

Phil Norrey
Chief Executive

To: The Chair and Members of the
Investment and Pension Fund
Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 9 November 2017
Please ask for : Gerry Rufolo 01392 382299

Email: gerry.rufolo@devon.gov.uk

INVESTMENT AND PENSION FUND COMMITTEE

Friday, 17th November, 2017

A meeting of the Investment and Pension Fund Committee 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

PART I - OPEN COMMITTEE

- 1 Apologies for Absence
- 2 Minutes (Pages 1 - 4)
Minutes of the meeting held on 15 September 2017, 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 Devon Pension Board (Pages 5 - 8)
Minutes of the meeting held on 16 October 2017, attached
- 5 Governance Policy and Compliance Statement (Pages 9 - 22)
Report of the County Treasurer (CT/17/93), attached
- 6 Investment Management Report (Pages 23 - 28)
Report of the County Treasurer (CT/17/94), attached

- 7 Actuarial Services Contract Review (Pages 29 - 30)
Report of the County Treasurer (CT/17/95), attached

8 Applications for Admitted Body Status

The following application for admitted body status has been approved since the last meeting of the Committee: LEX Leisure has won a contract with Torbay council to run the velopark. A total of 4 staff will transfer. This is a correction from the previous meeting when it was reported that Parkwood Leisure had won the contract.

9 Dates of Future Meetings

23 February 2018, 15 June 2018, 14 September 2018, 16 November 2018, 22 February 2019, and 31 May 2019,

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

10 Exclusion of the Press and Public

Recommendation: that the press and public be excluded from the meeting for the following items of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, information relating to the financial or business affairs of an individual other than the County Council and, in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

11 Brunel Pension Partnership - Progress (Pages 31 - 34)

Report of the County Treasurer (CT/17/96) attached

12 Employer Covenant Risk and Review of Indemnity Bonds (Pages 35 - 42)

Report of the County Treasurer (CT/17/97), attached

13 Investment Management - Review of Trigger Points (Pages 43 - 44)

Report of the County Treasurer (CT/17/98), attached

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

Devon County Council

Councillors R Gilbert (Chair), Y Atkinson, C Channon, A Connett, R Edgell and R Hosking

Unitary and District Councils

Councillors P Edwards (Exeter - LGA Devon), L Parker-Delaz-Ajete (Plymouth City Council), J O'Dwyer (Torbay Council), M Hicks (Exeter LGA) and M Lowry (Plymouth City Council)

Other Employment Rep

D Healy (Dartmoor National Park Authority)

Union and Retired Members: Observers Non-Voting

R Franceschini, C Lomax and J Rimron

Declaration of Interests

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.

Access to Information

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Gerry Rufolo 01392 382299.

Agenda and minutes of the Committee are published on the Council's Website at

http://www.devon.gov.uk/index/your_council/decision_making/cma/index_exc.htm and can also be accessed via the Modern.Gov app, available from the usual stores.

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First Aid

Contact Main Reception (extension 2504) for a trained first aider.

INVESTMENT AND PENSION FUND COMMITTEE

15 September 2017

Present:-

Devon County Council

Councillors R Gilbert (Chairman), Y Atkinson, C Channon, R Edgell and R Hosking

Unitary and District Councils

Councillors L Parker-Delaz-Ajete (Plymouth City Council), J O'Dwyer (Torbay Council) and M Hicks (Exeter LGA)

Other Employers

Councillor D Healy (Dartmoor National Authority)

Also in attendance (observers)

Mr Bowman and Mr Nicholls

Apologies:-

Councillor A Connett, Councillor P Edwards, R Franceschini, C Lomax, J Rimron and A Connett

* 13

Minutes

RESOLVED that the Minutes of the meeting held on 16 June 2017 be signed as a correct record.

* 14

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 15

Pension Fund Annual Report and Accounts 2016/17

The Committee considered the report of the County Treasurer (CT/17/70) together with the Annual Report and Accounts, summarising the performance of the Fund's external managers, including stewardship activity and the market outlook, followed by the Statement of Accounts.

The County Treasurer reported that, as detailed in the Report (Appendices, Audit Opinion), that it had been the Auditor's opinion that there were no significant issues with the Pension Fund accounts and that the draft financial statements had been prepared to a high standard.

Members' discussion points included:

- actuarial review, methodology and calculations based on investment strategy and returns and progress towards reducing the recovery period, (further training on actuarial methodologies would be considered for members as part of the training programme)
- recording of the calculation of employers' contributions;
- consideration by the Treasurer to review (for next year's Report) the need to record explicitly the aim towards achieving full funding, reflected in the Funding Strategy Statement; and
- review of the Governance Compliance Statement in respect of non-compliance relating to 'where appropriate, independent professional observers'.

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

RESOLVED that the Pension Fund Annual Report and Accounts for 2016/17 be adopted.

Agenda Item 2

INVESTMENT AND PENSION FUND COMMITTEE
15/09/17

* **16** **Brunel Pension Partnership - Progress Report**

The Committee considered the Report of the County Treasurer (CT/17/71) on the establishment of the Brunel Pension Partnership Limited (BPP Ltd.) and progress since the last meeting, including a draft response to Government on the proposed establishment of a Cross Pool Information Forum.

The next phase of work would concentrate on securing the regulatory approvals required from the Financial Conduct Authority and then planning and agreeing the portfolios that would be required for the participating funds to invest in. The project remained on track to meet the target date of April 2018 for the Company to begin transitioning assets from the participating funds.

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

RESOLVED

(a) that the progress with establishing the Brunel Pension Partnership Limited company be noted; and

(b) that the County Treasurer's draft response to the consultation on the proposed Cross Pool Information Forum as attached at Appendix 2 of Report CT/17/71, be agreed.

* **17** **Markets in Financial Instruments Directive II**

The Committee considered the Report of the County Treasurer (CT/17/72) on the Financial Instruments Directive (MiFID II) which would result in LGPS funds being reclassified as retail clients and Financial Conduct Authority (FCA) final policy statement which set out the rules for implementation of the Directive, with effect from 3 January 2018.

The Statement also provided greater clarity on the criteria for local authorities administering LGPS pension funds to "opt up" to be treated as "professional" (rather than "retail") clients. Members noted the 'warnings' in the Report relating to the loss of protections as a professional client which would result from this proposal.

It was **MOVED** by Councillor Hicks, **SECONDED** by Councillor Atkinson and

RESOLVED

(a) that the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018 be noted;

(b) that the immediate commencement of applications for elected professional client status with all relevant institutions be agreed in order to ensure it could continue to implement an effective investment strategy;

(c) that in electing for professional client status the Committee acknowledges and agrees to forgo the protections available to retail clients, as attached as Appendix 1 of Report CT/17/72; and

(d) that the County Treasurer be authorised to complete the appropriate 'opt up' process with all the relevant institutions and determine the basis of the application as either a full or single service.

* **18** **Investment Strategy Statement**

The Committee considered the Report of the County Treasurer (CT/17/73) on a proposed revised Investment Strategy Statement (ISS). After the commitment to private debt agreed at

the last meeting of the Committee on 16 June 2017, it was proposed that the ISS should be updated to reflect that decision. The opportunity had also been taken to make other minor changes suggested by Internal Audit who had reviewed the strategy and the process for putting it together.

It was **MOVED** by Councillor Parker-Delaz-Ajete **SECONDED** by Mrs Healy and

RESOLVED that the revised Investment Strategy Statement, attached to Report CT/17/73, be approved.

* **19** **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/17/74) on the current Fund Value and Asset Allocation. The value of the fund as at 30 June 2017 stood at £3,989.1 million, an increase of £60m over the last quarter. The County Treasurer highlighted that while the allocation to 'cash' was higher than target, this would be reduced by the drawdown of the commitment made to private debt funds. The Fund was over exposed to the UK and there was a significant under exposure to North America with a smaller under-exposure to Japan compared to the World Market.

Members considered a proposal to change the investment in the State Street Emerging Markets Fund from an equal country weighted strategy to a fund tracking the MSC Emerging Markets Index.

The Report also detailed Fund performance over periods to 30 June 2017, State Street Equal Country weighted fund Performance to June 2017 and budget forecast monitoring and cash management.

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

RESOLVED

(a) that the Investment Management Report be noted;

(b) that compliance with the 2017/18 Treasury Management Strategy be noted;

(c) that the County Treasurer in consultation with the Chairman be authorised to move up to £100m from UK passive equities to overseas passive equities (North America and Japan), if market conditions provide an opportunity and the appropriate trigger points are hit, and that the trigger points be reviewed at the next meeting of the Committee; and

(d) that the Specialist Funds investment in the State Street Emerging Markets Fund be switched from the current equal country weighted fund to a fund tracking the MSCI Emerging Markets index.

* **20** **Pension Fund Risk Register**

The Committee noted the Report of the County Treasurer (CT/17/75) on the Pension Fund Risk Register and the additional actions taken to mitigate that risk. The review of the Register was part of the regular scrutiny process by this Committee.

Identified risks emanated from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. The risks identified had been incorporated into the Fund's Risk Register and assessed in terms of the potential impact of the risk event should it occur.

Members referred to the risk associated with any potential loss of key Officers within the In-House team.

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INVESTMENT AND PENSION FUND COMMITTEE
15/09/17

* **21** **Committee Training**

The Committee noted the Report of the County Treasurer (CT/17/76) on an update of scheduled training events for Members. Consideration to training in relation to 'currency hedging' would be given for inclusion in this or a future programme, as well as the actuarial role.

* **22** **Applications for Admitted Body Status**

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

(a) Parkwood Leisure: from 1st October 2017, 4 staff currently in the LGPS with Torbay Council to run the velopark.

(b) Petroc College: 23 staff had transferred on 1st September 2017 from the College to Taylor Shaw Ltd to provide catering services.

(c) Creative Connected Communities: 1 staff member had transferred on 1st September to this new charity based in Plymouth, working with the Peninsula Dental School.

All three admission agreements had been on a closed basis.

* **23** **Dates of Future Meetings**

Friday, 17 November 2017 and Friday, 23 February 2018 all at 10.30 am

The County Council's Calendar available at

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

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

The Meeting started at 10.30 am and finished at 11.32 am

DEVON PENSION BOARD

16 October 2017

Present

Employer Representatives

Councillor S Randall-Johnson and Mr C Hearn

Fund Employee Representatives

Mr A Bowman, Mr P Phillips and Mr C Shipp

Independent Member

William Nicholls

Apologies:-

Councillor B Greenslade, Mr G Smith and Ms H Keightley

* **49** **Election of Chair and Vice Chair**

RESOLVED that Councillor B Greenslade be elected Chair and Mr A Bowman be elected Vice Chair for the remainder of the 2017/2018 municipal year

Mr Bowman in the Chair.

* **50** **Standards Committee**

The Board welcomed Mrs. Saltmarsh who was attending the meeting in her capacity as a Co-opted Member of the Council's Standards Committee to observe and monitor compliance with the Council's ethical governance framework

* **51** **Minutes**

RESOLVED that the minutes of the meeting held on 10 April 2017 be signed as a correct record.

* **52** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **53** **Membership**

(a) Fund Member Representative

The Chair welcomed Mr Paul Phillips to his first meeting of the Board following his appointment to fill the vacancy for a Fund Member Representative.

(b) Members' Indemnity Insurance

The Board noted that as a consequence of developments and revised advice on the legal status of Pension Boards the Council's current insurers had been instructed to issue an endorsement specifically naming the Pension Board on the Council's Insurance Policy. The Council was currently procuring a new insurance contract to start from January 2018 and it would be a requirement that the new policy also specifically named and covered the Pension Board.

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DEVON PENSION BOARD
16/10/17

* 54 Statutory Statements - Communication Policy

The Board considered the Report of the County Treasurer (CT/17/79) together with the Communications Policy most recently updated and approved by the Investment & Pension Fund Committee in 2015.

It set out the Fund's policies on the provision of information and publicity about the Scheme to members, representatives of members and employing authorities. It also set out the format, frequency and method of distributing such information or publicity, other key organisations that the Fund communicated with, its values in relation to communications and the professional expertise available to the Fund.

Members suggested that consideration should be given to making reference in the Statement to this Board and its membership. This could be achieved via the Annual Report or the Annual Statement for fund members.

It was **MOVED** by Mr Hearn, **SECONDED** by Councillor S Randall Johnson, and

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

* 55 Statutory Statements - Governance Policy and Compliance Statement

The Board considered the Report of the County Treasurer (CT/17/80) on the Governance Policy and Compliance Statement and a revised draft. Its purpose was to explain the governance arrangements for the Devon Pension Fund, as required by Local Government Pension Scheme regulations.

The Governance Policy was last revised in February 2015, to reflect the creation of the Pension Board and the draft revised Compliance Statement now included reference to this Board. Subject to the views of the Board, this would be taken to the Investment and Pension Fund Committee for approval in November. The Governance Policy set out the governance arrangements for the Fund, including the make-up of the Investment and Pension Fund Committee and the Devon Pension Board, and an outline of the tasks delegated to the Committee, the Board and to the Fund's officers. This had not been changed from the previous version approved in February 2015.

Members commented on the need to give further consideration to 'Non-Compliant B (iii)' of the Statement relating to independent professional observers and the County Treasurer undertook to look at the position with regard to other Pension Boards. Members also commented that the words 'at least' (section 5, frequency of meetings reference) should be added.

It was **MOVED** by Mr Bowman, **SECONDED** by Councillor Randall Johnson, and

RESOLVED that the draft Governance Policy and Compliance Statement and the process of review be endorsed subject to consideration of the above comments.

* 56 Devon Pension Fund Risk Register

The Board considered the report of the County Treasurer (CT/17/81) on monitoring of the Risk Register (Risk Register attached at Appendix 1 to the Report) as part of the Board's scrutiny role in relation to risk and compliance. It highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. This incorporated the risk register of both the Investments Team and Peninsula Pensions. The Investment and Pension Fund Committee was the ultimate risk owner for the Pension Fund and the Risk Register and presented to that Committee on an annual basis.

Members noted that reference in the Register to level of breaches in regard to Annual Benefit Statements and failures to issue these on time by Peninsula Pensions (PP1). It was noted that a breach log was maintained (detailing timescales and reasons) and reported to the County Treasurer and Head of Pensions. The current level of compliance was 95%.

The County Treasurer reported on the close monitoring in regard to the transition of assets to the Brunel Pension Partnership (B2) and the Head of Pensions reported on the work to inform beneficiaries of HMRC rule changes relating to tax allowances.

It was **MOVED** by Mr Hearn, **SECONDED** by Mr Bowman, and

RESOLVED that the Report be noted and that the County Treasurer be requested to produce an annual report on the level of breaches detailing timescales and identifiable trends in regard to Annual Benefit Statements (PP1).

* **57** **CIPFA Pensions Conference - 'Pension Boards Two Years On'**

The Board received the report of the County Treasurer (CT/17/82) commenting on issues raised by Mr Bowman and Mr Hearn following their attendance at a conference held by CIPFA (Chartered Institute of Public Finance and Accountancy) in June 2017 which had looked at the experience of LGPS Pension Boards over the two years since their inception.

In terms of the Scheme Advisory Board (SAB) Transparency Code, the Board noted that only a small number of managers had signed up to the transparency code and Officers would continue to work with all the Fund's external managers to achieve cost transparency, as in future this would be required in the production of the Fund's statement of accounts.

In terms of frequency of Board meetings, Members discussed whether more meetings should be held to align with meetings of the Investment and Pension Fund Committee, for example. The County Treasurer assured the Board that should any significant issues arise (such as a serious breach of regulations or material increase in risks), the County Treasurer (in consultation with the Chair) would request the Chief Executive to convene a special or urgent meeting.

The County Treasurer also reported that a report would be submitted to the next meeting on preparing for the General Data Protection Regulation (GDPR) which would be applied from 25 May 2018 .

[N.B. more information available at the Devon County Council and Peninsula Pensions service <https://ico.org.uk/media/1624219/preparing-for-the-gdpr-12-steps.pdf>]

* **58** **Investment and Pension Fund Committee**

The Board received the Minutes of the Investment and Pension Fund Committee meetings held on 16 June 2017 and 15 September 2017.

* **59** **Devon Pension Board: Budget Monitoring 2017/18**

The Board received the report of the County Treasurer (CT/17/83) on the Devon Pension Board budget monitoring statement for month 6.

* **60** **Brunel Pension Partnership Progress Report**

The Board received the Report of the County Treasurer (CT/17/84) on the establishment of the Brunel Pension Partnership Limited Company involving ten participating LGPS administering authorities and progress since the last meeting of this Board and current issues. These included notably an award of a contract by the Partnership for Third Party

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DEVON PENSION BOARD
16/10/17

Administrator Services to State Street Global Services and on arrangements for the transition and timings.

A series of engagement events were planned for November including an event on Tuesday, 14 November at Exeter Racecourse to which Board Members had been invited.

* 61 External Audit Findings Report 2016/17

The Board received the Report of the County Treasurer (CT/17/85) on the External Audit Findings Report arising from the audit of the Pension Fund for 2016/17. It described the work undertaken by the external auditors (Grant Thornton) to address the risks identified in the Audit Plan. The Findings Report had been presented to the Audit Committee on 14th September 2017 and to the Investment and Pension Fund Committee on 15th September 2017. The External Auditor's Report had not identified any significant issues and an unqualified opinion had been issued in respect of the Fund's financial statements.

* 62 Peninsula Pensions Administration - Performance Statistics

The Board considered the Report of the County Treasurer (CT/17/86) on actions undertaken by officers to ensure compliance and best practice. The Report covered the Pensions Team's performance and CIPFA benchmarking. The main service standard was to complete 90% of work within 10 working days once all necessary information had been received. As a whole the Team for 2016/17 issued 76% of work within target and the backlog of outstanding work had decreased by 10% since April 2017. A performance review was continuing to look at a number of key areas, resource levels and efficiency processes.

The Board noted that the Pension Service's production of information relating to estimated and actual retirement benefits for a significant number of its members was dependent on timely information from non DCC Employers. An information leaflet was available for employees about to retire which included timings about pension benefits and expectations and this should be disseminated as appropriate. The Board also noted that there were regular Devon County Council seminars for employees about to retire, although the Pension Service was not involved directly.

It was **MOVED** by Mr Hearn, **SECONDED** by Mr Bowman, and

RESOLVED that a regular update be provided setting out the level of compliance in terms of notifications for estimated and actual retirement benefits including a breakdown in respect of pension fund members from Devon County Council and other Employers.

* 63 Future Work Programme

The Board considered the Report of the County Treasurer (CT/17/87) on the future work programme including standing items.

It was **MOVED** by Mr Hearn, **SECONDED** by Mr Bowman, and

RESOLVED that in addition to reports requested at this meeting relating to a Breaches Log and compliance (Minutes *56 and *62 refers), a regular update be provided on the progress of the Brunel Pension Partnership.

* 64 Dates of Meetings

23 April 2018, 15 October 2018 and 2 April 2019 (all at 10.30 am)

The County Council's Calendar available at:
<http://democracy.devon.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1>

The Meeting started at 10.30 am and finished at 12.02 pm

STATUTORY STATEMENTS – GOVERNANCE POLICY AND COMPLIANCE STATEMENT

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.
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Recommendation: that the Committee approves the revised Governance Policy and Compliance Statement.

1. Introduction

- 1.1. The Governance Policy and Compliance Statement is one of the four statutory statements that the Fund is required to have in place. Its purpose is to explain the governance arrangements for the Devon Pension Fund, as required by regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).
- 1.2. The Governance Policy was last revised in February 2015, to reflect the creation of the Pension Board. However no reference was included within the Compliance Statement to the Pension Board, as DCLG had not updated their guidance of what should be included since the requirement for Pension Boards was introduced. This remains the case, but it is considered that the Compliance Statement should be amended to include the Pension Board and a revised draft is attached at Appendix 1 for consideration. The Pension Board considered the revised draft at their meeting on 16th October, and have endorsed the revised statement. The Pension Board questioned non-compliance with B.(a)(iii), which has now been addressed.

2. Revised Draft Compliance Statement

- 2.1. The Governance Policy sets out the governance arrangements for the Fund, including the make-up of the Investment and Pension Fund Committee and the Devon Pension Board, and an outline of the tasks delegated to the Committee, the Board and to the Fund's officers. This has not been changed from the previous version approved in February 2015.
- 2.2. The Compliance Statement sets out an analysis of the Fund's compliance with the latest guidance issued by the Secretary of State for Communities and Local Government. The following amendments have been made:
 - A. Structure – addition of (e) referring to the fact that a Pension Board is in place in compliance with regulation.
 - B. Representation –
 - (a)(i) is now shown as fully compliant, as there is now a representative of other employing bodies, outside of the main councils. This has been the case since February 2015, but was not revised at the time.
 - (a)(iii) is also now shown as fully compliant. Previously, the appointment of an independent investment advisor had been seen as fulfilling the

Agenda Item 5

requirement under (a)(iv). However, a review of the guidance suggests that the independent advisor meets the requirement under (a)(iii), given that he attends every meeting and not just on an ad-hoc basis. The Committee continues to also comply with (a)(iv) as expert advisors are used on an ad-hoc basis in connection with specific pieces of work; for example Mercer carried out the investment review earlier this year and attended the February Committee to present their report.

- (b) has been amended to add in a reference to the Pension Board.
- C. Selection and Role of Lay Members – (a) has been amended to include reference to the Pension Board.
- E. Training / Facility Time / Expenses – (c) is now shown as fully compliant. A training plan is now presented to the Pension Board and Investment and Pension Fund Committee on an annual basis and a log is kept of the training undertaken and reported in the Pension Fund Annual Report.
- G. Access – (a) has been amended to include reference to the Pension Board.

3. Conclusion

- 3.1. The Investment and Pension Fund Committee is asked to approve the revised Governance Policy and Compliance Statement.

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 / 382520 Room G97/G99

Devon County Council Pension Fund Governance Policy and Compliance Statement

**Revised Draft presented to the Investment and Pension Fund
Committee
17 November 2017**

1. Introduction

This policy and compliance statement outlines the governance arrangements for the Devon Pension Fund, maintained by Devon County Council, as required by regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

Under that provision all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, revise it following any material change in their delegation arrangements and publish it. The statement is required to set out:

- (a) whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a subcommittee or an officer of the authority;
- (b) if they do so:
 - (i) the terms, structure and operational procedures of the delegation;
 - (ii) the frequency of any committee or sub-committee meetings;
 - (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and if so, whether those representatives have voting rights.
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

Each administering authority is required to:

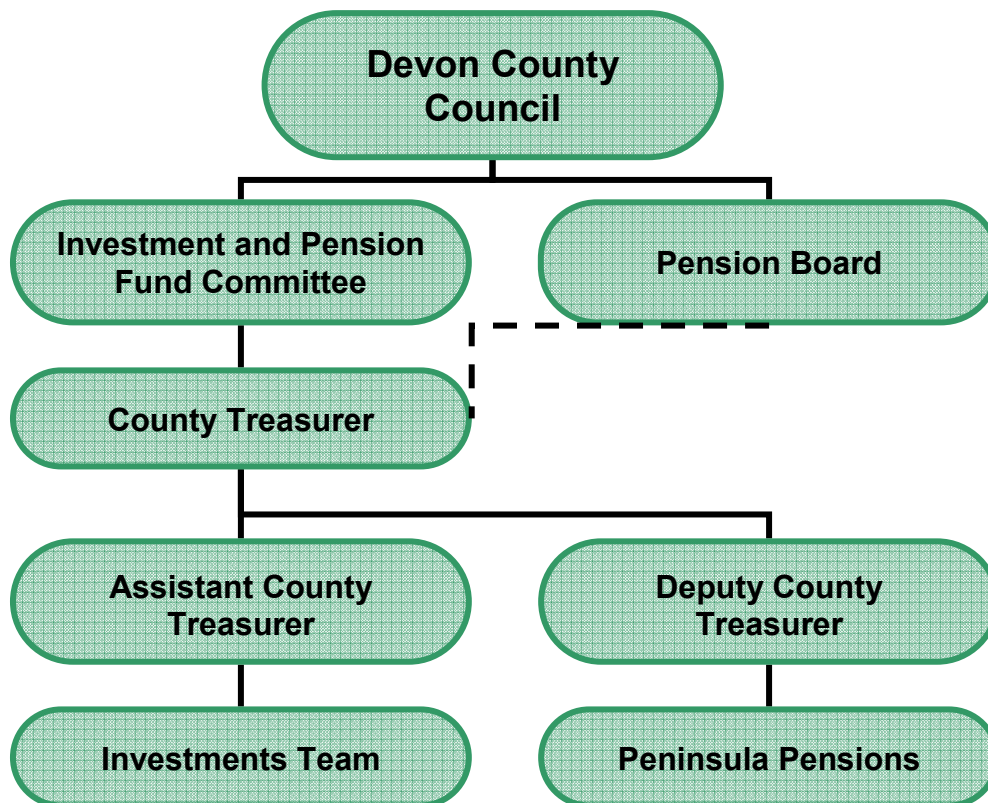
- (a) keep the statement under review;
- (b) make such revisions as are appropriate following a material change in respect of any of the matters mentioned in (a) to (c) above; and
- (c) if revisions are made:
 - (i) publish the statement as revised, and
 - (ii) send a copy of it to the Secretary of State.

In reviewing and making revisions to the statement, the authority must consult such persons as it considers appropriate.

The Governance Policy has been updated to reflect the governance changes required by the Public Sector Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

2. Governance Structure

This Devon Pension Fund governance structure is illustrated below. The structure relates to administering authority responsibilities only. Devon County Council is also an employer within the Devon Pension Fund. A separate governance structure and scheme of delegation is in place in relation to Devon County Council's employer responsibilities.



3. The Investment and Pension Fund Committee

The Investment and Pension Fund Committee is composed as follows:

Representing	No	Comments
Devon County Council	6	Administering Authority representatives
Unitary Councils	2	One from each of Plymouth City Council and Torbay Council
District Councils	1	Nominated by Devon LGA
Other Employers	1	Nominated by Employers Forum
The Contributors	2	Nominated by UNISON / GMB unions (Non-voting)
The Beneficiaries	1	Nominated by UNISON / GMB unions (Non-voting)

All members and representatives, with the exception of the representatives nominated by the trade unions, have equal voting rights. The Committee has also agreed that the Unitary and District authorities should be able to nominate substitute councillors to attend committee meetings should the nominated councillors be unable to do so.

The Investment and Pension Fund Committee is supported in the execution of its responsibilities by the following:

- The County Treasurer and staff from the Authority's Investments and Pensions Administration teams.
- An Independent Investment Advisor (currently Steve Tyson of AllenbridgeEpic)
- An Actuary (Currently Graeme Muir of Barnett Waddingham)

The Committee meets quarterly, and also has regular training sessions that all representatives and substitute members are invited to attend, in order to ensure that they are equipped as well as possible to fulfil their obligations.

4. Role of the Investment and Pension Fund Committee

The Investment and Pension Fund Committee oversees the operation of the Devon Pension Fund on behalf of Devon County Council. The County Council's Constitution sets out the delegated role of the Investment and Pension Fund Committee as follows:

To discharge the duties of the Council as Administering Authority of the Pension Fund and to review and approve the annual statement of accounts of the Devon Pension Fund, to 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. To review and approve the annual statement of the Pension Fund accounts.

Devon County Council Constitution Part 3 Responsibility for Functions paragraph 9.1

In fulfilling that role the Committee undertakes the following tasks:

- Monitoring the administration of the Pension Scheme, including the benefit regulations and payment of pensions and their day to day administration, ensuring that it delivers best value and complies with best practice guidance where considered appropriate.
- Exercise of Pension Fund discretions on behalf of the Administering Authority.
- Determination of Pension Fund policy in regard to employer admission arrangements.
- Determination of the Pension Fund's Funding Strategy and approval of its Funding Strategy Statement.
- Receiving periodic actuarial valuation reports from the Actuary.
- Coordination of Administering Authority responses to consultations by Central Government, professional and other bodies.
- Approval and review of the content of the Statement of Investment Principles.
- Approval and review of the asset allocation benchmark for the Fund.
- Appointment and review of Investment Managers, Custodian and Advisors.
- Monitoring the quality and performance of each Investment Manager in conjunction with investment advisors and the Section 151 Officer.
- Setting and reviewing the investment parameters within which the Investment Managers can operate.
- Monitoring compliance of the investment arrangements with the Statement of Investment Principles.
- Assessment of the risks assumed by the Fund at a global level as well as on a manager by manager basis.
- Approval of the Annual Report.

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Devon County Council Pension Fund Governance Policy and Compliance Statement



5. The Pension Board

The Pension Board is composed of nine members as follows:

Representing	No	Comments
Fund Members	4	Appointed by the Administering Authority from applicants responding to an advertisement.
Fund Employers	4	Two appointed by Devon County Council, plus two elected by employers at an Annual Employers' Meeting.
Independent Member	1	Appointed by the Administering Authority from applicants responding to an advertisement. (Non-voting)

All members and representatives, with the exception of the Independent Member will have equal voting rights. The Board will appoint a Chairman and Vice Chairman from among its members. Members of the Investment and Pension Fund Committee are excluded from membership of the Pension Board.

The members of the Pension Board serve for a four year term, subject to the following:

- The representatives of the administering authority shall be appointed annually by the Devon County Council Annual Council Meeting, but with a view to maintaining stability of membership.
- Two member representatives and one employer representative shall serve for an initial six year term, after which a four year term will be served, to promote continuity of experience by reducing the risk of all members being replaced by new members at the same time.
- The independent member shall also serve for an initial six year term, after which a four year term will be served.
- The membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors.
- Arrangements shall be made for the replacement of members who resign or whose membership ceases due to non-attendance in line with the procedures for their original appointment.

The Pension Board requires the support of the Fund's key advisors to support it in the execution of its responsibilities. These will include the County Treasurer and staff from the Authority's Investments and Pensions Administration teams. It will also include staff from the Devon Audit Partnership. The Board will also be able to seek advice from other advisors, such as the Fund Actuary, and the Fund's external auditors.

The Board will meet twice a year, once in the Spring and once in the Autumn. In addition training sessions will be held, which may be joint sessions with the Investment and Pension Fund Committee.

6. Role of the Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Assist the Administering Authority as Scheme Manager; –
 - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
 - in such other matters as the LGPS regulations may specify.
- Secure the effective and efficient governance and administration of the LGPS for the Pension Fund.
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will also help ensure that the Devon Pension Fund is managed and administered effectively and efficiently and ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

In fulfilling that role the Board undertakes the following tasks:

- Monitor compliance of the Pension Fund with legislation, guidance issued by the Pensions Regulator, and with the policies set out in the Fund's statutory statements.
- Review and scrutinise the performance of the Pension Fund in relation to its governance and administration, policy objectives and performance targets.
- Approval of the Annual Internal Audit Plan for the Devon Pension Fund and for Peninsula Pensions.
- Consideration of the Internal Audit Annual Report and regular update reports for the Devon Pension Fund and Peninsula Pensions.
- Consideration of the External Audit report on the Pension Fund Annual Report and Statement of Accounts.
- Review of the Pension Fund Risk Register.
- Monitoring of the Fund's Internal Dispute Resolution Procedures.

7. Role of the County Treasurer

The County Treasurer is Devon County Council's Section 151 (Local Government Act 1972) Officer and the Proper Officer under s115 of the Local Government Act 1972 responsible for the proper administration of the Council's financial affairs, including the Devon Pension Fund.

The following responsibilities are delegated to the County Treasurer:

- The management, monitoring and reporting to the Investment and Pension Fund Committee of the activities and the performance of the:
 - a. Investment Managers;
 - b. Investment Consultants and Advisors;
 - c. Fund Custodian.
- The management of the Fund's cash assets directly held by the Administering Authority.
- The authorisation of cash or asset movements between the Administering Authority, the Fund Custodian and the investment managers.
- Accounting for all investment transactions in compliance with standard accountancy and audit practice.
- Taking action to rebalance the Fund by moving funds between current managers, where actual asset allocation varies by more than 2.5% from the target allocation.
- Allocating surplus cash of up to £50m to the Fund's investment managers, in consultation with the Chairman and Vice-Chairman, when deemed that such an allocation could be made to the benefit of the Fund.
- The payment of fees to the investment managers and the custodian in accordance with their contractual agreements.
- The Committee has delegated the use of voting rights on the Fund's shareholdings to the investment managers. In exceptional circumstances the County Treasurer may, in consultation with the Chairman and Vice-Chairman, direct the investment managers to vote in a specific way.
- The admission of organisations into the Pension Scheme - in accordance with approved policy.
- Under exceptional circumstances, taking urgent decisions regarding management of funds in the event that existing fund managers are unable to fulfil their responsibilities.
- In consultation with specialist advisors determining, on a risk by risk basis, whether to pursue litigation cases to attempt to recover sums due in relation to taxation issues or class actions.
- Exercising the discretionary powers allowed under the LGPS regulations.

8. Governance Compliance Statement

The following table sets out the Devon Pension Fund's level of compliance with the latest guidance issued by the Secretary of State for Communities and Local Government.

As a statutory public service scheme, the LGPS has a different legal status compared with Trust based schemes in the private sector. Governance matters in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management.

Principle	Not Compliant	Partially Compliant	Fully Compliant
A. Structure			
(a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.			✓
(b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.			✓
(c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			N/A
(d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			N/A
(e) In accordance with the Public Sector Pensions Act 2013 a Pension Board is in place with equal representation from employers and member representatives.			✓
Explanation of level of compliance			
(c) and (d) No secondary committee has been established.			

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Principle	Not Compliant	Partially Compliant	Fully Compliant
B. Representation			
(a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:			
(i) employing authorities (including non-scheme employers, eg, admitted bodies)			✓
(ii) scheme members (including deferred and pensioner scheme members);		✓	
(iii) where appropriate, independent professional observers; and			✓
(iv) expert advisors (on an adhoc basis).			✓
(b) That where lay members sit on a main or secondary committee or the pension board, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.			✓
Explanation of level of compliance			
(a)(ii) Representatives of scheme members are members of the Investment and Pension Fund Committee, but without voting rights.			
C. Selection and Role of Lay Members			
(a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee or the pension board.			✓
(b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.			✓

Principle	Not Compliant	Partially Compliant	Fully Compliant
D. Voting			
(a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.			✓
E. Training / Facility Time / Expenses			
(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.			✓
(b) That where such a policy exists, it applies equally to all members of committees, subcommittees, advisory panels or any other form of secondary forum.			✓
(c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.			✓
F. Meetings - Frequency			
(a) That an administering authority's main committee or committees meet at least quarterly.			✓
(b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.			N/A
(c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.			✓

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Principle	Not Compliant	Partially Compliant	Fully Compliant
Explanation of level of compliance			
(b) No secondary committee has been established.			
G. Access			
(a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels and the Pension Board have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.			✓
H. Scope			
(a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.			✓
I. Publicity			
(a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.			✓

INVESTMENT MANAGEMENT REPORT

Report of the County Treasurer

All recommendations contained in this report are subject to confirmation by the Committee before taking effect.

Recommendations:

- (i) That the Investment Management Report be noted;
- (ii) That the Committee note compliance with the 2017/18 Treasury Management Strategy.

1) FUND VALUE AND ASSET ALLOCATION

The table below shows the Fund value and the asset allocation for the Fund compared to the target asset allocation as at **30 September 2017**.

Fund Value and Asset Allocation

	Fund Value as at 30.09.17	Target allocation 2017/18	Fund asset allocation at 30.09.17	Variation from Target
	£m	%	%	%
Fixed Interest				
Global Bonds	213.8	6.0	5.3	
Multi-Sector Credit	220.5	6.0	5.4	
Cash	98.9	1.0	2.4	
	533.2	13.0	13.1	+0.1
Equities				
Passive Equities	1,789.4	43.0	43.8	
Active Global Equities	418.4	10.0	10.3	
Active Emerging Markets	184.2	5.0	4.5	
	2,392.0	58.0	58.6	+0.6
Alternatives/Other				
Diversified Growth Funds	601.5	15.0 *	14.7	
Property	374.8	10.0	9.2	
Infrastructure	155.1	4.0	3.8	
Private Debt	23.9	0.0 *	0.6	
	1,155.3	29.0	28.3	-0.7
Total Fund	4,080.5	100.0	100.0	

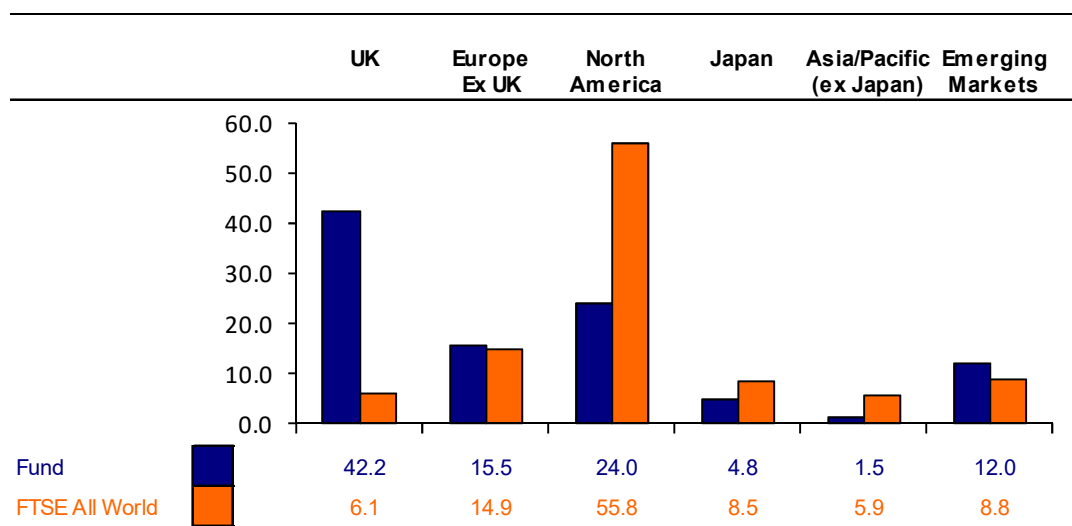
* Medium term allocation of 3% to Private Debt agreed, but this will be built up over time, funded from a decreased allocation to diversified growth funds

- The Fund value as at 30th September 2017 stood at £4,080.5 million, an increase of £90m over the quarter, and £150 million since 31st March.

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- The table shows the target asset allocation for 2017/18 as set out in the Investment Strategy Statement. With the exception of cash, the actual allocations are all within 1% of the target and no action is required to rebalance between asset classes. While the allocation to cash is higher than target, this will be reduced by the drawdown of the commitment made to private debt funds.
- The following table gives the geographical split of the Fund's equity allocations against the FTSE World geographical weightings:

Geographical Split of Equity Allocation compared to the FTSE All World Index

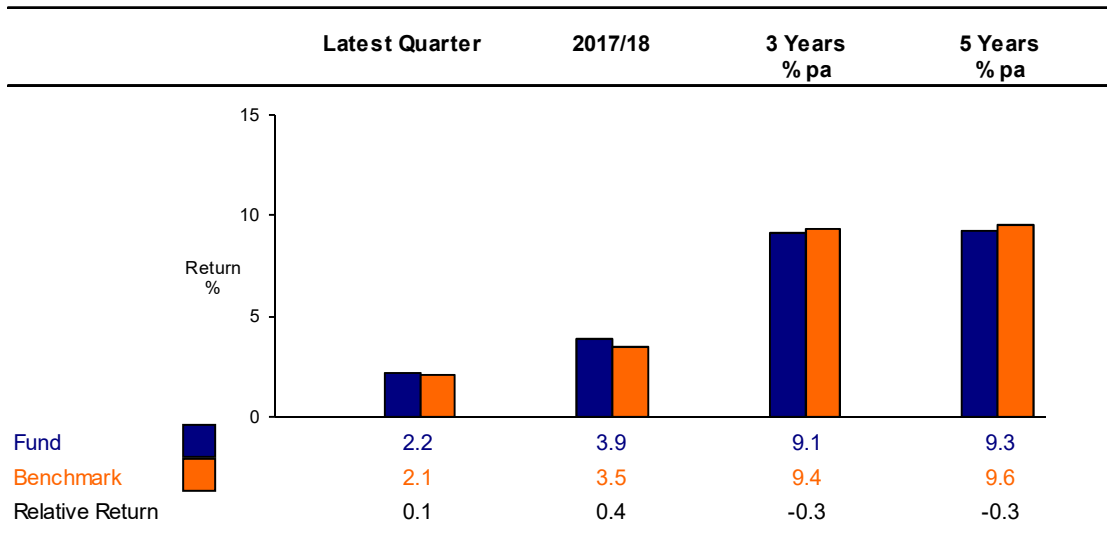


- The table shows that the Fund has an over-exposure to the UK and a significant under-exposure to North America compared to the world market. There is also a smaller under-exposure to Japan, while the exposure to Europe and the combined exposure to Asia/Pacific (ex Japan) and Emerging Markets is about right.
- It was agreed at the February committee that in principle, the Fund should look to reduce its overweight to UK equities by reallocating to overseas equities, predominantly to US equities with a small proportion to Japanese equities. However, as a result of the perception that the US market looked expensive, it was proposed that the reallocation should only take place after a period of under-performance of the US market in comparison with the UK market. Trigger points were agreed on that basis for the County Treasurer in consultation with the Chairman to move up to an initial £100m from UK passive equities to overseas passive equities, should the appropriate trigger points be hit.
- However, the US market has continued to outperform the UK, and has delivered a capital return of 15.0% (FTSE North America Index in USD) over the calendar year to date (to 30th October), compared with a return of 6.3% for the UK market (FTSE All Share Index). Therefore the trigger points have not been met and no action has been taken. There is a strong possibility that the agreed trigger points will not be hit for a significant period, which means that the Fund remains exposed to the risks associated with the UK market's sectoral biases (i.e. the FTSE All Share index has a heavy exposure to commodities and mining and to the financial services sector, rather than being balanced across all sectors of the economy). It is therefore proposed to put in place an alternative strategy, which is set out in a separate report on this agenda.

2) FUND PERFORMANCE

The performance of the Total Fund over the last quarter, the financial year, and on a rolling three and five year basis are shown in the following chart.

Longer Term Fund Performance Summary



The performance statistics quoted are net of fees for the current financial year and the last three years, but the five year figures shown combine gross performance up to 31 March 2014 and net of fees performance from 1 April 2014 onwards.

The financial year to date has seen a return 0.4% above benchmark. The total absolute return was +3.9%, ahead of the Fund benchmark of +3.5%. The longer term three and five year returns remain below benchmark.

A breakdown of the performance of the Total Fund for the quarter to 30 September 2017 and the comparative Index returns are shown in the following table:

Performance for the quarter to 30 September 2017

Sector	Fund Return	Benchmark	Benchmark Description
	%	%	
Global Bonds	-0.2	-0.7	BarCap Global Bonds
Multi-Sector Credit	3.9	3.6	MSC Bespoke *
Cash	0.1	0.1	GBP 7 Day LIBID
Passive Equities	4.2	4.3	Devon Bespoke Passive Index
Active Global Equities	5.3	2.4	FTSE World
Active Emerging Markets	2.8	6.9	MSCI Emerging Markets
Diversified Growth Funds	3.4	2.0	Devon Multi Asset Benchmark
Property	5.4	4.8	IPD UK PPF All Balanced Funds
Infrastructure	1.7	2.5	GBP 7 Day LIBID+5%
Private Debt	-3.0	1.3	GBP 7 Day LIBID+5%

Total Fund	3.9	3.5	Devon Bespoke Index
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*Composed of 1/3 Bank of America Merrill Lynch Global High Yield Constrained Index; 1/3 JPMorgan Emerging Markets Bond Index Plus; 1/3 CSFB Bank Loan Index.

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Key issues over the six months include:

- The active equity and fixed interest managers have performed well over the half year, with above benchmark returns, with the exception of the emerging markets equities mandate which significantly underperformed.
- Currency issues have again had an impact, with a weakening dollar reducing the value of the Fund's unhedged US exposure. This has had an adverse impact on the infrastructure return, and on the dynamic currency hedged passive US exposure. However the increase in the static hedged portion of the passive portfolio from 50% to 100% has protected the Fund to some extent. Conversely the strengthening Euro has meant that the additional Euro hedges put in place have had a negative impact on both equity and infrastructure returns.
- The diversified growth funds (DGFs) have outperformed their cash plus benchmarks at a time of modest positive returns in equity and bond markets.
- Property has also seen a positive return ahead of the benchmark.
- The private debt return reflects currency movement on the US fund investment. No income distributions had been received by the end of September, given the investment has only just been made.

3) BUDGET FORECAST MONITORING AND CASH MANAGEMENT

- (a) Appendix 1 shows the actual to date and revised forecast for 2017/18 against the original budget forecast. There was a deficit of **£9.1m** between contributions received and pension benefits paid out during the quarter.
- (b) The income received as cash reflects the income from the property mandate, distributions from infrastructure investments and interest on internally managed cash. This income was sufficient to cover the gap between pension benefits payments paid and the contributions received over the quarter. The remaining income is from the Fund's segregated equity and bond mandates and is reinvested by the fund managers.
- (c) Pension administration costs for the first quarter reflect the payment of the annual charge for IT support during the quarter. The updated forecast for the year is still in line with the original forecast. The actual expenditure to date for investment management and oversight and governance are generally low as payments are made in arrears. The high expenditure on actuarial services reflects costs over the quarter that will be recharged to employers, which will then reduce the net expenditure.
- (d) At 31 October 2017 the unallocated cash on deposit amounted to **£47.0m**. This is summarised in the following table. The cash held is being maintained at a lower level than in the past, with a target level of only 1% of the Fund, and it is therefore necessary to ensure its liquidity for cashflow purposes. However, the return of capital from one of the specialist funds has resulted in £10m being placed in a 6 month notice account. The additional cash is being held to meet future cashflow requirements, including providing for the drawdown of investment commitments.

Cash on Deposit

Type of Deposit	Maturity period	Actual as at 31/03/17	Average Interest Rate	Current as at 31/10/17	Average Interest Rate
		£m	%	£m	%
Call and Notice Accounts	Immediate	10.1	0.29	37.0	0.31
	6 Month Notice	10.0	0.80	10.0	0.80
Term Deposits	<30 Days	10.0	0.45	0.0	
	>30 Days	20.0	0.60	0.0	
TOTAL (at 31st October 2017)		50.1	0.55	47.0	0.42

- (e) The weighted average rate being earned on cash deposits, as at 31 October 2017, was **0.42%**. This reflects the current low interest rate environment and the need to ensure liquidity as a result of the low level of cash being maintained.
- (f) The deposits in place during the year to date have fully complied with the Fund's Treasury Management and Investment Strategy for 2017/18.

Mary Davis

Local Government Act 1972

List of Background Papers Nil

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Appendix 1

Devon County Council Pension Fund Budget / Forecast 2017/18

	Actual 2016/17 £'000	Original Forecast 2017/18 £'000	Actual to Sept 17 £'000	Revised Forecast 2017/18 £'000	Variance from Original Forecast £'000
Contributions					
Employers	(123,163)	(127,000)	(60,861)	(127,000)	0
Members	(36,709)	(37,000)	(18,207)	(37,000)	0
Transfers in from other pension funds:	(8,205)	(6,000)	(3,347)	(6,000)	0
	(168,077)	(170,000)	(82,415)	(170,000)	0
Benefits					
Pensions	136,549	142,000	70,507	142,000	0
Commutation and lump sum retirement benefits	27,716	30,000	16,612	30,000	0
Lump sum death benefits	3,751	4,000	1,713	4,000	0
Payments to and on account of leavers	719	500	215	500	0
Payments for members joining state scheme	5,684	6,000	2,485	6,000	0
	174,419	182,500	91,533	182,500	0
Net Withdrawals from dealings with fund members	6,342	12,500	9,118	12,500	0
Investment Income					
Received as Cash	(23,276)	(24,000)	(11,564)	(24,000)	0
Reinvested by Fund Manager	(16,576)	(17,000)	(9,318)	(17,000)	0
	(39,852)	(41,000)	(20,882)	(41,000)	0
Administrative costs					
Peninsula Pensions	2,059	2,000	1,242	2,000	0
	2,059	2,000	1,242	2,000	0
Investment management expenses					
External investment management fees - invoiced	6,182	6,900	2,592	6,900	0
External investment management fees - not invoiced	4,343	4,400	1,444	4,400	0
Custody fees	107	115	25	115	0
Transaction costs	1,370	1,500	721	1,500	0
Reversal of accrual	(2,471)	0	0	0	0
Stock lending income & commission recapture	(109)	(100)	(35)	(100)	0
Other investment management expenses	50	50	0	50	0
	9,472	12,865	4,748	12,865	0
Oversight and governance costs					
Investment & Pension Fund Committee Support	92	95	27	95	0
Pension Board	26	27	12	27	0
Investment Oversight and Accounting	281	285	113	285	0
Brunel Pension Partnership	146	440	22	440	0
Legal Support	34	30	0	30	0
Actuarial Services	69	40	150	40	0
Investment Performance Measurement	38	0	0	0	0
Subscriptions	19	20	16	20	0
Internal Audit fees	22	14	0	14	0
External Audit fees	29	29	7	29	0
	755	980	347	980	0
Total Management Expenses	12,286	15,845	6,337	15,845	0

ACTUARIAL SERVICES CONTRACT REVIEW

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.
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Recommendation: That the Committee note the result of the tender evaluation process to award a new contract for the provision of actuarial services to the Devon Pension Fund.

1. Introduction

- 1.1. The Devon Pension Fund's current contract for the provision of actuarial services is due to expire in February 2018. The main function of the Fund Actuary is to carry out the statutory triennial actuarial valuation of the Pension Fund. The actuarial valuation sets out the Fund's assets and liabilities, based on a set of actuarial assumptions, and reviews the financial position of the Fund. It also sets the contribution rates for each employer in the Fund for the following three years.
- 1.2. In addition to the triennial valuation, the Actuary also carries out accounting valuations for the Fund and the Fund's constituent employers on an annual basis. If an employer ceases to have active members in the Fund the Actuary will carry out a closure valuation to calculate an exit payment for the employer to ensure all their future liabilities are covered. The Actuary will also advise on the content of the Funding Strategy Statement, and carry out employer risk assessments, cash flow analyses and assessments of the cost of pension arrangements for any new admitted bodies resulting from Councils outsourcing services.
- 1.3. At the June meeting of the Investment and Pension Fund Committee it was agreed to use the National LGPS Framework Agreement to secure a new contract for Actuarial Services, and that the appointment process and final decisions be delegated to the County Treasurer in consultation with the Chairman.

2. The Evaluation Process

- 2.1. Four providers under the National LGPS Framework were invited to participate in a mini-competition exercise, in accordance with the framework agreement. The specification for the mini-competition specified that submissions would be judged 40% on quality, 40% on service fit and 20% on price.
- 2.2. Each submission was independently evaluated and awarded scores for quality by an evaluation panel comprising the Chairman and officers. Providers were then invited to attend County Hall on 10th November to deliver a presentation on service fit, to be evaluated by the panel.

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3. Conclusion

- 3.1. The results of the tender evaluation will be reported orally to the Committee at the meeting, and the committee will be asked to note the intention to appoint the provider with the highest score from the evaluation. A new contract will be awarded for a 6 year period up to February 2024.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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