with a degree of inflation linkage in the income stream generated. In the medium term, the Fund intends to increase exposure to private markets (equity and credit) to benefit from diversified sources of return (including illiquidity and complexity premia).

Notes: Full details of the current investment managers and their respective performance benchmarks are included in Annex 2.

Asset allocation varies over time through the impact of market movements and cash flows. The overall balance is monitored regularly, and if the allocations move more than 2.5% away from the target consideration is given to rebalancing the assets taking into account market conditions and other relevant factors.

The Investment and Pension Fund Committee is responsible for the Fund’s asset allocation which is determined via strategy reviews undertaken as part of the valuation process. The last review of the investment strategy was in 2016/17 and was both qualitative and quantitative in nature, and was undertaken by the Committee in conjunction with officers and independent advisers. The review considered:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due.
- An analysis of the order of magnitude of the various risks facing the Fund.
- The requirement to meet future benefit cash flows.
- The desire for diversification across asset class, region, sector, and type of security.

Following the latest investment strategy review, the Committee agreed in 2017 to a number of revisions to the long term investment strategy. These changes include increasing diversification within the equity and fixed income holdings, and also implementing an allocation to private market investments in order to generate returns in excess of inflation, through exposure to companies that are not publicly traded and which therefore provide an “illiquidity premium” whilst providing some diversification away from listed equities and bonds. Details of the agreed medium-term strategy are given in the “medium term target allocation” column above.

3. Risk measurement and management

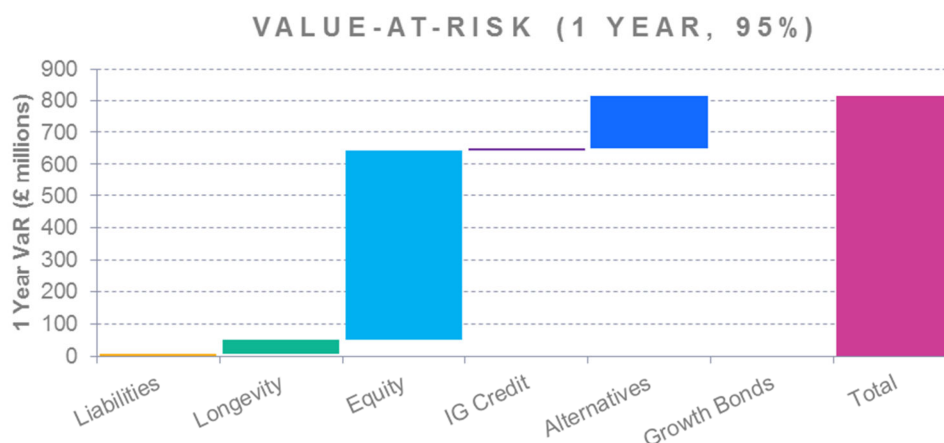
Successful investment involves taking considered risks, acknowledging that the returns achieved will to a large extent reflect the risks taken. There are short-term risks of loss arising from default by brokers, banks or custodians but the Fund is careful only to deal with reputable counter-parties to minimise any such risk.

Longer-term investment risk includes the absolute risk of reduction in the value of assets through negative returns (which cannot be totally avoided if all major markets fall). It also includes the risk of under-performing the Fund’s performance benchmark (relative risk).

Different types of investment have different risk characteristics and have historically yielded different rewards (returns). Equities (company shares) have produced better long-term returns than fixed interest stocks but they are more volatile and have at times produced negative returns for long periods.

In addition to targeting an acceptable overall level of investment risk, the Committee seeks to spread risks across a range of different sources, believing that diversification limits the impact of any single risk. The Committee aims to take on those risks for which a reward, in the form of excess returns, is expected over time.

The graph below provides an indication of the main sources of investment risk (estimated by Mercer) to the funding position, as measured using a 1 year Value at Risk measure at the 5% level.



Note: “IG Credit” risk represents investment grade credit risks within Fund’s fixed income mandates.

The key investment risks that the Fund is exposed to are:

- The risk that the Fund’s growth assets in particular do not generate the returns expected as part of the funding plan in absolute terms.
- The risk that the Fund’s assets do not generate the returns above inflation assumed in the funding plan, i.e. that pay and price inflation are significantly more than anticipated and assets do not keep up.
- That there are insufficient funds to meet liabilities as they fall due.

- That active managers underperform their performance objectives.

At Fund level, these risks are managed through:

- Diversification of investments by individual holding, asset class and by investment managers.
- Explicit mandates governing the activity of investment managers.
- The appointment of an Independent Investment Advisor.

The external investment managers can control relative risk to a large extent by using statistical techniques to forecast how volatile their performance is likely to be compared to the benchmark. The Fund can monitor this risk and impose limits.

The Fund is also exposed to operational risk; this is mitigated through:

- A strong employer covenant.
- The use of a Global Custodian for custody of assets.
- Having formal contractual arrangements with investment managers.
- Comprehensive risk disclosures within the Annual Statement of Accounts.
- Internal and external audit arrangements.

The ultimate risk is that the Fund's assets produce worse returns than assumed by the Actuary, who values the assets and liabilities every three years, and that as a result, the solvency of the Fund deteriorates. To guard against this the Investment Principles seek to control risk but not to eliminate it. It is quite possible to take too little risk and thereby to fail to achieve the required performance.

The Fund also recognises the following (predominantly non-investment) risks:

Longevity risk: this is the risk that the members of the Fund live longer than expected under the Actuarial Valuation assumptions. This risk is captured within the Actuarial Valuation report which is conducted at least triennially and monitored by the Committee, but any increase in longevity will only be realised over the long term.

Sponsor Covenant risk: the financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

Liquidity risk: the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice.

Regulatory and political risk: across all of the Fund's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Committee will attempt to invest in a manner which seeks to minimise the impact of any such regulatory or political change should such a change occur.

Exchange rate risk: this risk arises from unhedged investment overseas. The Fund has a currency hedging policy in place, hedging between 50% and 100% of its exposure to currency risk on passive equity holdings. For other asset classes, currency hedging is reviewed on a case-by-case basis.

Cashflow risk: the Fund is cashflow negative, in that income and disinvestments are required from the Fund's investments to meet benefit outgoes. Over time, it is expected that the size of pensioner cashflows will increase as the Fund matures and greater consideration will need to be given to raising capital to meet outgoings. The Committee recognises that this can present additional risks, particularly if there is a requirement to sell assets at inopportune times, and so looks to mitigate this by taking income from investments where possible.

Governance: members of the Committee and Local Pension Board participate in regular training delivered through a formal programme. Both the Committee and Local Pension Board are aware that poor governance and in particular high turnover of members may prove detrimental to the investment strategy, fund administration, liability management and corporate governance and seeks to minimise turnover where possible.

4. Approach to asset pooling

The Devon Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once the Brunel Pension Partnership Ltd. is established the Devon Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd will be a new company which will be wholly owned by the Administering Authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Devon fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of Devon Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board will be established. This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Devon County Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Devon Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Devon Pension Fund will continue to maintain the relationship with its

current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Devon Pension Fund's assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

5. Social, environmental and corporate governance policy

The Devon Pension Fund has a fiduciary duty to seek to obtain the best financial return that it can for its members. This is a fundamental principle, and all other considerations are secondary. However, the Devon Pension Fund is also mindful of its responsibilities as a long term shareholder, and the Investment and Pension Fund Committee has considered the extent to which it wishes to take into account social, environmental or ethical issues in its investment policies. The Devon Fund's policy is to support engagement with companies to effect change, rather than disinvestment.

In the light of that overarching approach the following principles have been adopted:-

- (a) The Devon Fund seeks to be a long term responsible investor. The Fund believes that in the long term it will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
- (b) Social, environmental and ethical concerns will not inhibit the delivery of the Devon Fund's investment strategy and will not impose any restrictions on the type, nature of companies/assets held within the portfolios that the Devon Fund invests in.
- (c) It is recognised, however, that the interests of investors on social etc. grounds may coincide with those solely on investment grounds in which case there will be no conflict of interest. Indeed, the Committee believes that in the long run, socially responsible and fiduciary investment will tend to come together since adverse performance on social, environmental or ethical issues will ultimately be reflected in share prices.
- (d) The Devon Pension Fund will seek to engage (through the Brunel Pension Partnership, its asset managers or other resources) with companies to ensure they can deliver sustainable financial returns over the long-term as part of comprehensive risk analysis. In the example of fossil fuels, this will mean engaging with oil companies on how they are assessing their business strategy and capital expenditure plans to adapt to changes in cost base and regulation that will ensure the continued delivery of shareholder returns in the medium to long term. Engagement with companies is more likely to be successful if the Fund continues to be a shareholder.
- (e) Although social, environmental and ethical issues rarely arise on the agendas of company Annual General Meetings, where an issue does arise the Council's external investment managers will only vote if it is in the Fund's interest on investment grounds. Some issues may be incorporated into generally accepted Corporate Governance Best Practice (e.g. the inclusion of an Environmental Statement in the Annual Report and Accounts). In this case the Council will instruct its external investment managers to vote against the adoption of the Annual Report, if no such statement is included.
- (f) The Devon Pension Fund recognises the risks associated with social, environmental and governance (ESG) issues, and the potential impact on the financial returns if those risks are not managed effectively. The Fund therefore expects its external fund managers to monitor and manage the associated risks. As the Devon Fund moves towards the new arrangements for the pooling of investments it will work with its partners in the Brunel pool and the Brunel Pension Partnership Limited company to ensure that robust systems are in place for monitoring ESG risk, both at a portfolio and a total fund level, and that the associated risks are effectively managed.

- (g) The Pension Board regularly reviews all the Fund's statutory statements. Their views will be taken into account in setting the Devon Fund's environmental, social and governance policies. The Fund also holds an annual consultative meeting with fund members which provides the opportunity for discussion of investment strategy and consideration of non-financial factors.

6. Policy of the exercise of rights (including voting rights) attaching to investments

The Devon Pension Fund is fully supportive of the UK Stewardship Code, published in July 2010, and the Committee accepts the rights and responsibilities that attach to being a shareholder and will play an active role in overseeing the management of the companies in which it invests. During 2017 we will develop this further by becoming signatories to the code. As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities. More information is on the BPP website:

<https://www.brunelpensionpartnership.org/>

The following section sets out the Fund's policy in relation to the seven principles of the UK Stewardship Code, including its policy on the exercise of rights, including voting rights, attached to investments:

- (a) Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Devon Pension Fund aims to be a supportive, long term shareholder. The Committee will support the latest widely accepted standards of Best Practice in Corporate Governance and will expect the companies in which it invests to comply therewith. It will use its influence as a shareholder to persuade the Directors of any companies that do not already comply to adopt Best Practice.

The Fund will expect its external investment managers to:

- (i) Seek to develop a long-term relationship and an understanding of mutual objectives and concerns with the companies in which we invest.
- (ii) Meet regularly with those companies to discuss corporate strategy and objectives, and to make an assessment of management performance.
- (iii) Have in place processes in place to ensure access to accurate information regarding companies in which we invest, including the approach to corporate governance adopted by the company.
- (iv) Intervene when a company fails to meet expectations in terms of traditional governance inputs (such as board structures) but also the outputs of governance such as acquisitions and operational performance.

The Fund's external investment managers will judge whether to support a company by subscribing to a rights issue, accepting a take-over bid or other similar events purely on investment grounds.

- (b) Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

External investment managers will be expected to act in the Fund's interests when considering matters such as engagement and voting. The Fund will expect its fund managers to:

- (i) Put in place and maintain a policy for managing conflicts of interest.
- (ii) Ensure that any significant conflicts of interest are disclosed.

(c) Institutional investors should monitor their investee companies.

The Fund will expect its external investment managers to

- (i) Satisfy themselves, to the extent possible, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight, including by meeting the chairman and, where appropriate, other board members.
- (ii) Maintain comprehensive records of governance engagements, votes cast and the reasons for voting against management or abstaining.
- (iii) Attend General Meetings selectively when they consider it is of value to our investment to do so.

(d) Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

The Fund will expect its external investment managers to escalate activities if a company fails to meet expectations. The most important issues for us are:

- Strategy - including acquisitions and the deployment of capital
- Operational performance
- Quality of the Board
- Succession planning
- Health & Safety
- Risk management
- Remuneration
- Corporate social responsibility

The Fund will expect its external investment managers to engage with the board in order to better understand what is behind such concerns. Engagement should be regularly reviewed and its success assessed.

(e) Institutional investors should be willing to act collectively with other investors where appropriate.

As a general rule we believe the effectiveness of engagement is considerably increased when we find common ground with other shareholders. The Fund will therefore encourage its fund managers to work with collective bodies or collaborate with other shareholders if they believe this will increase the chance of success.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an association of local authority pension funds who act collectively with a view to achieving the highest standard of corporate governance and corporate social responsibility amongst the companies in which they invest.

- (f) Institutional investors should have a clear policy on voting and disclosure of voting activity.

The Council will instruct its external investment managers to vote at all meetings of UK companies where they have sufficient information to form a view on the issues involved. Voting will be extended to overseas companies when practicable.

The Council will instruct its external investment managers to vote in favour of all resolutions put forward by the Directors of a company unless they are not in the shareholder's interests (e.g. Long Term Incentive Plans with targets that are not demanding enough or where excessive remuneration is proposed) or expose the company to undue risk or they condone bad practice (e.g. Director's service contracts in excess of one year) in which cases it will instruct them to vote against.

- (g) Institutional investors should report periodically on their stewardship and voting activities.

The Investment and Pension Fund Committee will monitor the fund managers' engagement with the companies they have invested in, through the regular reporting arrangements in place. In addition the external investment managers will be requested to produce an annual summary of their engagement activity for inclusion within the Devon Pension Fund Annual Report. A report on voting activity will also be published in the Annual Report.

7. Advice Taken

This Investment Strategy Statement has been put together by Devon County Council's professional investment officers, supported by the Fund's Independent Investment Advisor, and with advice from Mercer LLC investment advisors, who have conducted a review of the Fund's investment strategy and asset allocation. Mercer were selected to undertake the investment review following a procurement exercise through the South West LGPS Framework for the Supply of Actuarial, Benefits and Investment Advisory Services, administered by the Environment Agency.

The Devon Fund has committed to pooling investments through the Brunel Pension Partnership Limited (BPP Ltd.), and advice from the Brunel Client Officer Group project team has also been taken into account in shaping the Devon response to the pooling initiative and building an investment strategy that can be implemented via BPP Ltd. once it becomes operational.

The key people who have been consulted and who have provided advice in drawing up the Investment Strategy Statement are:

The Investment and Pension Fund Committee

This County Council Committee, which includes Unitary and District Council and other employer representatives and those of the contributors and the pensioners (non-voting), carries out the role of the Administering Authority. It has full delegated authority to make decisions on Pension Fund matters. In particular it:

- decides the Investment Principles;
- determines the fund management structure;
- reviews investment performance;

The Devon Pension Board

While not a decision making body, the Pension Board has been set up to assist the Administering Authority in securing compliance with legislation and regulation and the effective and efficient governance of the Fund. Members of the Pension Board were included in a consultation workshop on the investment strategy, and regularly review the Fund's statutory statements.

County Treasurer: Mary Davis BA (Hons), CPFA

The County Treasurer advises the Committee and ensures that it is informed of regulatory changes and new developments in the investment field and implements the Committee's decisions. Mary Davis is a CIPFA qualified accountant and has been the County Treasurer and Section 151 Officer for Devon County Council since 2008. Mary has responsibility for Devon County Council's finances, including responsibility for the Devon Pension Fund. Mary has a BA (Hons) degree in Economics.

Assistant County Treasurer Investments: Mark Gayler ACMA, IMC

Mark Gayler has been Assistant County Treasurer, Investments and Treasury Management at Devon County Council since 2013. Mark heads up the investment team responsible for overseeing the Devon Pension Fund, as well as undertaking treasury management for the council. Mark is a CIMA qualified accountant and holds the CFA Level 4 Certificate in Investment Management. Mark has 28 years of experience within local government, and first moved to the Investment Team in 2010, initially as Deputy Investment Manager.

Investment Manager: Daniel Harris BSc (Hons) IMC

Daniel Harris has been an Investment Manager in the Investment Team since 2013, acting as the deputy to the Assistant County Treasurer. Dan has worked within finance for Devon County Council since 2006. Prior to joining Devon County Council he worked for a Private Banking Company, managing investment portfolios for high wealth clients. Dan has a BSc (Hons) degree in Pure Mathematics and holds the Investment Management Certificate.

Independent Investment Advisor: Steve Tyson BSc (Hons), Chartered FCSI, Allenbridge Epic

Steve is the independent adviser to the LGPS for Devon County Council and Gloucestershire County Council Pension Funds. He has over 35 years' investment experience and holds a portfolio of trustee and advisory positions. Formerly Steve was a public member of Network Rail and a NED of Manulife Asset Management. His last full-time role was as Chief Investment Officer and CEO of Manulife Asset Management from 2004-2012, responsible for £4 billion of assets under management and advice in a variety of asset allocation and equity strategies. During his career, Steve managed a wide range of DB and DC pension funds and has specialised in strategic and tactical asset allocation strategies. Steve is a Chartered Fellow of the Chartered Institute for Securities and Investment

Mercer LLC Investment Consultants:

Tessa Page, Principal

Tess is a Senior Principal at Mercer and an LGPS strategy specialist, with close to 15 years' pensions and investments experience. Tess joined Mercer in 2011, having previously worked at JLT (formerly HSBC Actuaries and Consultants). She has a Masters in Biochemistry from the University of Oxford and is a Fellow of the Institute and Faculty of Actuaries.

James Giles, Senior Associate

James is a Senior Associate within Mercer's investment consulting practice, with over 10 years' experience advising public and private sector pension schemes on all aspects of investment strategy, implementation and monitoring. James has a BA (Hons) in Politics, Philosophy and Economics from the University of Manchester, and is a Fellow of the Institute and Faculty of Actuaries.

Brunel Client Officer Group

The Brunel Client Officer Group has provided support with regard to the impact on strategy of the investment pooling proposals. The group comprises the investment officers from the Avon Pension Fund (Bath and NE Somerset Council), Buckinghamshire CC, Cornwall Council, Devon CC, Dorset CC, Gloucestershire CC, Oxfordshire CC, Somerset CC, Wiltshire Council and the Environment Agency.

Annex 1 – Compliance with the Myners Principles

The Committee has considered the 6 Myners Principles and is of the view that the Fund currently complies with the spirit of these recommendations. Further details are given below on each of the 6 principles.

1. Effective Decision Making

The County Council has a designated Committee whose terms of reference are to discharge the duties of the Council as the Administering Authority. There is a training programme for Committee members. They also have external and internal advisers and are supported by an experienced in-house team to oversee the day to day running of the Fund. Representatives of the Fund's contributors and pensioners, although not voting members, advise the Committee on the views of their members. The Administering Authority is supported by a Pension Board, whose role is to assist them in securing compliance with legislation and regulation and the effective and efficient governance of the Fund.

2. Clear Objectives

This document sets out clear objectives in relation to the split of assets between Equities and Bonds, investment in Diversified Growth Funds, and other assets such as Property.

The Committee is aware of the Fund's current deficit and its investment policy is designed to gradually improve solvency whilst keeping employers' contribution rates as constant as possible. A key objective of the Fund's strategy is to manage the fund to ensure a healthy cash-flow for the foreseeable future.

3. Risk and Liabilities

The Committee has considered the mix of assets that it should adopt and the level of risk (volatility of returns) it is prepared to accept. This document sets out current policy, which is designed to improve the Fund's solvency while only accepting moderate risk.

The Committee will regularly review the benefits of using the full range of asset classes.

4. Performance Assessment

In the award of mandates to individual investment managers the Investment and Pension Fund Committee has set benchmarks for each asset class, as set out in Annex 2. The total fund is measured against a bespoke benchmark based on the Fund's strategic asset allocation.

The Fund uses the services of its custodian bank to provide an independent measurement of investment returns. These are used for comparison purposes against specific and peer group benchmarks.

The Investment and Pension Fund Committee receive quarterly performance reports and are therefore able to consider the performance of all asset classes and managers on a regular basis, focusing on the longer term. These considerations form the basis of decision making.

5. Responsible Ownership

Section 6 of this document, on the Policy of the exercise of rights (including voting rights) attaching to investments, sets out the Fund's commitment to responsible ownership. The management agreements with the Fund's investment managers include provision for them to engage with companies in compliance with the terms of the Combined Code and the Council's voting policy as set out in this document. The Fund is also a member of the Local Authority

Pension Fund Forum (LAPFF). The Fund has investments in specialist pooled funds that are specifically designed to be activist. This document sets out the Council's policy on voting.

6. Transparency and Reporting

This Investment Strategy Statement is available to any interested party on request. The latest version is available on the Peninsula Pensions website.

In accordance with LGPS (Administration) Regulations 2008, the Devon Pension Fund has published a Communications Policy Statement, which can be viewed at:

<https://www.peninsulapensions.org.uk/wp-content/uploads/2013/08/Devon-Pension-Fund-Communications-Policy.pdf>,

which describes the Fund's policy on:

- Providing information to members, employers and representatives,
- The format, frequency and method of distributing such information,
- The promotion of the Fund to prospective members and their employing bodies.

The Fund will continue to develop the Peninsula Pensions website, which it considers to be its primary communications channel.

Annex 2 – Current Managers and Mandates

Manager	Mandate	Target
Aberdeen Asset Managers Ltd	Global Equity	Outperform FTSE World Index by 3% per annum over rolling 3 and 5 year periods
Aberdeen Asset Managers Ltd	Global Emerging	Outperform MSCI Emerging Markets Index by 2-4% per annum over rolling 3 year periods
State Street Global Advisors Ltd	Passive Equities	Performance in line with FTSE World market specific indices
UBS Global Asset Management (UK) Ltd	Passive Equities	Performance in line with FTSE All Share Index
UBS Global Asset Management (UK) Ltd	Passive Equities (Alternative Indexation)	Performance in line with FTSE RAFI / MSCI World Quality / MSCI World Minimum Volatility Indices
Lazard Asset Management LLC	Global Fixed Interest	Outperform Barclays Capital Global Aggregate Bond Index by 1% per annum
Wellington Management International Ltd	Global Fixed Interest	Outperform Barclays Capital Global Aggregate Bond Index by 1% per annum
Wellington Management International Ltd	Multi Sector Credit	Outperform composite of 1/3 Bank of America Merrill Lynch Global High Yield Constrained Index, 1/3 JP Morgan Emerging Markets Bond Index Plus, and 1/3 CS Leveraged Loan Index
Baillie Gifford and Co.	Diversified Growth Fund	Outperform Bank of England Base Rate by 3.5% per annum net of fees
Barings Asset Management Ltd	Diversified Growth Fund	Outperform LIBOR by 4% per annum
Aviva Investors Global Services Ltd	Property	Outperform the IPD UK PPF All Balanced Funds Index
DCC Investment Team	Specialist Equity Funds	Outperform FTSE World Index
DCC Investment Team	Infrastructure Funds	Outperform GBP 7 Day LIBID
DCC Investment Team	Cash	Outperform GBP 7 Day LIBID

PENSION FUND RISK REGISTER

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: That the Board notes the Pension Fund Risk Register and the additional actions proposed to mitigate risk.

1. Introduction

- 1.1. The Pension Board monitors the Risk Register as part of its scrutiny role in relation to risk and compliance, and will raise any specific concerns to the Investment and Pension Fund Committee, as necessary. The Board previously considered the Risk Register at its meeting on 20th October 2016.
- 1.2. The Risk Register is attached at Appendix 1 to this report. It highlights the key risks in relation to the Devon Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. This incorporates the risk register of both the Investments Team and Peninsula Pensions.
- 1.3. The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and therefore an updated Risk Register will be presented to the Committee on an annual basis.

2. Revisions to the Risk Register

- 2.1. The Risk Register is reviewed and updated on an ongoing basis during the year. The following changes have been made to the Register since it was last presented to the Board:
 - At its meeting on 20th October 2016, the Board suggested amendments to the risk register, including references to the potential impact of the leaving the EU and any consequential changes to the regulatory framework. Risk F13 has been added to the register to reflect this risk.
 - Risk F10 has been expanded to include reference to the Actuary's objective of keeping contributions as stable as possible for employers, whilst ensuring the long term solvency of the Fund.
 - Risk F2 – An investment strategy review has been completed and a report presented to Investment and Pension Fund Committee on 24th Feb 2017. The 2016 actuarial valuation has been completed and includes provision for the fund to achieve full funding over 22 years.
 - Under Risk I1, the deadline for completing the CIPFA Knowledge and Skills Framework self-assessment has been extended to 31st December 2017.
 - The key risks in relation to Peninsula Pensions have been reviewed and updated and are now recorded under Risks PP1 to PP17 (previously Risks P1 to P9)

Agenda Item 9

2.2. Taking account of the revisions above there are now 41 risks recorded in the Risk Register. The following table summarises the number of risks assigned to low, medium and high risk scores, before and after mitigation.

Risk Category	Number of Inherent Risks Identified	Number of Risks following mitigating action
High	11	1
Medium	21	8
Low	9	32

2.3. Action taken to mitigate risks has reduced the number of high risks from 11 to 1. The remaining high risk is in respect of a market crash leading to a failure to reduce the deficit.

3. Conclusion

3.1. The Board are asked to note the Pension Fund Risk Register, and the additional actions proposed to mitigate risk.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
Contact for Enquiries: Dan Harris
Tel No: (01392) 382520 Room G99

Devon County Council Pension Fund Risk Register

March 2017

Key to overall assessment of risk

Combination of impact and likelihood, categorisation of overall risk and level of action required.

Risk Assessment Matrix					
LIKELIHOOD	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	IMPACT				

Impact x Likelihood
20 - 25 VERY HIGH
<ul style="list-style-type: none"> ● Immediate Action
12 - 16 HIGH
<ul style="list-style-type: none"> ● Regular review to seek better control
8 - 10 MEDIUM
<ul style="list-style-type: none"> ● Review current controls
1 - 6 LOW
<ul style="list-style-type: none"> ● Limited action - long term plans

Assessment of impact and likelihood

Assessment of Impact				
		Financial	Reputation	Stakeholders/Customers
1	Negligible	< £100k	Minimal and transient loss of public trust.	Minimal impact on stakeholders or customers.
2	Minor	£100k - £1m	Slight loss of trust with no lasting impact. Little adverse publicity.	Minor impact on stakeholders or customers and customer dissatisfaction. Limited service disruption.
3	Moderate	£1m - £10m	Moderate loss of trust that receives significant adverse publicity locally with no lasting impact.	Moderate disruption to stakeholders, moderate impact on customers and customer dissatisfaction. Moderate service disruption.
4	Major	£10m - £100m	Significant loss of trust and receives local media attention with potential for lasting impact.	Significant service disruption and opposition from stakeholders and/or customers. Threat of legal action.
5	Catastrophic	> £100m	Significant loss of trust and receives national media attention with potential for persisting impact.	Major service disruption and significant opposition from stakeholders and/or customers. Legal action. Long term public memory.

Assessment of Likelihood			
		Probability Descriptors	Numerical Probability
1	Rare	This will probably never happen/recur.	Under 1%
2	Unlikely	Do not expect it to happen/recur, but it is possible it may do so.	1% - under 5%
3	Possible	Might happen or recur occasionally.	5% - under 20%
4	Likely	Will probably happen/recur, but it is not a persistent issue or circumstances	20% - under 50%
5	Almost Certain	Will undoubtedly happen/recur, possibly frequently. A project more likely to fail than succeed.	Over 50%

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Governance Arrangements											
G1	<p>The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board, resulting in:</p> <ul style="list-style-type: none"> • Non-compliance with legislation and/or best practice. • Inability to determine policy, make effective decisions and/or deliver service. • Risk to reputation. 	4	2	8	<ul style="list-style-type: none"> • DCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008. • The Governance Policy and Compliance Statement is reviewed and updated regularly and scheme employers are consulted to ensure that the policy remains appropriate. • The Statement is published on the Devon Pensions website: http://www.pensinulapensions.org.uk/wp-content/uploads/2013/09/Devon-Pension-Fund-Governance-Policy.pdf • Pension fund stakeholders are made aware of the Statement. • DCC has appointed an Investment and Pension Fund Committee to discharge the duties of the Council as Administering Authority of the Pension Fund. • The Committee review and approve the annual statement of accounts of the Devon Pension Fund, consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from any audit that need to be brought to the attention of the Council. • A Pension Board has been established as required by the Public Service Pension Act 2013. • Support and training are being provided to ensure that the Board is equipped to undertake its role. 	4	1	4	Mark Gayler / Dan Harris		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
G2	<p>The Investment and Pension Fund Committee and Pension Board are unable to fulfil their responsibilities effectively, resulting in:</p> <ul style="list-style-type: none"> • Non-compliance with legislation and/or best practice. • Inability to determine policy, make effective decisions and/or deliver service. • Risk to reputation. 	3	3	9	<ul style="list-style-type: none"> • The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills, and regular training is provided to ensure that members have the level of understanding required. • An Annual Training Plan has been agreed for 2016/17. • A training and induction programme is available for new Committee and Pension Board Members. • The Fund subscribes to relevant bodies (e.g. CIPFA, LAPFF, NAPF) and sends representatives to major conferences. • DCC organises at least two training days per year for Investment and Pension Fund Committee and Pension Board members, including an annual shared training day with Cornwall Council. • Committee and Pension Board members are made aware of and adhere to the Governance Compliance Statement, and are encouraged to identify training requirements. 	3	2	6	Mark Gayler / Dan Harris		
Funding and Investments											
F1	<p>The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received, resulting in:</p> <ul style="list-style-type: none"> • Poor Fund performance/financial loss. • Increased employer contribution costs. 	4	3	12	<ul style="list-style-type: none"> • The Investment Strategy is set in accordance with LGPS investment regulations. • The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee. • The Investment Strategy takes into account the Fund's liabilities. • DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy. • An Annual Training Plan has been agreed for 2016/17. Training programmes are available for Committee Members and Investment Staff. • Members and Officers are encouraged to challenge advice and guidance received when necessary. 	4	2	8	Mark Gayler		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
F2	<p>The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>The Pension Fund's investment strategy and /or Fund Managers fail to produce the required returns, or organisational changes / manager departures at a Fund Manager damage performance, resulting in:</p> <ul style="list-style-type: none"> • Financial loss. • Insufficient funds available to meet future obligations. 	5	3	15	<ul style="list-style-type: none"> • Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2016 actuarial valuation includes provision for the fund to achieve full funding over 22 years. • The investment strategy is reviewed annually by the Pension Fund Committee with advice from the External Investment Advisor to determine whether any action needs to be taken to amend the fund's asset allocation strategy. • The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. • Fund-specific benchmarks and targets are set. • Fund assets are kept under regular review as part of the Fund's performance management framework. • Fund managers are thoroughly vetted prior to appointment and performance is reviewed regularly against the benchmark and performance objectives, and this is reported to Committee. Appropriate action may be taken if it is considered that an Investment Manager is underperforming. • The depth of expertise in the fund managers team will be assessed as part of the appointment process. • Performance targets are agreed by the Investment and Pension Fund Committee and are based upon recommendations provided by the DCC in-house Investment Team and our external investment advisor. • The Investment and Pension Fund Committee have the power to terminate a fund manager's contract if it is deemed that the manager has not performed as expected, or there are concerns about future performance due to organisational change / manager departures. • Mercers were appointed to undertake an investment strategy review for the fund in 2016. The final report and recommendations were presented to the Investment and Pension Fund Committee in Feb 2017. 	5	2	10	Mark Gayler		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
F3	The fund is exposed to unnecessary risks and avoidable costs due to poorly structured investment arrangements, resulting in: <ul style="list-style-type: none"> Financial loss. 	5	2	10	<p>The Fund attempts to ensure the achievement of best value and minimise exposure to risk via the following:</p> <ul style="list-style-type: none"> The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. IMA disclosure tables are reviewed to ensure best execution by managers. Investment managers are asked to provide invoices for fees, wherever possible. Specialist services (e.g. transitions, currency transfers) are considered where appropriate in order to reduce costs. Banking and custodian arrangements are reviewed and re-tendered when appropriate. 	4	1	4	Mark Gayler		
F4	<p>Collapse of a fund manager or negligence, fraud or wilful default committed by a fund manager, resulting in:</p> <ul style="list-style-type: none"> Financial loss. 	4	2	8	<ul style="list-style-type: none"> The Fund considers the financial stability of managers during the appointment process and the situation is kept under review. DCC use a global custodian service to ensure that there exists a separation of investment management arrangements from custody of assets. Legal requirements are in place for fund managers and are set out in the investment management agreements. Fund managers are required to be fully compliant with FCA, PRA and other regulatory requirements. The risk that a fund manager cannot provide a service during windup is mitigated by the availability of a transition management service by the Fund's Custodian Bank, Northern Trust. 	3	2	6	Mark Gayler		

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Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
F5	Market crash leading to a failure to reduce the deficit. <ul style="list-style-type: none"> Financial loss. Increased employer contribution costs. 	5	3	15	<ul style="list-style-type: none"> The fund is well diversified and consists of a wide range of asset classes which aims to mitigate the impact of poor performance from an individual market segment. Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced. 	4	3	12	Mark Gayler		
F6	Pay and price inflation are higher than anticipated. <ul style="list-style-type: none"> An increase in liabilities which exceeds the previous valuation estimate. 	4	3	12	<ul style="list-style-type: none"> The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees. The Fund has recently made new investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases. The Committee has received training on understanding liabilities and potential approaches to Liability Driven Investment. Hymans Robertson were commissioned to produce a report which reviewed the strategy for the fixed interest and its role in managing inflation risk. The report was presented to the I&PFC in September 2015, and recommendations partly implemented. 	3	3	9	Mark Gayler		
F7	Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing. <ul style="list-style-type: none"> An increase in liabilities which exceeds the previous valuation estimate. 	3	3	9	<ul style="list-style-type: none"> Employers are charged the extra capital cost of non ill health retirements following each individual decision. Employer ill health retirement experience is monitored. 	2	2	4	Charlotte Thompson		

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Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
F8	The average life expectancy of pensioners is greater than assumed in actuarial assumptions. • An increase in liabilities which exceeds the previous valuation estimate.	4	3	12	<ul style="list-style-type: none"> Life expectancy assumptions are reviewed at each valuation. Mortality assumptions include some allowance for future increases in life expectancy. 	3	2	6	Mark Gayler		
F9	Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately • Increased costs across all the remaining scheme employers	3	3	9	<ul style="list-style-type: none"> The team has procedures in place to monitor the receipt of contributions to the fund. The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately. Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments. 	3	1	3	Mark Gayler/ Martyn Williams		
F10	An employer struggles to meet contributions increases following an actuarial review and/or ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value. • Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers.	3	3	9	<p>The risk is mitigated by:</p> <ul style="list-style-type: none"> Vetting prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required. The Actuary has an objective of keeping contributions as stable as possible whilst ensuring the long term solvency of the Fund. Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. The actuarial valuation attempts to balance recovery period with risk of withdrawal. If necessary, appropriate legal action will be taken. An Employer Covenant Risk Assessment has been undertaken by the Fund Actuary, Barnett Waddingham 	2	2	4	Mark Gayler/ Charlotte Thompson		
F11	A significant number of LGPS members transfer their pension pots to other pensions providers in order to obtain a capital sum under the Government's "Freedom and Choice" legislation, resulting in: • Significant cashflow out of the Fund. • Reduction in assets greater than reduction in the Fund's liabilities.	3	2	6	<p>The risk is mitigated by:</p> <ul style="list-style-type: none"> Effective communication of the benefits of remaining in the LGPS. Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability. 	2	2	4	Mark Gayler/ Charlotte Thompson		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
F12	The result of the EU Referendum and the decision to leave the European Union results in significant economic instability and slowdown, and as a consequence lower investment returns, resulting in: <ul style="list-style-type: none"> Financial loss, and/or failure to meet return expectations. Increased employer contribution costs. 	4	3	12	The risk is mitigated by: <ul style="list-style-type: none"> Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller. The long term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time. 	3	3	9	Mark Gayler/ Charlotte Thompson		
F13	The result of the EU Referendum and the decision to leave the European Union results in changes to the regulatory and legislative framework within which the Fund operates	3	3	9	The risk is mitigated by: <ul style="list-style-type: none"> The Government is likely to ensure that much of current EU regulation is enshrined in UK law. Officers receive regular briefing material on regulatory changes and attend training seminars and conferences, in order to ensure that any regulatory changes are implemented in the management of the Fund. 	2	3	6	Mark Gayler/ Charlotte Thompson		
Page 100 Brunel Pension Partnership											
The risks highlighted in this section are those most relevant to the operation of the Devon Fund, the Brunel Pension Partnership has its own comprehensive risk register to monitor the total risk of the Brunel project.											
B1	The Devon Pension Fund has insufficient resources available to deliver the pooling proposal within the required timescale, without impacting the day-to-day management of the fund. <ul style="list-style-type: none"> The management of the Pension Fund is adversely affected due to existing resources concentrating on the pooling proposal, resulting in underperformance and failure to meet statutory obligations. The pool structure is not established within the required timescale and the Devon Pension Fund faces the risk of alternative measures being imposed by Government. 	4	3	12	<ul style="list-style-type: none"> A project manager has been appointed to oversee the creation of the Brunel Pension Partnership and will monitor progress against timescales to ensure that deadlines are achieved. Officers from each fund involved with the pooling project are maintaining timesheets in order to monitor the amount of time spent on the project. Regular update meetings are held between the County Treasurer and Assistant County Treasurer, as well as update meetings within the Devon Investment Services team, to review progress, workloads in order to identify and address any areas of concern. 	4	2	8	Mark Gayler	<ul style="list-style-type: none"> Additional staffing resources may be required if it becomes apparent that insufficient resources exist to take forward the proposal without impacting the day-to-day management of the fund. 	

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
B2	<p>Asset transition costs are greater than forecast.</p> <ul style="list-style-type: none"> Failure to control operational risks and transaction costs during the transition process may lead to an increase in the initial set-up costs forecast by the pooling proposal. 	4	3	12	<ul style="list-style-type: none"> Two asset transition management companies have analysed the costs of transitioning our current assets into the pool, under a variety of scenarios. The results of these analyses have been used as a basis for calculating the initial set-up costs of the Brunel Pension Partnership. The transition process includes selling securities from one portfolio and buying securities in another while systematically controlling operational risks and transaction costs. There may also be the opportunity to transfer securities in 'specie', that is to transfer a security directly from an existing portfolio into the new portfolio. The timing of sales and purchases is also critical. A transition manager will be appointed, via a formal procurement exercise, with the objective of preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. 	4	2	8	Mark Gayler		
B3	<p>Failure of BPP to gain FCA accreditation.</p> <ul style="list-style-type: none"> In order for the Brunel Pension Partnership to succeed, it will need to attain FCA accreditation. This is potentially a time consuming, complicated process with many criteria that need to be satisfied before FCA accreditation is granted. If FCA accreditation is not granted, the Brunel Pension Partnership will not be able to continue in its current preferred form and the project will need to be reviewed accordingly. This could lead to significant delays in meeting the Government's target of the pool being operational by April 2018. 	4	3	12	<ul style="list-style-type: none"> A specialist company with expertise in FCA accreditation has been appointed to advise on what needs to be done to ensure that the Partnership has the necessary structure, resources and qualified staff in order to obtain FCA accreditation. 	4	1	4	Mark Gayler		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Custody											
Cu1	<p>Failure of custodian leading to losses which results in a failure to reduce the deficit and potential adverse media interest.</p> <ul style="list-style-type: none"> Financial loss. 	4	2	8	<ul style="list-style-type: none"> The custodian contract is subject to regular review and periodic re-tendering. A new contract was awarded to Northern Trust with a start date of 1 September 2014. The procurement process included an assessment of their financial standing. The custodian must adhere to FCA and PRA financial regulations. Fund assets are protected in the event of insolvency of the custodian 	3	2	6	Mark Gayler/ Dan Harris		
Communication											
Cm1	<p>Insufficient communication and engagement with the Pension Fund Stakeholders.</p> <ul style="list-style-type: none"> Non-compliance with legislation and/or best practice. Inability to determine policy, make effective decisions and/or deliver service. Reputation risk. 	3	3	9	<ul style="list-style-type: none"> A communications strategy is in place and was last reviewed and updated in November 2015. The Devon Investment Services and Peninsula Pensions websites are kept up to date. Fund Performance is reported to the Investment & Pension Fund Committee on a regular basis. Meetings are held regularly with the Fund's Employing Authorities. Benefit illustrations are sent annually to contributing and deferred Fund members. The contact list for employers is updated regularly. Annual forums are held for employers and Trade Unions. The annual report and accounts are published on the Peninsula Pensions website. 	3	2	6	Mark Gayler / Charlotte Thompson		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Accounting											
A1	<p>Failure to comply with pension fund accounting regulations.</p> <ul style="list-style-type: none"> Risk of the accounts being qualified by the auditors. 	3	3	9	<ul style="list-style-type: none"> Staff are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures. Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the DCC Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers. Internal Audits are carried out on an annual basis. External Audit review the Pension Fund's accounts annually. 	3	2	6	Mark Gayler/ Karlien Bond		
Data Protection											
D1	<p>The Pension Fund systems and data may not be secure and appropriately maintained.</p> <ul style="list-style-type: none"> Loss of sensitive data. Reputation risk. Financial loss arising from legal action. 	3	2	6	<ul style="list-style-type: none"> It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's data protection policy. 	3	1	3	Mark Gayler/ Charlotte Thompson		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Internal											
11	<p>Concentration of knowledge in a small number of officers and risk of departure of key staff, or non-availability due to sickness or other issues.</p> <ul style="list-style-type: none"> The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation. 	4	3	12	<ul style="list-style-type: none"> The Investment Manager is able to cover in the absence of the Assistant County Treasurer. Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. A formal training record for officers is maintained centrally. A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken. 	4	2	8	Dan Harris	<ul style="list-style-type: none"> The Devon Investment Services procedure manual will continue to be refined and updated on an ongoing basis. Ensure the review of CIPFA's knowledge and skills framework relating to officers results in key outcomes being delivered. 	Officers have undertaken the original CIPFA Knowledge and Skills Framework Self-Assessment previously, and will complete the updated outstanding modules before the end of December 2017.
12	<p>Failure of in-house treasury management practices leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> Risk of financial loss & damage to reputation. 	3	3	9	<ul style="list-style-type: none"> Counterparty transactions are authorised by senior staff outside of the investment team. All staff are covered by fidelity insurance up to £15 million Sufficient members in the team to cover absence and leave - a weekly planner is produced in order to review cover requirements. Appropriate separation of duties exists. Treasury Management Practices are reviewed and updated regularly. Up to date financial regulations and practices. 	3	2	6	Mark Gayler		

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
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Governance Arrangements/Code of Practice											
PP1	Failure to issue Annual Benefit statements to active and deferred members by 31st August: <ul style="list-style-type: none"> • Reputational risk and complaints • Fines 	2	4	8	<ul style="list-style-type: none"> • Project management approach • Regular contact with employers to get data. • Monthly interfacing to reduce workload at year end • Statements to employers for 31/7/17 to allow time for distribution to staff prior to 31/8/17 	2	3	6	Mike Germon	Increase employer take up of monthly interfaces. Many leavers are not being notified until year end	31.08.17 to have all pre April 2017 leavers processed
PP2	Failure to provide Basic information about the LGPS including: how benefits are worked out; how member and employer contributions are calculated	2	4	8	<ul style="list-style-type: none"> • Reviews of documentation/letters • Website regularly update • Links to Pension Funds investment information and LGPS included on website 	2	3	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
PP3	Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: <ul style="list-style-type: none"> • Incorrect payments being made. • Risk of financial loss and damage to reputation. 	3	3	9	<ul style="list-style-type: none"> • LGA/External training. • Project work approach to implementation of legislative changes. • In house training for all staff. • Use of Perspective and Bulletins 	2	2	4	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
PP4	Failure of employing authority to provide timely and accurate member data and not fulfilling their responsibilities resulting in delays or errors with benefit payments. <ul style="list-style-type: none"> • Risk of financial loss and damage to reputation. • Incorrect benefit calculations • Delays while we request missing information 	3	3	9	<ul style="list-style-type: none"> • Administration Strategy in place since April 2015, employer duties clearly identified. Ability to fine employers is provided for in strategy and LGPS regulations. • Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors. • Outstanding data queries are passed to Employer Liaison Team to monitor • Advice and consultancy provided. • Yearly checks on data to highlight gaps • Employer administration meetings held twice a year • Quarterly e-zine with administration updates, plus special editions when required • Guidance available on website • Individual employer meetings include review of employer performance 	3	2	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb	Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies	Aug-2017

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Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
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PP5	Failure to advise/act on any material changes made to the LGPS as well as other overriding legislation/Public Sector Review	2	4	8	<ul style="list-style-type: none"> • Reviews of documentation/letters / Staff ongoing training • Website regularly update • Links to Pension Funds investment information and LGPS included on website <p>Participation in all high level Government discussions and consultations</p> <p>Ensure best practice is implemented and PP is seen as a centre of excellence for pension administration</p> <ul style="list-style-type: none"> • Be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits 	2	3	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
Communication											
PP6	Insufficient communication and engagement with LGPS scheme members/employers <ul style="list-style-type: none"> • Non-compliance with legislation and/or best practice. • Inability to determine policy, make effective decisions and/or deliver service. • Reputation risk. 	3	3	9	<ul style="list-style-type: none"> • The Peninsula Pensions website is kept up to date. • Meetings between PP managers and Communications team on a regular basis. • Meetings are held with the Funds Employing Authorities and on request for training. • Benefit illustrations are sent annually to contributing and deferred Fund members. • The contact list for employers is updated regularly. • Annual forums are held for employers and Trade Unions. • The annual report and accounts are published on the Peninsula Pensions website. 	3	2	6	Natalie Taylor		
Pensioner Payroll/Finance											
PP7	Pension benefits are not paid. <ul style="list-style-type: none"> • Risk of financial loss arising from compensation claims • Damage to reputation. 	4	2	8	<ul style="list-style-type: none"> • The payroll system is set up to pay pensioners monthly. • Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure. • The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems. 	4	1	4	Mike Germon	Online video training resource outlining key payroll processes	Aug-2017

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PP8	<p>Pension benefits continue to be paid to deceased pensioners.</p> <ul style="list-style-type: none"> Risk of financial loss and damage to reputation. 	2	3	6	<ul style="list-style-type: none"> All pensioners are contacted annually. Pension suspended if post is returned Pensioners are incorporated into National Fraud Initiative. Further targeted checks are conducted with credit reference agencies as appropriate. Monthly mortality screening is undertaken and any positive matches are ceased immediately Western Union overseas existence service undertaken bi annually 	2	2	4	Mike Germon	<ul style="list-style-type: none"> Tell us once service is being rolled out to LGPS. Project dates to be confirmed 	
PP9	<p>A significant number of LGPS members transfer their pension pots to other pensions providers in order to obtain a capital sum under the Government's "Freedom and Choice" legislation, resulting in:</p> <ul style="list-style-type: none"> Significant cashflow out of the Fund. Reduction in assets greater than reduction in the Fund's liabilities. 	3	2	6	<p>The risk is mitigated by:</p> <ul style="list-style-type: none"> Effective communication of the benefits of remaining in the LGPS. Actuarial calculation of transfer value should ensure current fair value and not be detrimental to the fund. CLG monitoring CETVs nationwide and reviewing accordingly (may introduce regulations amendments to prohibit if thought necessary) 	2	2	4	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
Data Protection											
PP10	<p>The Pension administration systems and data may not be secure and appropriately maintained.</p> <ul style="list-style-type: none"> Loss of sensitive data. Reputation risk. Financial loss arising from legal action. 	3	2	6	<ul style="list-style-type: none"> Controls in place by Heywoods and regular penetration testing by both Heywoods and PP / audit checks undertaken 	3	1	3	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb	Review under new Data protection legislation due May 2018	Dec-2017
PP11	<p>Personal data being issued to wrong individual due to manual/printer error</p> <ul style="list-style-type: none"> Loss of sensitive data. Reputation risk. Financial loss arising from legal action. 	3	2	6	<ul style="list-style-type: none"> It is a mandatory requirement for all DCC employees every 2 years to undertake Data Protection training and to adhere to DCC's data protection policy. 	3	1	3	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb	Review under new Data protection legislation due May 2018	Dec-2017
Internal											
PP12	<p>Concentration of knowledge in a small number of key officers and risk of departure of key staff, or non-availability due to sickness or other issues.</p> <ul style="list-style-type: none"> The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation. 	4	3	12	<ul style="list-style-type: none"> Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. 	4	2	8	Mike Germon/ Natalie Taylor	Procedure manuals / training notes to be put in place in all areas	Mar-2018

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		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
PP13	<p>Failure of scheme membership data and pension benefit calculation processes leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> • Unauthorised payments under the Finance Act 2004. • Risk of financial loss and damage to reputation. 	3	2	6	<ul style="list-style-type: none"> • Information and instructions are only accepted from authorised sources. • Employers and scheme members are required to review and confirm membership records annually. • Benefit calculations are checked by senior colleagues and are subject to independent authorisation. • All transactions comply with DCC financial regulations and are subject to independent authorisation. • All staff are covered by fidelity insurance up to £15 million. • Members approaching 75 are separately identified monthly. Data accuracy checks undertaken by the systems team including address / NINO checks 	3	1	3	Mike Germon/ Natalie Taylor	Employer Self Service being introduced to including a reporting element to assist Employers with checking their data annually and signing off as correct	In progress 30/4/17
PP14	<p>Failure to comply with disclosure regulations and to process accurate pension benefit payments in a timely manner e.g. the requirement to issue information within a certain timescale after a request/event.</p> <ul style="list-style-type: none"> • Complaints • Monitoring Employer performance and chasing outstanding data • Fines 	3	2	6	<ul style="list-style-type: none"> • Robust workflow management system in place. Payroll deadline procedures in place • Item in Business Continuity/Disaster Recovery Plan • Participate in National Fraud Initiative (NFI) • Life Certificates exercise carried out /mortality checks 	3	1	3	Charlotte Thompson	Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies	
PP15	<p>Failure of in-house management practices leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> • Risk of financial loss & damage to reputation. 	3	3	9	<ul style="list-style-type: none"> • Transactions are authorised by senior staff • All staff are covered by fidelity insurance up to £15 million • Sufficient members in the team to cover absence and leave • Heywoods Audit trace report • Appropriate separation of duties exists. • Up to date regulations and practices. • Internal and external audit checks performed to ensure that appropriate and effective controls are in place 	3	2	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		

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		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
IT/Systems											
PP16	System failure. <ul style="list-style-type: none"> • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action. 	5	2	10	<ul style="list-style-type: none"> • The system is backed-up daily. System is hosted by Heywoods • A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually. 	5	1	5	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
PP17	Member Self Service: Systems and data may not be secure and appropriately maintained. <ul style="list-style-type: none"> • Data security / • Data Protection - Loss of sensitive data Reputation risk 	3	2	6	<ul style="list-style-type: none"> • Information and Instructions are only accepted from authorised sources • It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's Data Protection Policy • Regular penetration testing • Secure website (annual license renewal) 	3	1	3	Mike Germon		

Annual Internal Audit Report 2016/17 and the proposed Internal Audit Plan 2017/18

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: the Board note the Internal Audit Report for 2016/17 and consider the proposed Internal Audit plan for 2017/18 and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

1. Annual Internal Report – 2016/17

- 1.1. The Head of Devon Audit Partnership is required to provide the Authority with an assurance on the system of internal control of the Fund. It should be noted, however, that this assurance can never be absolute. The most that the internal audit service can do is to provide a reasonable level of assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:
- all audits undertaken during 2016/17, and prior years;
 - any significant recommendations not accepted by management and the consequent risks;
 - internal audit's performance;
 - any limitations that may have been placed on the scope of internal audit.
- 1.2. In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.
- 1.3. The final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.
- 1.4. Management are provided with details of Internal Audit's opinion on each audit review carried out in 2016/17 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be included with its published Statement of Accounts for 2016/17.
- 1.5. Overall, and based on work performed during 2016/17 and prior years, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Fund's internal control environment.

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2. Internal Audit Plan 2017/18 and the Service Level Agreement

- 2.1. Under the Local Government Act 1972 the Authority, and specifically the Chief Financial Officer (the County Treasurer), has a statutory duty to “make arrangements for the proper administration of their financial affairs”. Assurance that this is the case is given through the reporting of Internal Audit. The audits have been carried out under the terms of Accountancy and Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards.
- 2.2. The Internal Auditors for the Pension Fund are responsible for ensuring that all financial systems are operating effectively and in line with the Authority’s financial regulations. This is achieved through the two audit plans: one for the Devon Pension Fund and one for Peninsula Pensions.

The Aim of the Plans

- 2.3. The plans are reviewed and agreed on an annual basis, incorporating the key risks identified through the risk registers, discussions with senior managers and areas identified by Internal Audit. Our plan will be shared with external audit colleagues to prevent duplication in work, and to maximise audit coverage across systems, including financial systems
- 2.4. The main objectives of the plan are to provide assurance to the County Treasurer, Members and the external auditors that systems are:
 - Secure
 - Effective
 - Efficient
 - Accurate
 - Complete
 - Compliant
- 2.5. In order to confirm this risk based reviews, system reviews and compliance testing are completed at the Fund’s administrative offices and at Peninsula Pensions’ offices.

The Plan

- 2.6. The audit plans for the financial year 2017/18 allows for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions.
- 2.7. We have worked with senior management to determine the key risks to the Fund and from this have developed a plan for the coming year. The plan considers both financial and non-finance based systems, and our work will provide assurance to the County Treasurer and Members on the effectiveness of arrangements. Our working papers are available to external audit colleagues for their consideration in planning their work.
- 2.8. The Internal Auditors will liaise with the Fund’s external auditors to discuss the testing planned to ensure this supports their requirements and reduces their need for review of these financial systems. The remainder of the planned days incorporates reviews of specific systems as identified through an audit risk assessment process, the Authority’s risk register and liaison with management.
- 2.9. Any major findings (if applicable) from the previous year’s audit plan will be reviewed to ensure that agreed recommendations have been implemented and are effective.

Timetable

- 2.10. The audits will be completed at specified times of the year through consultation and prior agreement of the Assistant County Treasurer (Investment & Treasury Management) and the Peninsula Pensions management. This will also take into account the timetable of external audit where applicable.
- 2.11. All findings will be reviewed with senior management at the end of each audit programme and prior to the issue of reports.
- 2.12. A copy of all final reports will be forwarded to our External Auditors, Grant Thornton, for their information.

Service Level Agreement

- 2.13. The audit plan for 2017/18 is attached for consideration and will be forwarded for approval of the Pensions and Investment Fund Committee.

3. Conclusion

- 3.1. The Board is asked to note the Internal Audit Report for 2016/17 and consider the proposed Internal Audit plan for 2017/18 and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972
Accounts and Audit Regulations 2011

List of Background Papers - Nil
Contact for Enquiries: Robert Hutchins
Tel No: (01392) 383000 - Dart Suite, Larkbeare House

DEVON PENSION FUND
ANNUAL INTERNAL AUDIT REPORT 2016/17
and
PROPOSED INTERNAL AUDIT PLANS 2017/18

Section 1 - ANNUAL INTERNAL AUDIT REPORT 2016/17

1 INTRODUCTION

1.1 The following report sets out the background to audit service provision, review work undertaken in 2016/17, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

1.3 This supports the organisation in complying with the Accounts and Audit Regulations 2015 which requires all Authorities to carry out a review at least once in a year of the effectiveness of its system of internal control, and to incorporate the results of that review into their Annual Governance Statement (AGS). The AGS must then be published with the Annual Statement of Accounts.

2 BACKGROUND

2.1 Service Provision

2.1.1 The Internal Audit (IA) Service for the Devon Pension Fund (the Fund) is delivered by the Devon Audit Partnership. This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000.

2.2 Regulatory Role

2.2.1 There are two principal pieces of legislation that impact upon internal audit in local authorities:

- **Section 6 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"
- ".....a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit"
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.



2.2.2 There are also professional guidelines which govern the scope, standards and conduct of Internal Audit, including the Public Sector Internal Audit Standards (PSIAS).

2.2.3 In addition, Internal Audit is governed by policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.

3 OBJECTIVES AND SCOPE

3.1 This report presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Fund's internal control environment. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year.

3.2 The Head of Devon Audit Partnership is required to provide the Authority with an assurance on the system of internal control of the Fund. It should be noted, however, that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:

- all audits undertaken during 2016/17, and prior years
- any significant recommendations not accepted by management and the consequent risks
- internal audit's performance
- any limitations that may have been placed on the scope of internal audit.

4 INTERNAL AUDIT COVERAGE 2016/17

4.1 Financial management arrangements within the Authority are well established and staff have many years of experience giving them a good understanding and knowledge of the financial controls and requirements of regulations and policies.

4.2 Our work in 2016/17 has included completion of the 2015/16 audits that were largely all at draft report stage when we last reported to the Pension Board and the Pensions & Investment Committee. The individual assurance opinions and executive summaries were not changed from that previously reported.

4.3 The majority of audits have been undertaken in the last quarter of the year with a number still ongoing at the time of writing this report. The individual assurance opinions issued in respect of our assignment work and, where applicable, the status of the audits is set out in the following table. We will provide a verbal update in relation to those audits to the Pension Board and Pensions & Investment Committee at their respective meetings.

Key – PF = Pension fund PP = Peninsula Pensions

Areas Covered		Stage	PF or PP	Level of Assurance
1	Actuarial Valuation - mitigation of risks arising from the forthcoming actuarial valuation	Final	PF	High Standard
2	Treasury Management	Final	PF	Good Standard
3	Reconciliation of Pension records on Altair	Complete	PP	Not Applicable *
4	Amalgamation of Pensions	Draft	PP	Good Standard
5	Contribution Payments from employers	Ongoing	PF	Update on status and level of assurance to be provided at the meeting
6	Performance Management	Ongoing	PF & PP	
7	Effectiveness of the transition arrangements for the new South West pensions 'pool'	Ongoing	PF	
8	Actuarial Valuation – collation and submission of data to the Actuary	Ongoing	PP	
9	Annual Benefit Statements	Ongoing	PP	

* Following an additional request for Internal Audit input into the reconciliation of member records, we undertook a data matching exercise using specialist software to identify active members without contributions. This identified a potential number of such instances and the arising output was provided to Peninsula Pensions to resolve. We recommended further review of the data output by Peninsula Pensions to identify any 'false positives' to reduce the number identified and then address any actual instances.

4.2 Our reviews this year and in prior years provide sufficient evidence that the Devon Pension Fund and Peninsular Pensions have suitable governance arrangements in place to mitigate exposure to identified risks. Good working practices are in place to meet statutory requirements. The Investment and Pension Fund Committee are kept well informed, concerning the Fund's value and the allocation of assets, and are updated regarding the LGPS Governance scheme.

4.3 We identified some areas where controls could be improved and actions were agreed with management. Executive summaries from our work are shown in Appendix A.

5 INTERNAL AUDIT OPINION

5.1 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

5.2 Our final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

5.3 Management are provided with details of Internal Audit's opinion on each audit review carried out in 2016/17 to assist them with compilation of their individual annual governance assurance statements. No significant weaknesses were identified in these reviews, however if any significant weaknesses had been identified in specific areas, these would have been considered by the Authority in preparing its Annual Governance Statement which is included with its published Statement of Accounts for 2016/17.

5.4 Overall, and based on work performed during 2016/17, Internal Audit is able to provide significant assurance on the adequacy and effectiveness of the Fund's internal control environment.

Section 2 - INTERNAL AUDIT PLANS 2017/18

1 INTRODUCTION

1.1 Under the Local Government Act 1972, the Chief Financial Officer has a statutory duty to make arrangements for the proper administration of the Authority's financial affairs. Assurance that this is the case is given through the reporting of Internal Audit. Audits will be carried out under the terms of Accountancy and Audit Regulations 2015.

1.2 As the Internal Auditors for the Pension Fund it is our responsibility to ensure that all financial systems are operating effectively and in line with the Authority's financial regulations and for Peninsula Pensions it is our responsibility to ensure that we provide an independent, objective assurance service, designed to add value and improve the organisations operations. We help the Pension Fund accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. We achieve this through the two audit plans: one for the Devon Pension Fund and one for Peninsular Pensions.

2 THE AIM OF THE PLANS

2.1 The audit plans are reviewed and agreed on an annual basis, incorporating the key risks identified through the Fund's risk register and areas identified by Internal Audit in consultation with management. However recent good practice also recognises that it is advisable for plans to remain flexible, to enable them to be amended according to prevailing risks and changes to the control environment in the organisation, so whilst the annual plan should be approved at an appropriate level, it should also be capable of being flexed as necessary. Our plan will be shared with external audit colleagues to prevent duplication of work, and to minimise audit coverage across systems, including financial systems.

2.2 The main objectives of the plan are to provide assurance to the Chief Financial Officer and the external auditors that all financial systems are: -

- Secure
- Effective
- Efficient
- Accurate
- Complete
- Compliant

2.3 In order to confirm this risk-based reviews; system reviews and compliance testing are completed at the Fund's administrative office and at Peninsular Pensions offices.

3 THE PLANS

3.1 The audit plans for the financial year 2017/18 allows for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsular Pensions.



3.2 We have worked with senior management to determine the key risks to the Fund and from this have developed a plan for the coming year. The plan considers both financial and non-finance based systems, and our work will provide assurance to the County Treasurer and Members on the effectiveness of arrangements. Our working papers are available to external audit colleagues for their consideration in planning their work.

3.3 We liaise with the Fund's external auditors to discuss the testing planned to ensure this supports their requirements. The remainder of the planned days incorporates reviews of specific systems as identified through an audit risk assessment process, the Authority's risk register and discussion with management.

3.4 Any significant findings from the previous year's audit plan will be reviewed to ensure that agreed recommendations have been implemented and are effective.

3.5 As part of the audit plan we will also provide assistance and advice, and be a central contact point for senior management.

4 TIMETABLE

4.1 The audits will be completed at specified times of the year through consultation and prior agreement with senior management. This will also take into account the timetable of external audit where applicable.

4.2 All findings will be reviewed with senior management at the end of each audit programme and prior to the issue of any draft reports.

4.3 A copy of all final reports will be forwarded to your External Auditors for their information.

5 2017/18 PLANS

5.1 The following table sets out the planned internal audit work for 2017/18. Other issues and systems are sometimes identified during the course of the audits and if found will be discussed with senior management. These issues may be incorporated into future audit plans dependent upon priority and risk assessment.

Devon Pension Fund Plan 2017/18

Audit risk areas	Days
1. New Investment Strategy Statement (effective 1 st April 2017) – post project review	10
2. Follow up of Pool and Transition processes	10
3. Preparations for MIFID (Market in Financial Instruments Directive (2))	5
4. Process for Induction of any new Committee / Board Members	7
5. Audit Planning and reporting	3
6. Contingency	5
Total days	40



5.2 The cost of these days will be £11,200. Additional support will be provided as and when required. Our standard daily rate for this work will be £280, although specialist support may be at a different rate.

Peninsular Pension Plan 2017/18

Audit risk areas	Days
1. Altair – mid contract review	10
2. Pensions Transfers	7
3. Deferred Benefits	10
4. Refunds	7
5. Audit planning, Advice and Guidance	5
6. Contingency	6
Total days	45

5.3 The cost of these days will be £12,600. Additional support will be provided as and when required. Our standard daily rate for this work will be £280, although specialist support may be at a different rate

Robert Hutchins
Head of Devon Audit Partnership
April 2017

Executive Summaries for audits undertaken in 2016/17

PF: Treasury Management:

For the current year a walkthrough of the processes and controls within Treasury Management was undertaken. Based on this limited testing, it was found that the control environment for both the Council's funds and the Pension Fund remains sufficiently robust in relation to the inherent risks present, and only a small number of minor recommendations have been made.

Approved procedures are in place, and our review found that these had been adhered to in terms of both placing an investment, and taking out short term borrowing.

Reconciliations between Logotech and the main accounting system for both the Council's funds and the Pension Fund are undertaken monthly and were found to be effective.

Performance targets are monitored appropriately, and the latest reported information shows no areas of concern.

PF: Actuarial Valuation:

The Actuarial Valuation process is well managed by a dedicated member of the Investment & Treasury Management Team. The key risks have been identified and mitigating controls established which effectively manage these risks.

Processes were found to be well documented and adhered to, and communications with employers were found to be comprehensive and regular enough to ensure that during the valuation the risks associated with it remain a priority for all employers.

PP: Amalgamation of Pensions:

DRAFT REPORT

At the time of the audit, Peninsula Pension currently has a backlog in pension fund amalgamations of 7,655 cases across both Devon & Somerset. A designated team was established in April 2015 on a temporary basis, whose role was to clear the backlog. Whilst there has been much work done to clear backlogs, there have been a number of mitigating circumstances as to why a backlog still remains, albeit is slightly reduced. This includes the team being allocated other tasks, and also new requests also being assigned to this team. A recent managers meeting however, has reviewed this and it is understood that once all relevant staff have been trained in amalgamations any future new requests will be assigned to the other teams. This is supported by Audit.

Analysis of the 7,655 cases identified that for over 10% of these, the member was over the age of 54, and these present the highest risk to Peninsula Pensions, as there is an increased likelihood of redundancy, ill health retirement or death in service. Failure to amalgamate could result in incorrect pension calculations, strain payments or death grant benefits. These needed to be given the highest priority, and cleared as soon as possible.

Peninsula Pensions are in the process of streamlining processes in order to provide for improved efficiencies, enabling them to process cases more promptly. The revised processes remain compliant with the regulations, and are considered fit for purpose, although recommendations have been offered to further streamline processes, the main one being improving the utilisation of the website, which was felt could result in significant efficiency savings.

Sample checks of completed interfund transfers identified sound controls, although the speed at which some transfers had been processed has resulted in interest payments having to be made.

INVESTMENT AND PENSION FUND COMMITTEE

2 December 2016

Present:-

Devon County Council

Councillors R Gilbert (Chairman), C Channon, R Edgell, D Hannon, R Hill and R Hosking.

Other Employers

Councillors M Hicks and L Parker Delaz Ajete

Unison and Retired Members: Non Voting Observers

C Lomax and J Rimron

Apologies:-

Councillor P Edwards, D Healy and R Francecshini

Also in attendance

Mr A Bowman and Mr W Nicholls (Devon Pension Board)

* 23

Minutes

RESOLVED that the minutes of the meeting held on 16 September 2016 be signed as a correct record.

* 24

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 25

Devon Pension Board

The Committee received the minutes of the meeting held on 20 October 2016 noting, in particular, the comments of the Board at Minutes 22(b) (Funding Strategy Statement) and Minute 24 (Devon Pension Fund Risk Register) which Officers undertook to address in future Reports, as appropriate.

The County Solicitor also reported, as previously requested (Minute 13/16 September 2016), on the wording of a statement previously adopted by the Devon Pension Board and commended to this Committee, which reflected it's [the Board's] desire to maintain and demonstrate it's impartiality at all times: that notwithstanding the existing guidance on conflicts of interest thereby it should endorse a number of principles that were already well established in a number of local authority quasi-judicial, regulatory committees viz:

'The deliberations of the Board should leave no grounds for suggesting with any justification that a decision has been partial, biased, or not in any way well founded. Whilst Members of the Board may be influenced by the opinions of others, their decisions must not discriminate in favour of any individual, group or area, nor appear to do so, but must be in the best interests of the Fund and Scheme Members. Members of the Board should preserve their role as impartial advisers and it would be unacceptable for any instruction to be given by or on behalf of a political party or of any other body whose principle purpose is to influence public opinion or policy as to how any Member of the Board shall speak or vote on any matter before the Board or for there to be any application or threat to apply any sanction against any Member of the Board should he/she speak or vote in any particular manner.'

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The Committee was advised that the purpose of such a statement was simply to be clear and transparent about the way in which it worked and that it would not countenance any interference in or attempt to influence its deliberations or the views or intentions of individual members; operating in the best interests of the Fund and Scheme Members, acknowledging as was the case with Scrutiny Committees, that 'whipping' was incompatible in principle with the work of this Committee.

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

RESOLVED that the Committee endorse the statement of impartiality as commended by the Devon Pension Board and set out above.

* **26** **Actuarial Valuation**

The Committee received and noted the report of the County Treasurer (CT/16/103) outlining the results at a total Fund level of the 2016 actuarial valuation. The Valuation, had determined that the funding level as at 31 March 2016 had increased from 83% at the previous valuation to 84%. However, the average total contribution rate had increased from 18.8% to 20.9%.

Members noted that the increase would have an impact on employer budgets, which may not be welcome at a time of significant funding pressures. However, it was required to ensure the long term solvency of the fund to meet fund member benefits and to achieve the long term cost efficiency requirement of Section 13 of the Public Sector Pensions Act 2013. The Devon Fund would still be at the lower end of the range of employer contribution rates charged by LGPS funds nationally.

* **27** **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/16/104) on the current fund values and asset allocations compared to targets set previously, the impact upon returns and the value of Sterling of the outcome of the EU Referendum and subsequent rebalancing of allocations into equities, in line with the Committee's agreed policy and also the proposal to increase the level of currency hedging.

The Committee acknowledged that fund value had increased over the period with an absolute return of +10.6% in the first six months of the year compared to the fund benchmark of +9.3%.

The matter having been debated and the options and/or alternatives and other relevant factors set out in the Head of Service's Report and/or referred to above having been considered:

It was **MOVED** by Councillor Hannon, **SECONDED** by Councillor Parker Delaz Ajete, and nem com:

RESOLVED

(a) that the action taken to rebalance the asset allocation to within target ranges be noted;

(b) that the County Treasurer be authorised, in consultation with the Chairman of the Committee, to put in place additional currency hedging strategies, as outlined in section 3 of Report CT/16/4, if necessary;

(c) that the Committee note and welcome compliance with the 2016/17 Treasury Management Strategy.

* 28 **COUNCILLOR CHANNON IN THE CHAIR**
Applications for Admitted Body Status

(Councillor Gilbert declared a disclosable pecuniary interest in this matter by virtue of his spouse being employed by FUSION and he and Councillor Hicks also declared such interests by virtue of being South Hams District Councillors and both withdrew from the meeting during its consideration).

The Committee noted that the following applications for admitted body status had been approved under delegated powers:

(a) DYS Space Ltd (provider of Devon County Council's Youth Services): approximately 80 staff transferring on 1 February 2017 under an admission agreement on a closed basis;

(b) South Hams District Council and West Devon Borough Council (provider of leisure services to Fusion Lifestyle) : 74 current LGPS members transferring from Tone Leisure under an admission agreement on a closed basis.

* 29 **COUNCILLOR GILBERT IN THE CHAIR**
Committee Training

The Committee noted the details of a training event to be held on 3 February 2017 (10.00-1600hrs) focussing on the strategic investment review previously agreed by the Committee on 16 September 2016 (Minute 18 refers). The Consultants engaged for that purpose would present their draft report to Members for comment/feedback prior to the final report being submitted to the Committee for consideration on 24 February 2017.

30 **Brunel Pension Partnership - Approval of Full Business Case (Minute 15/16 September 2016)**

The Committee considered the Report of the County Treasurer (CT/16/105) outlining the process of preparation and content of the full Business Case - and seeking approval thereto - to establish a company called Brunel Pension Partnership Ltd (Brunel company or BPP Ltd), regulated by the Financial Conduct Authority (FCA), incorporating governance arrangements for client side joint shareholder oversight and joint contract management.

The Business Case had been developed as detailed below and set out more fully in the County Treasurer's Report and had been subject to review by the Finance (s151) and Monitoring Officers of each of the 10 constituent administering authorities, throughout the process. It had subsequently been endorsed by the current Shadow Oversight Board, comprising the Chairmen of the 10 funds. It [the business case] had been prepared by Officers of the 10 administering authorities, supported by professional expertise from PwC (operational and financial support), Osborne Clark (legal support), Alpha (FCA expertise), JLT (project support) and Bfinance (investment advice).

The Committee were reminded that, following the Government's announcement in the July 2015 budget statement that it intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pooled investments to significantly reduce costs, a considerable amount of work had been undertaken to set up the Brunel Pension Partnership comprising the 10 LGPS Funds.

Members acknowledged that regular reports had been brought to the Committee at all stages of the process with additional engagement events held to afford the opportunity for the Committee to provide input to the proposals. Briefings had also been provided for other Members of the County Council. As had been required, an initial joint submission from the 10 Brunel funds had been approved by the Committee in February and a further more detailed response had been approved by the Committee in June (and by the other 9 administering authorities) and subsequently submitted to Government, in July. Members noted that

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following that 'submission' - which had in effect been an outline business case - work had continued on preparing a full business case for the Brunel Pension Partnership. That was now complete (as now submitted) and would have to be approved by each of the 10 administering authorities to allow the establishment of the Local Authority Company to progress.

The final business case was set out at Appendix A to the County Treasurer's Report and detailed, inter alia, the individual costs and benefits for each of the 10 participating funds, copies of which had also been made available to Members of the Devon Pension Board.

The regulatory framework for pooling was clearly set out in the Local Government Pension Scheme (Management & Investment Funds) Regulations 2016 which made pooling mandatory for all LGPS Funds in England and Wales.

Members expressed their support of representations previously made to the Department for Communities & Local Government to waive or suspend stamp duty during the establishment of the new pooling arrangements and/or for any new pooling arrangements to be treated in an equitable manner to collective unit trusts which, it was understood, had been recently exempted from stamp duty.

The Committee acknowledged and endorsed the principle of representations made about the importance of scheme members' involvement in governance of any future arrangements, acknowledging also the Chairman's assurances that there was common cause on that issue within the County Council in that respect. Members were advised that the Partnership was currently investigating how that might be implemented through, for example, observer roles on the Oversight Board. Members also noted that the Local Government Association was looking at this issue and its guidance was awaited which could then be considered alongside the advice already sought from the Partnerships Advisers. The Partnership would then subsequently be in a position to consider formally the representation of fund members and the outcome of those deliberations would be made know to Unions and Scheme Members, in line with the Partnerships approach to transparency.

It was then **MOVED** by Councillor Edgell, **SECONDED** by Councillor Channon, and

RESOLVED that the press and public be now excluded from the meeting during subsequent discussion on this matter under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act namely, information about the financial and business affairs of the County Council and its partners in the Brunel Pension Partnership and of the proposed joint local authority owned company and potential provider of goods or services to the 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.

[NB: The following part of the Committee's proceedings on this matter took place, as summarised below, in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 during which the press and public were excluded; no representations having been received to such consideration under Regulation 5(5) of the aforementioned Regulations].

The Committee then considered the full, detailed, Business Case for the establishment of Brunel Pension Partnership Ltd (Brunel company or BPP Ltd) (a company regulated by the Financial Conduct Authority), together with all relevant background papers, to be approved by all 10 Brunel Pension partners/constituent administering authorities.

Following discussion of the business case and having had regard to the information therein, the Committee was of the view that the press and public need no longer be excluded from the meeting during its final determination of the matter and:

It was then **MOVED** by Councillor Gilbert **SECONDED** by Councillor Channon, and

RESOLVED that the press and public be now readmitted to the meeting.

Following further comment and discussion and the matter having been fully debated and the options and/or alternatives and other relevant factors set out in the Head of Service's Report and/or referred to above having been considered, and balancing all of those factors and comments made at the meeting:

It was then **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Hannon, and nem com:

RESOLVED

(a) that, in its capacity as the Administering Authority for the Devon Pension Fund and having received and reviewed the recommendation of the Investment & Pension Fund Committee and the Business Case submitted to it, the County Council be recommended to resolve to enter into investment pooling as part of the Brunel Project with respect to the Devon Pension Fund's investments;

(b) that such resolution be made on and subject to the following terms and conditions:

(i) that the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the Business Case considered by the Investment & Pension Fund Committee, and more particularly that:

(ii) that a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited be established and operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability;

(iii) that a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of Devon Pension Fund investments and participation in the Brunel Pension Partnership;

(c) that the Investment & Pension Fund Committee be authorised and granted delegated powers to undertake such tasks as it thinks appropriate to progress implementation of investment pooling and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling: which without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the Fund's participation in the Brunel Pension Partnership;

(d) that the County Treasurer and the County Solicitor be similarly authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling and to take such decisions and do all things deemed necessary in order to support the Investment & Pension Fund Committee and to promote the interests of the Council with respect to pooling: which without limitation shall include informing and advising the Investment & Pension Fund Committee on the continued viability and suitability of investment pooling in the light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership;

(e) that subject to the above, all such matters be carried out with the aim of achieving a target date for beginning investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Investment & Pension Fund Committee;

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(f) that, additionally, the County Council be asked to note the continuing discussions around the principle of scheme member involvement in formal oversight arrangements referred to above which the Committee was supportive of and felt should be regarded favourably.

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

The Meeting started at 10.00 am and finished at 11.00 am

INVESTMENT AND PENSION FUND COMMITTEE

24 February 2017

Present:-

Devon County Council

Councillors R Gilbert (Chairman), C Channon, R Edgell, D Hannon, R Hill and R Hosking.

Other Employers

P Edwards, D Healy, J O'Dwyer and L Parker Delaz Ajete

Unison and Retired Members: Non Voting Observers

R Franceschini, C Lomax and J Rimron

Apologies:-

Councillor D Hannon

* 31

Minutes

RESOLVED that the minutes of the meeting held on 2 December 2016 be signed as a correct record.

* 32

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 33

Brunel Pension Partnership - Progress Report

The Committee considered the Report of the County Treasurer (CT/17/14) outlining progress with the establishment of the Brunel Pension Partnership including the recruitment of the Company Board, appointment of a Devon Representative on the Oversight Board, appointment of an Administrator to act as a custodian bank to safeguard investment assets and process transactions, and budgeted costs for 2017/18. The Committee noted that all ten administering authorities had now approved the full business case.

The Committee noted that each administering authority would appoint a representative to sit on the Oversight Board and that the final terms of reference had yet to be agreed; however discussions concerning employee representatives on the Board were still ongoing.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Donna Healy, and

RESOLVED

(a) that the Devon representative on the Brunel Pension Partnership Oversight Board and the Devon shareholder representative for the Brunel Pension Partnership Limited company be appointed at the Devon County Council Annual Meeting on 25 May 2017;

(b) that the Committee noted the progress with establishing the Brunel Pension Partnership Limited company.

* 34

Investment Management Report

The Committee noted the Report of the County Treasurer (CT/17/15) on the current fund values and asset allocations compared to the target set allocation as at 31 December 2016.

The Committee acknowledged that the value of the fund had increased to £3.777 billion over the period with an absolute return of +13.6% over the year to date, compared to the fund benchmark of +13%. Equities were more than 2.5% over the target allocation; however there were no plans to rebalance pending consideration of the strategic investment review. Whilst the Fund performance was ahead of benchmark, concerns were raised around the performance of the active equity and bond managers who had underperformed their benchmarks.

* **35** **Treasury Management Strategy 2017/18**

The Committee received and noted the report of the County Treasurer (CT/17/16) setting out the proposed treasury management strategy for managing the cash held by the Pension Fund for 2017/18. The Committee were advised that the strategy was consistent with that agreed for 2016/17 and the target return for investments would remain at 0.40%, in line with the County Council's target.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor O'Dwyer, and

RESOLVED that the Committee adopted the Treasury Management Strategy for 2017/18 as set out within the Report.

* **36** **Applications for Admitted Body Status**

The Committee noted that the following applications for admitted body status had been approved under delegated powers:

(a) South West Highways: from 1st April 2017 30 staff currently in the LGPS with Amey will either transfer back to Plymouth or on to South West Highways; the agreement will be on a closed basis.

(b) Ivybridge Academy: from 1st April 2017 one member of staff will transfer under this closed agreement.

(c) Queen Elizabeth Academy from 1st April 2017, 13 members of staff will transfer under this closed agreement.

* **37** **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 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.

* **38** **Strategic Investment Review**

(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) (Meetings and Access to Information) (England) Regulations 2012).

The Committee received the report of the County Treasurer (CT/17/18) looking at the long term investment strategy of the Pension Fund.

It was then **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Edgell, and

RESOLVED

- (a) that the target allocations for Equities and Bonds be revised as set out in the report;
- (b) that in principle, the Fund should look to reduce its overweight to UK equities by reallocating to overseas equities which were underweight. As a consequence the County Treasurer in consultation with the Chairman be authorised to move up to £100m from UK passive equities to overseas passive equities, if market conditions provide an opportunity and the appropriate trigger points are hit;
- (c) that the remaining Wellington allocation to global bonds (around £70m) be moved on a phased basis to their multi-sector credit fund;
- (d) that Officers explore opportunities to collaborate with other Brunel funds to invest in private markets, and a further report be brought to a future meeting of the Committee;
- (e) that the medium to long term proposals set out in paragraphs 3.7 and 3.8 be approved in principle, subject to further review.

* **39** **Re-admittance of Press and Public**

It was then **MOVED** by Councillor Gilbert **SECONDED** by Councillor Channon, and

RESOLVED that the press and public be now readmitted to the meeting.

* **40** **Investment Strategy Statement**

The Committee received the Report of the County Treasurer (CT/17/17) outlining new requirements for the each LGPS administering authority to have in place a new Investment Strategy Statement by 1 April drawing on the Strategic Review and the requirement to pool investments.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Channon, and

RESOLVED that the proposed Investment Strategy Statement replacing the Fund's existing Statement of Investment Principles be approved, subject to the removal of the last sentence in point b of the Social, Environmental and Corporate Governance Policy, in line with Environment Agency policy.

* **41** **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 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.

* **42** **Legal Action against the Royal Bank of Scotland**

(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) (Meetings and Access to Information) (England) Regulations 2012).

The Committee noted the Report of the County Treasurer (CT/17/19) on the legal action taken against the Royal Bank of Scotland.

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

The Meeting started at 10.00 am and finished at 11.30 am

COST TRANSPARENCY

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board note the results of the Actuarial Valuation.

1. Introduction

- 1.1 In recent years there has been an increasing focus on investment costs in the LGPS. Making savings on investment costs has been one of the key drivers of the Government's pooling agenda. There has also been increasing scrutiny by the media and various policy think tanks.
- 1.2 It could be argued that the key issue for Pension Funds is net performance and costs are less important. An additional 0.5% in management fees is worth paying if it provides a 5% higher return. However improved transparency in reporting costs can only help in monitoring performance, and there has been a gradual increase in the transparency required by accounting guidance.
- 1.3 This report sets out the impact of revised guidance to date and potential future requirement.

2. Devon Investment Management Costs

- 2.1. An analysis of the investment management expenses included in the Devon Pension Fund's statement of accounts over the last three years shows the following costs:

- 2013/14 £7,558,000
- 2014/15 £10,562,000
- 2015/16 £11,840,000

These costs include external fund manager fees, custody fees, transaction costs, broker commissions, and Devon County Council investment management costs. The fund manager fees represent over 80% of the investment management expenses.

- 2.2. From these figures it would appear that there was a significant increase in cost between 2013/14 and 2014/15. However this does not reflect a real increase in the costs incurred, but an increase in the extent of the costs disclosed. The Devon Fund invests in a number of pooled funds where the management is taken directly from the fund and netted off against the value of the fund rather than being invoiced. In 2013/14 and before the practice was to only include external manager fees that were invoiced to the fund. However in 2014/15 the guidance changed and the value of the fees charged by the pooled funds was grossed up against performance gains and then shown as a cost. This resulted in fees to the value of £2.678m being included which previously would not have been.
- 2.3. The inclusion of the pooled fund fees accounts for most of the change in 2014/15. Other things being equal the management fees should increase or decrease roughly in proportion to the size of the fund, as in general they are charged as a % of the value of the assets being managed, and a 10% investment return in 2014/15 will also have contributed.

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- 2.4. There was a small increase in costs in 2015/16, but this largely reflected a one-off trading cost that was over-stated, without which there would have been a small reduction in the investment management expenses reported.

3. 2015/16 Disclosure Guidance

- 3.1. While the increased in management expenses between 2013/14 and 2014/15 represented an increase in transparency around investment costs, there is still further to go to provide complete transparency. In the opinion of officers, the CIPFA guidance issued in November 2015, which was relevant to production of the 2015/16 accounts, contained a number of grey areas which may have been interpreted differently by different LGPS funds.
- 3.2. An example of this is the guidance on fund of fund type arrangements. The Devon Fund uses Aviva to manage its property portfolio and Aviva invests in pooled property funds which will have management fees taken directly from the funds. In addition, the Devon Fund has investments in two diversified growth funds, which will both invest in other funds which will incur fees. The 2015 guidance states that:

As costs will be incurred at each tier in the investment structure, to avoid under-reporting, costs should reported gross up to the level where the pension fund has both:

- *contractual liability to pay; or*
- *control or significant influence over the investment decisions that are being made.*

In discussion with other LGPS funds with similar investments, it was concluded that the Devon Fund did not have control or significant influence over the investments made by Aviva or the diversified growth funds and therefore these costs were not disclosed in the statement of accounts for 2015/16.

- 3.3. Another potential area for disclosure would be bid/offer spread costs. Generally the price at which shares can be bought on the market is higher than the price at which they can be sold, and this difference is known as the bid/offer spread and could be seen as a cost. The 2015 guidance states:

This guidance does not require that these costs be quantified and disclosed but the notes to the financial statements should explain their existence.

- 3.4. There are therefore a variety of other costs that are difficult to identify, and therefore further disclosures that could be made.

4. 2017 Transparency Code

- 4.1 To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis, the LGPS Scheme Advisory Board has been developing a voluntary Code of Transparency for LGPS asset managers.
- 4.2 Those asset managers who sign up to the 'Code of Transparency' will be listed on the LGPS Scheme Advisory Board website and will be able to use the Code logo on their marketing literature. The Code will be voluntary with asset managers encouraged to sign up to it to demonstrate their commitment to transparent reporting of costs.
- 4.3 Asset managers will supply the information on a template in the format requested and in a timely manner and will agree to the data being checked by a third party to ensure they are continuing to comply with the requirements of the Code.

- 4.4 The template will be developed over time to encompass other more challenging areas of cost transparency and will remain flexible to enable changes to meet the rapidly developing market for investment products.
- 4.5 We are still awaiting publication of the new transparency code and the final version of the template to be provided to asset managers. Therefore it is currently unclear what impact this will have on the 2016/17 statement of accounts.

5. Conclusion

- 5.1 The move toward investment fee transparency and consistency is seen as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.
- 5.2 There has been significant progress made on this agenda in recent years, but the new 2017 transparency code should take this to a new level once it is finalised. As a result it is likely that there will be further increases in future years in the investment management expenses included in the Fund's Annual Report and Statement of Accounts, but this is to be welcomed as an increase in transparency, rather than a result of a real increase in the cost of managing investments. The key factor in assessing the performance and effectiveness of the Fund will be the investment return net of investment costs, rather than focusing purely on the costs themselves.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Mark Gayler / Dan Harris

Tel No: (01392) 383621 / (01392) 382520 Room G97/G99

PENINSULA PENSIONS PERFORMANCE REPORT **Report of the County Treasurer**

Recommendation; The board note the report and actions being undertaken by officers to ensure compliance and best practice.

1. Introduction

- i. Our main service standard is to complete 90% of work within 10 working days once all necessary information has been received. This is monitored every month through our task management system (TMS) which is an in-house performance tool within our pension database.
- ii. We also participate in the CIPFA Benchmarking Club which provides a yearly comparison of performance with other LGPS administration services. Approximately 50 LGPS Funds take part each year.

2. Team Performance

- i. The performance target for Peninsula Pensions for 2016/17 is to improve on last year's overall performance of 71% and see a continued reduction in the backlogs.
- ii. Performance to date for 2016/17 is 76%. All processes bar 4 (Divorce cases, Non Priority General, Transfer Values in and out) show an improvement on last year.
- iii. As requested by the Board the table in Annexe A shows performance relating to the Devon Fund only for this financial year to date.
- iv. Annexe B shows a selection of compliments and complaints including the type received and the changes we have made.

3. CIPFA Benchmarking

- i. In December 2016 we received the draft report for the 2015/16 year. The key performance indicator that we obtain from this report is the cost per member. The cost per member for 2015/16 was £16.37 compared to the average of £18.55. This is an increase from £13.40 in 2014/15 due to one off project costs.
- ii. Our CIPFA performance results for 2015/16 were below the benchmarking average in some categories as shown in the table overleaf. It should be noted that CIPFA bases its statistics on a specific section of a case and this is why there is a difference between these figures and our internal completed report.

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CIPFA Benchmarking Results table 2015/16:

Process	Target	Our achievement	Average
<i>Transfer in</i>	<i>10 days</i>	<i>76.0%</i>	<i>88.1%</i>
<i>Transfer out</i>	<i>10 days</i>	<i>83.3%</i>	<i>91.0%</i>
<i>Letter notifying actual retirement benefits</i>	<i>5 days</i>	<i>86.4%</i>	<i>89.9%</i>
<i>Letter notifying estimated retirement benefits</i>	<i>10 days</i>	<i>93.0%</i>	<i>86.5%</i>
<i>Letter acknowledging death</i>	<i>5 days</i>	<i>100%</i>	<i>97.1%</i>
<i>Refunds</i>	<i>5 days</i>	<i>93.2%</i>	<i>92.3%</i>
<i>Letter notifying dependants benefits</i>	<i>5 days</i>	<i>82.0%</i>	<i>86.3%</i>
<i>Deferred</i>	<i>10 days</i>	<i>39.1%</i>	<i>62.0%</i>

4. Actions Implemented

- i. The team was increased by a further 2 members of staff in December 2016 to work across the benefit teams. One is permanent, the second is temporary until 31 August 2017. A new Benefits Manager has recently joined the team who is primarily responsible for workflow.
- ii. An apprentice joined the team in January 2017 for a 6 to 9 month placement.
- iii. We have focused resources on retirements and other priority work and this is reflected in recently monthly statistics.
- iv. With additional resource removed from preserved benefits calculations, the number of cases waiting to be processed has been steadily climbing. A new emphasis has been put back in this area and the amount of cases being completed has increased from approximately 500 cases to 900 cases per month.
- v. The original backlog on Amalgamations decreased, however a sustained sickness absence from a key team member has resulted in a further backlog of cases. This has recently been resolved and a push is occurring again on this area to ensure the good work of the additional team is not lost.
- vi. A Performance review is currently under way to look at how we work, with the main aim being to provide a better service for scheme members by streamlining processes without affecting the quality of work. The review will also be looking at employers/payroll providers and the quality of data they provide to us. Employers were informed of this in January 2017. Partners helping with the review include Audit and a Finance Business Analyst.

Conclusion

We are working towards improving our performance this year, keeping a close eye on the changes we have made to ensure a positive long term outcome for the team and stakeholders.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of background papers – Nil

Contact for enquiries – Shirley Cuthbert

Telephone number 01392 383000

Summary April 16 to Feb 17 Devon Pension Fund

Completed tasks at 28/02/2017

	Within Target	Over Target	Total	Success Rate
Priority Procedures	4286	1450	5736	74%
Non-Priority Procedures	18253	5941	24194	73%
Priority				
	Within Target	Over Target	Total	Success Rate
Death	627	233	860	73%
Employer Estimates	245	36	281	87%
Priority General	1976	203	2179	91%
LGPS Retirements	671	668	1339	50%
Deferred Benefit retirements	767	310	1077	71%
	4286	1450	5736	74%
Non-Priority				
	Within Target	Over Target	Total	Success Rate
Amalgamation of records	480	334	814	59%
Additional Voluntary Contribution calculations	779	160	939	83%
Deferred Benefit calculations (including recalculations)	1984	1665	3649	54%
Divorce calculations	241	33	274	88%
Frozen Refunds	1448	300	1748	83%
Non Priority General work	8208	1872	10080	81%
Payroll	2349	81	2430	97%
Actual Refunds	643	58	701	92%
Retirement estimates (includes member and other estimates)	1669	850	2519	66%
Starters	122	4	126	97%
Transfer Values In	194	359	553	35%
Transfer Values Out	136	225	361	38%
	18253	5941	24194	73%

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Outstanding tasks at 28/02/2017

PRIORITY	Total outstanding	Reply due	0-9 days	10-19 days	Net outstanding
Death	37	28	8	1	9
Employer Estimates	16	4	11	1	12
Preserved Retirements	42	15	27		27
Priority General	6	2	3	1	4
LGPS Retirements	69	34	34	1	35
TOTALS	170	83	83	4	87

NON PRIORITY	Total Outstanding	Reply due	0-9 days	10-19 days	20-30 days	>30 days	Net outstanding
Amalgamations	4902	353	157	151	273	3968	4549
AVC	35	11	6	11	2	5	24
Deferred	1670	119	177	77	107	1190	1551
Divorce cases	4	2	2				2
Frozen refunds	343	62	56	36	73	116	281
Non-priority general	1468	39	236	105	68	1020	1429
Member estimates	83	9	70	4			74
Other estimates	83	11	26	19	13	14	72
Payroll	37	5	8	4		20	32
Refunds	4	0	3	1			4
Transfers in	110	39	48	16	3	4	71
Transfers out	209	24	31	35	29	90	185
TOTALS	8948	674	820	459	568	6427	8274

First Instance Complaints

- a. Unhappy with being brought into the scheme automatically and lack of information from employer.

Outcome - discussed with employer and member - opt out form sent and completed and monies returned by employer

- b. 2 recent cases of members not happy with how case being dealt with and how dealt with on phone - state phone put down on them

Outcome - apologies to both members and case reviewed and dealt with efficiently. Names were not provided by team members, investigation took place to try to establish who took the call, 1 case we were able to confirm this and team member spoken to, although denied they were unprofessional, the second we could not trace and no one came forward, therefore reminder sent re conduct expected and consequences including reputational damage.

Internal Dispute Resolution Procedure (IDRP) Stage 1

Type	Upheld	Why
Level of widow pension	No	Regulations do not permit
ill health x 5*	2 upheld	Employer reviewed
Early release of benefits compassionate	No	Employer decision
Best of last 3 in 10 request	Yes	Administration error
Transfer Value In outside 12 months	Yes	Additional evidence provided re delay on request

* 1 still being considered

IDRP Stage 2

Type	Upheld	Why
level of widow pension	No	Regulations do not permit
ill health x 3*	2 upheld	Evidence reviewed
Early release of benefits compassionate	No	Employer decision

* 1 still being considered

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Compliments

❖ **Member Presentations**

'I thought that your Presentations were great'

'Conversational, Inclusive, Interactive, Educational, Informative, Relaxed, Professional'

❖ **Estimates**

'I just wanted to pass on to you as well how grateful both myself and the staff are to her for turning this around so quickly. There is a lot going on for them at the moment, and they have found it so helpful to have this information that quickly to help them make their decision'

❖ **Members**

Thank you cards:

'Thank you for helpful efficient service at a difficult time' - widower

'Thank you for all your help' – terminal ill health case involving face to face meetings with member and employer

TRAINING REVIEW 2016-17 AND TRAINING PLAN 2017-18

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board notes the report and considers whether it wishes to make any comments to the Investment and Pension Fund Committee.

1. Introduction

1.1. In accordance with Section 248 of the Pensions Act 2004, every individual who is a member of a Local Pension Board must:

- Be conversant with the rules of the LGPS;
- Be conversant with any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund;
- Have knowledge and understanding of the law relating to pensions;
- Have knowledge and understanding of such other matters as may be prescribed.

1.2. The Pension Board will comply with the requirements of the Pensions Act 2004, including compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, the agreement of an Annual Training Plan and shall report on members' attendance at training events.

2. Training 2015/16

2.1. Several training sessions were held during 2016/17 for members of the Investment and Pension Fund Committee and Devon Pension Board.

2.2. Dates and a summary of items covered are detailed below:

Pension Fund Training Event - May 2016

- Guide to the Markets
- Pension Committee and Pension Board – Roles and Responsibilities
- Greenfield Infrastructure
- Brunel Pension Partnership update, including an overview of:
 - High Level Structure and Governance
 - Operations, Roles and Resources
 - Business Model: Investment Policy and Asset Transition
 - Infrastructure and Internal Management
 - Reporting and Monitoring
 - Project Management
 - Communications

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Pension Fund Training Session - September 2016

- Long Term Performance
- Strategic Asset Allocation Review - Objectives and Methodology

Brunel Pension Partnership Engagement Day - October 2016

- Regulatory recap
- Format of the business case
- Governance and assurance
- Teckal company
- FCA authorisation
- Company structure
- Portfolio specifications
- Transition costs
- Fee savings
- Performance gains
- Passive internal management
- Services and Reporting
- The Financial Case
- Risks, Issues, Benefits and Success Factors

Training and Engagement Day – February 2017

- Admission Agreements and risk management of Admitted Bodies
- Transition Management and Costs
- Responsible Investment
- Strategic Investment Review

2.3. In addition to these training sessions, four members of the Devon Pension Board have commenced the self-assessment training tool for CIPFA Knowledge and Skills Framework. Officers acknowledge that this is an area of work that was given insufficient attention in 2016-17 and will ensure that members are provided with and are encouraged to complete the outstanding modules during 2017-18. The results of these assessments will be used to identify areas of knowledge that require additional training and future training sessions will be designed to incorporate these requirements.

3. Training Plan 2017-18

3.1. The 2017/18 Training Plan is attached at Appendix 1 and sets out a proposal for training to be provided over the year in order to ensure that both the Investment and Pension Fund Committee and the Pension Board have the knowledge and skills required in accordance with the CIPFA Code.

3.2. In addition the Training Plan outlines how the training needs of staff are assessed and implemented, and sets out the requirements on senior officers responsible for the Pension Fund, and the issues that they will need to focus on over the year.

4. Training Register

4.1. A register of attendance at each of the training events is maintained by officers.

4.2. The attendance register for 2016-17 is shown at Appendix 2.

5. Conclusion

- 5.1. The Board is asked to note the report and to consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Dan Harris

Tel No: (01392) 382520 Room G99

Devon Pension Fund Training Plan 2017/18



1 Introduction

The Devon Pension Fund has had a longstanding commitment to training for those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This has included regular events to cover the latest developments in the LGPS, investment strategy and performance monitoring. In February 2014, the Investment and Pension Fund Committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Investment and Pension Fund Committee and the Devon Pension Board receive appropriate training in order to carry out their roles effectively

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next year.

2 Knowledge and Skills Framework

There are six areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for LGPS funds. They are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practices.

Members of the Investment and Pension Fund Committee and the Pension Board are expected to have a collective understanding and senior officers are expected to have expertise of these areas of knowledge and skills.

3 Pension Board Specific Requirements

Under the regulations the members of the Pension Board are required to have the capacity to take on the role. In addition, in accordance with Section 248A of the Pensions Act 2004, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations);
- Be conversant with any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund;
- Have knowledge and understanding of the law relating to pensions;
- Have knowledge and understanding of such other matters as may be prescribed.

4 Committee and Pension Board Training

Training for the Investment and Pension Fund Committee and the Pension Board during the year will focus on the following areas:

1. **The six areas of the Knowledge and Skills framework** – These will continue to be a major area of focus, with training focused on gaps in knowledge identified through an assessment of need. The Fund has taken two approaches to assess the needs of committee members for further training. Work has been undertaken with the Devon County Council Member Development Officer to conduct development interviews with members of the Committee which have addressed the six areas outlined. In addition a self-assessment tool has been made available to members of the Committee, to enable them to measure their understanding and plan their development. The self-assessment tool is being reviewed by officers in order to bring it up-to-date for use with the Pension Board, and those members of the Committee yet to undertake the assessment. The outstanding modules will be issued during 2017-18.
2. **Induction for new members of the Investment and Pension Fund Committee and Pension Board following the County Council elections in May 2017** – There will be an initial focus on ensuring that any new members of the Committee or Board receive initial training to enable them to carry out their role.
3. **Brunel Pension Partnership** – Training and briefings will continue to be provided regarding the progress and developments of the Brunel Pension Partnership. This will include the regulatory environment governing the pooled vehicle, along with the requirements in relation to the organisational structure of the pooled vehicles and transition arrangements.

4. **Potential new investment opportunities** – Training will be provided on new areas of investment that may be considered by the Committee. Sessions will be provided to keep Committee and Pension Board members up-to-date with the latest market developments, and look at the Fund's long term performance.
5. **Regulatory / Legislative Changes** – Training will be provided on the implications of any legislative and regulatory changes.

Training will be delivered through the following events to be held during the year:

Investment and Pension Fund Committee Briefing – 16 June 2017

It is proposed to provide a 90 minute briefing session before the commencement of the Investment and Pension Fund Committee on 16th June 2017. This will incorporate the usual half hour briefing by the Fund's Independent Advisor, in addition to an outline of the Fund's investment and funding strategies and the work of Peninsula Pensions. The Committee will start an hour later than usual to accommodate the induction session.

Joint Training Day– Summer / Autumn 2017

A joint training event is planned to be held with other LGPS funds within the Brunel pool to provide a further update on the Brunel Pension Partnership. The timing of this will depend on the progress on the set up of the Brunel company, which will determine when an update session will be the most useful. Other topics could be included within the same agenda.

Devon Pension Fund Training Day – Summer 2017

Further training will be provided to include the latest regulatory changes, an update on financial markets and products and the composition of the Fund's statutory statements

Afternoon Training Session – 17th November 2017

A training session will be held on the afternoon of the November Investment and Pension Fund Committee. The agenda for this meeting is still to be finalised, but is likely to include an analysis of long term investment performance.

Devon Pension Fund Training Day – Spring 2018

The day will focus further on the six areas of the Knowledge and Skills Framework with an emphasis on any gaps in knowledge that have been identified.

Other Training

In addition members will also be provided with access to "bite-size" tutorials on the six areas of knowledge and skills and other quality assured websites to help boost levels of understanding. Where gaps in individual members' knowledge have been identified that will not be met by the core training described above, then additional training can be accessed to meet those needs.

Specific training can be identified for the Chairman of the Investment and Pension Fund Committee and of the Pension Board to support them in their role if required.

Resources are available to meet all the training requirements outlined above.

5 Officer Training

It is important that officers have the required training to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Senior Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have expert knowledge of the six areas of the framework.

Senior officers will attend relevant conferences and seminars during the year to ensure that they remain up-to-date with the latest requirements. In addition they will be expected to keep up to date through use of the internet, and conduct research on relevant issues where required. All staff will have specific training identified to meet assessed requirements. Individual training plans will be put in place and these will be recorded and reviewed as part of the annual appraisal process.

A central training record will be maintained by each of the Investment Team and Peninsula Pensions of the events attended and training received by all members of staff.

For senior officers, there will be a particular focus on the following areas:

1. **Governance** – Understanding the guidance and regulations in relation to local pension boards, and keeping up to date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.
2. **New Investment Arrangements** – Keeping up to date with progress in developing the Brunel pooling arrangements, and the contract management skills that will be required to manage the relationship with the Brunel company. There will also be a need to understand the implications of how the Financial Conduct Authority will implement the Markets in Financial Instruments Directive (MiFID2) and what the Devon Fund will need to do to comply.
3. **New Investment Products** – Keeping up-to-date with what the market is offering, in order to assess the validity of new products for investment by the Devon Fund.
4. **Accounting Issues** – Keeping up to date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.
5. **Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
6. **Pensions Admin Systems** - Keeping up to date with updates/new releases to our software system Altair, passing down training to all staff.
7. **Wider Pensions Issues** – Understanding the impact of wider Government reforms to pensions, such as “freedom and choice” on the LGPS.

6 Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

Name	Representing	Joint Pension Fund Training Event 27/05/16	Pension Fund Training Session 16/09/16	Brunel Pension Partnership Training Day 07/10/16	Training and Engagement Day 03/02/17
Investment and Pension Fund Committee					
Channon, Christine	Devon County Council	√	√	√	-
Edgell, Richard	Devon County Council	√	√	√	√
Edwards, Peter	Devon District Councils	-	√	√	-
Franceschini, Roberto	UNISON	√	√	√	√
Gilbert, Rufus	Devon County Council	√	√	√	√
Hannon, Des	Devon County Council	√	-	-	-
Healy, Donna	Other Employers	√	√	√	-
Hicks, Michael	South Hams District Council	√	-	-	-
Hill, Roy	Devon County Council	√	√	√	-
Hosking, Richard	Devon County Council	√	√	√	√
Lomax, Colin	UNISON	√	√	-	√
Lowry, Mark	Plymouth City Council	-	-	-	-
O'Dwyer, James	Torbay Council	-	-	√	-
Parker Delaz Ajete, Lorraine	Plymouth City Council	√	√	√	√
Rimron, Jo	GMB	√	√	√	√
Pension Board					
Bowman, Andy	Member Representative	-	-	√	√
Greenslade, Brian	Devon County Council	√	√	√	√
Hearn, Carl	Tavistock Town Council	√	√	√	√
Keightley, Heather	Member Representative	√	√	√	-
Lewis, Cheryl	Member Representative	-	√	n/a	n/a
Nicholls, William	Independent Member	√	-	√	√
Randall Johnson, Sara	Devon County Council	n/a	√	√	√
Shipp, Colin	Member Representative	√	√	-	√
Smith, Graham	Devon and Cornwall Police	-	√	√	√

FUTURE WORK PROGRAMME

Report of the County Treasurer

Please note that the following recommendation is subject to consideration and determination by the Board before taking effect.

Recommendation: that the Board review and approve the future work programme and make suggestions for other areas of consideration going forward.

1. Introduction

- 1.1. The Devon Pension Board will continue to meet at least twice per year to review and discuss issues concerning the Devon Pension Fund. In order to ensure that appropriate areas are covered going forwards it was agreed at the first meeting of the Board to implement a Future Work Programme.

2. Future Work Programme

- 2.1. A proposal for the Future Work Programme of the Pension Board is set out below:

Standing Items

- Minutes of the Investment and Pension Fund Committee;
- Devon Pension Fund Risk Register;
- Peninsula Pensions Administration Performance Statistics;
- Pension Board Monitoring;
- Future Work Programme.

October 2017

- Statutory Statements - Governance Policy and Compliance Statement;
- Statutory Statements – Communications Policy;
- External Audit Findings Report;

April 2018

- Statutory Statements – Investment Strategy Statement;
- Statutory Statements – Funding Strategy Statement;
- External Audit Findings Report;
- Pension Board Annual Report 2017/18;
- Training Review 2017/18 and Training Plan 2018/19;
- Internal Audit Report for 2017/18;
- Internal Audit Plan for 2018/19.

Agenda Item 16

3. Conclusion

- 3.1. The Future Work Programme aims to set out a clear agenda for future areas of review and discussion for the Pension Board. This will help to provide assurance that the Devon Pension Fund is managed and administered effectively and efficiently, ensuring that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 3.2. The Board is asked to review and approve the future work programme and make suggestions for other areas of consideration going forward.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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