

Phil Norrey  
Chief Executive

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To: Members of the Devon  
Pension Board

County Hall  
Topsham Road  
Exeter  
Devon  
EX2 4QD

(See below)

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Your ref :  
Our ref :

Date : 5 October 2018  
Please ask for : Gerry Rufolo 01392382299

Email: gerry.rufolo@devon.gov.uk

## **DEVON PENSION BOARD**

**Monday, 15th October, 2018**

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

## **AGENDA**

### **PART 1 - OPEN COMMITTEE**

- 1 Apologies
- 2 Election of Chair and Vice Chair
- 3 Minutes (Pages 1 - 4)

Minutes of the meeting held on 23 April 2018, attached

- 4 Items Requiring Urgent Attention

Items which in the opinion of the Chairman should be considered at the meeting as matters of urgency.

- 5 Membership of the Board

The Board is advised that Councillor Colin Slade has been appointed by Devon County Council to fill the vacancy for a Devon County Council Representative on the Pension Board with immediate effect.

## **MATTERS FOR CONSIDERATION OR REVIEW**

6 Statutory Statements - Draft Communication Policy (Pages 5 - 22)

Report of the County Treasurer (CT/18/70), attached

7 Statutory Statements and Terms of Reference - Annual Review (Pages 23 - 40)

Report of the County Treasurer (CT/18/71), attached

8 Devon Pension Fund Risk Register (Pages 41 - 62)

Report of the County Treasurer (CT/18/72), attached

9 Review of Attendance (Pages 63 - 66)

Report of the County Treasurer (CT/18/73), attached

## **MATTERS FOR INFORMATION**

10 Investment and Pension Fund Committee (Pages 67 - 74)

Minutes of the Investment and Pension Fund Committee meetings held on 15th June 2018 and 14th September 2018, attached

11 Devon Pension Board: Budget Monitoring 2018/19 (Pages 75 - 76)

Report of the County Treasurer (CT/18/74), attached

12 Brunel Pension Partnership Progress Report (Pages 77 - 78)

Report of the County Treasurer (CT/18/75), attached

13 External Audit Findings Report 2017/18 (Pages 79 - 98)

Report of the County Treasurer (CT/18/76), attached

14 Peninsula Pensions Administration Update and Performance Statistics (Pages 99 - 104)

Report of the County Treasurer (CT/18/77), attached

15 Pension Board Membership (Pages 105 - 106)

Report of the County Treasurer (CT/18/67), attached

16 Future Work Programme (Pages 107 - 108)


Report of the County Treasurer (CT/18/78), attached

17 Dates of Meetings

3rd April 2019; 21st October 2019; and 16th April 2020 (all at 10.30 am)

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

*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.*

<b>Membership</b>
<p>Devon County Council  Councillors S Randall-Johnson and C Slade  Fund Employer Representatives  Graham Smith (Devon &amp; Cornwall Police) and Carl Hearn (Tavistock Town Council)  Fund Member Representatives  Andy Bowman, Heather Keightley, Paul Phillips and Colin Shipp  Independent Member (non-voting)  William Nicolls</p>
<b>Declaration of Interests</b>
<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>
<b>Access to Information</b>
<p>Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Gerry Rufolo 01392382299  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>
<b>Webcasting, Recording or Reporting of Meetings and Proceedings</b>
<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: <a href="http://www.devoncc.public-i.tv/core/">http://www.devoncc.public-i.tv/core/</a></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 Chair. 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 Chair 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>
<b>Emergencies</b>
<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>
<b>Mobile Phones</b>
<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: <a href="mailto:centre@devon.gov.uk">centre@devon.gov.uk</a> or write to the Democratic and Scrutiny Secretariat at County Hall, Exeter, EX2 4QD.</p>
 <p>Induction loop system available</p>

## **NOTES FOR VISITORS**

All visitors to County Hall, including visitors to the Committee Suite and the Coaver Club conference and meeting rooms are requested to report to Main Reception on arrival. If visitors have any specific requirements or needs they should contact County Hall reception on 01392 382504 beforehand. Further information about how to get here can be found at: <https://new.devon.gov.uk/help/visiting-county-hall/>. Please note that visitor car parking on campus is limited and space cannot be guaranteed. Where possible, we encourage visitors to travel to County Hall by other means.

**SatNav** – Postcode EX2 4QD

### **Walking and Cycling Facilities**

County Hall is a pleasant twenty minute walk from Exeter City Centre. Exeter is also one of six National Cycle demonstration towns and has an excellent network of dedicated cycle routes – a map can be found at: <https://new.devon.gov.uk/travel/cycle/>. Cycle stands are outside County Hall Main Reception and Lucombe House

### **Access to County Hall and Public Transport Links**

Bus Services K, J, T and S operate from the High Street to County Hall (Topsham Road). To return to the High Street use Services K, J, T and R. Local Services to and from Dawlish, Teignmouth, Newton Abbot, Exmouth, Plymouth and Torbay all stop in Barrack Road which is a 5 minute walk from County Hall. Park and Ride Services operate from Sowton, Marsh Barton and Honiton Road with bus services direct to the High Street.

The nearest mainline railway stations are Exeter Central (5 minutes from the High Street) and St David's and St Thomas's both of which have regular bus services to the High Street. Bus Service H (which runs from St David's Station to the High Street) continues and stops in Wonford Road (at the top of Matford Lane shown on the map) a 2/3 minute walk from County Hall, en route to the RD&E Hospital (approximately a 10 minutes walk from County Hall, through Gras Lawn on Barrack Road).

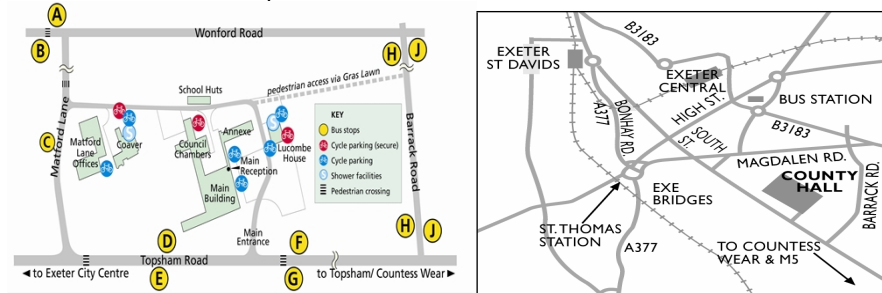
### **Car Sharing**

Carsharing allows people to benefit from the convenience of the car, whilst alleviating the associated problems of congestion and pollution. For more information see: <https://liftshare.com/uk/community/devon>.

### **Car Parking and Security**

There is a pay and display car park, exclusively for the use of visitors, entered via Topsham Road. Current charges are: Up to 30 minutes – free; 1 hour - £1.10; 2 hours - £2.20; 4 hours - £4.40; 8 hours - £7. Please note that County Hall reception staff are not able to provide change for the parking meters.

As indicated above, parking cannot be guaranteed and visitors should allow themselves enough time to find alternative parking if necessary. Public car parking can be found at the Cathedral Quay or Magdalen Road Car Parks (approx. 20 minutes walk). There are two disabled parking bays within the visitor car park. Additional disabled parking bays are available in the staff car park. These can be accessed via the intercom at the entrance barrier to the staff car park.



**NB**   Denotes bus stops

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### **First Aid**

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



## DEVON PENSION BOARD

23 April 2018

### Present

Councillors B Greenslade (Chair) and S Randall-Johnson

### Fund Employer Representatives

Mr C Hearn and Mr G Smith

### Fund Member Representative

Mr A Bowman, Mr P Phillips and Mr C Shipp

### Apologies:-

Mr W Nicholls and H Keightley

\* **65** **Minutes**

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

\* **66** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* **67** **Investment and Pension Fund Committee**

The Board received the Minutes of the Investment and Pension Fund Committee meeting held on 23 February 2018.

The Board noted that, in regard to the Pending Court Case (Minute \*50 refers), the outcome would be reported to Board Members in due course.

\* **68** **Pension Board Annual Report 2017/18**

The Board received the Report of the County Treasurer (CT/18/33) on the draft Devon Pension Board Annual Report 2017/18 subject to approval by the Investment and Pension Fund Committee later this year. The Devon Pension Board Annual Report, detailed the work undertaken by the Board during 2017/18, areas reviewed, key recommendations that had been reported to the Board and acted upon by the Investment and Pension Fund Committee. An initial draft of the Board's Report was attached at Appendix 1 for consideration.

The County Treasurer invited Board Members to submit any views on the draft Board report (by a date to be confirmed). Any comments received would be subject to approval by the County Treasurer in consultation with the Chair.

\* **69** **Devon Pension Fund Risk Register**

The Board considered the Report of the County Treasurer (CT/18/34) on monitoring of the Risk Register as part of its scrutiny role in relation to risk and compliance. The Risk Register attached at Appendix 1 to the Report highlighted the key risks in relation to the Pension Fund,

# Agenda Item 3

2

DEVON PENSION BOARD  
23/04/18

the current processes in place to mitigate risk, and planned improvements to provide further assurance. The Register incorporated both the Investment Team and Peninsula Pensions.

In discussion with the County Treasurer, Members' comments included further consideration should be given to:

- clearer descriptions relating to General Protection Data Protection Regulations (PP10 and PP11);
- in the Description relating to a Market Crash (F5), expand and outline a worst-case scenario leading to an increase in the deficit (rather than a failure to reduce the deficit);
- expand risk PP6 to include the risk of employees not joining the Scheme, mitigated by the Communications Policy which would provide clear information (not advice); the Communications Policy was currently under review; and
- inclusion of a reference to the on-going training of both Board and Investment and Pension Committee Members.

Any changes arising from the above comments would be reported to Members following consideration by Officers and the Investment and Pension Fund Committee.

The Board noted the Pension Fund Risk Register and the additional actions proposed to mitigate risk.

\* 70

## **Statutory Statements**

The Board considered the Report of the County Treasurer (CT/18/35) on the Investment Strategy Statement, formulated and published in accordance with guidance issued by the Secretary of State.

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

The Investment Strategy Statement was initially approved by the Investment and Pension Committee on 24th February 2017 and a revision had been approved on 23rd February 2018 relating to Environmental, Social and Corporate Governance (ESG) detailed in sections 5 and 6 of the Statement.

Members' discussion points with the County Treasurer included:

- consideration to reference in the Statement, issues relating to gender in-balance on the larger Corporate Boards and how the Fund could exert influence as an institutional investor (via the Brunel Partnership's Fund Managers, for example);
- commentary and judgements on the wider economic climate over the following 12 months, whether positive or negative, growth prospects and international comparisons which may impact on asset allocations and weightings, giving an explanation and rationale, for annual review or attached as an appendix and reviewed more regularly; and
- consideration to the formulation of a 'Business Plan' which collated the Fund's Statutory Statements into one document (including the Risk Register), providing headline goals, objectives and key drivers, which would be subject to regular review by the Investment and Pension Fund Committee and this oversight Board.

The above comments and suggestions would be considered by the Officers to report to the Investment and Pension Fund Committee.

\* 71

## **Training Review 2017/18 and Training Plan 2018/19**

The Board considered the Report of the County Treasurer (CT/18/36) on the training requirements for Members, training undertaken in 2017/18 and the Training Plan for 2018/19.



Member training included the Pension Regulator Toolkit with a series of online learning modules, the results of which would be used to help identify areas of where additional training would be required.

Members' discussion points with officers included:

- whilst Members' attendance on training courses had been generally good, some form of accreditation and feedback on knowledge gained could be provided, rather just a record of attendance, with a more detailed breakdown of the various components, which would provide clearer evidence of effective member training;
- good practice and documentation from Cornwall County Council aspects of which could be adopted by Devon County Council; and the County Treasurer undertook to review the document in consultation with the Members' Development Officer and glean areas of good practice which could be adopted; and
- recognition of other areas of more informal learning by Members which could also add to their knowledge and experience.

The above suggestions would be reviewed by the Officers for report to the Investment and Pension Fund Committee.

\* **72**      **Pension Board Budget: Forecast Outturn for 2017/18 and Budget for 2018/19**

The Board considered the Report of the County Treasurer (CT/18/37) on the Forecast Outturn for 2017/18 and Budget for 2018/19 in respect of the expenses of the Pension Board as part of the costs of administration of the Fund.

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

**RESOLVED** that the Devon Pension budget for 2018/19 be approved.

\* **73**      **Internal Audit Report for 2017/18 & Internal Audit Plan for 2018/19**

The Board received the Report of the County Treasurer (CT/18/38) on the Annual Internal Audit Report 2017/18 and the proposed Internal Audit Plan 2018/19 prepared by the Head of Devon Audit Partnership. The Partnership was required to provide the Authority with an assurance on the system of internal control of the Fund and provide a reasonable level of assurance, based on risk-based reviews and sample testing, that there were no major weaknesses in the system of control.

Members' discussion points with the Head of the Devon Audit Partnership and comments and observations included:

- days allocated for each Audit for the Pension Fund and Peninsula Pensions (Audit Risk Areas) were subject to review and were flexible;
- if any significant risks were identified, these would be discussed with senior Officers and actions points with time frames to mitigate the risks would be recommended for report to the Devon Audit Partnership Committee and the Investment and Pension Fund Committee; and
- there were County Council protocols in place in the unlikely event of Audit recommendations not being progressed.

The County Treasurer undertook to review the format of the Report to this Board with a view of clearly logging actions taken and outcomes.

\* **74**      **Peninsula Pensions Performance Report**

The Board considered the Report of the County Treasurer (CT/18/39) on service standards and performance within the Peninsula Pensions service.

# Agenda Item 3

4

DEVON PENSION BOARD  
23/04/18

The main service standard was to complete 90% of work within 10 working days once all necessary information had been received from employers. The Service also participated in the CIPFA Benchmarking Club which provided a yearly comparison of performance with other LGPS administration services (of which approximately 50 LGPS Funds took part each year). The Report also outlined the actions implemented to address areas of underperformance with a focus on priority work. Members noted that following a review and restructure 6.5 FTE posts would be added to the Team.

Members discussion points with the Head of Service (Peninsula Pensions) included:

- early notification to beneficiaries was largely dependent on timely information from Employers (payroll);
- the risks associated with any poor performance could be considered as part of the Audit process and consideration should be given to adding this to the Audit Plan for 2018/19;
- priority areas were broadly on target and it was anticipated that poorer performance in lower priority areas would be addressed following the restructure and the increase in posts; and
- the financial impact on the Fund of delays of '*Transfers in*' had not been assessed and the Head of Service undertook to research this (based on transfer values) for report back to the Board.

## \* 75 Breaches Policy

The Board considered the Report of the County Treasurer (CT/18/40) on the draft breaches policy and procedures designed to comply with the guidance provided by the Pensions Regulator and which helped ensure that the Devon Pension Fund followed best practice in this area.

The draft Breaches Policy and the Breaches Log for 2017/18 was attached as Appendices 1 and 2 to the Report.

Members noted that 3 breaches had been recorded for 2017/18 but had not been considered to be of material significance and therefore had not been reported to the Pensions Regulator.

## \* 76 General Data Protection Regulations

The Board noted the Report of the County Treasurer (CT/18/41) on the General Data Protection Regulation (GDPR) which would become law on 25th May 2018 made because of the widespread availability of personal information due to technological advances. The Report outlined the new principles set out in the Regulation (similar to those in the current Data Protection Act) and the Fund's progress in meeting requirements by 25 May 2018.

## \* 77 Future Work Programme

The Board noted the Report of the County Treasurer (CT/18/42) on the Board's future work programme covering the next two meetings which would be updated to reflect the changes arising from this meeting (Minutes 67 and 74 Refer).

The Meeting started at 10.30 am and finished at 12.40 pm

## STATUTORY STATEMENTS – COMMUNICATIONS POLICY

### 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 provide any comments on the draft Communications Policy.

#### 1. Introduction

- 1.1. The Communications Policy is one of the four statutory statements that the Fund is required to have in place. It sets out the Fund's policies on the provision of information and publicity about the Scheme to members, representatives of members and employing authorities. It sets out the format, frequency and method of distributing such information or publicity, other key organisations that we communicate with, our values in relation to communications and the professional expertise available to the Fund.
- 1.2. The Communications Policy was last updated and considered by the Investment and Pension Fund Committee in November 2015. The policy has been updated to address action points raised by the recent Communication with Stakeholders audit, updates to reflect new legislation, pooling and Government department changes.

#### 2. Communications Policy

- 2.1. The Communications Policy covers the following areas:
- 2.2. Data Protection  
Included to capture the new General Data Protection Regulations that come into force in May 2018 and details how members can access the personal information the fund holds about them.
- 2.3. Why and how we communicate  
This section provides a simple introduction explaining the importance of communicating with employers and employees (including prospective, active, deferred and retired members) and how each of these groups is entitled to receive expert support and information. Links to the Customer Charter can also be found in this section. This section has been updated to reflect the funds move to electronic communication and compliance with the Disclosure Regulations.
- 2.4. Fund Governance  
This section contains information regarding the management of the Fund and includes links to the minutes of the Investment and Pension Fund Committee and Pension Board.
- 2.5. Professional Know How  
The Devon Pension Fund employs the services of a range of specialists. This section provides information about the fund's actuary, investment fund managers, independent advisor and explains how the Fund obtains legal advice.

# Agenda Item 6

## 2.6. Other Organisations We Connect With

This section highlights some of the external organisations that the Fund engages with on a regular basis and provides a summary of the connection.

## 2.7. Meeting Stakeholder Information Needs

Scheme Members and Employers have been identified as the two key stakeholder groups connected to the Devon Pension Fund. Appendix A to the policy clearly states the information requirements of each group and notes the corresponding product(s) and frequency of delivery and availability, in order to satisfy the information requirements.

## 3. **Audit Opinion**

3.1. In June 2018, the Devon Audit Partnership conducted an audit covering Communication with Stakeholders. The audit opinion overall was of a Good Standard. Some recommendations for improving the policy were made and agreed by the Management Team and have been reflected in this latest revision.

## 4. **Conclusion**

4.1. The Board is asked to consider the draft Communications Policy and decide if 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

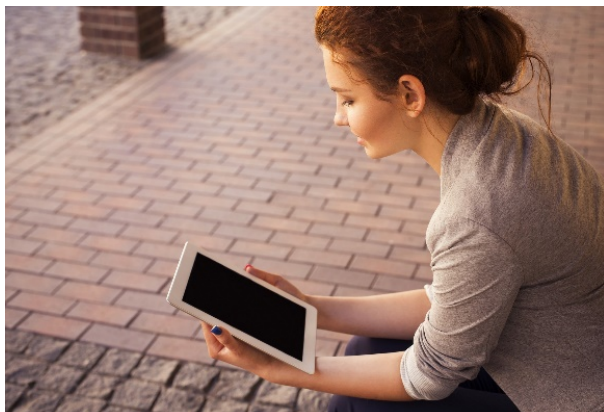
Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

# **Devon County Council Pension Fund Communications Policy**

**Draft revision presented to the Pension Board  
October 2018**

<b>Contents</b>	
Data Protection Rights to Information	3
Why we Communicate Our Communication Standards How we Communicate	4
Fund Governance The Investment & Pension Fund Committee The Devon Pensions Board The County Treasury Team Peninsula Pensions	8
Professional Know How Actuarial Services Investment Fund Managers & Independent Advisors The Brunel Pension Partnership Legal Advice	10
Wider Audiences	12
Meeting Our Stakeholders Information Needs	14



## Review

The accuracy and relevance of this policy document is checked annually, and it is revised whenever there are significant changes to the LGPS or to the Authority's procedures and responsibilities.

## Data Protection

The Devon Pension Fund Administering Authority is a Data Controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services.

To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but only do so in limited circumstances.

For more information about how we hold your data, who we share it with and what rights you have, please see our privacy notice: [https://www.peninsulapensions.org.uk/wp-content/uploads/2018/03/GDPR\\_PNS-Devon-2.docx](https://www.peninsulapensions.org.uk/wp-content/uploads/2018/03/GDPR_PNS-Devon-2.docx)

## Rights to Information

This document outlines the Fund's policy for communications with our members, participating employer organisations and the wider LGPS world. It sets out our methods and principles for managing interaction, and includes a summary of the key strands of communications.

Increasingly we are using electronic forms of communication, but we will always offer members the opportunity to receive paper copies by post. Face-to-face and telephone communications will continue to be important channels for members to interact with the Fund and vice-versa.

Our print and electronic communications are designed with consideration for those with additional needs and we can arrange large print, audio or Braille versions of all printed literature.

There is nothing in this policy statement that affects your rights to access or receive information under the Freedom of Information Act or the Disclosure requirements of the Local Government Pension Scheme (LGPS). You are entitled to see the information we hold about you and can request a copy by using this link <https://new.devon.gov.uk/accesstoinformation/data-protection/accessing-your-personal-data>.

## Why we Communicate

We have a large and broad range of member organisations for whom we need to offer specialist advice in order that they fully understand their obligations as employers in the Devon Pension Fund.

Our scheme members, whether current employees and actively contributing toward pension benefits, former employees with deferred pension rights, or retired and in receipt of a pension, number in their tens of thousands. All are entitled to expert support and information.



## Our Communication Standards

We aspire to supply a high-quality pension administration service providing value for money and to meet the highest possible standards in our dealings with all our customers.

These aims are set out in our [Customer Charter](#) which has been drawn up specifically with employee members in mind, whether active, deferred or of pensioner status. It describes how individuals who contact us will be treated by our Pensions Services staff. It sets out core standards of service which are measurable and encourages members to provide us with feedback on how we are doing as well as what to do if unhappy with the service they have received.

## How We Connect

We have a range of communication channels and when deciding which to use we consider the message, our customer, and the cost to the Fund. Each time, the aim is to use the most appropriate and efficient means for connecting with scheme members and employers, whilst delivering concise, clear and above all accurate information.

To contain administration costs and embrace the use of technology, the fund aims to communicate as much as possible via electronic methods. In accordance with The Occupational and Personal Pensions Schemes (Disclosure of Information) Regulations 2013, members have been given the option to elect to continue to receive all communications via the postal service. Members who have not made such an election should sign up for Member Self-Service.

Here are some of the common communication channels we use:

### Internet

Peninsula Pensions is a shared admin service run by Devon County Council on behalf of the Devon and Somerset Pension Funds.





The service web site is an extensive information resource with dedicated sections for anyone who may be thinking of joining, is already a member, or may be a previous member or a pensioner member

<https://www.peninsulapensions.org.uk/> Using the navigable menu the reader can access electronic copies of scheme literature and advice such as on methods of increasing future retirement benefits through options like Additional Voluntary Contributions (AVCs) and Additional Pension Contributions (APCs) - although members should note that we are unable to counsel on whether any scheme suits an

individual's personal circumstances and strongly advise that anyone considering an AVC arrangement or any such product takes independent advice before making a final decision.

There is also a section for employers where they can obtain the latest news and advice, or search the Employers Guide and source forms.

## Member Contact

Members are welcome to call 01392 383000 and ask for 'Pensions' to speak directly with one of the team. Telephones are manned during office hours Monday to Friday. For email queries a form found on the 'Contact us' pages of the Peninsula Pensions website should be completed and submitted. The query will then be automatically routed to the team best placed to answer the query.

## Newsletters

Employer organisations of the Devon Pension Fund receive a quarterly newsletter via the Peninsula Pensions shared service in the form of an electronic magazine informing them of the latest news and developments affecting the LGPS. This is intended to be helpful and informative.



We encourage employers to circulate the newsletter within their organisation and make available direct emailing to those members of staff who would like it. Special bulletins of this newsletter are also sent from time to time when the occasion or need arises.

Similarly, Peninsula Pensions publishes the newsletter Pensions Post, through which we keep our Fund members up to date with pensions legislation and changes, and this is made available on the website and member self-service for those who have not elected for postal communications.

## Member Self-Service

Members can now access their own pension records online, via the Altair Member Self Service portal incorporated into our website. Using simple and easy to navigate screens accessed through a fully auditable security system a member or pensioner is able to:

- update personal details
- view payslips, P60s and annual benefits statements
- model their own benefit calculations
- view newsletters
- request benefit statements
- notify the pensions department of any amendments required
- print nomination and other forms for completion

## Scheme Literature

A range of scheme literature is produced by the Fund and made available to employer organisations and employees through our website.

The Fund has produced an Employer Guide. This is a key product for employers as it is a comprehensive reference source which helps them to understand and fulfill their responsibilities. An electronic version is maintained on Devon Pension Fund's website within the dedicated employer section. Copies of leaflets and forms are also available to employers from the website or on request.

## Training & Liaison

We offer specialist training and advice to all Fund employers and this covers the full range of administrative activities and tasks. We will also deliver training that is tailored to the specific needs of an employer in-situ.

The Fund also holds an annual meeting at a technical level for all employers. This meeting, known as the Pension Liaison Officers Group (PLOG) provides an outstanding opportunity for all parties to exchange views and news as well as addressing technical issues. Additional PLOGs will be organised periodically if needs arise.

Dedicated liaison officers provide communications and support to employers on various aspects of pension management and administration.

## Annual Employers Meeting

Employer organisations have the opportunity to meet senior Investment and Pension Fund managers once a year at the Annual Employers Meeting. Pitched at a high-level target audience of decision makers, the meeting provides formal and informal opportunities to exchange information and ask questions about fund performance, actuarial issues, changes to workplace pension's law, and developments in the reform of public pensions and LGPS specifically. Post event feedback and improvement opportunities are sought from everyone attending this annual event.

## Annual Consultative Meeting

An Annual Consultative Meeting (ACM) with fund members is held early in the calendar year. This is organised with the trade unions (Unison and GMB).

The Chair of the Committee, the County Treasurer, the Assistant County Treasurer – Investments and Treasury Management, and the Head of Peninsula Pensions attend the ACM to make presentations and answer any questions.

## Benefit Statements, Pay Advices, and P60s

Every year, we issue an annual benefit statement to all current contributing members. This shows the current and prospective value of the member's benefits.

Deferred members will also receive a statement where a current address is held for them or through Member Self Service.

We send pay advices to pensioners in April and May each year. These show the effect of the annual pension increase and will include a P60 tax document summarising pay and the tax deducted from it for the previous year.

A payslip is also issued to pensioners if there has been a change of more than £1 to their net monthly income.

## Annual Report

The Devon Pension Fund's current Annual Report and Accounts is made available at the Peninsula Pensions website <https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/> Hardcopy of the full report can be provided upon request. Employee members are informed of the web link via pay slips and all retired members receive a leaflet by post or through Member Self Service.

Archived annual reports and accounts can also be accessed via the website, as can a range of Fund publications, including among others our Investment Strategy Statement, Funding Strategy Statement, and the most recent Actuarial Valuation Report.



## Fund Governance

Pensions governance is all about monitoring pension schemes to make sure they are run in their members' interests. There are several aspects to pensions governance, and Devon County Council, as administering authority, has a range of established systems, practices and procedures through which it delivers and fulfils these responsibilities:

- the hiring of fund managers and advisors
- deciding how money is invested between asset classes – in shares, bonds, property, cash or as venture capital
- ensuring that the pension fund runs efficiently, making sure the costs and charges are known and reduced
- agreeing the principles that govern the way the money is invested – and making sure those principles are adhered to
- making sure there's always enough money in the pension fund to pay pensions
- ensuring members have a voice in the running of their pension scheme and investment of their contributions

## The Investment and Pension Fund Committee

The Investment and Pension Fund Committee fulfils the duties of Devon County Council as the Administering Authority of the Pension Fund.

The committee is made up of representatives from Devon County Council, Unitary and District Councils, other non-council employers, Trade Union and retired Members.

Its main powers and duties are based on the provisions of Section 101 of the Local Government Act 1972 and the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016, and accompanying guidance, and are designed to ensure that the Fund is properly and effectively managed. Its purpose is to make sure the Council performs its duties as Administering Authority of the Devon Pension Fund, reviewing and approving the Fund's annual statement of accounts, and making sure that appropriate accounting policies are followed. It also brings to the attention of the Council any concerns arising from financial statements or any audit.

Investment and Pension Fund Committee Meetings are held at least quarterly and are open to the public as observers, other than where information is exempt from public disclosure under the Local Government Act 1972. Committee agendas, reports and minutes are made available via the Devon County Council web site

[http://www.devon.gov.uk/index/councildemocracy/decision\\_making/cma/index/councildemocracy/decision\\_making/cma/index\\_inv.htm](http://www.devon.gov.uk/index/councildemocracy/decision_making/cma/index/councildemocracy/decision_making/cma/index_inv.htm)

## The Devon Pensions Board

The Public Services Pension Act 2013 required all Funds to establish a local Pension Board to assist with governance and compliance from 1st April 2015. Devon Pension Board meetings are formal recorded occasions, where the status of the scheme and associated issues are reviewed, and recommendations made concerning the standards of scheme governance and administration.

The Board meets at least twice a year, with one meeting in the Spring and one in the Autumn. More information on the Pension Board along with terms of reference and meeting minutes can be found on the Peninsula Pensions website at <https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/>

## Peninsula Pensions

Peninsula Pensions is a shared administration service run by Devon County Council on behalf of the Devon and Somerset Pension Funds. It provides an expert administration service to employers and members of public service pension schemes. This skilled team currently provides its expertise to members and employer organisations of:

- Both the Devon County Council LGPS Scheme and the Somerset County Council LGPS Scheme, as well as
- The Avon and Somerset Police Pension Scheme, and
- The Gloucestershire Fire and Rescue Service Pension Scheme



## The County Treasury Team

Devon County Council has a small Treasury and Investments Team headed up by the County Treasurer and Assistant County Treasurer for Treasury Management & Investments. It is accountable for securing safe, successful arrangements for treasury management both for County Council funds and the Devon Pension Fund; for making sure that effective processes are in place for the management of the investments and assets of the Devon Pension Fund.

The Treasury Team provides all governance parties with the accurate data and unambiguous clarity of message they need to help them shape opinions and make informed decisions in their duties to the Fund.

You can discover more about the governance of the Devon Pension Fund by reading our [Governance Policy and Compliance Statement](#) [here](#)

Visit <https://www.pensinulapensions.org.uk/>

## Professional Know How

The Devon Pension Fund employs the services of a range of actuarial and investment specialists in order for it to achieve its purpose and fulfil its pensions promise



## Actuarial Services

The Fund Actuary performs a three-yearly Actuarial Valuation of the Devon Pension Fund as required by LGPS Regulations. Assets and liabilities are measured and valued and employer contribution rates are calculated that will achieve the long-term Fund Strategy.

The Fund maintains communications with the Actuary and Employers throughout this exercise. All employers get the opportunity to meet the Actuary when preliminary results are known.

The Actuary also provides us with information and advice on a range of issues affecting the Fund, especially when an employer organisation is seeking to join or, more rarely, exit the Fund.

Actuarial Services to the Fund are currently provided by <https://www.barnett-waddingham.co.uk/>

## Investment Fund Managers & Independent Advisors

Investment performance is consistently monitored and evaluated against portfolio objectives and benchmarks. This is undertaken by the County Treasurer's Investment Team which has regular performance review meetings with the professional external Fund Managers who are appointed to invest the monies belonging to the Fund.

The County Treasurer reports to the Investment and Pension Fund Committee on investment performance and each active external Fund Manager will attend a briefing meeting with the Committee on an annual basis.

Investment constraints are set by the Committee whose professional knowledge is supplemented by the advice of the County Treasurer's Investment Team and an experienced independent investment adviser.

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## The Brunel Pension Partnership Ltd.

In the 2015 Autumn Statement, the Government published criteria for the pooling of Local Government Pension Scheme (LGPS) investments. This followed on from the policy statement made in the July budget that the Government was looking for LGPS funds to pool their investments into larger funds to achieve savings through economies of scale and increased bargaining power. Investment costs will be reduced along with other costs for all types of investment used in the pool.

Devon County Council is a shareholder of the Brunel Pension Partnership Ltd. (Brunel) which is one of eight national Local Government Pensions Scheme LGPS Pools. The Devon Fund will continue to be responsible for its own investment strategy, and for deciding the strategic asset allocation between different asset classes to meet local investment objectives. However, Brunel will be responsible for selection and monitoring of the external investment managers who will manage the investments.

Brunel will manage the investments for the pension funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire; bringing together approximately £30 billion investments of the 10 likeminded funds.

It is expected that Devon Pension Fund investment assets will be fully transitioned across to Brunel during the period between April 2018 and mid-2021.

The Q&A for Fund members on this official investment reform can be found [here](#).

The Q&A for Fund employers can be found [here](#)

And further news and information can be found at: [www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

## Brunel Oversight Board

The Chairman of the Devon Pension Fund and the chairs of the nine other Brunel clients meet on a quarterly basis to review the performance of Brunel and discuss other policy areas in relation to the operation of Brunel. This is a crucial body to ensure effective scrutiny of the operation of Brunel, and to act as a conduit of information between Brunel and the pension committees of the ten participating LGPS funds.

## Brunel Client Group

The investment managers of the ten LGPS funds that participate in the Brunel pool meet with each other and with Brunel on a monthly basis. The channel of communication between Brunel and the Client Group is vital to the effective management of the relationship between Brunel and the client funds, the effective management of the pooled investments and the transition of assets to Brunel. Communication within the Brunel Client Group is also crucial to the sharing of best practice and seeking further opportunities for collaboration to reduce costs and improve performance.



### Legal Advice

Legal advice to the Fund is provided by the Devon County Council Solicitor, but may involve the appointment of specialist legal advisors for aspects of fund management.

## Wider Audiences

There are other groups and associations the Devon Pension Fund engages with in delivering a professional and competent service for its members. Each has its own needs in terms of message and media which the Fund will deploy to make sure that the meaning and significance is delivered strongly and securely. Here are some of them:

## Press and Media

The Devon Pension Fund will actively engage with the press and other media organisations to ensure clarity of fact and fair representation. Enquiries from these bodies are handled by Devon County Council's Press and PR Office.

## Ministry of Housing, Communities and Local Government (MHCLG)

MHCLG (<https://www.gov.uk/>) is responsible for government policy on some public sector pensions including the LGPS. The Devon Pension Fund responds to consultation proposals for scheme changes.

## LGPS Scheme Advisory Board

The Local Government Pension Scheme Advisory Board (<http://www.lgpsboard.org/>) is a body set up under Section 7 of the Public Service Pensions Act 2013. The purpose of the Board is to encourage best practice, increase transparency and coordinate technical and standards issues, and provide recommendations to the Secretary of State.

It will consider items passed to it from the Ministry of Housing, Communities and Local Government ("MHCLG"), the Board's sub-committees and other stakeholders as well as items formulated within the Board. Recommendations may be passed to the MHCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards.



The Devon Fund will need to respond to initiatives undertaken by the Scheme Advisory Board, providing information where required, and feeding into the Board's working groups.

## Local Government Association (LGA)

The LGA (<http://www.local.gov.uk/workforce>) represents the interests of 375 local authorities in England and Wales to central government and other bodies; specifically in this instance with regard to local government pensions' policy. The Workforce Team provide technical advice, a suite of guides, booklets and publications and a full programme of pensions training. The Fund obtains clarification and advice from LGA specialists from time to time.

## The Pensions Regulator

The Public Service Pensions Act 2013 gave additional responsibility to the Pensions Regulator (<http://www.thepensionsregulator.gov.uk/>) to oversee the LGPS. The Regulator has issued a code of practice for LGPS funds to follow. The Devon Fund is required to report any significant breaches of the code of practice or regulatory requirements to the Pensions Regulator.

## The Pension and Lifetime Savings Association (PLSA)

PLSA (<http://www.plsa.co.uk/>) speaks collectively for workplace pension schemes with the aim of influencing the direction of retirement provision. It has deep working relationships in Westminster and Whitehall. The Devon Pension Fund is a member of this organisation and this helps us to be part of the national pension debate both in our own right and as a group with other local authority pension funds.

## The Local Authority Pension Fund Forum (LAPFF)

LAPFF (<http://www.lapfforum.org/>) seeks to optimise the influence of local authority pension funds as shareholders to advance high standards of Corporate Governance and Corporate Social Responsibility. The Forum has a number of business meetings and an annual conference or AGM each year which is usually attended by the Assistant County Treasurer – Investments and Treasury Management.

## The Society of County Treasurers (SCT)

This is a forum of all Shire and Unitary Council Treasurers meeting regularly for the sharing of information and best practice on all financial matters including pension fund management (<http://www.sctnet.org.uk/>).

## The South West Area Pension Officers Group (SWAPOG)

This liaison network is set up to promote consistent and uniform interpretation of LGPS rules and regulations among administering authorities in the region. They meet quarterly to discuss pension administration issues and share best practice.

## Summary of Information Needs: What all prospective and existing members can expect

Expectation	Product	Frequency
Information and news about the scheme; contact details	Internet Website	Available online and within 3 months of any material changes
	Pensions Post Newsletter	Available through member self service
Scheme and Transfer credit information for prospective and new members	Promo Leaflet and Pension Pack	Leaflet distributed through Employers. Pension Pack issued to new members upon joining
Knowledge of Fund Finances, investment performance, and investment principles	Annual Report & Accounts (Summary leaflet)	Online & uploaded to Member Self Service. Employee members are advised of web link via pay slips. Posted each year to home address of retired members
	Annual Consultative Meeting (ACM)	Annual
Knowledge of benefits (Active and Deferred Members)	Benefits Statements	By 31 <sup>st</sup> August annually to home address or via employer, and upon leaving employment
Ways to improve future pensions benefits	AVC and APC product information	Constantly available online
Information about Benefits in Payment	Pensioner Newsletter	Annual or within one month of any change
	Pay advices	April & May incl. P60 for previous year
Representation on the Investment & Pension Fund Committee	Trade Union Reps with observer status	At least 4/5 occasions per year
Access to Investment & Pension Fund Committee papers and minutes	Administering Authority archive	Constantly available online
Representation on the Pension Board	Proportionate representation	At least twice per year

## Summary of Information Needs: What all employers can expect

Expectation	Product	Frequency
Scheme literature, guides and forms; Fund Policies and Reports	Internet Website	Constantly available online
Information about changes in legislation and revisions to scheme requirements. Latest news and investment performance updates.	E-Zine newsletter	Quarterly plus special bulletins
Knowledge of Fund Finances	Annual Report & Accounts (Full Report)	Annual and archived reports via the website
Knowledge of the Fund's progress, the pension landscape, developments, news, and information exchange.	Employers Meeting / Forum	Annual plus special events according to need
Understanding of actuarial matters including funding levels and employer contribution rates.	'Meet the Actuary' Employers Meeting  Liaison and support	Three-yearly upon the Actuarial Valuation of the Devon Fund  Ongoing
Technical knowledge and understanding of administrative activities and tasks	Specialist Training Pension Liaison Officer Group (PLOG)	On demand Annual and as needs arise
Scheme information and promotional materials for prospective members	Welcome Pack	Constantly available online
Enrolment of Employees - advice for employers on complying with auto-enrolment reforms under workplace pension legislation.	Information, template letters, forms and flowcharts  Project guidance	Online  Dedicated specialist support
Representation on the Investment & Pension Fund Committee	Proportionate representation	At least 4/5 occasions per year
Access to Investment & Pension Fund Committee papers and minutes	Administering Authority Archive	Constantly available online
Representation on the Pension Board	Proportionate representation	At least twice per year



## **STATUTORY STATEMENTS AND TERMS OF REFERENCE– ANNUAL REVIEW**

### **Report of the County Treasurer**

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

- Recommendation:**
- 1) that the Board review the Governance Policy and Compliance Statement and consider whether it wishes to make any comments to the Investment and Pension Fund Committee (Appendix 1)**
  - 2) that the Board reviews the Terms of Reference (Appendix 2)**

#### **1. Introduction**

1.1. It is best practice to regularly review Fund policies and statements. There are a total of four statutory policies that the Fund is required to have and maintain which are:

- Funding Strategy Statement (review due April 2019)
- Investment Strategy Statement (review due April 2019)
- Communications Policy
- Governance Policy and Compliance Statement.

1.2. In conducting the annual review of the Fund's policies, the Fund needs to consider whether current versions are still relevant, whether any new requirements have been imposed by legislation together with considering whether the Fund is conducting its business in the most efficient way securing the best outcomes for the members.

#### **2. Governance Policy and Compliance Statement**

2.1. 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 55 of the Local Government Pension Scheme Regulations 2013.

2.2. 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.

2.3. 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. This has not been changed since the amendments made in 2017

#### **3. Pension Board Terms and Reference**

3.1. Following the introduction of the Local Pension Board under the Public Service Pensions Act 2013, The Devon Pension Board formally adopted its terms of reference in its creation meeting in July 2015.

# Agenda Item 7

- 3.2. As a matter of good practice and effective governance, the Board is required each year to review their Terms of Reference ensuring they remain effective and reflective of the work and focus of the board.

## 4. Conclusion

- 4.1. The Board is asked to endorse the Governance Policy and Compliance Statement 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

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

# **Devon County Council Pension Fund Governance Policy and Compliance Statement**

**Revised Draft presented to the Devon Pension Board  
16 October 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.

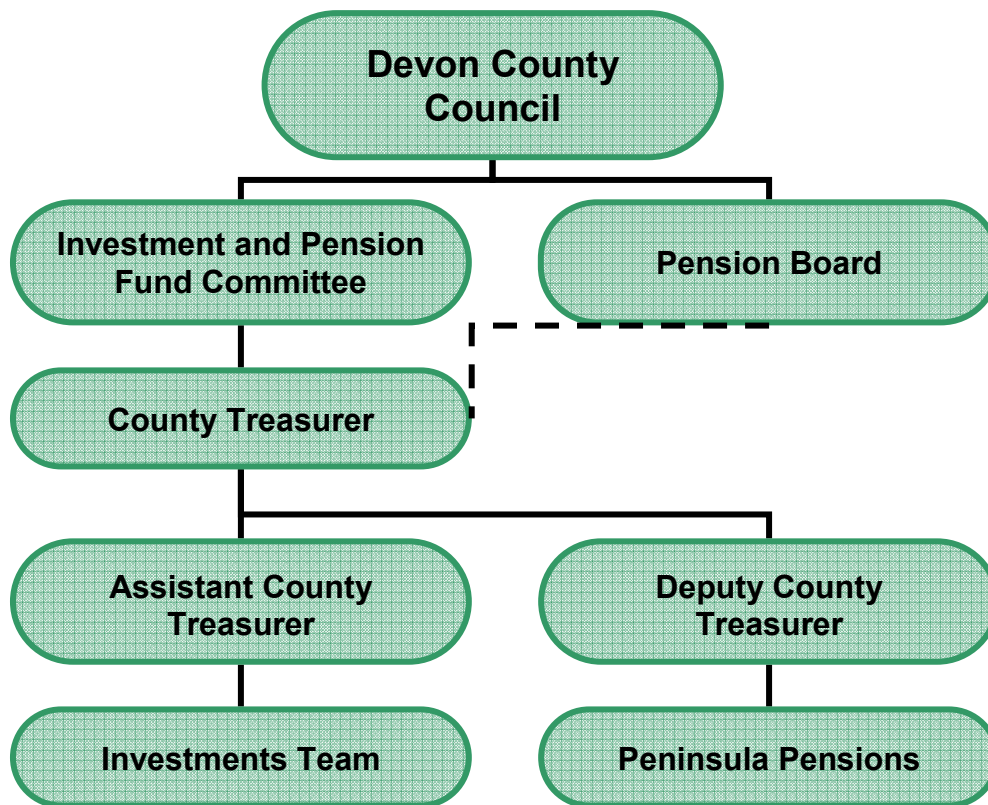
In reviewing and making revisions to the statement, the authority must consult such persons as it considers appropriate.

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.

## 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
<b>A. Structure</b>			
(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.			✓
<b>Explanation of level of compliance</b>			
(c) and (d) No secondary committee has been established.			

Principle	Not Compliant	Partially Compliant	Fully Compliant
<b>B. Representation</b>			
(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.			✓
<b>Explanation of level of compliance</b>			
(a)(ii) Representatives of scheme members are members of the Investment and Pension Fund Committee, but without voting rights.			
(a)(iii) The Devon Pension Fund considers that the roles envisaged by CLG for an independent professional observer are already adequately catered for within the Fund's current governance arrangements through the participation of the Fund's Independent Advisor.			
<b>C. Selection and Role of Lay Members</b>			
(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
<b>D. Voting</b>			
(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.			✓
<b>E. Training / Facility Time / Expenses</b>			
(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.			✓
<b>F. Meetings - Frequency</b>			
(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.			✓

Principle	Not Compliant	Partially Compliant	Fully Compliant
<b>Explanation of level of compliance</b>			
(b) No secondary committee has been established.			
<b>G. Access</b>			
(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.			✓
<b>H. Scope</b>			
(a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.			✓
<b>I. Publicity</b>			
(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.			✓

## **Devon Pension Board – Terms of Reference**

### **1. Function of the 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.

## 2. Board Membership

The Pension Board is composed of seven members as follows:

<b>Representing</b>	<b>No</b>	<b>Comments</b>
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)

Members of the Investment and Pension Fund Committee are excluded from membership of the Pension Board. No substitutes will be permitted.

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

- The employer representatives appointed by Devon County Council 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.

## 3. Code of Conduct

Members of the Pension Board should abide by the Devon County Council Code of Conduct for members and co-opted members, as set out in Part 6 Section 1 of the Devon County Council Constitution.

#### **4. Appointment of a Chairman and Vice-Chairman**

The Board will appoint a Chairman and Vice Chairman annually from among its members.

#### **5. Voting Rights**

All members and representatives, with the exception of the Independent Member will have equal voting rights.

#### **6. Conflict of Interests**

The Board Members will comply with the Devon County Council Members Code of Conduct, supplemented by any additional guidance on Conflicts of Interest, as set out in the Devon County Council Constitution.

#### **7. Role of Officers and Advisors**

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.

#### **8. Number of Meetings**

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.

#### **9. Arrangements for Meetings – Administration, Papers, Minutes, Quorum**

The administration arrangements for meetings, for example the notice requirements for meetings and circulation of papers, the quorum required for a meeting, publication of minutes, etc. shall conform to Devon County Council's standing orders as set out in the Council's Constitution.

## **10. Allowances / Expenses**

An allowance shall be paid to the independent member of the Committee in line with the allowance agreed for independent members of the Devon County Council Standards Board. No allowances shall be paid to other members of the Pension Board, but expenses shall be claimable in line with Devon County Council's agreed expenses rates.

## **11. Knowledge and Understanding**

In accordance with Section 248A 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, 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.

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.

## **12. Reporting**

Minutes of Pension Board meetings shall be reported for information to Devon County Council at the following Full Council meeting, although recommendations can be made to the Investment and Pension Fund Committee on issues that the Board wish to raise. Where material concerns arise, that the Board consider are not being addressed adequately, the Board can report their concerns directly to the Pensions Regulator. A report on the work of the Pension Board will be included within the Pension Fund's Annual Report and Accounts.

## **13. Data Protection and Freedom of Information**

The administering authority (Devon County Council) must comply with the requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000 in its administration of the Board.

## 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. Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks. The risks that have been identified are incorporated into the Fund's Risk Register.
- 1.2. 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 23<sup>rd</sup> April 2018.
- 1.3. The Risk Register is attached at Appendix 1 to this report. It highlights 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 incorporates the risk register of both the Investments Team and Peninsula Pensions.
- 1.4. The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and the Risk Register is presented to the Committee on an annual basis.

#### 2. Assessment of Risk

- 2.1. Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score. Each risk is scored assuming no mitigation, and then on the basis of the mitigation in place.
- 2.2. In addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and these are detailed together with the planned timescale for the action to take place. The level of risk will be reviewed once these additional actions have been implemented.
- 2.3. Further risks are likely to arise from future decisions taken by the Investment and Pension Fund Committee, and from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

# Agenda Item 8

## 3. Revisions to the Risk Register

3.1. 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:

- Risk F12 has been updated to reflect the increasing likelihood of a No-Deal Brexit. As a result, the current risk score has increased making this a high risk score even with the mitigations in place. It could be argued that Brexit, particularly a No-deal Brexit, is the highest risk currently facing the Fund, particularly in view of the proximity of the date of leaving the European Union to the date of the next triennial valuation of the Fund (31<sup>st</sup> March 2019). The perceived economic impact of Brexit, especially a No Deal Brexit could lead to significant market instability that could in turn lead to a reduction in the Fund's assets and/or an increase in liabilities, thereby reducing the funding level and resulting in increases in employer contributions.
- During 2017/18, the Pension Board have reviewed the Risk Register and suggested that clearer descriptions relating to the General Data Protection Regulations are added to risks PP10 and PP11. The Board also recommended that Risk PP6 is expanded to include the risk of employees not joining the Scheme.
- Several risks have been updated to reflect progress towards the investment pooling objectives and the set up of the Brunel Pension Partnership. The management of risks around the performance of fund managers will gradually transfer across to Brunel over the next two years, and the mitigation in respect of risks F2, F3 and F4 have been changed to reflect this. The risk of higher than forecast transition costs remains (Risk B2), but the process for managing those risks is now clearer.
- Risk I1 has been updated to reflect the secondment arrangements for the Head of Peninsula Pensions and the Investment Manager to swap roles to provide greater resilience in relation to key person risk, and several changes have been made to risk owners to reflect the change of roles.
- Risk CM1 has been updated to include the future plan to review and update the Communications Strategy.
- Risk I1 has been updated to reflect that officers have now completed The Pensions Regulator Trustee Toolkit.
- The key risks in relation to Peninsula Pensions are recorded under risk reference PP. Several new risks have been included under this section, including risk PP16 which covers the risk of failure for the shared service arrangement with Somerset.
- Risk PP18 has been added to the register since April review, which covers the risk of cyber attacks.

3.2. Taking account of the revisions above there are now 43 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	10	2
Medium	23	7
Low	10	34

3.3. 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.



## 4. Conclusion

- 4.1. The Board is 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

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**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			
<b>Governance Arrangements</b>											
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"> <li>• Non-compliance with legislation and/or best practice.</li> <li>• Inability to determine policy, make effective decisions and/or deliver service.</li> <li>• Risk to reputation.</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>• DCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008.</li> <li>• The Governance Policy and Compliance Statement is reviewed and updated regularly and scheme employers are consulted to ensure that the policy remains appropriate.</li> <li>• The Statement is published on the Devon Pensions website: <a href="https://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/Devon-Pension-Fund-Governance-Policy-270215.pdf">https://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/Devon-Pension-Fund-Governance-Policy-270215.pdf</a></li> <li>• Pension fund stakeholders are made aware of the Statement.</li> <li>• DCC has appointed an Investment and Pension Fund Committee to discharge the duties of the Council as Administering Authority of the Pension Fund.</li> <li>• 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.</li> <li>• A Pension Board has been established as required by the Public Service Pension Act 2013.</li> <li>• Support and training are being provided to ensure that the Board is equipped to undertake its role.</li> </ul>	4	1	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			
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"> <li>• Non-compliance with legislation and/or best practice.</li> <li>• Inability to determine policy, make effective decisions and/or deliver service.</li> <li>• Risk to reputation.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• 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.</li> <li>• An Annual Training Plan has been agreed for 2018/19.</li> <li>• A training and induction programme is available for new Committee and Pension Board Members.</li> <li>• The Fund subscribes to relevant bodies (e.g. CIPFA, LAPFF, NAPF) and sends representatives to major conferences.</li> <li>• DCC organises at least two training days per year for Investment and Pension Fund Committee and Pension Board members, with an additional engagement day being held with the Brunel Pension Partnership.</li> <li>• Committee and Pension Board members are made aware of and adhere to the Governance Compliance Statement, and are encouraged to identify training requirements.</li> </ul>	3	2	6	Mark Gayler / Charlotte Thompson		
<b>Funding and Investments</b>											
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"> <li>• Poor Fund performance/financial loss.</li> <li>• Increased employer contribution costs.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>• The Investment Strategy is set in accordance with LGPS investment regulations.</li> <li>• The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee.</li> <li>• The Investment Strategy takes into account the Fund's liabilities.</li> <li>• DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy.</li> <li>• An Annual Training Plan has been agreed for 2018/19. Training programmes are available for Committee Members and Investment Staff.</li> <li>• Members and Officers are encouraged to challenge advice and guidance received when necessary.</li> </ul>	4	2	8	Mark Gayler	Following discussion at the Investment and Pension Fund Committee in June 2018, officers will review best practice at other LGPS funds with a view to enhancing future training plans for the Pension Board and Investment and Pension Fund Committee	For 2019/20 Training Plan

## 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"> <li>• Financial loss.</li> <li>• Insufficient funds available to meet future obligations.</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The funding level is updated on a quarterly basis, based on roll forward of the Triennial valuation data and subsequent investment returns, pension and salary increases and reported to the Committee.</li> <li>• 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.</li> <li>• The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</li> <li>• Fund-specific benchmarks and targets are set.</li> <li>• Fund assets are kept under regular review as part of the Fund's performance management framework.</li> <li>• Fund managers have been 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.</li> <li>• The depth of expertise in the fund managers' teams have been assessed as part of the appointment process.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	5	2	10	Mark Gayler	From April 2018, responsibility for new fund manager appointments and monitoring of the new managers appointed will transfer to the Brunel Pension Partnership. The Devon Fund will still have incumbent managers to monitor for a transition period of around 2 years, and will then need to focus on monitoring of Brunel's performance.	Transition period to March 2020

**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"> <li>Financial loss.</li> </ul>	5	2	10	The Fund attempts to ensure the achievement of best value and minimise exposure to risk via the following: <ul style="list-style-type: none"> <li>The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</li> <li>IMA disclosure tables are reviewed to ensure best execution by managers.</li> <li>Investment managers are asked to provide invoices for fees, wherever possible.</li> <li>Specialist services (e.g. transitions, currency transfers) are considered where appropriate in order to reduce costs.</li> <li>Banking and custodian arrangements are reviewed and re-tendered when appropriate.</li> </ul>	4	1	4	Mark Gayler	The Brunel Pension Partnership has been set up as part of the investment pooling requirements of Government. The future investment arrangements under Brunel should provide for improved risk management and better risk adjusted investment returns	April 2018 onwards
F4	Collapse of a fund manager or negligence, fraud or wilful default committed by a fund manager, resulting in: <ul style="list-style-type: none"> <li>Financial loss.</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>The Fund considers the financial stability of managers during the appointment process and the situation is kept under review.</li> <li>DCC use a global custodian service to ensure that there exists a separation of investment management arrangements from custody of assets.</li> <li>Legal requirements are in place for fund managers and are set out in the investment management agreements.</li> <li>Fund managers are required to be fully compliant with FCA, PRA and other regulatory requirements.</li> <li>The risk that a fund manager cannot provide a service during windup is mitigated by the availability of transition management arrangements put in place by the Brunel Pension Partnership.</li> </ul>	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
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
F5	Market crash leading to an increase in the deficit, or at best a failure to reduce the deficit. For example the Fund experienced a loss of around 20% during 2008/09. <ul style="list-style-type: none"> <li>Financial loss.</li> <li>Increased employer contribution costs.</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	4	3	12	Mark Gayler		
F6	Pay and price inflation are higher than anticipated. <ul style="list-style-type: none"> <li>An increase in liabilities which exceeds the previous valuation estimate.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases.</li> <li>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.</li> <li>The Fund has investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases.</li> <li>The Committee has received training on understanding liabilities and potential approaches to Liability Driven Investment.</li> <li>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&amp;PFC in September 2015, and recommendations partly implemented.</li> <li>This issue was also addressed in the strategic review carried out by Mecer in 2016/17.</li> </ul>	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"> <li>An increase in liabilities which exceeds the previous valuation estimate.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>Employers are charged the extra capital cost of non ill health retirements following each individual decision.</li> <li>Employer ill health retirement experience is monitored.</li> </ul>	2	2	4	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			
F8	The average life expectancy of pensioners is greater than assumed in actuarial assumptions. <ul style="list-style-type: none"> <li>An increase in liabilities which exceeds the previous valuation estimate.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Life expectancy assumptions are reviewed at each valuation.</li> <li>Mortality assumptions include an allowance for future increases in life expectancy.</li> </ul>	3	2	6	Mark Gayler		
F9	Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately <ul style="list-style-type: none"> <li>Increased costs across all the remaining scheme employers</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>The team has procedures in place to monitor the receipt of contributions to the fund.</li> <li>The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately.</li> <li>Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.</li> </ul>	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. <ul style="list-style-type: none"> <li>Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers.</li> </ul>	3	3	9	<p>The risk is mitigated by:</p> <ul style="list-style-type: none"> <li>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.</li> <li>The Actuary has an objective of keeping contributions as stable as possible whilst ensuring the long term solvency of the Fund.</li> <li>Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers.</li> <li>The actuarial valuation attempts to balance recovery period with risk of withdrawal.</li> <li>If necessary, appropriate legal action will be taken.</li> <li>An Employer Covenant Risk Assessment has been undertaken by the Fund Actuary, Barnett Waddingham</li> </ul>	2	2	4	Mark Gayler/ Dan Harris		
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: <ul style="list-style-type: none"> <li>Significant cashflow out of the Fund.</li> <li>Reduction in assets greater than reduction in the Fund's liabilities.</li> </ul>	3	2	6	<p>The risk is mitigated by:</p> <ul style="list-style-type: none"> <li>Effective communication of the benefits of remaining in the LGPS.</li> <li>Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability.</li> </ul>	2	2	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			
F12	The result of the EU Referendum and the decision to leave the European Union results in significant economic instability and slowdown, particularly with the increasing possibility of no-deal, and as a consequence lower investment returns, resulting in: <ul style="list-style-type: none"> <li>• Financial loss, and/or failure to meet return expectations.</li> <li>• Increased employer contribution costs.</li> </ul>	4	4	16	The risk is mitigated by: <ul style="list-style-type: none"> <li>• Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller.</li> <li>• The long term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time.</li> </ul>	3	4	12	Mark Gayler/ Charlotte Thompson	Further consideration will be given during the Autumn to the risks associated with Brexit and any further mitigating actions that may be required.	Autumn 2018
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"> <li>• The Government is likely to ensure that much of current EU regulation is enshrined in UK law.</li> <li>• 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.</li> </ul>	2	3	6	Mark Gayler/ Dan Harris		
F14	The Markets in Financial Instruments Directive II (MiFID II) presents the risk that the Devon Fund is downgraded to retail client status resulting in assets being sold at less than fair value and the Fund being unable to access a range of investment opportunities, resulting in: <ul style="list-style-type: none"> <li>• Financial loss, and/or failure to meet return expectations.</li> <li>• Reduction in diversification opportunities and resultant increase in risk.</li> </ul>	4	2	8	The risk is mitigated by: <ul style="list-style-type: none"> <li>• All the Fund's current fund managers and financial counterparties have accepted Devon's application for elective professional client status.</li> <li>• Robust training plan to ensure committee and officers have required knowledge and experience to meet the qualitative criteria to opt up.</li> <li>• Availability of LGA template to enable the Fund to make multiple applications to financial institutions to opt back up to professional client status, should any new applications or amendments be required.</li> </ul>	3	1	3	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			
<b>Brunel Pension Partnership</b>											
<b>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.</b>											
B1	<p>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.</p> <ul style="list-style-type: none"> <li>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.</li> <li>The Brunel Pension Partnership is not able to deliver the required service and the Devon Pension Fund faces the risk of alternative measures being imposed by Government.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>The Brunel Pension Partnership is now established as an FCA regulated company, fully staffed to meet the business case as approved by the 10 client LGPS funds.</li> <li>Governance arrangements are in place with an Oversight Board of elected members and a Client Group of fund officers from each of the LGPS client funds to oversee the service provided by Brunel and ensure that Brunel are delivering on their key objectives.</li> <li>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.</li> </ul>	4	2	8	Mark Gayler	<ul style="list-style-type: none"> <li>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.</li> </ul>	
B2	<p>Asset transition costs are greater than forecast.</p> <ul style="list-style-type: none"> <li>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.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>A transition management service will be used by Brunel to ensure assets are transitioned efficiently, with the objective of preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. A transition advisor will also be used to ensure that the transition process for each portfolio has been carried out in an efficient and effective manner</li> </ul>	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			
<b>Custody</b>											
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"> <li>Financial loss.</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>The custodian contract is subject to regular review and periodic re-tendering.</li> <li>Following the formation of the Brunel Pension Partnership, State Street were appointed as Third Party Administrator, and will provide a custody service to each of the Brunel client funds. The procurement process included an assessment of their financial standing.</li> <li>The custodian must adhere to FCA and PRA financial regulations.</li> <li>Fund assets are protected in the event of insolvency of the custodian</li> </ul>	3	2	6	Mark Gayler/ Charlotte Thompson		
<b>Communication</b>											
Cm1	<p>Insufficient communication and engagement with the Pension Fund Stakeholders.</p> <ul style="list-style-type: none"> <li>Non-compliance with legislation and/or best practice.</li> <li>Inability to determine policy, make effective decisions and/or deliver service.</li> <li>Reputation risk.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>A communications strategy is in place and was last reviewed and updated in November 2015.</li> <li>The Devon Investment Services and Peninsula Pensions websites are kept up to date.</li> <li>Fund Performance is reported to the Investment &amp; Pension Fund Committee on a regular basis.</li> <li>Meetings are held regularly with the Fund's Employing Authorities.</li> <li>Benefit illustrations are sent annually to contributing and deferred Fund members.</li> <li>The contact list for employers is updated regularly.</li> <li>Annual forums are held for employers and Trade Unions.</li> <li>The annual report and accounts are published on the Peninsula Pensions website.</li> </ul>	3	2	6	Mark Gayler / Dan Harris / Martyn Williams	The Communications Strategy is in the process of being reviewed and updated.	Mark Gayler / Martyn Williams  Pension Board Oct 2018 Investment and Pension Fund Committee Nov 2018

## 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			
<b>Accounting</b>											
A1	Failure to comply with pension fund accounting regulations. <ul style="list-style-type: none"> <li>• Risk of the accounts being qualified by the auditors.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Staff are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.</li> <li>• 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.</li> <li>• Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.</li> <li>• Internal Audits are carried out on an annual basis.</li> <li>• External Audit review the Pension Fund's accounts annually.</li> </ul>	3	2	6	Mark Gayler/ Angela Stirland		
<b>Data Protection</b>											
D1	The Pension Fund systems and data may not be secure and appropriately maintained. <ul style="list-style-type: none"> <li>• Loss of sensitive data.</li> <li>• Reputation risk.</li> <li>• Financial loss arising from legal action.</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's data protection policy.</li> </ul>	3	1	3	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			
<b>Internal</b>											
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"> <li>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.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>The Investment Manager is able to cover in the absence of the Assistant County Treasurer.</li> <li>Secondment arrangements, whereby the Head of Peninsula Pensions and the Investment Manager have swapped roles for a period of 1-2 years will improve the sharing of knowledge and the resilience of the Fund.</li> <li>Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff.</li> <li>Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process.</li> <li>A formal training record for officers is maintained centrally.</li> <li>A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken.</li> </ul>	4	2	8	Mark Gayler / Charlotte Thompson / Dan Harris	<ul style="list-style-type: none"> <li>The Devon Investment Services procedure manual will continue to be refined and updated on an ongoing basis.</li> <li>Ensure the review of CIPFA's knowledge and skills framework relating to officers results in key outcomes being delivered.</li> </ul>	
12	<p>Failure of in-house treasury management practices leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> <li>Risk of financial loss &amp; damage to reputation.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>Counterparty transactions are authorised by senior staff outside of the investment team.</li> <li>All staff are covered by fidelity insurance up to £15 million</li> <li>Sufficient members in the team to cover absence and leave - a weekly planner is produced in order to review cover requirements.</li> <li>Appropriate separation of duties exists.</li> <li>Treasury Management Practices are reviewed and updated regularly.</li> <li>Up to date financial regulations and practices.</li> </ul>	3	2	6	Mark Gayler		
<b>Governance Arrangements/Code of Practice</b>											

## 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			
PP1	Failure to issue Annual Benefit statements to active and deferred members by 31st August: <ul style="list-style-type: none"> <li>• Reputational risk and complaints</li> <li>• Fines</li> </ul>	2	4	8	<ul style="list-style-type: none"> <li>• Project management approach</li> <li>• Regular contact with employers to obtain data.</li> <li>• Monthly interfacing to reduce workload at year end</li> <li>• Statements to employers for 31/7/18 to allow time for distribution to staff prior to 31/8/18</li> </ul>	2	3	6	Dan Harris / Rachel Lamb / Mike Germon	We are looking to increase employer take up of monthly interfaces and are exploring options to improve software processes.	31.08.18 to have all pre April 2018 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"> <li>• Reviews of documentation/letters</li> <li>• Website regularly update</li> <li>• Links to Pension Funds investment information and LGPS included on website</li> <li>• A revised New Starter pack has been designed and is now provided to members</li> </ul>	2	3	6	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	Our methods and content of communication will be reviewed to ensure that members and employers are provided with accurate and relevant information.	Ongoing
PP3	Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: <ul style="list-style-type: none"> <li>• Incorrect payments being made.</li> <li>• Risk of financial loss and damage to reputation.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• LGA/External training.</li> <li>• Project work approach to implementation of legislative changes.</li> <li>• In house training for all staff.</li> <li>• Use of Perspective and Bulletins</li> </ul>	2	2	4	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	A Training and Technical team is now in place, following the Pension Review. The team has commenced delivering training across the teams.	Ongoing
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"> <li>• Risk of financial loss and damage to reputation.</li> <li>• Incorrect benefit calculations</li> <li>• Delays while we request missing information</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Administration Strategy in place since April 2015, employer duties clearly identified. Ability to fine employers is provided for in strategy and LGPS regulations.</li> <li>• Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors.</li> <li>• Outstanding data queries are passed to Employer and Communications Team to monitor</li> <li>• Advice and consultancy provided.</li> <li>• Yearly checks on data to highlight gaps</li> <li>• Employer administration meetings held twice a year</li> <li>• Quarterly e-zine with administration updates, plus special editions when required</li> <li>• Guidance available on website</li> <li>• Individual employer meetings include review of employer performance</li> </ul>	3	2	6	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	An Employer and Communications team is now in place. The team will consider employer performance and take action to address any issues, as required.	Ongoing

**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			
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"> <li>• Reviews of documentation/letters / Staff ongoing training</li> <li>• Website regularly update</li> <li>• Links to Pension Funds investment information and LGPS included on website</li> <li>• Participation in all high level Government discussions and consultations</li> <li>• Ensure best practice is implemented and PP is seen as a centre of excellence for pension administration</li> <li>• Be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits</li> </ul>	2	3	6	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	Training and Technical team is now in place following the team restructure. Completed July 2018.	Now ongoing

## 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			
<b>Communication</b>											
PP6	<p>Insufficient communication and engagement with LGPS scheme members/employers</p> <ul style="list-style-type: none"> <li>• Non-compliance with legislation and/or best practice.</li> <li>• Inability to determine policy, make effective decisions and/or deliver service.</li> <li>• Reputation risk.</li> <li>• Employees not joining the scheme.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• The Peninsula Pensions website is kept up to date.</li> <li>• Meetings between PP managers and Communications team on a regular basis, with a communications plan and strategy for the year ahead</li> <li>• Meetings are held with the Funds Employing Authorities and on request for training.</li> <li>• Benefit illustrations are sent annually to contributing and deferred Fund members.</li> <li>• The contact list for employers is updated regularly.</li> <li>• Annual forums are held for employers and Trade Unions.</li> <li>• The annual report and accounts are published on the Peninsula Pensions website.</li> </ul>	3	2	6	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	The Peninsula Pensions Senior Management team are in the process of reviewing our communication strategy and requirements to take the service forward.	Ongoing
<b>Pensioner Payroll/Finance</b>											
PP7	<p>Pension benefits are not paid.</p> <ul style="list-style-type: none"> <li>• Risk of financial loss arising from compensation claims</li> <li>• Damage to reputation.</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>• The payroll system is set up to pay pensioners monthly.</li> <li>• Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure.</li> <li>• The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems.</li> </ul>	4	1	4	Dan Harris / Rachel Lamb / Mike Germon	Fully updated Pensioner Payroll Manual is now in place. An online training resource outlining the key payroll processes will follow in 2018	Dec-2018
PP8	<p>Pension benefits continue to be paid to deceased pensioners.</p> <ul style="list-style-type: none"> <li>• Risk of financial loss and damage to reputation.</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>• All pensioners are contacted annually.</li> <li>• Pension suspended if post is returned</li> <li>• Pensioners are incorporated into National Fraud Initiative.</li> <li>• Further targeted checks are conducted with credit reference agencies as appropriate.</li> <li>• Monthly mortality screening is undertaken and any positive matches are ceased immediately</li> <li>• Western Union overseas existence service undertaken bi annually</li> </ul>	2	2	4	Dan Harris / Rachel Lamb / Mike Germon	Tell us once service is being rolled out to LGPS. IT assistance has been required - one person can now access but need to extend to others	Ongoing



## 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			
PP9	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: <ul style="list-style-type: none"> <li>• Significant cashflow out of the Fund.</li> <li>• Reduction in assets greater than reduction in the Fund's liabilities.</li> </ul>	3	2	6	The risk is mitigated by: <ul style="list-style-type: none"> <li>• Effective communication of the benefits of remaining in the LGPS.</li> <li>• Actuarial calculation of transfer value should ensure current fair value and not be detrimental to the fund.</li> <li>• CLG monitoring CETVs nationwide and reviewing accordingly (may introduce regulations amendments to prohibit if thought necessary)</li> </ul>	2	2	4	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor		Ongoing
<b>Data Protection</b>											
PP10	The Pension administration systems and data may not be secure and appropriately maintained, leading to: <ul style="list-style-type: none"> <li>• Loss of sensitive data.</li> <li>• Reputation risk.</li> <li>• Financial loss arising from legal action.</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Access and security controls exist and the system is tested regularly by Heywoods and PP.</li> <li>• The system is subject to regular checks by internal audit.</li> </ul>	3	1	3	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	GDPR training was delivered to all team members throughout April and May 2018 to ensure that staff are fully aware of requirements under the new data protection legislation.	Ongoing to ensure continued compliance.
PP11	Personal data being issued to wrong individual due to manual/printer error <ul style="list-style-type: none"> <li>• Loss of sensitive data.</li> <li>• Reputation risk.</li> <li>• Financial loss arising from legal action.</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• 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.</li> <li>• GDPR training was delivered to all team members throughout April and May 2018 to ensure that staff are fully aware of requirements under the new data protection legislation.</li> <li>• Internal E-Learning training 'Sharing personal data' was also undertaken by whole office during March 2018.</li> </ul>	3	1	3	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	Staff are fully aware of requirements under GDRP legislation. New Data Protection E-Learning to be undertaken when available.	Ongoing to ensure continued compliance.
<b>Internal</b>											
PP12	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. <ul style="list-style-type: none"> <li>• 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.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>• Knowledge of all tasks are shared by at least two team members and can in addition be covered by senior staff.</li> <li>• Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process.</li> </ul>	4	2	8	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	The Training and Technical are in the process of creating procedure notes for the team. These will help to ensure consistency across the teams and will assist with the training of new recruits.	Ongoing.

## 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			
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"> <li>• Unauthorised payments under the Finance Act 2004.</li> <li>• Risk of financial loss and damage to reputation.</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Information and instructions are only accepted from authorised sources.</li> <li>• Employers and scheme members are required to review and confirm membership records annually.</li> <li>• Benefit calculations are checked by senior colleagues and are subject to independent authorisation.</li> <li>• All transactions comply with DCC financial regulations and are subject to independent authorisation.</li> <li>• All staff are covered by fidelity insurance up to £15 million.</li> <li>• Members approaching 75 are separately identified monthly.</li> <li>• Data accuracy checks undertaken by the systems team including address / NINO checks</li> </ul>	3	1	3	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor / Mike Germon	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
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"> <li>• Complaints</li> <li>• Monitoring Employer performance and chasing outstanding data</li> <li>• Fines</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Robust workflow management system in place.</li> <li>• Payroll deadline procedures in place</li> <li>• Item in Business Continuity/Disaster Recovery Plan</li> <li>• Participate in National Fraud Initiative (NFI)</li> <li>• Life Certificates exercise carried out /mortality checks</li> </ul>	3	1	3	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies	Ongoing
PP15	<p>Failure of in-house management practices leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> <li>• Risk of financial loss &amp; damage to reputation.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>• Transactions are authorised by senior staff</li> <li>• All staff are covered by fidelity insurance up to £15 million</li> <li>• Sufficient members in the team to cover absence and leave</li> <li>• Heywoods Audit trace report</li> <li>• Appropriate separation of duties exists.</li> <li>• Up to date regulations and practices.</li> <li>• Internal and external audit checks performed to ensure that appropriate and effective controls are in place</li> </ul>	3	2	6	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor		

## 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			
PP16	<p>Failure of Shared Service leading to partner fund externalising pension administration</p> <ul style="list-style-type: none"> <li>• Reputation risk.</li> <li>• Financial loss arising from legal action</li> <li>• Loss of experienced/key staff</li> </ul>	3	2	6	<p>Constant assessment of Performance</p> <p>Quarterly Shared Service meetings with key Fund colleagues.</p> <p>Regular meetings between Peninsula Pensions and Employers, Employer Newsletters</p>	3	2	6	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor	Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies	
<b>IT/Systems</b>											
PP17	<p><b>System failure.</b></p> <ul style="list-style-type: none"> <li>• Loss of sensitive data.</li> <li>• Reputation risk.</li> <li>• Financial loss arising from legal action.</li> </ul>	5	2	10	<ul style="list-style-type: none"> <li>• The system is backed-up daily. System is hosted by Heywoods</li> <li>• A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually.</li> </ul>	5	1	5	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor / Mike Germon		
PP18	<p><b>Cyber attack</b></p> <ul style="list-style-type: none"> <li>• Loss of access to sensitive data.</li> <li>• Reputation risk.</li> <li>• Financial loss arising from legal action.</li> </ul>	5	2	10	<ul style="list-style-type: none"> <li>• Ensure that the relevant people are suitably vetted and trained, that administrators and service providers have measures in place to avoid security breaches</li> <li>• A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually.</li> <li>• Information from The Pensions Regular: You can assess how secure your scheme is and find out more about protecting yourself on the government's Cyber Essentials website. And for more information about protecting against cyber threats, visit the National Cyber Security Centre's website.</li> </ul>	5	1	5	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor / Mike Germon		
PP19	<p><b>Member Self Service:</b></p> <p>Systems and data may not be secure and appropriately maintained.</p> <ul style="list-style-type: none"> <li>• Data security / • Data Protection</li> <li>• Loss of sensitive data</li> <li>• Reputation risk</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Information and Instructions are only accepted from authorised sources</li> <li>• It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's Data Protection Policy</li> <li>• Regular penetration testing</li> <li>• Secure website (annual license renewal)</li> </ul>	3	1	3	Dan Harris / Shirley Cuthbert / Rachel Lamb / Natalie Taylor / Mike Germon		



## REVIEW OF ATTENDANCE

### 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 the attendance of members in line with the Pension Board's Terms of Reference**

#### 1. Introduction

- 1.1. The Devon Pension Board's Term of Reference currently states that the board will meet twice and year in addition to training events. Attendance at these meetings and training events is recorded and reported.

#### 2. Attendance log

- 2.1. The Terms of Reference also states that 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.
- 2.2. A log showing the attendance of both board meeting and training events is attached in appendix 1 and should be reviewed by the board.

#### 3. Conclusion

- 3.1. The Board is asked to review the attendance log in accordance with the Pension Board Term of Reference.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972  
List of Background Papers - Nil  
Contact for Enquiries: Charlotte Thompson  
Tel No: (01392) 381933 Room G99



**Board Member Attendance since April 2017**

	<b>Board Meeting</b>			<b>Training</b>		
	10/04/2017	16/10/2017	23/04/2018	03/02/2017	18/10/2017	14/11/2017
<b>Fund Members</b>						
Bowman	Y	Y	Y	Y	Y	Y
Shipp	N	Y	Y	Y	N	N
Phillips	NA	Y	Y	NA	Y	N
Keightley	N	N	N	N	N	Y
<b>Fund Employers</b>						
Greenslade DCC	Y	N	Y	Y	N	Y
Smith (Police)	N	N	Y	Y	Y	N
Hearn (Tavistock)	Y	Y	Y	Y	Y	Y
Randall Johnson (DCC)	Y	Y	Y	Y	Y	Y
<b>Independent member</b>						
Nicholls	Y	Y	N	Y	Y	Y

19/04/2018
Y
N
Y
N
Y
Y
Y
Y
N



## INVESTMENT AND PENSION FUND COMMITTEE

15 June 2018

Present:-

Devon County Council

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

Unitary and District Councils

Councillors L Parker-Delaz-Ajete (Plymouth City Council) and J O'Dwyer (Torbay Council)

Unison and Retired Members: Non Voting Observers

R Franceschini and C Lomax

Apologies:-

Councillor R Edgell, D Healy and J Rimron

\* 51

**Minutes**

**RESOLVED** that the Minutes of the meeting held on 23 February 2018 be signed as a correct record.

\* 52

**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* 53

**Brunel Oversight Board**

The Committee received the Minutes of the Brunel Oversight Board meeting held on 22 March 2018.

\* 54

**Internal Audit Report for 2017/18 and Internal Audit Plan for 2018/19**

The Committee considered the Report of the County Treasurer (CT/18/49) on the Head of Devon Audit Partnership's assurance on the system of internal control of the Fund as set out in Appendix 1 of the Report. Overall, and based on work performed during 2017/18, the Internal Audit's Opinion was of 'Significant Assurance' on the adequacy and effectiveness of the Fund's internal control environment. The Report also outlined the proposed Internal Plan for 2018/19 and the Service Level Agreement.

Members discussed with the Head of the Devon Audit Partnership links and associated risks in relation to the IT systems used by the Pension Fund and the systems within the County Council, including Peninsula Pensions. The County Treasurer indicated that she would also report to this Committee any issues identified in this area or regarding any external Employer Member of the Fund.

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

**RESOLVED**

(a) that Annual Internal Report for 2017/18 be accepted;

(b) that the Internal Audit Plan for 2018/19 be approved;

# Agenda Item 10

INVESTMENT AND PENSION FUND COMMITTEE  
15/06/18

(c) that the Assistant County Treasurer (Investments) be authorised to execute the Service Level Agreement relating to the Internal Audit Plan; and

(d) that in the Annual Internal Report for 2018/19 and future reports a statement be included in relation to an opinion and assurance in respect of the IT systems linked to the Pension Fund within the County Council.

\* **55**      **Training Review 2017/18 and Plan 2018/19**

The Committee considered the Report of the County Treasurer (CT/18/50) on a review of the training provided to both Members of the Investment and Pension Fund Committee and the Devon Pension Board during 2017/18, and proposed a Training Plan for 2018/19 to ensure that Members had the knowledge and skills in accordance with the CIPFA code and the Pensions Act 2014. A draft of the Training Plan had been presented to the Devon Pension Board on 23 April 2018, and the Board's comments were set out within this Report.

Members discussed different aspects of accreditation and the need for a good knowledge base in accordance with the requirements and noted the current training included the self-assessment modules provided by the Pensions Regulator Toolkit, the programme of training days detailed in the Plan, as well as the support and advice from the Council's Member Development Officer, other Officers and the external Advisor.

It was **MOVED** by Councillor Bloxham, **SECONDED** by Councillor Parker Deaz-Ajete and

**RESOLVED**

(a) that the 2018/19 Training Plan be adopted; and

(b) that the Chair discuss further with Officers clarification of the training objectives, any further training needs and accreditation process, over and above that already provided for within the Training Plan.

\* **56**      **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/18/51) on the Fund value and asset allocation, performance against the benchmark, budget forecast monitoring and cash management, and engagement activity.

The Fund value at 31 March 2018 stood at £4,086.4 million, a decrease of around £130 million over the quarter, but an increase of £160 million since 31 March 2017.

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

**RESOLVED**

(a) that the Investment Management Report be noted;

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

(c) that State Street Money Market Fund be added to the Treasury Management approved counterparty list for the Pension Fund.

\* **57**      **Currency Hedging on Passive Equity Allocaton**

The Committee considered the Report of the County Treasurer (CT/18/52) on the appointment of Managers by the Brunel Pension Partnership, and progress of the transition of allocations to Brunel and the currency exposure and hedging strategy.

The extent of currency hedging in place had been a key strategic investment decision by the Committee and the Report set out a proposed strategy for adjusting the level of currency hedging in place as the value of Sterling fluctuated.

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

**RESOLVED**

(a) that the currency hedging strategy for the Developed World Passive Equity Portfolio be approved;

(b) that the implementation of the strategy be delegated to the County Treasurer in consultation with the Chair of the Committee; and

(c) that the hedge on the European Fud assets within the specialist funds portfolio be reduced to 50% at the earliest opportunity.

\* **58**      **Forfeiture and Recovery of Overpayments**

The Committee received and noted the Report of the County Treasurer (CT/18/55) on LGPS regulations and provisions for the scheme employer to reclaim overpaid benefits or re coup losses due to fraud, criminal offence or misconduct.

\* **59**      **Applications for Admitted Body Status**

The Committee noted the following applications for admitted body status which had been approved since the last meeting of the Committee:

(a) Devon County Council (Sidmouth College) had appointed Caterlink for the provision of catering catering and cleaning services, and 21 members of staff transferred on 1st April 2018;

(b) Devon County Council (King Edward VI school) had entered into a contract with Aspens for catering and cleaning services, and 21 members of staff transferred on 1st April 2018;

(c) Devon County Council had appointed Action for Children to run the West Exe Children's Centre, and 8 members of staff transferred on 1st April 2018; and

(d) South Dartmoor Multi Academy Trust had entered into a contract with Compass for the provision of catering services, and 21 members of staff transferred on 4th June 2018.

\* **60**      **Dates of Future Meetings**

14 September 2018, 16 November 2018, 22 February 2019, and 31 May 2019, (all at 10:30am)

The County Council's Calendar was available at:

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

\* **61**      **Exclusion of the Press and Public**

**RESOLVED** that the press and public be excluded from the meeting for the following items of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, namely 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

# Agenda Item 10

INVESTMENT AND PENSION FUND COMMITTEE  
15/06/18

Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

\* **62**      **Transition of Assets to the Brunel Pension Partnership**

(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 considered the Report of the County Treasurer (CT/18/53) on an update on Brunel's appointment of a passive manager and the current proposed transition timetable.

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

**RESOLVED**

(a) that the progress on the transition of assets to the Brunel Pension Partnership Ltd, and the future transition timetable be noted; and

(b) that the situation regarding the sale of Aviva's multi-manager business to LaSalle Investment Management be noted.

\* **63**      **Role of the Independent Advisor**

(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).

(Mr S Tyson declared a disclosable pecuniary interest in this item by virtue of his role as the Independent Advisor to the Committee and withdrew from the meeting during its consideration)

The Committee considered the Report of the County Treasurer (CT/18/54) on the current contract for independent advice to this Committee which would come to an end in September 2018 and the proposed way forward, considering the timetable for the transition of the Fund's assets to the Brunel Pension Partnership Ltd.

It was **MOVED** by Councillor Parker Deaz-Ajete, **SECONDED** by Councillor Bloxham and

**RESOLVED**

(a) that an exemption from tendering be sought to extend the current contract with M J Hudson Allenbridge for provision of the services of Steve Tyson as the Devon Fund's Independent Investment Advisor for up to two years from 1 October 2018; and

(b) that a revised specification be drawn up with a view to undertaking a competitive procurement process for the role of Independent Investment Advisor once the majority of assets have transitioned to Brunel.

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

The Meeting started at 10.30 am and finished at 12.00 pm

## INVESTMENT AND PENSION FUND COMMITTEE

14 September 2018

Present:-

Devon County Council

Councillors R Bloxham (Chair), Y Atkinson, C Channon, R Edgell and R Hosking

Unitary and District Councils

Councillors L Parker-Delaz-Ajete (Plymouth City Council) and J O'Dwyer (Torbay Council)

Other Employer

D Healy

Unison and Retired Members: Non-Voting Observers

C Lomax and J Rimron

Apologies: -

Councillor A Connett, Councillor P Edwards and R Franceschini

\* 64

**Minutes**

**RESOLVED** that the Minutes of the meeting held on 15 June 2018 be signed as a correct record.

\* 65

**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* 66

**Devon Pension Board**

The Committee received the minutes of the Board held on 23 April 2018 and noted that issues raised relating to the risk register, investment strategy and training plan had been addressed in reports on the agenda at this and the previous meeting.

\* 67

**Brunel Oversight Board**

The Committee received the Minutes of the Brunel Oversight Board meeting held on 18 July 2018 and noted that the Business Plan, staffing position and resourcing remained under review.

\* 68

**Pension Fund Annual Report and Accounts 2017/18**

The Committee considered the Report of the County Treasurer (CT/18/64) on the Pension Fund Annual Report and Accounts for 2017/18 which contained the statement of accounts together with other information about the Fund's performance during 2017/18. The Statement of Accounts had been audited and approved by the Council's External Auditors and a copy of the Audit Findings Report was also attached to the Report.

A representative of Grant Thornton, the External Auditors attended the meeting at the Committee's invitation and answered Members' questions relating to the positive findings, the good standards achieved and reflected in the Accounts with reliable, accurate and timely information.

Members commended the Officers from Peninsula Pensions and the Council's Investment Team for their work and the positive audit findings.

It was **MOVED** by Councillor Atkinson, **SECONDED** by Councillor Parker-Delaz-Ajete and **RESOLVED** that the Pension Fund Annual Report and Accounts for 2017/18 be approved.

\* **69**      **Pension Fund Risk Register**

The Committee considered the Report of the County Treasurer (CT/18/66) on the Risk Register (attached at Appendix 1 to the Report) which highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate risk, and the planned improvements to provide further assurance. It incorporated the risk register of both the Investment Team and Peninsula Pensions.

Members referred to the uncertainties relating to 'Brexit' reflected in the Register. Members also noted recent serious data security breaches of major companies and asked that a further review should be undertaken by Officers in relation to risks associated by any IT breach of the Peninsula Pensions data.

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

**RESOLVED** that, subject to a review of IT security in relation to Peninsula Pensions, the Pension Fund Risk Register and additional action proposed be approved.

\* **70**      **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/18/65) on the Fund value and asset allocation, performance against the benchmark, budget forecast monitoring and cash management. The Committee also received the Local Authority Pension Fund Forum (of which the Devon Fund was a Member) Quarterly Engagement Report detailing its engagement activity with companies.

The Fund value at 30 June 2018 stood at £4,239.6 million, an increase of around £153 million over the quarter.

Members referred to relative global equity investment and weightings and the approach to infrastructure and local venture investments, which would be reviewed by Brunel.

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

**RESOLVED**

(a) that the Investment Management Report be noted; and

(b) that compliance with the 2018/19 Treasury Management Strategy be noted.

\* **71**      **Pension Board and Investment and Pension Fund Membership**

The Committee considered the Report of the County Treasurer on the Pension Board Membership and Employer and Fund Member representatives and the appointment process regarding vacancies/replacements to be carried out early in the new year.

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

**RESOLVED** that the appointment process to fill places on the Pension Board and the place for the Other Employer representative on the Investment and Pension Fund Committee from May 2019 be noted.

\* **72**      **Applications for Admitted Body Status**

The Committee noted the following applications for admitted body status which had been approved since the last meeting of the Committee:

(a) Delt - Print Services, Plymouth City Council transferred their print and document service to DELT. Two scheme members had transferred on 1 July 2018; and

(b) Delt - Payroll Services, Plymouth City Council transferred their payroll service to DELT on 1 May 2018, 21 scheme members had been involved in this transfer.

\* **73**      **Training and Engagement Events**

In accordance with the Annual Training Plan approved at the last meeting the Committee noted the following training and engagement events for Committee and Pension Board members:

(a) Devon Pension Fund Training Day – Thursday 18th October, 10am to 4pm at the Buckerell Lodge Hotel, Exeter; and

(b) Brunel Pension Partnership Engagement Event – Wednesday 7th November 10am to 2pm at Sandy Park, Exeter.

\* **74**      **Dates of Future Meetings**

Friday, 16 November 2018 and Friday 22 February 2019 at 10.30am

\* **75**      **Exclusion of the Press and Public**

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

\* **76**      **Investment Mandate 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 noted the Report of the County Treasurer (CT/18/68) on the performance of the emerging markets mandate, and the action that had been taken since the last meeting of the Committee by the County Treasurer in consultation with the Chair.

\* **77**      **Brunel Pension Partnership - Reserved Matters and Transition of Assets**

(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 considered the Report of the County Treasurer (CT/18/69) on current progress in the establishment of Brunel's investment portfolios, including the reserved matters

INVESTMENT AND PENSION FUND COMMITTEE  
14/09/18

requests issued, progress on private markets considering the position with Aviva's mandate, and the transition of the Fund's passive equity assets.

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

**RESOLVED** that the reserved matters requests determined over the last three months, progress on the transition of assets to the Brunel Pension Partnership Ltd, and the novation of the current property mandate contract from Aviva Investors to La Salle Investment be noted.

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

The Meeting started at 10.30 am and finished at 11.52 am



## DEVON PENSION BOARD BUDGET MONITORING 2018-19 – Month 6

### 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 Devon Pension Board budget monitoring statement for month 6.

#### 1. Introduction

1.1. A budget of the direct costs for the Devon Pension Board for 2018-19 was agreed by the Board at its meeting on 23<sup>rd</sup> April 2018.

#### 2. Devon Pension Board Budget Monitoring Statement – Month 6

2.1. The budget monitoring statement for month 6 (as at the 30<sup>th</sup> September 2018) is set out below.

#### **Devon Pension Board Budget 2018/19**

Budget	Description	Month 6 Forecast	Forecast Outturn	Variance from Budget
£		£	£	£
2,000	Training	245	2,000	0
1,000	Travel and Member expenses	40	1,000	0
4,000	Committee Support	1,833	3,667	(333)
23,000	Officer Support	10,992	21,984	(1,016)
500	Printing and Postage	175	350	(150)
<b>30,500</b>	<b>Total Expenditure</b>	<b>13,285</b>	<b>29,001</b>	<b>(1,499)</b>

#### 3. Conclusion

3.1. The Board is asked to note the monitoring report.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99



## **BRUNEL PENSION PARTNERSHIP – PROGRESS REPORT**

### **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 progress with the transition of assets to Brunel**

#### **1. Introduction**

- 1.1. Following approval of the full business case for the setting up of a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited (BPP Ltd.) by the ten participating LGPS administering authorities, the company has now been established.
- 1.2. This report outlines the progress that has been made since October 2017 meeting of the Pension Board.

#### **2. Appointment and Transition of Custody Arrangements**

- 2.1 One of the first actions of Brunel was to award a contract for Third party Administrator service to State Street Global Services. Significant work was undertaken in planning the transition of assets from each of the participating funds existing custodians across to State Street.
- 2.2 In order to avoid any issues with the production of the annual fund accounts that were required to be published by the end of May, the Devon fund transitioned to State Street in early April.

#### **3. Passive Manager Selection and transition**

- 3.1 Following a comprehensive tender process under the LGPS National Framework for Passive Services, Brunel has appointed Legal and General Investment Management (LGIM) to manage its passive equity portfolios.
- 3.2 The Devon Fund's passive allocations, previously managed by UBS and State Street were transitioned across to the Brunel portfolios during July.
- 3.3 As part of the contract, LGIM agreed to meet £1 million of the transition costs incurred. As a result the costs for the passive transition are likely to be below the initial estimates. A full analysis of the costs is currently awaited from Brunel.

# Agenda Item 12

## 4. Property – Current Aviva Mandate

- 4.1 Aviva informed the Fund in June that they had agreed to sell their property multi-manager business to La Salle Investment Management. The Devon Fund's contract has now been novated across to La Salle. The Aviva multi-manager team have also transferred across to La Salle so there will be no change in the team managing the assets.
- 4.2 With the establishment of the Brunel Private Markets Team, the intention is that Brunel will take on responsibility for the management of the investments in the underlying property funds, making the role of the multi manager, currently undertaken by La Salle, redundant and thus saving a layer of manager fees. It is expected that Brunel would be in a position to take on this role in the late Autumn.

## 5. Infrastructure

- 5.1 The Brunel Private Markets Team has now set out its proposed process to deal with infrastructure commitments. All funds have been asked to submit how much they wish to commit to infrastructure by the end of September.
- 5.2 All commitments notified to Brunel by that date will be deployed over a two year period to March 2020. Over that period Brunel will be looking to source 5-6 opportunities comprising a mix of Co-investments, Secondary Funds and Primary funds.
- 5.3 The additional Devon funds agreed at the February 2018 committee meeting will therefore be aggregated with the sums notified by the other Brunel client funds and deployed over the two year period, split between the opportunities that Brunel decide to commit to.

## 6. Transition of Active Equities

- 6.1 Following the transition of the passive equity assets, the next assets that will transition across to Brunel will be the active equity portfolios. Brunel have been working on a procurement exercise for active UK Equities and Low Volatility Equities, and the transition of those portfolios is likely to take place in around December. However, the Devon Fund has no current allocation to active UK or Low volatility equities.
- 6.2 Brunel is currently working on a revised business plan, which will be presented to the Oversight Board in November for endorsement before shareholder agreement is sought. This will include a revised transition timetable. The next procurement exercises to be undertaken by Brunel are still likely to be for Emerging Market Equities and High Alpha Global Equities. However, the timing of the transition to these portfolios is likely to be later than originally envisaged.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972

List of Background Papers – Nil

Contact for Enquiries: Charlotte Thompson  
Tel No: (01392) 381933 Room G99

## **EXTERNAL AUDIT FINDINGS REPORT 2017/18**

### **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 notes the External Audit Findings Report.**

#### **1. Introduction**

- 1.1. The Audit Findings Report outlines the findings arising from the statutory audit of the Devon Pension Fund and the preparation of the Pension Fund's financial statements for the year ending 31<sup>st</sup> March 2018.

#### **2. Audit Findings Report 2017/18**

- 2.1. A copy of the Audit Findings report for the Devon Pension Fund is attached at Appendix 1. Although marked "draft", this is the final version agreed with the Audit Committee. The findings and recommendations were discussed and agreed at the Audit Committee meeting and the auditor did not see the need to reissue another version simply to remove "draft".
- 2.2. The report was presented to the Audit Committee on 27<sup>th</sup> July 2018 and provided to the Investment and Pension Fund Committee on 14<sup>th</sup> September 2018.

#### **3. Conclusion**

- 3.1. The Board is asked to note the Audit Findings Report.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972  
List of Background Papers - Nil  
Contact for Enquiries: Charlotte Thompson  
Tel No: (01392) 381933 Room G99



# Audit Findings

*Year ending 31 March 2018*

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

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Devon Pension Fund

Audit Committee: 27 July 2018



# Contents



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Page 82

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Section	Page
1. Headlines	3
2. Financial statements	4
3. Independence and ethics	12
<b>Appendices</b>	
A. Audit adjustments	
B. Fees	
C. Audit Opinion	

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

## Introduction

The table below summarises the key issues arising from the statutory audit of Devon Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

This Audit Findings Report summarises the audit work undertaken as at 23 July 2018. Our audit is still in progress and we will provide a verbal update to the Council's Audit Committee (as Those Charged With Governance for the Pension Fund) on 27 July 2018.

<p><b>Financial Statements</b></p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.</li> </ul>	<p>Our audit work was completed on site during June and July 2018. Our findings are summarised in section two of this report. The financial statements were prepared to a high standard and we did not identify any adjustments to the financial statements that have resulted in an adjustment to the Fund's reported financial position.</p> <p>Audit adjustments are detailed in Appendix B.</p> <p>We did identify some internal control issues relating to Member Data and this is reported in more detail on page 10.</p> <p>The recommendations for management as a result of our audit work are included in Appendix A.</p> <p>Subject to outstanding information being provided and our final queries being resolved, we anticipate issuing an unqualified audit opinion following the County Council's Audit Committee meeting on 27 July 2018, as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none"> <li>- receipt of the management representation letter;</li> <li>- review of the final set of financial statements;</li> <li>- review of controls reports for some external Fund Managers which have not yet been provided to us;</li> <li>- review of the Pension Fund's Annual Report to ensure it is consistent with the financial statements;</li> <li>- review of subsequent events to the date of our opinion; and</li> <li>- final file review by a review partner; this is an additional quality assurance arrangement Grant Thornton has for key audit assignments.</li> </ul>
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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Controls testing of the contributions, benefits payments and member data systems; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

As noted earlier, we have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

The table below sets out our assessment of materiality for Devon Pension Fund.

	Amount (£)	Qualitative and other factors considered
Materiality for the financial statements	£40m	This was 1% of the expected net assets of the Pension Fund.
Performance materiality	£30m	This is 75% of the above materiality.
Trivial matters	£2m	This is 5% of the above materiality.
Materiality for specific transactions, balances or disclosures	£156k	We have set a lower materiality for management costs as this is likely to be of interest to users of the financial statements. This was 1% of the investment management costs for the Pension Fund.

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

Management have considered the implications of the most recent triennial revaluation and the impact of the increase in employers' contributions to address the overall funding deficit.

Management have also considered benefits payments due in the short term and their affordability, taking into account the regular contributions received and the level of investments available to the Pension Fund.

### Work performed

Detail audit work performed on management's assessment

### Auditor commentary

- We agree with management's conclusion that the Pension Fund's financial statements should be prepared on a going concern basis.

### Auditor commentary

- We did not identify the going concern of Devon Pension Fund a material uncertainty when we undertook our initial planning.
- Future funding contributions are set by an independent actuary and deficit recovery contributions are planned in order to eliminate the funding gap. At the latest triennial revaluation the actuary calculated the funding level to be 84% and in 2017/18 deficit recovery contributions of £38m were received by the Pension Fund.
- Year on year benefits payable are in line with the contributions received and there are no short term liquidity issues.

### Concluding comments

### Auditor commentary

- We anticipate we will provide the Pension Fund with an unmodified audit report as detailed in Appendix D.
- We have nothing to report regarding management's conclusion that the Pension Fund's financial statements should be prepared on a going concern basis.

# Significant audit risks

Significant risks are those risks that have a higher risk of material misstatement and require special consideration. Significant risks often relate to material, non-routine transactions or judgemental matters.

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Page 86

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited;
- The culture and ethical frameworks of local authorities, including Devon County Council as the administering authority, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Devon Pension Fund.

Our audit work has not identified any issues in respect of revenue recognition.

2

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness;
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness;
- evaluated the rationale for any changes in accounting policies or significant unusual transactions; and
- reviewed any significant related party transactions outside the normal course of business.

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

3

### The valuation of Level 3 investments is incorrect

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

We identified the valuation of level 3 investments as a risk requiring special audit consideration.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Fund's process for valuing Level 3 investments and evaluated the design of the associated controls;
- challenged management regarding the categorisation of Level 3 investments;
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments;
- considered of the competence, expertise and objectivity of the management experts used;
- reviewed the qualifications of the experts used to value the Level 3 investments at the year end and gained an understanding of how the valuation of these investments had been reached;
- assessed the potential impact of two 'emphasis of matter' paragraphs from the external auditors in two of the sets of financial statements that supported the Level 3 investments on the values attached to those investments; and
- for all of the Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date; we also reconciled those values to the values at 31 March 2018 to the figures provided by the Pension Fund's custodian.

Our audit work did not identify any issues in respect the valuation of Level 3 investments.

# Reasonably possible audit risks

- A risk is "reasonably possible" when the likelihood of it occurring is more than remote. Designating a risk as reasonably possible does not mean that the audit team expects to find material errors or fraud. However, it does cause the audit plan to reflect the possibility that material errors or fraud could be present.

## Risks identified in our Audit Plan

## Commentary

4

### Contributions

Contributions from employers and employees' represents a significant percentage of the Fund's revenue. We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Fund's accounting policy for the recognition of contributions for appropriateness;
- gained an understanding of the Fund's system for accounting for contribution income and evaluated the design of the associated controls;
- tested a sample of contributions (including deficit recovery contributions) to source data to gain assurance over their accuracy and occurrence; and
- rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.

Our audit work has not identified any issues in respect of pension contributions.

5

### Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Fund's expenditure.

We identified completeness of pension benefits payable as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Fund's accounting policy for the recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;
- tested a sample of individual pensions in payment by reference to member files;
- rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Our audit work has not identified any issues in respect of benefits payable.

## Reasonably possible audit risks

### Risks identified in our Audit Plan

6

#### The valuation of Level 2 investments is incorrect

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.

### Commentary

#### Auditor commentary




We have undertaken the following work in relation to this risk:

- gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls;
- evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments;
- challenged management regarding the categorisation of Level 3 investments; and
- reviewed the reconciliation of information provided by the individual fund managers, the custodian and the Pension Scheme's own records and sought explanations for significant variances.




We asked management to change two investments (sterling deposits and foreign currency deposits) from Level Two to Level One and the financial statements were amended accordingly. Further information is included in Appendix B.

Our audit work did not identify any other issues in respect the valuation of Level 2 investments.

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	Contributions are accounted for on an accrual basis, not simply when payments are received.	<p>We have no issues to report over the:</p> <ul style="list-style-type: none"> <li>• Appropriateness of the policy under the relevant accounting framework</li> <li>• Adequacy of disclosure of accounting policy</li> </ul>	<p> Green</p>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• Valuation of level 3 investments</li> <li>• The assumptions within the triennial valuation and the impact this has on the Pension Fund.</li> </ul>	<p>We have no issues to report over the:</p> <ul style="list-style-type: none"> <li>• Appropriateness of the policy under the relevant accounting framework</li> <li>• Extent of judgements involved</li> <li>• Adequacy of disclosure of accounting policies</li> </ul>	<p> Green</p>
<b>Other critical policies</b>		<p>We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.</p>	<p> Green</p>

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators (Red)
-  Accounting policy appropriate but scope for improved disclosure (Amber)
-  Accounting policy appropriate and disclosures sufficient (Green)



## Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
3	<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	<b>Written representations</b>	A standard letter of representation has been requested from the Pension Fund which is included in the Audit Committee papers.
5	<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to banks, fund managers and other organisations with whom the Pension Fund had short term investments. This permission was granted and the requests were sent. Most were returned with positive confirmation, however where requests were not received we undertook alternative procedures including agreement of loan repayments after the year end. There are no issues we wish to draw to the Audit Committee's attention.
6	<b>Disclosures</b>	Our review found no material omissions in the financial statements.
7	<b>Significant difficulties</b>	The financial statements were prepared to a high standard and we have provided letters of assurance to the auditors of other bodies connected with the Pension Fund. We will work with the Council and Pension Fund to identify ways in which the audit can be undertaken more efficiently in future years,
8	<b>Matters on which we report by exception</b>	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have yet to complete this work and will provide an update to the Audit Committee on 27 July 2018.

# Independence and ethics

## **Independence and ethics**

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1 There were no adjustments that affected the Pension Fund's primary financial statements.			
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

Page 93

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure change	Detail	Adjusted?
<b>Investment categorisation</b>	Foreign currency deposits and short term Sterling deposits totalling £62m were reclassified from Level 2 to Level 1 investments.	✓
<b>Investment categorisation</b>	There were a small number differences between the comparative figures in the draft financial statements for 2017/18 and the audited financial statements for 2016/17.	✓

# Audit Adjustments

## Impact of unadjusted misstatements

No adjustments were identified during the 2017/18 audit which have not been made within the final set of financial statements.

There are no unadjusted errors from previous years.

# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	28,603	28,603
<b>Total audit fees (excluding VAT)</b>	<b>£28,603</b>	<b>£28,603</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

# Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

## Independent auditor's report to the members of Devon County Council on the pension fund financial statements

### Opinion

We have audited the pension fund financial statements of Devon County Council (the 'Authority') for the year ended 31 March 2018 [set out on pages 117 to 166] which comprise the Fund Account, the Net Asset Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the County Treasurer's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the County Treasurer has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

### Other Information

The County Treasurer responsible for the other information. The other information comprises the information included in the Statement of Accounts and Annual Governance Statement set out on pages 1 to 178, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts and Annual Governance Statement, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the County Treasurer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 122, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the County Treasurer. The County Treasurer is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the County Treasurer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the County Treasurer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit Committee Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Jon Roberts  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2 Glass Wharf

Bristol

BS2 0EL

July 2018





## PENINSULA PENSIONS PERFORMANCE REPORT

### 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 notes the report.**

#### 1. Introduction

- 1.1. Peninsula Pensions' service standard target is to complete 90% of work within 10 working days from the date that all necessary information has been received. Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.
- 1.2. Peninsula Pensions also participates in the CIPFA Benchmarking Club which provides an annual comparison of our performance against other LGPS administration services. Approximately 50 LGPS Funds participate in the benchmarking exercise. Performance for 2016/17 against the CIPFA Benchmark was reported to the Board at the April 2018 meeting.

#### 2. Team Performance

- 2.1. During 2017/18, the team issued 77% of work within target. This figure has increased to 80% for the six months ending 30th September 2018.
- 2.2. Appendix 1 shows the performance relating to the Devon Fund only for the six months ending 30th September 2018.
- 2.3. Appendix 2 shows the work that is outstanding for the Devon Fund only as at 30<sup>th</sup> September 2018.
- 2.4. The backlog of outstanding work remains an area of concern, but the number of cases is reducing and we are considering additional plans to tackle this issue.

#### 3. Actions Implemented

- 3.1. Following the restructure of the service, a new management team is now in place, headed up by Dan Harris. The service now has three specialist functions, as follows:

- i) **Employer Liaison and Communication**

This team is headed up by Shirley Cuthbert and is responsible for all client management aspects of the fund's employers. The increased engagement, training and support will help to ensure that data quality and timeliness is improved in order to comply with regulations and will enable smooth processing of benefit administration by the member services teams.

# Agenda Item 14

The team review employer performance data across all areas of Peninsula Pensions and help to manage any employer issues that may arise. The team also administer the admitted body process and other new employers as they join the fund.

Communication is an important aspect of administering a pension scheme and the team will develop and improve both employer and member communications. Central to this will be increasing the use of self-service portals and the website.

## ii) **Technical and Compliance**

This function is headed up by Rachel Lamb, and covers a number of areas including pensioner payroll, systems development and technical and training.

The Technical and Training team is a new function which is responsible for creating and maintaining benefit administration procedure notes and providing training to all member services team members. The aim is to ensure consistency of process and practice across all teams. The team will devise and implement a training and accreditation plan for member services staff and will monitor progress. A quality assurance scheme will also be monitored by this team to ensure the continued accuracy and quality of outputs of accredited member services staff.

The Technical and Training team respond to technical queries and administer the Annual Allowance project, along with other technical projects.

## iii) **Member Services**

This function is headed up by Natalie Taylor, and covers all areas of member services for LGPS, Police and Fire schemes.

The First Response Team is responsible for dealing with all incoming and outgoing post and for managing email boxes. They are also responsible for checking incoming work requests for accuracy and completeness before work is passed to the main benefit teams to be processed. The team liaise with employers where data is missing or inaccurate, and will collate employer performance information, which will help to highlight areas for improvement from an employer perspective.

The 3 LGPS benefit teams are now split by employer with the aim of improving our employer focus (previously the teams were split alphabetically) and they provide a full pension administration service, including divorce and Additional Benefits

The Police and Fire team are responsible for processing benefits administered under Service Level Agreements. When capacity allows they will also process LGPS administration tasks.

3.2. We are currently in the process of appointing staff to our remaining vacant posts, following the restructure, and aim to be fully staffed by the end of October.

## 4. Pension Transfers

4.1. Peninsula Pensions provide all new scheme members with the option to transfer any previous pensions into the LGPS. Members may wish to transfer for a number of reasons, including:

- change of job;
- a pension scheme is being closed or wound up;
- transfer to a better pension scheme;
- bringing multiple pensions together into one 'pot';
- moving overseas and wish to move a pension to a scheme in that country

# Agenda Item 14

- 4.2. Members are given 12 months from their start date to transfer any previous pension into the LGPS. After that window has closed, it is at their employer's discretion, with agreement from the Pension Fund administering authority, whether to permit a scheme member to elect to transfer other pension rights into the LGPS. Conversely, members are able to request transfers out of the scheme at any time.
- 4.3. The table below shows the number and value of transfers in and out of the Devon Fund since 2015/16.

Year	Transfers-In		Transfers-Out	
	Number	Value (£)	Number	Value (£)
2015/16	181	3,669,179.96	163	6,128,746.81
2016/17	245	6,245,576.60	214	5,329,447.25
2017/18	105	3,632,512.88	204	6,768,603.86
<b>Total</b>	<b>531</b>	<b>13,547,269.44</b>	<b>581</b>	<b>18,226,797.92</b>

- 4.4. Our performance monitoring tool shows that there are currently 847 transfer-in tasks and 381 transfer-out tasks outstanding. These tasks will all be at different stages in the process, from contacting a scheme member to request details of any previous pension through to processing a payment/receipt to/from a pension provider. Members are asked to note that no task is currently outside of the 12 month timescale.
- 4.5. Our Technical and Training team will be reviewing every procedure across the team, including the transfer process. The aim of this is to identify and remove inefficiencies in our current working practices and develop a concise set of training materials and instructions. This will help to ensure an effective, efficient and consistent approach to processes across the member services teams.

## 5. Conclusion

- 5.1. Once the new structure and processes have bedded in and the recruitment process has been completed for our outstanding vacancies, we expect to see an improvement in performance.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Shirley Cuthbert

Tel No: (01392) 383000

# Agenda Item 14

Appendix 1

## Summary of Work Completed 01/04/18 – 30/09/18 (DCC)

	Within Target	Over Target	Total	Success Rate
Priority Procedures	3,258	655	3,913	83%
Non-Priority Procedures	12,179	3,190	15,369	79%
<b>TOTAL</b>	<b>15,437</b>	<b>3,845</b>	<b>19,282</b>	<b>80%</b>

### Non-Priority Procedures

	Within Target	Over Target	Total	Success Rate
Deaths	339	174	513	66%
Employer Estimates	134	5	139	96%
Priority General	1,746	152	1,898	92%
LGPS Retirements	484	198	682	71%
Deferred Benefit Retirements	555	126	681	82%
<b>TOTAL</b>	<b>3,258</b>	<b>655</b>	<b>3,913</b>	<b>83%</b>

### Non-Priority Procedures

	Within Target	Over Target	Total	Success Rate
Amalgamation of Records	196	520	716	27%
Additional Voluntary Contribution Calculations	553	70	623	89%
Deferred Benefit Calculations (including recalculations)	479	405	884	54%
Divorce Calculations	183	7	190	96%
Frozen Refunds	152	615	767	20%
Other Member Estimates	164	258	422	39%
Non-Priority General	8,337	698	9,035	92%
Payroll Adjustments	1,089	67	1,156	94%
Police & Fire Retirement Estimates	0	1	1	0%
Refunds	236	25	261	90%
Retirement Estimates	651	196	847	77%
New Starters	6	0	6	100%
Transfer Values In	22	93	115	19%
Transfer Values Out	111	235	346	32%
<b>TOTAL</b>	<b>12,179</b>	<b>3,190</b>	<b>15,369</b>	<b>79%</b>

## Summary of Work Outstanding as at 30/09/18 (DCC)

### Priority Procedures

	Number of Cases	Awaiting Reply	Net Outstanding
Deaths	223	175	48
Employer Estimates	7	3	4
Priority General Post	180	69	111
LGPS Retirements	420	232	188
Deferred Benefit Retirements	267	150	117
<b>TOTAL</b>	<b>1,097</b>	<b>629</b>	<b>468</b>

### Non-Priority Procedures

	Number of Cases	Awaiting Reply	Net Outstanding
Amalgamation of Records	4,517	1,274	3,243
Additional Voluntary Contribution Calculations	50	5	45
Deferred Benefit Calculations (including recalculations)	725	304	421
Divorce Calculations	15	14	1
Frozen Refunds	1,231	119	1,112
Other Member Estimates	126	34	92
Non-Priority General	2,216	1,432	784
Payroll Adjustments	33	18	15
Refunds	28	16	12
Retirement Estimates	183	4	179
New Starters	1	1	0
Transfer Values In	891	44	847
Transfer Values Out	419	38	381
<b>TOTAL</b>	<b>10,435</b>	<b>3,303</b>	<b>7,132</b>



## **PENSION BOARD MEMBERSHIP**

### **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 note the following report

#### **1. Introduction**

- 1.1. The Devon Pension Board was constituted in 2015, and the first appointments to the Pension Board were formally confirmed at the Devon County Council Annual Meeting in May of that year. Under the Board's terms of reference, two employer reps are appointed annually by the County Council, and two were appointed from an annual employer meeting, one for an initial four year term and one for an initial six year term. Four fund member representatives were appointed from applicants responding to an advertisement following an interview process, two for a four year term and two for a six year term. A non-voting independent member was also appointed for a six year term.
- 1.2. In addition the "Other Employers" representative on the Investment and Pension Fund Committee was appointed by the annual employer meeting to serve for a four year term from May 2015.
- 1.3. The Pension Board members appointed for a four year term and the Other Employers representative on the Investment and Pension Fund Committee will complete their current terms of office in May 2019. This report outlines the process for making new appointments to take effect from May 2019.

#### **2. Employer Representatives**

- 2.1. As outlined above, two of the employer representatives on the Pension Board are appointed by an annual meeting of employers. Of the two appointed in 2015, Graham Smith is due to serve a six year term, and Carl Hearn was appointed to a four year term, that will come to an end in May 2019. Donna Healy was appointed to the Investment and Pension Fund Committee to serve until May 2019.
- 2.2. The 2018 Annual Employer Meeting is due to be held on 5<sup>th</sup> October, and notification was sent out to all employers in the Devon Fund, asking them for nominations to fill the vacant places on the Pension Board and Investment and Pension Fund Committee to serve a four year term from May 2019. The current members whose terms come to an end at that date were eligible to re-apply. If there is more than one nomination for either role, then there will be an election by secret ballot of all the employers in attendance at the meeting to choose the representatives.

#### **3. Fund Member Representatives**

- 3.1. Of the four members appointed to the Pension Board in 2015, two, Andrew Bowman and Alan Henshaw, were appointed for a 6 year term up to 2021. Alan Henshaw subsequently

# Agenda Item 15

resigned and was replaced by Colin Shipp. Heather Keightley and Cheryl Lewis were appointed for four year terms up to 2019. Cheryl Lewis subsequently resigned and was replaced by Paul Phillips. It is therefore Heather Keightley and Paul Phillips who are due to stand down in 2019.

- 3.2. Under the terms of reference for the Pension Board, the fund member representatives should be appointed by the Administering Authority from applicants responding to an advertisement. It is proposed that the appointment process be carried out early in the new year, in order that new appointments can be confirmed at the Devon County Council annual meeting in May 2019. An advertisement will be placed to seek applications; the current members whose terms come to an end at that date are eligible to re-apply.
- 3.3. When the first fund member representatives were appointed in 2015, a communication, either an email or a letter through the post, was sent out to every pension fund member to advertise the roles. On this occasion it is proposed to place an advertisement on the Peninsula Pensions website, and send out an email to all those who have signed up for self service.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

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## 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 Budget Monitoring;
- Future Work Programme.

##### April 2019

- Administration Strategy;
- Statutory Statements - Investment Strategy Statement;
- Statutory Statements - Funding Strategy Statement;
- Pension Board Annual Report 2018/19;
- Training Review 2018/19 and Training Plan 2019/20;
- Internal Audit Report for 2018/19 and Plan for 2019/20.

# Agenda Item 16

October 2019

- Statutory Statements – Governance Policy and Compliance Statement
- Statutory Statements – Communications Policy
- Pension Board Terms of Reference
- External Audit Findings Report
- Annual Review of Attendance

### **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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