

Phil Norrey  
Chief Executive

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To: The Chair and 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 : 1 February 2019  
Please ask for : Gerry Rufolo 01392382299

Email: gerry.rufolo@devon.gov.uk

## **DEVON PENSION BOARD**

**Monday, 11th February, 2019**

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

P NORREY  
Chief Executive

## **A G E N D A**

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

- 1 Apologies
- 2 Minutes (Pages 1 - 6)  
Minutes of the meeting held 15 October 2018, attached
- 3 Items Requiring Urgent Attention  
Items which in the opinion of the Chairman should be considered at the meeting as matters of urgency.
- 4 Membership  
Two member representative board member positions expire in 2019. These are currently held by Heather Keightley and Paul Phillips and will be advertised shortly.

### **MATTERS FOR CONSIDERATION OR REVIEW**

- 5 Internal Audit Report - Pension Fund Board Governance Arrangements (Pages 7 - 24)  
Report of the County Treasurer (CT/19/10), attached
- 6 Pension Fund Risk Register (Pages 25 - 44)  
Report of the County Treasurer (CT/19/11), attached

7 Regulatory Update and Consultations (Pages 45 - 56)

Report of the County Treasurer (CT/19/12), attached

8 Fair Deal - Strengthening Pension Protection Policy Consultation (Pages 57 - 82)

Report of the County Treasurer (CT/19/13), attached

**MATTERS FOR INFORMATION**

9 Investment and Pension Fund Committee (Pages 83 - 88)

Minutes of the meeting held on 16th November 2018, attached

10 Brunel Update (Pages 89 - 92)

Report of the County Treasurer (CT/19/14), attached

11 Proposed Changes to the LGPS Regulations Report (Pages 93 - 94)

Report of the County Treasurer (CT/19/15), attached

12 Peninsula Pensions Performance Report (Pages 95 - 98)

Report of the County Treasurer (CT/19/16), attached

13 Action and Recommendations Tracker (Pages 99 - 106)

Report of the County Treasurer (CT/19/17), attached

14 Future Work Programme (Pages 107 - 108)

Report of the County Treasurer (CT/19/18), attached

15 Dates of Meetings/Training

The Pension Board will meet at 10.30am on the following dates:


3rd April 2019; 15th July 2019; and 21st October 2019

Training: Devon Pension fund Training Day – Thursday 28th March 10am to 4pm at the Conference Centre Coaver Club, County Hall

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

Nil

*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.*

<p><b>Membership</b></p> <p>Devon County Council  Councillors C Slade (Chair) and S Randall-Johnson  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>
<p><b>Declaration of Interests</b></p> <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>
<p><b>Access to Information</b></p> <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>
<p><b>Webcasting, Recording or Reporting of Meetings and Proceedings</b></p> <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>
<p><b>Emergencies</b></p> <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>
<p><b>Mobile Phones</b></p> <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**

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**SatNav** – Postcode EX2 4QD

### **Walking and Cycling Facilities**

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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**

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### **Car Parking and Security**

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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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In the event of a fire or other emergency please note the following instructions. If you discover a fire, immediately inform the nearest member of staff and/or operate the nearest fire alarm. On hearing a fire alarm leave the building by the nearest available exit. The County Hall Stewardesses will help direct you. Do not stop to collect personal belongings and do not use the lifts. Assemble either on the cobbled car parking area adjacent to the administrative buildings or in the car park behind Bellair, as shown on the site map above. Please remain at the assembly point until you receive further instructions. Do not re-enter the building without being told to do so.

### **First Aid**

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

## DEVON PENSION BOARD

15 October 2018

### Present

Councillor S Randall-Johnson

### Fund Employer Representatives

Mr C Hearn and Mr G Smith

### Fund Member Representatives

Mr A Bowman, Mr P Phillips and Mr C Shipp

### Independent Member

Mr W Nicholls

### Attending in Accordance with Standing Order 25 (2)

Councillor R Bloxham

### Apologies: -

Councillor C Slade

\* **78**      **Election of Chair and Vice Chair**

**RESOLVED** that Councillor Slade be elected Chair and Mr Bowman Vice Chair for the ensuing year.

Mr Bowman in the Chair.

\* **79**      **Minutes**

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

\* **80**      **Items Requiring Urgent Attention**

No item was raised as a matter of urgency.

\* **81**      **Membership of the Board**

The Board noted the appointment of Councillor Colin Slade by Devon County Council.

\* **82**      **Statutory Statements - Draft Communication Policy**

The Board considered the Report of the County Treasurer (CT/18/70) on the Communications Policy which had been last updated and considered by the Investment and Pension Fund Committee in November 2015. The policy was now updated to address action points raised by the recent 'Communication with Stakeholders audit', and reflected new legislation, pooling and Government department changes. The Policy covered several areas and in the opinion of the Audit Partnership was of an overall 'Good Standard' and their suggestions had been incorporated.

The Statement was subject to annual review and gradual changes that arose from the Brunel Partnerships arrangements would be reflected.

The Board noted the 'non-voting' status of the Union representatives on then Investment and Pension Fund Committee.

# Agenda Item 2

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DEVON PENSION BOARD  
15/10/18

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

**RESOLVED** that the draft Communications Policy be endorsed.

\* 83

## **Statutory Statements and Terms of Reference - Annual Review**

The Board considered the Report of the County Treasurer (CT/18/71) on a review of the Governance Policy and Compliance Statement one of the four statutory statements that the Fund was required to have in place. Its purpose was to explain the governance arrangements for the Devon Pension Fund, as required by the Local Government Pension Scheme Regulations 2013.

The Governance Policy set out the governance arrangements for the Fund, including the make-up of the Investment and Pension Fund Committee and the Devon Pension Board, and outlined the tasks delegated to the Committee, the Board and to the Fund's officers. This had not changed from the previous version approved in February 2015.

The Compliance Statement set out an analysis of the Fund's compliance with the latest guidance issued by the Secretary of State for Communities and Local Government. This had not been changed since the amendments made in 2017.

Following the introduction of the Local Pension Board under the Public Service Pensions Act 2013, The Devon Pension Board had formally adopted its terms of reference in its creation meeting in July 2015, with a minor amendment agreed by this Board.

The Board noted that in the updated version of the Statement, in the 'Principle' section, paragraph (a)(iii) relating to an independent professional observer had been deleted; and the need to correct the number of Members on the Investment and Pension Fund Committee to 9 (in Section 2). Members also referred to the need to reference (i) changes arising from the gradual transition of holdings to the Brunel Partnership, and (ii) any breaches of policy in the Governance policy and Compliance Statement. The Chair also referred to the need to review the non-voting status of the Union representatives on the Investment and Pension Fund Committee.

The County Treasurer undertook to circulate to Members the CIPFA's Code of Practice relating to knowledge and skills recommended for Members.

The Board discussed the merits of additional meetings in line with the Investment and Pension Fund Committee cycle to facilitate timely reporting of developments.

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

**RESOLVED** that the Governance Policy and Compliance Statement be endorsed and commended to the Investment and Pension Fund Committee subject to the following changes:

(a) the Board's Terms of Reference (Appendix 2) be amended to show two additional meetings per annum, in line with the Investment and Pension Fund Committee's cycle of meetings;

(b) reference in the Statement to (i) changes arising from the gradual transition of holdings to the Brunel Partnership; and (ii) breaches of policy.

\* 84

## **Devon Pension Fund Risk Register**

The Committee considered the Report of the County Treasurer (CT/18/72) on the Risk Register and the Pension Board's scrutiny role in relation to risk and compliance and suggestion and issues would be which would be raised with the Investment and Pension

Fund Committee, as necessary. The Board had previously considered the Risk Register at its meeting on 23rd April 2018.

The Risk Register (attached at Appendix 1 to the Report) highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. This incorporated the risk register of both the Investments Team and Peninsula Pensions.

The Risk Register was reviewed and updated on an ongoing basis during the year and the Report detailed the changes made since it was last presented to the Board.

Members suggested that with the additional meetings previously agreed greater should focus be given by the Board on the highest areas of risk identified within the Register.

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

**RESOLVED** that the Pension Fund Risk Register and the additional actions proposed to mitigate risk be noted.

## **85**      **Review of Attendance**

The Board received the Report of the County Treasurer (CT/18/73) on a review of attendance noting that the Terms of Refence stated that the membership of any Member who had failed to attend for two consecutive meetings or two consecutive training events would be reviewed by the Board. Members noted that Officers would consult with a Member who had not attended a meeting or training events whose term of office was due to expire in 2019 for report to the Chair.

## \* **86**      **Investment and Pension Fund Committee**

The Board received the Minutes of the meetings held on 15 June 2018 and 14 September 2018.

Arising on Minute \*55 Training Review, the County Treasurer reported that this was being progressed and indicated that at the next training event in Thursday, 18 October 2018 there would be a session on Management of Risks.

## \* **87**      **Devon Pension Board: Budget Monitoring 2018/19**

The Board received the Report of the County Treasurer (CT/18/74) on Board's budget monitoring statement for month 6 covering the Board's expenses.

## \* **88**      **Brunel Pension Partnership - Progress**

(Councillor R Bloxham attended in accordance with Standing Order 25(2) and spoke to this item on the progress of the uptake of the LGA's Transparency Code by the external investment managers both within Brunel and generally)

The Board received the Report of the Treasurer (CT/18/75) on the progress of the establishment of Brunel Pension Fund since October 2017 meeting of the Pension Board.

The Report updated the Board on the appointment and transition of custody arrangements, passive manager selection and transition, the property mandate, potential infrastructure investment, and the transition of active equities.

Further progress would be reported to the next Investment and Pension Fund Committee.

# Agenda Item 2

4

DEVON PENSION BOARD  
15/10/18

\* **89**      **External Audit Findings Report 2017/18**

The Board received the Report of the County Treasurer (CT/18/76) on the External Audit Findings Report on their 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 31st March 2018.

The Report had been presented to the Audit Committee on 27th July 2018 and to the Investment and Pension Fund Committee on 14th September 2018. The Auditor's findings had been positive, and no significant issues or concerns had been raised.

\* **90**      **Peninsula Pensions Administration Update and Performance Statistics**

The Board received the Report of the County Treasurer (CT/18/77) on Peninsula Pensions' service standard targets and performance against the CIPFA Benchmarking Club which provided an annual comparison against other LGPS administration services. Overall in 2017/18, the Team had issued 77% of work within target and this had improved to 80% for the 6 months ending 30 September 2018.

The backlog of outstanding work remained an area of concern, but the number of cases had been reducing and there were additional plans to tackle the issue. Following the restructure of the service, a new management team was now in place, covering employer liaison and communication, technical and compliance, pension member services, and pension transfers.

Once the new structure and processes were bedded in and recruitment had been completed for the outstanding vacancies there would be an expected improvement in performance.

The Head of Pension Services indicated that further trend analysis overtime would be provided to future meetings and not just a 'snap shot' of the current position. This analysis would include a RAG assessment. Future reports would also include a section providing a summary of compliments and complaints received during the reporting period. The Breaches Register would be presented to the Board on an annual basis.

\* **91**      **Pension Board Membership**

The Board received the Report of the County Treasurer (CT/18/67) on membership of the Board and terms of office and on the Investment and Pension Fund Committee. The Report detailed the current appointments and expiry times and outlined the process for making new appointments.

The County Treasurer reported that at the annual Employers' Meeting, Mr C Hearn and Ms D Healy had been reappointed respectively (both as Employer representatives) to the Board and Investment and Pension Fund Committee for a further 4 years from May 2019.

\* **92**      **Future Work Programme**

The Board considered the Report of the County Treasurer (CT/18/78) on the Board's work programme covering standing and future items. In addition, reports would be submitted on the Breaches Log, annual Benefit Statements and the progress of the Brunel Partnership.

The timetable would be re-organised to reflect the addition of two extra meetings in the Board's meeting cycle. Members also asked that an annual Member Performance report should also be programmed.

It was **MOVED** by Councillor Bowman, **SECONDED** by Mr Smith, and

**RESOLVED** that the future work programme as set out in the Report be approved, subject to the changes outlined above.



\* 93

**Dates of Meetings**

3 April 2019, 21 October 2019; and 16 April 2020

(Note: the dates of two additional meetings to be agreed)

The Meeting started at 10.30 am and finished at 12.05 pm

# Agenda Item 2

## **INTERNAL AUDIT REPORT – PENSION FUND BOARD GOVERNANCE ARRANGEMENTS**

### **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 internal audit opinion that the Pension Fund Board Governance arrangements contain a satisfactory level of internal control**

#### **1. Introduction**

- 1.1. As part of the agreed annual internal audit plan, a review of the Devon Pension Fund Board governance arrangements was undertaken. The overall conclusion from our work was that Good Standard of control was in place. The detailed report, showing all the findings is attached.

#### **2. Audit findings**

- 2.1. We found the Board to be compliant with legislation and regulation, and the risk register included related risks and mitigations.
- 2.2. The Devon Pension Board forward plan provides for effective planning and decision making by the Board. A satisfactory level of information is provided to Members to support this process, and where not restricted, this information along with meeting minutes is publicly published.
- 2.3. Some members provided their view to the effectiveness of the Board, and whilst largely positive, there are areas where existing practice could be enhanced to increase the overall effectiveness. The responses to survey questions are provided in Appendix C of the attached report.

#### **3. Conclusion**

- 3.1. The Board is asked to note the attached audit report.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Robert Hutchings

Tel No: (01392) 385483 Dart Suite, Larkbeare House, Topsham Road, Exeter





# Final Internal Audit Report

## Effectiveness of the Devon Pension Board

### Devon Pension Fund

*September 2018*

Official



Support, Assurance & Innovation

## **Devon Audit Partnership**

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Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Torridge and Mid-Devon councils and we aim to be recognised as a high quality public sector service provider.

We work with our partners by providing professional internal audit and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (PSIAS) along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## 1 Introduction

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The Public Sector Pensions Act 2013 introduced a requirement for Local Government Pension Scheme (LGPS) Administering Authorities to establish a Pension Board. The purpose of the Pension Board is to assist the Administering Authority in securing:

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

The Devon Pension Board consists of nine persons; four persons representing Devon Pension Fund employers, including two elected Members of Devon County Council (as the administering authority), four persons representing Devon Pension Fund members, and one independent person.

## 2 Audit Opinion

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Good Standard - The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

## 3 Executive Summary

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The Devon Pension Fund Board governance arrangements are compliant with legislation and regulation, and the risk register includes related risks and mitigations.

Instances of consecutive non-attendance at Board meetings and training events in the period preceding the audit were identified.

An Annual Training Plan is in place and approved by Members; delivery against the plan is similarly reported annually.

The Devon Pension Board forward plan provides for effective planning and decision making by the Board. A satisfactory level of information is provided to Members to support this process, and where not restricted, this information along with meeting minutes is publicly published.

Some Members provided their view in relation to the effectiveness of the Board, and whilst largely positive, there are areas where existing practice could be enhanced to increase the overall effectiveness.

The detailed findings and recommendations regarding these issues and less important matters are described in the Appendices. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

## 4 Added Value

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Internal Audit aimed to provide added value, in relation to consideration of the robustness of the Devon Pension Board governance and reporting arrangements, and consideration of identified best practice in this area.

In addition, we followed-up the agreed recommendations of the 2017-18 'Induction Process for Board and Committee Members' internal audit report, as applicable to the Devon Pension Board, and reported progress in this area.

## 5 Assurance Opinion on Specific Sections

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The following table summarises our assurance opinions on each of the areas covered during the audit. These combine to provide the overall assurance opinion at Section 2. Definitions of the assurance opinion ratings can be found in the Appendices.

Risk Areas Covered		Level of Assurance
1	Non-compliance with Legislation, Regulation and Guidance in respect of requirements for a Pension Board	High Standard
2	Pension Board Members are unable to fulfil their responsibilities effectively due to insufficient knowledge and skills	Good standard
3	Pension Board Members are unable to fulfil their responsibilities effectively due to insufficient or inaccurate information / reporting	Good Standard

The findings and recommendations in relation to each of these areas are discussed in the "Detailed Audit Observations and Action Plan" appendix. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed.

## 6 Issues for the Annual Governance Statement

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The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

Based on the evidence we have found in this audit there are no issues arising from the risk management, systems and controls examined that would warrant inclusion in the Annual Governance Statement.



## **7 Scope and Objectives**

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The objective of this audit was to provide the client with an audit opinion on the control framework concerning the effectiveness of the Devon Pension Board.

Including in relation to: -

- a) The current governance arrangements in place for Devon Pension Fund in respect of the requirement for a Pension Board; and in relation to Pension Pooling governance arrangements applicable to Devon Pension Fund.
- b) The means by which Devon Pension Board members fulfil their responsibilities, including in relation to completion of required training and attendance at training events and meetings.
- c) Review of the effectiveness of the Devon Pension Board decision making process, including in consideration of advice received from external parties e.g. External Investment Advisor and Legal and Actuarial advice sought.

The above areas were considered in relation to applicable Legislation, Regulation and Guidance, including the relevant elements of the 'Pensions Regulator Code of Practice 14 – Governance and Administration of Public Service Pension Schemes'.

## **8 Inherent Limitations**

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The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

## **9 Acknowledgements**

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We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

**Robert Hutchins**  
**Head of Partnership**

## Appendix A

## Detailed Audit Observations and Action Plan

1. Risk Area Covered: Non-compliance with Legislation, Regulation and Guidance in respect of requirements for a Pension Board		Level of Assurance	
<p><b>Opinion Statement:</b> Applicable legislation and regulation was found to have been taken into account by Devon Pension Fund, in relation to Devon Pension Board governance arrangements, as confirmed within the Devon Pension Board Terms of Reference and Governance Policy and Compliance Statement.</p> <p>The Devon Pension Fund (DPF) Risk Register refers to the risks of non-compliance with legislation, regulation and guidance, in relation to the requirements of a local pension board, and mitigating controls are identified, including in relation to Member training provision.</p> <p>The DPF Governance Policy and Compliance Statement does not at present refer to Pensions Pooling arrangements (Brunel). We note that reference is made within some partner Pension Fund's Governance documentation to Brunel and/or Pension Fund representation on the governance arrangements for Brunel Pension Partnership (e.g. by Avon, Gloucestershire and Wiltshire Pension Funds), and as such we note that DPF may wish to refer to governance arrangements in respect of Brunel in future revisions of the Governance Policy and Compliance Statement where applicable.</p> <p>We noted the differing approach to publication of member contact details on the various related websites.</p>		<b>High Standard</b>	
No.	Observation and implications	Priority	Management response and action plan including responsible officer
1.1	An earlier dated version of the DPF Governance Policy and Compliance Statement is located on the Peninsula Pensions - Devon Pension Board webpages. A recommendation is made for the document to be updated accordingly.		
1.1.1	It is recommended that the Devon Pension Fund, Pension Board, webpage at <a href="https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/">https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/</a> is updated to include the most recent version of the Devon Pension Fund Governance Policy and Compliance Statement (the version currently at this location is marked as approved in 2015). A later version (marked as approved in 2017) is located at <a href="https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/">https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/</a> .	Low	Agreed. Investment Manager, in liaison with the Head of Peninsula Pensions. (By 31 March 2019)

No.	Observation and implications		
1.2	<p>We noted that the Peninsula Pensions Devon Pension Fund Representatives webpage includes details of Fund representatives and reference to the Devon Pension Board, for which the user is referred to the Pension Board page.</p> <p>The Pension Board webpage provides names of Devon Pension Board members which are hyperlinked to provide member contact email addresses through Microsoft outlook, a link to Devon Pension Board Terms of Reference and link to Devon Pension Fund Governance Policy November 2015 (not current version, refer to 1.1.1).</p> <p>The Peninsula Pensions Devon Pension Board webpage, above, refers users to the DCC Democracy in Devon, Devon Pension Board webpages, for <i>'agenda and minutes from meetings of the Pension Board'</i>. There is an inconsistency identified between the two websites identified in relation to provision of Board member email addresses, for which an address for all members is included on the Peninsula Pensions webpage but for Councillors only on the Democracy in Devon webpage.</p>		
	Recommendation	Priority	Management response and action plan including responsible officer
1.2.1 Page 15	<p>Management to consider the difference in approach regarding provision of Devon Pension Board member contact details.</p> <p>If the reason is that DCC publish only DCC email addresses (Councillor email addresses being @devon.gov.uk; whereas other email addresses given as per the Peninsula Pensions webpages include external email addresses such as gmail.com and blueyonder.co.uk), consideration should be given to whether DCC email addresses should be provided/allocated to Devon Pension Board members.</p> <p>And in relation to Board member changes, it is recommended that any updates are made in both locations concurrently.</p>	Medium	<p>Agreed. It will be considered whether there is a way of referring users from the Democracy in Devon - Devon Pension Board member webpages to the Peninsula Pensions Devon Pension Board webpage for further information including contact details. Investment Manager / Assistant County Treasurer - Investments, in liaison with the Democracy in Devon Team. (By 31 March 2019). Management felt however that would not however be appropriate for Devon Pension Board members who are not Devon County Councillors or DCC employees to be provided with a devon.gov.uk email address.</p>

<p><b>2. Risk Area Covered:</b> Pension Board Members are unable to fulfil their responsibilities effectively due to insufficient knowledge and skills</p>	<p><b>Level of Assurance</b></p>
<p><b>Opinion Statement:</b>                  Member attendance at Devon Pension Board meetings is published on the Democracy in Devon webpages. There were instances of consecutive non-attendance at Board meetings and training events in the period preceding the audit.</p> <p>The DPF - Annual Training Plan is approved annually by members and a report on the previous year's training provision is reported annually alongside this; we noted engagement and interest from Members in terms of training provision and recording. Member attendance at training events is reported to the Board and is also published within the Fund's annual report and accounts.</p> <p>We identified some other approaches relating to member training provision at other Funds and have provided information separately to management for their consideration. We note that in relation to Risk F1, as per Devon Pension Fund Risk Register report CT/18/66 taken to the September 2018 Investment and Pension Fund Committee meeting, that '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'</p> <p>We note that as per Pension Board Membership report CT/18/67, taken to the above meeting, the appointment process to fill places on the Pension Board has been communicated to the IPFC and the report will be taken to the Pension Board October 2018 meeting. We understand that management seek feedback from members in relation to training and a related question was included within the survey as part of this audit. Additionally members have opportunity to consider and agree the annual training plan.</p> <p>Progress has been made regarding the agreed recommendations from the 2017-18 Induction Process for New Board and Committee Members audit. As such these recommendations are not repeated here. However, it is recommended, collectively, that all on-going recommendations from the 2017-18 continue to be progressed in 2018-19 and as such an overarching recommendation is included here for the purposes of annual audit follow-up review.</p>	<p><b>Good standard</b></p>
<p>No.      Observation and implications</p>	
<p>2.1</p>	<p>The DPF - Annual Training Plan is approved annually by members and a report on the previous year's training provision is reported annually alongside this. Member attendance at training events is reported to the Board and is also published within the Fund's annual report and accounts. Member attendance at Devon Pension Board meetings is published on the Democracy in Devon webpages. There were instances of consecutive non-attendance at Board meetings and training events in the period preceding the audit.</p> <p>We noted that Members were actively engaged in relation to these reports resulting in arising actions to enhance existing training arrangements. Additionally, the Investment Team are involved in the recruitment and induction process.</p>

	Recommendation	Priority	Management response and action plan including responsible officer
2.1.1	It is recommended that management continue to review Devon Pension Board member attendance at Board meetings and training events, and bring to the Board's attention accordingly consecutive non-attendance at two meetings or two training events, in accordance with the Devon Pension Board Terms of Reference.	Medium	Agreed. Consideration will be given to attaching the attendance log to Board reports. Investment Manager / Assistant County Treasurer - Investments. (By 31 March 2019)
2.1.2	It is suggested, that to reduce instances of two or more consecutive non-attendances by Board members where non-attendance results from other diary commitments, that Board meeting and training event dates are communicated or consulted on at the earliest opportunities, to allow Members to schedule the dates.	Opportunity	Board meeting dates are agreed for a number of years ahead. Investment Manager will enquire with the Board Clerk whether these dates have been communicated to all Devon Pension Board members. (By 31 March 2019)  Devon Pension Fund management do currently canvas Board members regarding training dates.
No.	Observation and implications		
2.2	Progress has been made regarding the agreed recommendations from the 2017-18 Induction Process for New Board and Committee Members audit. As such these recommendations are not repeated here. However, it is recommended, collectively, that all on-going recommendations from the 2017-18 audit be completed in 2018-19 and as such an overarching recommendation is included here for the purposes of annual audit follow-up review.		
	Recommendation	Priority	Management response and action plan including responsible officer
2.2.1	It is recommended that all the on-going actions agreed by management relating to recommendations within the 2017-18 Induction Process for New Board and Committee members audit continue to be progressed and completed in 2018-19.	Medium	Agreed.

<p><b>3. Risk Area Covered:</b> Pension Board Members are unable to fulfil their responsibilities effectively due to insufficient or inaccurate information / reporting</p>		<p><b>Level of Assurance</b></p>	
<p><b>Opinion Statement:</b>                  The Devon Pension Board forward plan provides for effective planning and decision making by the Board. Board meeting agendas, papers and minutes, where not restricted, are published on the Democracy in Devon website, and were found to be easily located.                   Sample testing of recent decisions by the Devon Pension Board found a satisfactory level of detail provided within timely reports provided to the Board. The record of Board member observations and decisions were found to be transparent, and appropriate information published in the public domain.                   The DPF Governance Compliance Statement within the 'DPF Governance Policy and Compliance Statement' published document provides for DPB self-assessment against 'the latest guidance issued by the Secretary of State for Communities and Local Government'. This identified full compliance in all areas deemed applicable to DPF, except in one area relating to Representation of scheme members (including deferred and pensioner members) on the main or secondary committee structure, which was given partial compliance. The self-assessment noted that representatives of scheme members are members of the Investment and Pension Fund Committee, but without voting rights. We acknowledge that this not specific to the Pension Board but is noted as a wider point in relation to governance.                   We sought the views of Devon Pension Board Members in relation to this risk area and a summary analysis of Member responses is attached as an appendix C to this report. This includes in relation to key themes and where there are some limitations to the current effectiveness of the Devon Pension Board. Although few received, the responses provide opportunity to enhance existing arrangements.</p>		<p><b>Good Standard</b></p>	
No.	Observation and implications		
3.1	The views of Devon Pension Board members were sought via audit questionnaire for which four completed responses were received.  A summary analysis of Member responses from Devon Pension Board members to the audit questionnaire is attached as an appendix C to this report, for management review and consideration. This includes in relation to key themes where it is identified that there are some limitations to the current effectiveness of the Devon Pension Board. It should be noted however that they reflect the views of only some Board members and may not be representative of the views of other or all Devon Pension Board members, and as such these responses should be treated accordingly and with due respect given to Board members' points of view.		
	Recommendation	Priority	Management response and action plan including responsible officer
3.1.1	The responses to the survey as shown in Appendix C should be reviewed and taken forward as appropriate by management.	Medium	Agreed. The survey responses will be considered. Investment Manager / Assistant County Treasurer - Investments. (By 31 March 2019)

## Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

## Confidentiality under the National Protective Marking Scheme

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Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

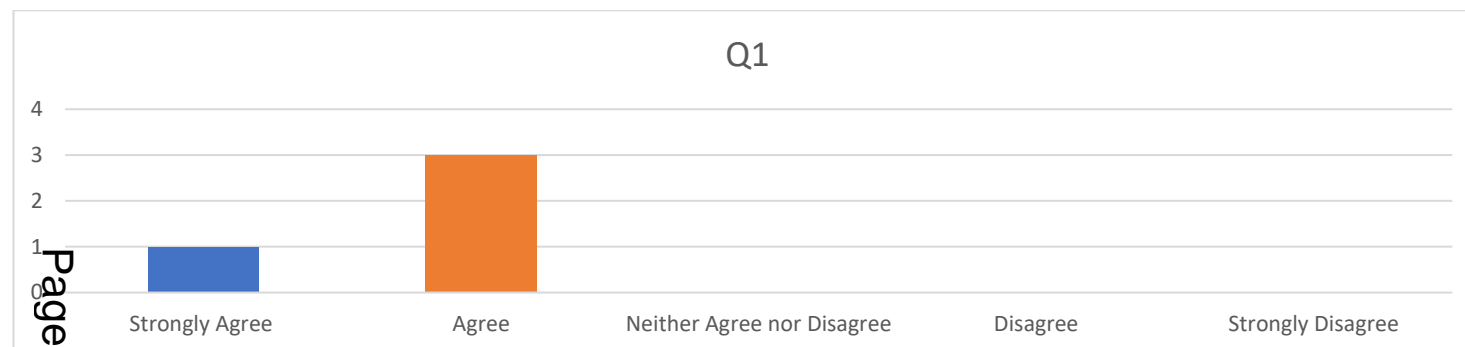


## Summary Analysis of Member responses to Devon Pension Board internal audit questionnaire

For the multiple-choice questions asked the number of responses for each answer provided are shown within the bar chart diagrams below.

### Appointment to the Devon Pension Board

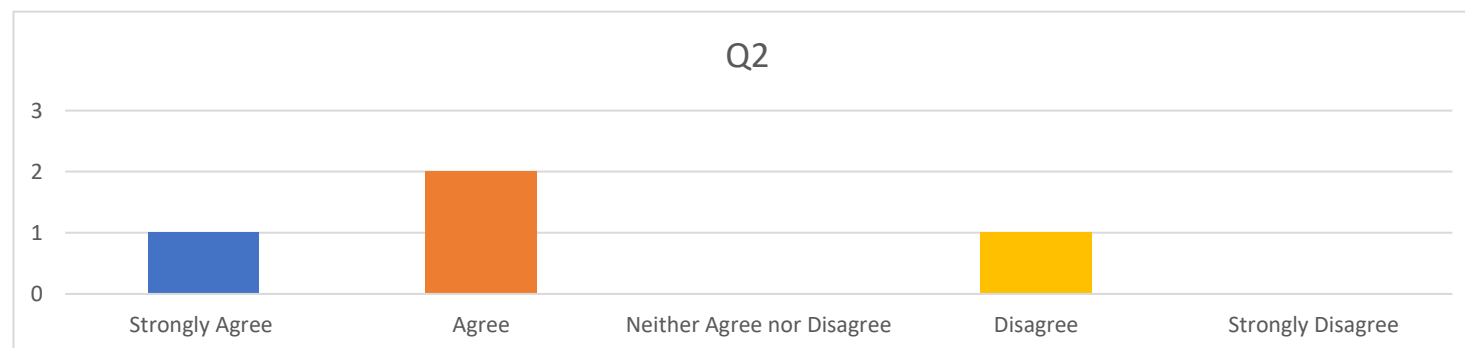
1. The appointment process provided me with a sufficient level of information in relation to the expectations and requirements of the role of member of the Devon Pension Board.



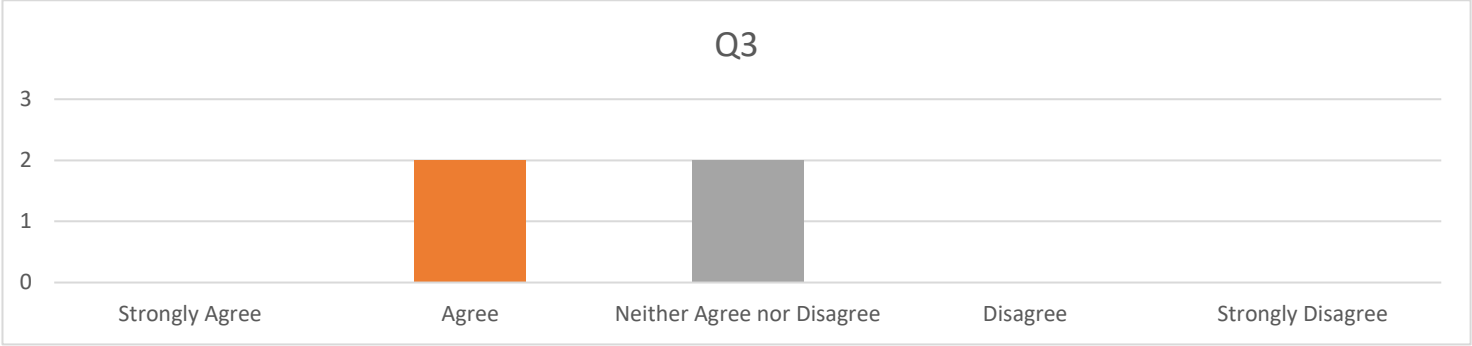
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### Training provided to you as a member of the Devon Pension Board

2. The level of training provided to me on appointment as a member of the Devon Pension Board was sufficient for me to effectively conduct my role as Devon Pension Board member, including in relation to i) the application of law relating to local government pension schemes and ii) Devon Pension Fund scheme rules and administration policies.

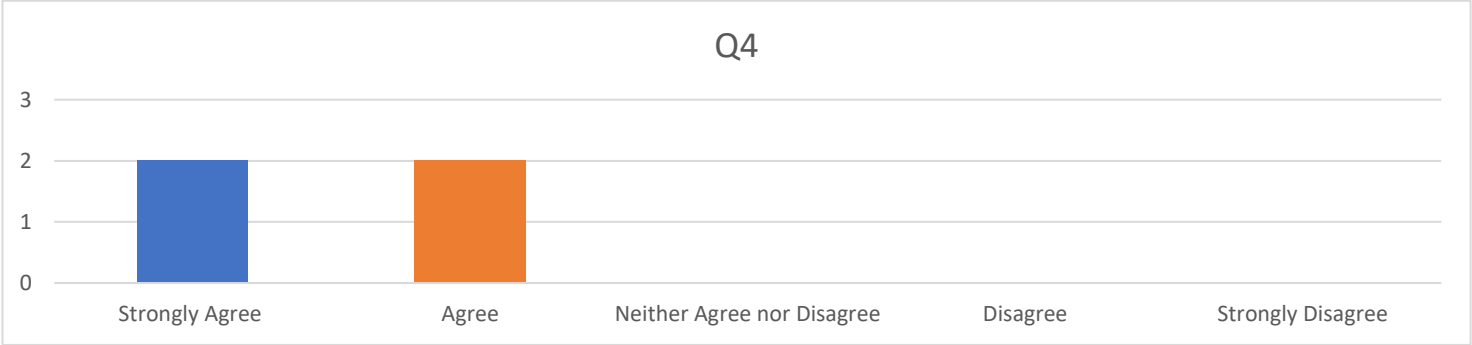


3. The level of on-going training and support, including in relation to i) requirements of applicable legislation, regulation and guidance, and ii) any amendments to Devon Pension Fund scheme rules and administration policies, is sufficient for me to effectively conduct my role as Devon Pension Board member.

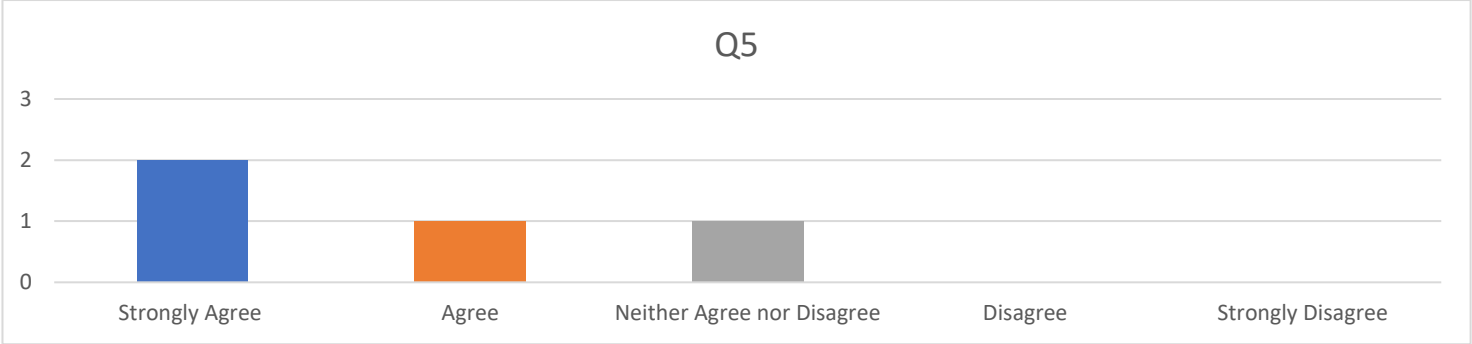


**Devon Pension Board business, meetings, and provision of information**

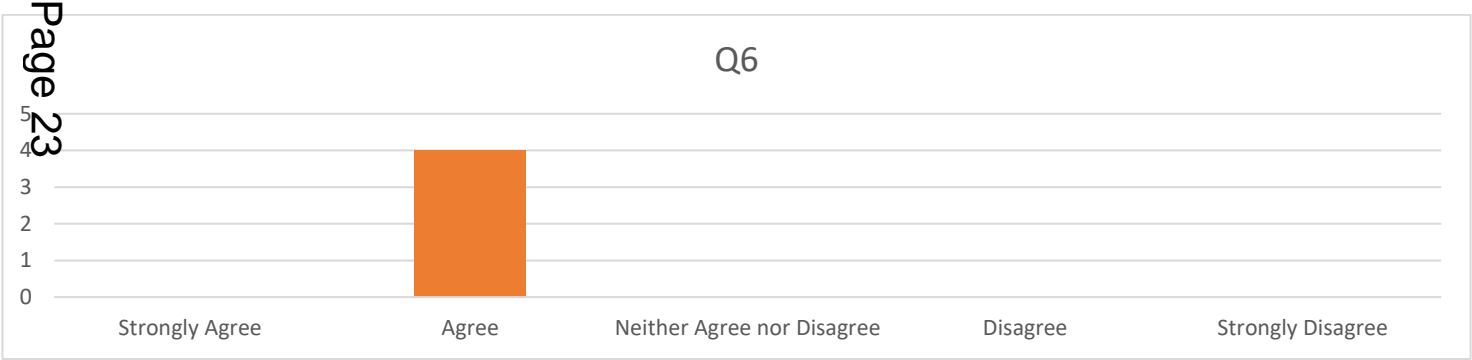
4. Papers and additional supporting documents are provided to me in a timely manner in advance of Devon Pension Board meetings. And these are provided in a suitable format.



5. The level and depth of information provided within Devon Pension Board papers and additional supporting documentation is sufficient for me to effectively conduct my role as Devon Pension Board member.

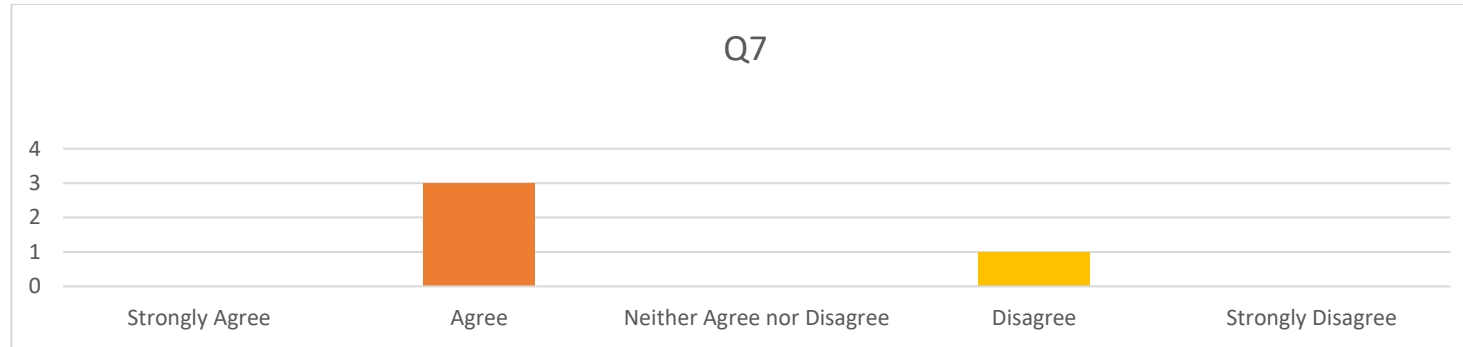


6. There is adequate opportunity for me to provide question and challenge at Devon Pension Board meetings.

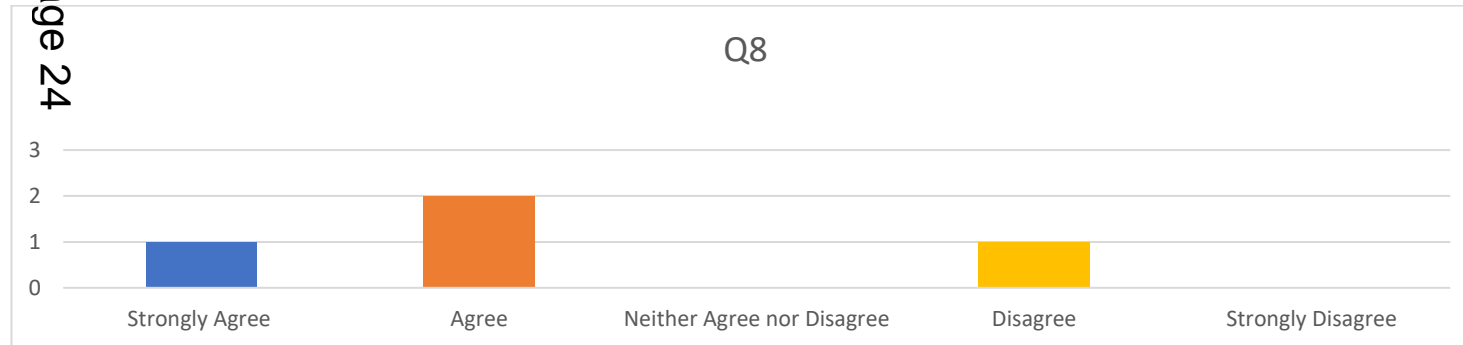


## Devon Pension Board effectiveness

7. I feel that the Devon Pension Board is currently operating effectively.



8. I feel that there are at present limitations that impact the effectiveness of the Devon Pension Board.



Members were asked, if they answered Agree or Strongly Agree to question 8, to provide an indication of what these limitations concern. The responses provided can broadly be categorised under the general headings of 'Pension Board governance, meetings and business' and 'Devon Pension Board training and events'. Members were also asked for any further comments, or detail that they would like to provide, relating to matters concerning the effectiveness of the Devon Pension Board, for which a summary of anonymised responses have been provided to Devon Pension Board management for consideration.

Complimentary comments noted included: "The administrative support to the Board is very good and dates of meetings and background reading is circulated in good time. The meetings are inclusive and all contributions are welcomed". In relation to Peninsula Pensions teams administration "...The pensions team do an excellent job given resources and challenges they have faced e.g. new system, merger" and in relation to wider Devon Pension Fund management of pensions pooling arrangements (Brunel) "The Brunel Partnership was managed very well". In regard to Board Member training "The 'away days' have been excellent".

## 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 15<sup>th</sup> October 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 6

## 3. Revisions to the Risk Register

3.1. The Risk Register is reviewed and updated on an ongoing basis during the year. There have however been no further amendments since the previous Pension Board meeting.

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 10 to 2. 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 are asked to note the Pension Fund Risk Register, and the additional actions proposed to mitigate risk.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

**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	The risk is mitigated by: <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	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 transfer value does not exceed reduction in liability.</li> </ul>	2	2	4	Mark Gayler/ Dan Harris		

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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		

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Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
<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**

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<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

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Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
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<b>Accounting</b>											
A1	<p>Failure to comply with pension fund accounting regulations.</p> <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	<p>The Pension Fund systems and data may not be secure and appropriately maintained.</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>	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		



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Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
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<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>											

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Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
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

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PP5	Failure to advise/act on any material changes made to the LGPS as well as other overriding legislation/Public Sector Review	2	4	8	<ul style="list-style-type: none"> <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

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<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

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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.

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		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
PP13	<p>Failure of scheme membership data and pension benefit calculation processes leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> <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                             <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> </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		





## Regulatory update and Consultations

### Report of the County Treasurer

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

**Recommendation:** that the Board note the changes to the scheme regulations, review the consultations and provide any comments to Investment and Pension Fund committee

#### 1. Introduction

- 1.1. The Ministry for Housing, Communities and Local Government (MHCLG) in its capacity as stewards of the LGPS, have published the LGPS (Miscellaneous Amendment) Regulations 2018 and have also issued a consultation on 'Fair Deal'.

#### 2. The LGPS (Miscellaneous Amendment) Regulations 2018

- 2.1. The above regulations were laid before Parliament on 18 December 2018 and came into force on 10<sup>th</sup> January 2019 with the exception of some regulations which are backdated. The regulations amend the LGPS 2013 Regulations and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.
- 2.2. These regulations are correcting an unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer's consent from age 55, with the appropriate reduction for early payment.
- 2.3. Following the Supreme Court Ruling in the Walker v. Innospec case back in July 2017, changes have been made to survivor benefits. Pensions paid to survivors of civil partnerships or same sex marriages will be equal to those provided to widows of male members. These changes will be backdated to 5<sup>th</sup> December 2005 in respect of a surviving civil partner and 13<sup>th</sup> March 2017 in respect of a surviving spouse of a same sex marriage.
- 2.4. The regulations now provide for MHCLG to issue statutory guidance on the operation of the scheme rules. The LGPS is a single scheme but administered locally and the intention is to avoid funds taking different approaches, especially in relation to sensitive areas such as eligibility for survivor benefits.

#### 3. Local Government Pension Scheme: Statutory Guidance on Asset Pooling

- 3.1. On 3<sup>rd</sup> January MHCLG issued an informal consultation on draft Statutory Guidance on Asset Pooling. This guidance replaces previous guidance and builds on previous Ministerial communications and guidance on investment strategies.
- 3.2. Officers consider this guidance to be in line with their current understanding of the Government's intentions, and therefore are not currently proposing to respond to the consultation subject to any views being expressed by the Pension Board or Investment

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and Pension Fund Committee. The consultation closes 28<sup>th</sup> March 2019 and is attached in appendix 1.

## 4. Conclusion

- 4.1. The Board is asked to review the consultation and provide comments for inclusion in the fund's response.

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

## **Local Government Pension Scheme**

### **Statutory guidance on asset pooling**

## **Contents**

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- 3 Structure and scale**
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- 6 Making new investments outside the pool**
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## **Foreword**

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

## 1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

## 2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

**'Pool'** the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

**'Pool member'** an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

**'Pool governance body'** the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

**'Pool company'** the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

**'Pool fund'** a regulated unithised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

**'Pool vehicle'** an investment vehicle (including pool funds) made available to pool members by a regulated pool company

**'Pooled asset'** an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

**'Retained asset'** an existing investment retained by a pool member during the transition period

**'Local asset'** a new investment by a pool member which is not a pooled asset

## 3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

#### *Regular review of services and procurement*

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks ([www.nationallgpsframeworks.org](http://www.nationallgpsframeworks.org)) where appropriate.

#### *Regular review of active and passive management*

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

## **4 Governance**

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

#### *Strategic and tactical asset allocation*

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

## **5 Transition of assets to the pool**

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.



5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

#### *Temporary retention of existing assets*

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

#### *Regular review of retained assets*

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

## **6 Making new investments outside the pool**

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

## 7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

*Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:*

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

*Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.*

*Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.*

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

## 8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
  - asset transition during the reporting year
  - transition plans for local assets
  - pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
  - ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

*For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.*

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.



## **FAIR DEAL – STRENGTHENING PENSION PROTECTION POLICY CONSULTATION**

### **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 and provide any comments they wish to feed into the fund's consultation response.**

#### **1. Introduction**

- 1.1. The Ministry of Housing, Communities and Local Government (MHCLG) released a consultation in May 2016 regarding the introduction of greater pension protection for employees of LGPS employers who are compulsorily transferred to service providers.
- 1.2. The 2016 consultation proposed that, in line with the Government's Fair Deal guidance of October 2013, most LGPS members in this position should have continued access to the LGPS with the new service provider.
- 1.3. A further consultation regarding Fair Deal will be running from 10<sup>th</sup> January to 4<sup>th</sup> April 2019, which takes into consideration some of the concerns raised in the initial consultation.

#### **2. The Consultation and Proposed Changes**

2.1. The latest consultation is requesting views on the following proposals:

- Amendments that would require service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer, removing the option of offering a broadly comparable scheme.
- Automatic transfer of LGPS assets and liabilities when employers in the scheme are involved in a merger or takeover.

2.2. It is also proposed that all LGPS scheme employers will be considered as Fair Deal employers with the exception of:

- further education corporations, sixth form college corporations and higher education corporations (i.e. post-1992 universities)
- admission bodies

2.3. Contractors who provide services to the organisations listed above will continue to provide access to the LGPS for transferred staff via an admission agreement with the pension fund (subject to meeting requirements and with the agreement of the contracting employer); however, there would be no obligation for them to do so under the scheme regulations.

2.4. A Fair Deal employer must ensure that protected transferees are given access to the LGPS for as long they remain a protected transferee and have an entitlement to membership of the scheme.

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- 2.5. Transitional arrangements will cover those staff who have already been outsourced, in order for them to become protected transferees if and when services are re-tendered.
- 2.6. The consultation also proposes that service providers do not necessarily need to become admission bodies to participate in the LGPS. Instead, employers could be given 'deemed employer' status, a classification of employer which already exists within LGPS regulations.
- 2.7. For an employee of a deemed employer, the scheme employer in the LGPS would not be their employer under employment law. For example, the deemed employer of a voluntary school is the associated local authority.
- 2.8. The LGPS Scheme Advisory Board (SAB) will issue guidance to assist employers under Fair Deal with service contracts and to help protect them from potential risks.
- 2.9. The admission body route will remain an option so that Fair Deal employers can decide if they wish for a service provider to become a full scheme employer in the LGPS. This approach may be more appropriate for larger, longer term contracts where it is more fitting for a service provider to have full employer responsibilities under the LGPS regulations.
- 2.10. The draft regulations include an additional paragraph within part 3 of schedule 2 of the LGPS Regulations 2013, confirming that admission agreements may contain details of the risk sharing arrangements agreed between the Fair Deal employer and the service provider. We anticipate that advice issued by the SAB will contain further details regarding the risk sharing provisions that may be included within admission agreements.
- 2.11. The full consultation can be found in appendix

<https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection>

## 3. Conclusion

- 3.1. The Fair Deal proposals are intended to strengthen the pensions protections that apply following an outsourcing and it is expected that all transferred staff of relevant LGPS employers will benefit equally from the new provisions.
- 3.2. The Board is asked to note the report and provide any comments they wish to feed into the fund's consultation response.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Dan Harris / Shirley Cuthbert

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Ministry of Housing,  
Communities &  
Local Government

# Local Government Pension Scheme: Fair Deal – Strengthening pension protection

Policy consultation



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# Scope of the consultation

<p>Topic of this consultation:</p>	<p>This consultation seeks views on proposals to amend the rules of the Local Government Pension Scheme in England and Wales, as set out in the draft Local Government Pension Scheme (Amendment) Regulations 2019 (Annex A). It covers the following areas:</p> <ol style="list-style-type: none"> <li>1. Amendments that would require service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer (and remove the option of a broadly comparable scheme).</li> <li>2. Proposals that would automatically transfer LGPS assets and liabilities when employers in the scheme are involved in a merger or takeover.</li> </ol>
<p>Scope of this consultation:</p>	<p>MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).</p>
<p>Geographical scope:</p>	<p>These proposals relate to the Local Government Pension Scheme in England and Wales only.</p>
<p>Impact Assessment:</p>	<p>Our Fair Deal proposals will strengthen the pensions protections that apply following an outsourcing and it is intended that all transferred staff of relevant LGPS employers will benefit equally from the new provisions. We do not believe our proposals will have an adverse impact on any section of the LGPS employer workforce, and believe they will have equal positive impacts on groups with and without particular protected characteristics. This is including in relation to staff who work flexibly, part-time or who have taken career breaks. This is because our reforms are intended to equalise pensions rights between those who have and have not been outsourced from their LGPS employer, with them all having continued access to membership of the LGPS.</p> <p>None of the changes contained in this consultation require a Regulatory Impact Assessment under the Small Business, Enterprise and Employment Act 2015. Our Fair Deal proposals will require bodies who provide services to LGPS employers to provide employees with continued access to the LGPS following a transfer. For a small number of transfers, there may be some additional costs associated with outsourcing staff under the new provisions. This may be the case where an LGPS employer is not currently subject to the 2007 or 2012 Directions (see paragraph 8), but it is proposed they would be subject to our new regulations. Nevertheless, we expect this to apply in a minority of situations and only to outsourcings from public bodies or publicly owned companies.</p>

	<p>Additionally our proposals to introduce a new way for contractors to participate in the LGPS (the 'deemed employer' approach) are intended to give greater flexibility to outsourcing employers which will potentially help them obtain better value from their contracts. For contractors, the proposals are intended to give them greater certainty on the pensions costs they will face over the life of the contract.</p> <p>The proposals in chapter 3 that provide for the automatic transfer of assets and liabilities where an employer is subject of a merger or takeover are intended to protect LGPS funds from the unintended consequences of organisational changes. They are also intended to give greater certainty to all parties about the responsibility for pensions liabilities after such events.</p>
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## Basic Information

<p>To:</p>	<p>This consultation is particularly aimed at those with an interest in the obligations that apply when a service or function is outsourced from an LGPS employer, including employees, outsourcing employers, and service providers.</p> <p>Any change to the LGPS is likely to be of interest to other stakeholders as well, such as local pension administrators, those who advise them, other LGPS employers and local taxpayers.</p>
<p>Body/bodies responsible for the consultation:</p>	<p>Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government</p>
<p>Duration:</p>	<p>This consultation will last for 12 weeks from Thursday 10 January 2019 to Thursday 4 April 2019.</p>
<p>Enquiries:</p>	<p>For any enquiries about the consultation please contact <a href="mailto:LGPsensions@communities.gov.uk">LGPsensions@communities.gov.uk</a>.</p>
<p>How to respond:</p>	<p>Please respond by email to:</p> <p><a href="mailto:LGPsensions@communities.gov.uk">LGPsensions@communities.gov.uk</a></p> <p>Alternatively, please send postal responses to:</p> <p>LGF Reform and Pensions Team  Ministry of Housing, Communities and Local Government  2nd Floor, Fry Building  2 Marsham Street  London  SW1P 4DF</p> <p>When you reply it would be very useful if you could make it clear which questions you are responding to. Additionally,</p>

	<p>please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p>
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- your name,
- your position (if applicable),
- the name of organisation (if applicable),
- an address (including post-code),
- an email address, and
- a contact telephone number.

# Chapter 1 – Introduction

1. The Ministry of Housing, Communities and Local Government (MHCLG) consulted in May 2016<sup>1</sup> on the introduction of greater pensions protection for employees of LGPS employers who are compulsorily transferred to service providers. The 2016 consultation proposed that, in line with the Government's Fair Deal guidance of October 2013<sup>2</sup>, most LGPS members in this position should have continued access to the LGPS in their employment with the service provider. In doing so, it was proposed that the option to provide transferring staff with access to a broadly comparable scheme should be removed.
2. On 19 April 2018, the Government response to the consultation confirmed our commitment to introduce the strengthened Fair Deal in the LGPS but noted that respondents to the 2016 consultation had raised a number of concerns regarding the specific approach we proposed to adopt. We said we would give full consideration to the points raised and committed to consult on new proposals by the end of the year.
3. Chapter 2 of this document sets out our new policy proposals for introducing Fair Deal in the LGPS, which will enable LGPS employers to obtain better value from outsourced service contracts, and ensure that transferred employees retain the security which comes with membership of the LGPS, a statutory scheme with benefits set out in law. We welcome comments from respondents on our questions.
4. We are also taking this opportunity to consult on another change to the rules of the LGPS (as set out in more detail in Chapter 3). This change would provide for the automatic transfer of LGPS assets and liabilities to a successor body when an exiting LGPS employer is taken over or is part of a merger.
5. Your comments are invited on the questions contained in chapters 2 and 3 and the set of draft regulations at Annex A.
6. **The closing date for responses on the draft regulations at Annex A, and the related questions in Chapters 2 and 3, is Thursday 4 April 2019.**

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<sup>1</sup> <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

<sup>2</sup> <https://www.gov.uk/government/publications/fair-deal-guidance>

## Chapter 2 – Fair Deal

7. The Government's 'Fair Deal' policy was introduced in 1999 and sets out how pensions issues should be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. Under the original Fair Deal guidance, transferred staff had to be given access to a scheme certified as being 'broadly comparable' to their previous public service pension scheme.
8. Following the publication of the Government's original Fair Deal guidance, pensions protection for local government employees in England and Wales was provided through:
  - the Best Value Staff Transfers (Pensions Direction) 2007 ('the 2007 Direction' - covering employees of English best value authorities and Welsh Police authorities), and
  - the Welsh Authorities Staff Transfers (Pensions) Direction 2012 ('the 2012 Welsh Direction' - covering employees of Welsh improvement authorities and community councils).
9. Under these Directions, protected employees who are contracted out to a new employer following the transfer of a service or function must be given either continued access to the LGPS by their new employer, or access to a scheme certified by an actuary as 'broadly comparable' to the LGPS.
10. The Government announced in July 2012 that the Fair Deal policy would be reformed. Under the 'new' Fair Deal policy, staff transferring from the public sector would have continued access to their public service pension scheme rather than being offered a broadly comparable private pension scheme, as was previously the case.
11. HM Treasury published its revised Fair Deal guidance in October 2013<sup>3</sup>. It covers central government departments and their agencies, the NHS, schools that are not local authority maintained (such as academies), and any other parts of the public sector under the control of Ministers where staff are eligible to be members of a public service pension scheme.
12. As set out in the Introduction, the Government now intends to introduce the strengthened Fair Deal in the LGPS. The proposed reforms will mean that independent providers will no longer have the option of providing transferred staff with access to a broadly comparable scheme. Instead, employees will always have continued access to the LGPS. This strengthens existing protections significantly. Protected employees will have increased confidence and security in knowing that, despite their transfer, they will retain a right to all the benefits that come with membership of the LGPS, not least that it is a statutory scheme with benefits set out in law. Moreover, so long as the protected employees remain wholly or mainly employed on the delivery of the service or function

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<sup>3</sup> <https://www.gov.uk/government/publications/fair-deal-guidance>

transferred, they will continue to have that protection even if the service is subsequently sub-contracted or transferred out again.

13. Responses to the 2016 consultation were mixed. Whilst many respondents were supportive of our aims in providing transferred staff with continued access to the LGPS, there were a variety of concerns on the detail of the proposals. More detail on the issues raised are contained in the Government's April 2018 response, but they can be summarised as concerns:

- regarding the employers to which our Fair Deal regulations would apply.
- that those already transferred out under the 2007 Direction would not have continued protection.
- that the proposals did not refer to the protections that apply in Wales (i.e. the 2012 Welsh Direction).
- that the regulations were a missed opportunity to consider introducing more explicit risk sharing provisions.
- that continued use of the admitted body framework could lead to a growing administrative burden for LGPS administrators.
- the lack of guidance.

14. In the following sections, we set out the detail of new proposals which are intended to address each of those concerns in turn and provide the framework for a workable, efficient system of pension protection.

## The basics of Fair Deal in the LGPS

### Protected transferees

15. The draft regulations apply in both England and Wales. They provide for the introduction of a new regulation 3B in the LGPS Regulations 2013<sup>4</sup>. Under this, an LGPS employer must ensure that protected transferees are given access to membership of the LGPS for so long as they remain a protected transferee and have an entitlement to membership of the scheme. A protected transferee is an individual who:

- a. is an active member or is eligible to be an active member of the LGPS,
- b. was employed by a Fair Deal employer (as defined) immediately before that person's employment was compulsorily transferred under a contract to a service provider in relation to the delivery of a service or a function of the Fair Deal employer.

16. A protected transferee will remain a protected transferee for so long as they remain wholly or mainly employed on the delivery of the service or function transferred, even if the service is subsequently sub-contracted or otherwise transferred to a different service provider.

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<sup>4</sup> S.I. 2013/2356 (as amended)

17. Where an employee is transferred out to an employer which offers membership of another public service pension scheme, the draft regulations provide that they would not be eligible for the LGPS but that they would remain a protected transferee. This ensures that if, following a re-tender, they are subsequently transferred to a new provider which does not offer a public service pension scheme, they do not lose their protection.
18. Service providers and Fair Deal employers may wish to consider offering the same status and protection to all staff who are providing a service as part of contract negotiations, whether or not they were previously employed by the Fair Deal employer. The draft regulations therefore also provide that an employee who is working wholly or mainly on the delivery of the service or function transferred may be treated as a protected transferee even if they were not formerly in the employment of the Fair Deal employer. However, protection for additional staff who are not covered by Fair Deal will remain subject to contract terms. The draft regulations therefore provide that protected transferee status for staff will require the agreement of both the Fair Deal employer and the service provider and it is proposed either party can determine at any time that such an individual is no longer a protected transferee.

### **Question 1 – Do you agree with this definition?**

#### **Fair Deal employers**

19. The draft regulations define a new type of scheme employer, a 'Fair Deal employer'. As defined, Fair Deal employers are those LGPS employers whose employees will have protected access to the LGPS following a compulsory transfer of the type outlined above.
20. Some respondents to the 2016 consultation queried our approach on the employers covered by Fair Deal. One concern raised was regarding consistency. It was suggested that it was inconsistent for further and higher education institutions who participate in the LGPS to be excluded on the grounds that they are non-public sector bodies<sup>5</sup>, whilst admission bodies, the majority of whom are also non-public sector bodies, would be covered by the requirements. Aside from those admission bodies who participate in the LGPS in relation to the transfer of a service or function ('transferee' admission bodies), admission bodies are bodies who normally participate in the LGPS because of close links with a local authority or because they provide a public service ('community' admission bodies). They include charities, housing associations and other non-public sector bodies, and are not required to participate in the LGPS.
21. In light of the concerns raised, it is proposed that admission bodies which undertake an outsourcing will have the option of requiring service providers to offer continued access to the LGPS as they do now, but will not be obliged to do so. Whilst we are committed to ensuring that public sector workers who are eligible for the LGPS are protected after being outsourced, we do not wish to limit the freedom that non-public sector

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<sup>5</sup> In the terms set out by the Office for National Statistics, <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/publicsectorclassificationguide>



organisations can reasonably expect in the total package they offer to their staff, including pay and pension.

22. Other respondents felt that the employees of police and crime commissioners (PCCs) worked in the public sector and should be protected under our Fair Deal regulations. In the 2016 consultation, we said that PCCs should not be required to follow Fair Deal because they are not best value authorities. However, in order to be consistent with the approach we are taking for local government and noting the concerns made by respondents to our previous consultation, it is now proposed that employees of PCCs are in the scope of the new regulations, in the same way as is proposed for employees of chief constables.
23. In light of the points noted above, under our draft regulations all LGPS scheme employers will be Fair Deal employers with the exception of:
- further education corporations, sixth form college corporations and higher education corporations (i.e. post-1992 universities), and
  - admission bodies.

As they do now, contractors providing services to the organisations listed above will be able to provide access to the LGPS to transferred staff via entering into an admission agreement with the pension fund (subject to meeting requirements and with the agreement of the contracting employer), but there would be no obligation for them to do so under scheme regulations.

## **Question 2 – Do you agree with this definition of a Fair Deal employer?**

### **Transitional arrangements**

24. It is important to the Government that those who have previously worked in local government and who are protected under either the 2007 Direction or 2012 Welsh Direction do not lose out from the changes we are making. Our draft regulations therefore provide that when contracts that fall under the 2007 Direction or 2012 Welsh Direction are next re-tendered, protected staff will become protected transferees under the LGPS Regulations 2013 and gain a right to membership of the LGPS.
25. This level of protection goes beyond the current requirements of the 2007 and 2012 Directions, which provide that service providers have the option of providing staff with access to a broadly comparable scheme instead. It is our intention to take the necessary steps to ensure that staff who were transferred out under the 2007 Direction or under the 2012 Welsh Direction gain the improved protections the next time a contract is re-tendered. We will work with the Welsh Government on transitional arrangements to deliver this in relation to transfers that have taken place under the 2012 Direction.
26. Transferred employees who were entitled to pension protection under the 2007 Direction or the 2012 Direction and were given access to a scheme certified as broadly comparable to the LGPS will have a right to transfer their benefits from that scheme to the LGPS if the fund receives a request. Under our draft regulations, such transfers would be treated as individual transfers under existing provisions contained in

regulations 100 and 101 of the LGPS Regulations 2013. We propose that the value of transfers be calculated using Cash Equivalent Transfer Value (CETV) factors contained in actuarial guidance issued by the Secretary of State. CETV factors are issued to convert the transfer value received by an LGPS fund to an amount of career average pension on an actuarially neutral basis. This approach is intended to ensure that inward transfers are calculated using an established process that is fair to scheme members, scheme employers and local taxpayers.

**Question 3 – Do you agree with these transitional measures?**

**Question 4 – Do you agree with our proposals regarding the calculation of inward transfer values?**

## Risk sharing

27. A significant issue highlighted by respondents to the 2016 consultation was in relation to risk sharing, sometimes known as ‘pass-through’. Pass-through is a mechanism for limiting a service provider’s exposure to pensions risk as a scheme employer. As the LGPS is a funded, defined benefit pension scheme there are a number of risks which scheme employers are exposed to, in particular:

- Contributions risk – employer contribution rates are assessed every three years via a funding valuation. If the valuation shows that the financial or demographic position of the employer, or both, has changed since the previous valuation, contribution rates can go up or down.
- Funding risk – when an employer’s last active member leaves the LGPS, any deficit that has built up in relation to the employer’s liabilities has to be paid to the LGPS fund by the scheme employer. For service providers, these deficits can be quite large, even by reference to the total value of the contract.

Under pass-through, a service provider may pay a fixed contribution rate for the life of the contract, or pay the contributions within a certain range. The outsourcing employer may retain the responsibility for any shortfall in contributions, as well as the benefit of any surplus.

28. There are a number of benefits to using a pass-through approach:

- For the service provider, they do not necessarily bear the risks listed above. This makes their cost/benefit analysis when considering bidding or a contract more straightforward. We are aware that for small and medium service providers in particular, pensions risk is a significant barrier, and can mean they do not bid for contracts they otherwise would, because they cannot bear the risk of significant contribution rate increases or of the risk of a large exit payment being required at the end of the contract.
- For the Fair Deal employer they do not have to pay the ‘risk premium’ which service providers sometimes build into their contract prices. Because of contributions risk and funding risk, we understand that service providers often build a buffer into their prices to ensure that it is still profitable for them to operate a contract even if, for example, LGPS contributions end up being much higher than originally stated.

Using pass-through removes the need for such a buffer (and should therefore mean Fair Deal employers get better value for money).

### **The 'deemed employer' approach**

29. We are aware that some LGPS employers already use pass-through arrangements with their service providers where greater flexibility assists outsourcing. However, in light of the views expressed in the responses to the 2016 consultation we want to ensure that Fair Deal employers actively consider the potential benefits of including risk sharing provisions in their service contracts. To achieve this, we are proposing that service providers do not necessarily need to become admission bodies in the LGPS to participate in the scheme. Instead, 'deemed employer' status could be used instead.
30. Deemed employer status is available under the LGPS Regulations 2013 already (see the table in part 4 of schedule 2). It means that, for specific groups of employees, their 'scheme employer' in the LGPS is not their employer in employment law, but is the 'deemed employer' instead. For example, under the LGPS Regulations 2013, the 'deemed employer' for the employees of voluntary schools is the associated local authority.
31. Under our proposals, when an employee is compulsorily transferred from their Fair Deal employer to a service provider, their former employer will have the option of remaining the deemed employer for the transferred staff.
32. Using this approach, the service provider would not have full scheme employer responsibilities under the LGPS Regulations 2013. Instead, the default position would be that the Fair Deal employer would retain the majority of scheme employer responsibilities (including contributions and funding risk). However, we envisage that this would only be a starting point, and the service contract between the parties would cover the detail of the pensions relationship, including the sharing of risk.
33. With appropriate provisions in the service contract, deemed employer status will give Fair Deal employers like local authorities greater flexibility when transferring services and functions to external providers. This will enable them to achieve the benefits of pass-through while enabling flexibility for negotiations around price and risk sharing between the two parties.
34. In addition, a major benefit of this approach is that it will provide a more seamless transition for LGPS members. A frequent issue under the current system is that a contract commences before the admission agreement is signed, leaving members in limbo for long periods of time. Under the deemed employer approach, members would continue in the section of their Fair Deal employer and there would be no uncertainty regarding their pension rights. Administering authorities would also benefit from not having to backdate admission agreements or seek to enforce these retrospectively.
35. The deemed employer approach will also help to tackle a growing issue in the LGPS; the large and rising number of scheme employers (over 16,000 across the scheme in England and Wales), which causes administrative issues at a local level. Making use of deemed employer status would slow the rate of increase and could therefore have administrative benefits for LGPS pension funds.

36. Using deemed employer status may also give greater flexibility to contractors in how they account for their pensions obligations. Currently, contractors who participate in the LGPS via an admission agreement but who have entered into pass-through arrangements may have to account for their liabilities on a defined benefit basis (even though their obligations are more akin to defined contribution liabilities). The deemed employer approach may enable a different accounting treatment because the legal responsibility would remain with the Fair Deal employer.
37. Using deemed employer status in this way has potential risks for Fair Deal employers because it means they are, by default, responsible for the pension liabilities which would, under an admission agreement, automatically be the responsibility of the service provider. However, the Fair Deal employer would be able to protect itself from these risks by including detailed provisions on the pensions relationship between the Fair Deal employer and the service provider in the service contract.
38. The draft regulations state that advice will be issued by the LGPS Scheme Advisory Board (SAB) to help Fair Deal employers put in place service contracts which give them flexibility and protect them from potential risks. We will want to ensure that this advice gives Fair Deal employers the knowledge and confidence they need to outsource services in a way that provides them with value and gives increased certainty to service providers. We will work closely with the SAB on the development of this advice, and expect that it will be issued before or at the same time the Fair Deal regulations are issued.
39. The draft regulations also provide that the deemed employer approach can only be used by the proprietor of an academy where that proprietor has followed guidance on the use of the deemed employer approach given by the Department for Education. Guidance issued by the Department for Education will set out the provisions that must be included in the service contract between a proprietor of an academy and a service provider to protect the proprietor, and ultimately the Department for Education, from pensions risks which should in all cases be met by the service provider.

**Question 5 – Do you agree with our proposals on deemed employer status?**

**Question 6 – What should advice from the scheme advisory board contain to ensure that deemed employer status works effectively?**

**Responsibilities for employers**

40. In practice, even where the deemed employer approach is used, the service provider will retain an administrative role in relation to the pensions of their employees. As the legal employer, they will be responsible for deducting employee contributions and providing information to the pension fund (for example, for end of year processing). To ensure that the actions of the service provider do not prevent the Fair Deal employer from meeting their responsibilities, the draft regulations state that the service provider must provide sufficient and timely information to enable the Fair Deal employer to meet its scheme functions. We anticipate that this point will be addressed in more detail in advice issued by the Scheme Advisory Board.

41. We are also keen to ensure that, unless service contracts explicitly provide otherwise, responsibility for certain decisions that may give rise to costs arising is retained by the service provider, as well as the responsibility for meeting those costs. In particular, the draft regulations provide that the service provider shall retain the decision-making responsibility for decisions where costs may be payable under regulation 68 of the LGPS Regulations 2013. This covers a variety of costs, including ill-health, redundancy, flexible retirement and the award of additional pension.

**Question 7 – Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?**

**Existing arrangements**

42. Whilst we believe there are significant advantages of making use of deemed employer status, we propose that the admission body option is retained so that Fair Deal employers can choose to require their service providers to become full scheme employers in the LGPS if they wish. This approach may be more appropriate for larger, longer term contracts where it is more fitting for a service provider to have full employer responsibilities under the LGPS regulations.

43. To make clear that risk sharing practices can also be used where the admission body option is used, our draft regulations insert a paragraph into part 3 of schedule 2 of the LGPS Regulations 2013 confirming that admission agreements may also contain details of risk sharing arrangements agreed between the Fair Deal employer and the service provider. We anticipate that advice issued by the SAB will contain detail on the provisions that may be put into an admission agreement on risk sharing between the parties involved.

**Question 8 – Is this the right approach?**

**Timely consideration of pensions issues**

44. An issue that is frequently raised with regard to outsourcing by LGPS employers is the lack of priority given to pensions issues. Often admission agreements are not signed before the contract takes effect leading to periods of limbo for members. This can be a barrier to the parties to a contract sharing risk effectively. Indeed, lack of consideration of pensions issues at the contract negotiation stage could be damaging to those Fair Deal employers using the deemed employer approach. In our April 2018 response to the 2016 consultation, we said we would consider the issues around this further.

45. The draft regulations we are consulting on require that the service contract between a Fair Deal employer and the service provider state whether continued access to the LGPS will be provided via the deemed employer route or via the admission body route. We intend that this requirement will ensure consideration is given to pensions issues at an early stage, and the substantive differences between the two options are fully appreciated.

46. We also expect timely consideration of pensions issues to be covered in the SAB advice, with the benefits of doing so. For example, to ensure that the best value can be obtained from outsourcing exercises, Fair Deal employers should confirm the approach

they intend to adopt at the point they are inviting bids from potential service providers. We welcome views from consultees on other ways in which we can encourage early consideration of pensions issues.

**Question 9 – What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or functions are outsourced?**

**Public sector equality duty**

47. Our Fair Deal proposals will strengthen the pensions protections that apply following an outsourcing and it is intended that all transferred staff of relevant LGPS employers will benefit equally from the new provisions. We do not believe our proposals will have an adverse impact on any section of the LGPS employer workforce, and believe they will have equal positive impacts on groups with and without particular protected characteristics.

**Question 10 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?**

# Chapter 3 – Transferring pension assets and liabilities

48. In recent years, the frequency with which LGPS scheme employers have been involved in mergers or takeovers has increased. This increase is partly a consequence of reforms within the public sector (including local authority schools becoming academies, whose proprietors have employer responsibilities in their own right), and of new organisational structures being used by LGPS employers for the delivery of services and functions.
49. When the last active member of an LGPS scheme employer leaves the scheme, the regulations provide that an exit payment usually needs to be paid to the LGPS fund. This means the exiting employer becomes liable for the payment of an amount which is intended to cover the costs of their entire pensions liability, and which is calculated on a low-risk basis. Because of this, the exit payment is often high, particularly in relation to the size of the ceasing employer.
50. Where an LGPS scheme employer merges into, or is taken over by, another organisation this exit payment can sometimes be triggered unintentionally and potentially leave the ceding organisation with a liability they cannot meet. If they cannot do so, the liability will be met by the other employers in the fund (and ultimately the local taxpayer).
51. To address these concerns we propose to amend the regulations to provide that when an LGPS scheme employer is merged into or taken over by another organisation, the responsibility for that pensions liability automatically transfers to the successor body, unless specific legislative provisions require otherwise. This is intended to ensure that normal business activities, such as mergers and takeovers, can take place effectively and efficiently without unintended consequences occurring in respect of an employer's LGPS liabilities.
52. In addition, we propose that where the successor body is also an LGPS employer with active members in another fund, the assets and liabilities must be automatically transferred to that fund and combined with the successor body's assets and liabilities.
53. We propose that the Secretary of State should issue guidance on this area and that, in particular, guidance should cover the terms of transfers of assets and liabilities between pension funds.

**Question 11 – Is this the right approach?**

**Question 12 – Do the draft regulations effectively achieve our aims?**

**Question 13 – What should guidance issued by the Secretary of State state regarding the terms of asset and liability transfers?**

## About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex B.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).



# Annex A – Draft regulations

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## STATUTORY INSTRUMENTS

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**2019 No.**

### **PUBLIC SERVICE PENSIONS, ENGLAND AND WALES**

#### **The Local Government Pension Scheme (Amendment) Regulations 2019**

<i>Made</i> - - - -	***
<i>Laid before Parliament</i>	***
<i>Coming into force</i> - -	***

These Regulations are made in exercise of the powers conferred by sections 1, 3 and 25 of, and Schedule 3 to the Public Service Pensions Act 2013<sup>(a)</sup>.

In accordance with section 21 of that Act, the Secretary of State has consulted the representatives of such persons as appeared to the Secretary of State to be likely to be affected by these Regulations.

In accordance with section 3(5) of that Act, these Regulations are made with the consent of the Treasury.

The Secretary of State makes the following Regulations:

#### **Citation, commencement and extent**

**1.**—(1) These Regulations may be cited as the Local Government Pension Scheme (Amendment) Regulations 2019.

(2) These Regulations come into force on [xxx] but have effect as follows [xxx].

(3) These Regulations extend to England and Wales.

#### **Amendment of the Local Government Pension Scheme Regulations 2013**

**2.** The Local Government Pension Scheme Regulations 2013<sup>(b)</sup> are amended in accordance with regulations 3 to 6.

**3.** After Regulation 3A<sup>(c)</sup> (civil servants etc engaged in probation provision) insert the following regulations—

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<sup>(a)</sup> 2013 c. 25.

<sup>(b)</sup> S.I. 2013/2356; those Regulations have been amended by S.I. 2014/44, S.I. 2014/525, S.I. 2014/1146, S.I. 2015/57, S.I. 2015/755 and by S.I. 2018/493.

<sup>(c)</sup> Regulation 3A was inserted by S.I. 2014/1146.

### **“Pensions protection following a compulsory transfer**

**3B.**—(1) A protected transferee for the purposes of these Regulations is an active member or a person who is eligible to be an active member who was employed by a Fair Deal employer immediately before that person’s employment was compulsorily transferred to a service provider under an ongoing contract in relation to the delivery of a service or a function of the Fair Deal employer on or after [xxx: the date on which the Local Government Pension Scheme (Amendment) Regulations come into force].

(2) The employer of a protected transferee must ensure that the protected transferee has access to membership of the Scheme for so long as that person remains a protected transferee and is entitled to be an active member of the Scheme.

(3) If the employer of a protected transferee is not a Scheme employer under Part 1 or Part 2 of Schedule 2 who designates the protected transferee as being eligible for the LGPS, the Fair Deal employer must provide in their contract with the service provider that a protected transferee must be provided with access to the Scheme either by—

- (a) the service provider entering into an admission agreement under paragraph 1(d) of Part 3 of Schedule 2 to these Regulations; or
- (b) subject to sub-paragraph (4), the Fair Deal employer determining to act as the deemed employer in respect of the protected transferee.

(4) Any determination under sub-paragraph (3)(b) by a Fair Deal employer listed in paragraph 20 of Part 1 of Schedule 2 must be made in accordance with guidance issued by the Secretary of State.

(5) A person remains a protected transferee for so long as that person is wholly or mainly employed on the delivery of the service or function transferred, even if the service or function is subsequently sub-contracted or otherwise transferred to a different service provider.

(6) A person remains a protected transferee even if for a period they are not entitled to be a member of the Scheme because they are entitled to membership of another public service pension scheme in relation to the employment transferred from their Fair Deal employer.

(7) An employee of a service provider who is working wholly or mainly on the delivery of the service or function transferred from a Fair Deal employer other than by a compulsory transfer under sub-paragraph (1) may be treated as a protected transferee with the written agreement of the Fair Deal employer and the service provider.

(8) An agreement under sub-paragraph (7) may be terminated by either the Fair Deal employer or the service provider at any time.

(9) A person who is a former employee of a best value authority or a police authority in Wales<sup>(a)</sup> and who is entitled to pension protection or would be entitled to pension protection following a subsequent transfer under the Best Value Authorities Staff Transfers (Pensions) Direction 2007 is to be—

- (a) regarded as being a protected transferee when the contract is next renewed with the same contractor, or the contract passes to a new service provider, and
- (b) shall remain so regarded for such period as that person is—
  - (i) entitled to membership of the Scheme; and
  - (ii) remains wholly or mainly employed on the delivery of the service or function transferred from the best value authority or police authority in Wales.

(10) A person who is a former employee of a Welsh improvement authority<sup>(b)</sup> or a community council who is entitled to pension protection or would be entitled to pension protection following a subsequent transfer under the Welsh Authorities Staff Transfers (Pensions) Direction 2012 is to be—

- (a) regarded as being a protected transferee when the contract is next renewed with the same contractor, or the contract passes to a new service provider, and
- (b) shall remain so regarded for such period as that person is—

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<sup>(a)</sup> Section 1 of the Local Government Act 1999 (c. 27) designates the bodies which are best value authorities.

<sup>(b)</sup> Section 1 of the Local Government (Wales) Measure 2009 (c. 02) designates the bodies which are Welsh improvement authorities.

(i) entitled to membership of the Scheme, and

(ii) remains wholly or mainly employed on the delivery of the service or function transferred from the Welsh improvement authority or community council.

(11) A person who is an employee of a service provider working on the delivery of a service or function transferred from a Fair Deal employer who has not been compulsorily transferred to the provider from that Fair Deal employer in relation to the delivery of that service or function is not a protected transferee for the purposes of these Regulations.

(12) Where a transfer is requested under regulation 100(1) (inward transfers of pension rights), the administering authority must grant that request if the request relates to the transfer of a protected transferee's pension rights accrued in a pension scheme to which they had access under the Best Value Authorities Staff Transfers (Pensions) Direction 2007 or the Welsh Authorities Staff Transfers (Pensions) Direction 2012.

(13) A Fair Deal employer must have regard to advice issued by the Scheme Advisory Board on the matters to be considered in regard to the provision of pensions protection to a protected transferee or persons who may be regarded as protected transferees, including the sharing of risk.

(14) The employer of a protected transferee must—

- (a) provide sufficient and timely information to enable the Fair Deal employer to meet its Scheme functions under these Regulations; and
- (b) be responsible for, and meet any costs arising from, decisions taken by the employer which may give rise to payments under regulation 68 (employer's further payments) in the absence of express provision to the contrary in the service contract between the Fair Deal employer and the service provider.

(15) In this regulation "employer of a protected transferee" means a service provider who employs a protected transferee who is provided with access to the LGPS under this regulation."

4. In regulation 64 (special circumstances where revised actuarial valuations and certificates must be obtained), after sub-paragraph (10) insert—

"(11) Where a Scheme employer becomes an exiting employer as a consequence of the Scheme employer being merged into, or taken over by, another organisation—

- (a) the successor body becomes responsible for the exiting employer's assets and liabilities, in the absence of any express legislative provision to the contrary; and
- (b) shall be treated for the purpose of these Regulations as the Scheme employer in relation to the employees and former employees of the exiting employer.

(12) Where the successor body is a Scheme employer with active members in that administering authority or another administering authority, the assets and liabilities of the exiting employer must be automatically transferred to the administering authority of the successor body and combined with the successor body's assets and liabilities.

(13) A transfer of assets and liabilities under sub-paragraph (12) must be determined in accordance with guidance issued by the Secretary of State."

5.—(1) Schedule 1<sup>(a)</sup>(interpretation) is amended as follows.

(2) After the definition of "European pensions institution" insert—

"“Fair Deal employer” means a Scheme employer listed in paragraphs 1 to 13 and 15 to 25 of Part 1 of Schedule 2 or in paragraphs 1 to 3 and 5 to 15 of Part 2 of Schedule 2;”

(3) After the definition of "permanently incapable" insert—

"“protected transferee” has the meaning given in regulation 3B(1);”

(4) After the definition of "Scheme year", insert—

"“service provider” means a body contracted to deliver a service or a function of a Fair Deal employer;”

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(a) There are amendments to Schedule 1 which are not relevant to these Regulations.

(5) After the definition of “statutory pay” insert—

““successor body” means a body which either—

(a) takes over a Scheme employer, causing that employer to become an exiting employer; or

(b) takes on the functions of a Scheme employer following a merger between that employer and one or more organisations, and which causes that employer to become an exiting employer;”.

6.—(1) Schedule 2 (Scheme employers) is amended as follows.

(2) In Part 3, after paragraph 5 insert—

“5A. An admission agreement made under paragraph 1(d)(i) may include details of risk sharing arrangements between the Scheme employer and the admission body, provided that the Scheme employer has had regard to any advice issued by the Local Government Pension Scheme Advisory Board.”.

(3) In Part 4, in the table insert at the end—

“An employee of a service provider who is a protected transferee, where the Fair Deal employer has determined under regulation 3B(3)(b)) that the protected transferee should be deemed to be an employee of the Fair Deal employer	The Fair Deal employer referred to in column 1”
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We consent to the making of these Regulations.

*Names*

Date Two of the Lords Commissioners of Her Majesty’s Treasury  
Signed by authority of the Secretary of State for Housing, Communities and Local Government.

*Minister*

Minister of State

Date Ministry of Housing, Communities and Local Government

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”).

Regulations 3, 5 and 6 implement the Government’s “Fair Deal” policy for local government workers with the effect that most members of the Local Government Pension Scheme who are compulsorily transferred to another employer will retain the right to membership of the Scheme.

Regulation 4 provides that where a Scheme employer becomes an exiting employer as a consequence of a takeover or a merger, the assets and liabilities of that employer automatically transfer to the successor body.

# Annex B

## Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

### **1. The identity of the data controller and contact details of our Data Protection Officer**

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at [dataprotection@communities.gov.uk](mailto:dataprotection@communities.gov.uk).

### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

### **3. Our legal basis for processing your personal data**

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty.

### **3. With whom we will be sharing your personal data**

We do not anticipate sharing personal data with any third party.

### **4. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for two years from the closure of the consultation.

### **5. Your rights, e.g. access, rectification, erasure**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

- 6. Your personal data will not be sent overseas**
- 7. Your personal data will not be used for any automated decision making.**
- 8. Your personal data will be stored in a secure government IT system.**

## INVESTMENT AND PENSION FUND COMMITTEE

16 November 2018

Present: -

Devon County Council

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

Unitary and District Councils

Councillors L Parker Elizaveta (Plymouth City Council) and J O'Dwyer (Torbay Council),

Other Employers

D Healy

Unison and Retired Members: Non-Voting Observers

R Franceschini

Apologies: -

Councillor C Channon, Councillor A Connett, Councillor P Edwards, C Lomax and J Rimron

Also, in attendance

S Tyson (Independent Investment Advisor)

\* 78

**Minutes**

**RESOLVED** that the Minutes of the Meeting held on 14 September 2018 be signed as a correct record.

\* 79

**Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

\* 80

**Devon Pension Board**

The Committee noted the Minutes of the Pension Board meeting held on 15 October 2018.

\* 81

**Brunel Oversight Board**

The Committee noted the Minutes of the Brunel Oversight Board held on 27 September 2018.

\* 82

**Governance Policy and Compliance Statement**

The Committee considered the Report of the County Treasurer (CT/18/88) on the Governance Policy and Compliance Statement which was one of the four statutory statements that the Fund was required to have in place. Its purpose was to explain the governance arrangements for the Devon Pension Fund, as required by the regulations.

The Report set out the views of the Pension Board made at its meeting on 15th October 2018 in regard to the transition of investment assets to the Brunel Pension Partnership and the relationship between the Devon Fund and Brunel.

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The Pension Board had also agreed that the number of their meetings should be increased to four per year and the final paragraph of Section 5 of the Governance Policy had been revised on that basis.

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

**RESOLVED** that the revised Governance Policy and Compliance Statement be approved as detailed in Appendix 1 to Report (CT/18/88).

\* 83

## **Statutory Statements: Communications Policy**

The Committee considered the Report of the County Treasurer (CT/18/89) on the Communications Policy which was one of the four statutory statements that the Fund was required to have in place. It set out the Fund's policies on the provision of information and publicity about the Scheme to Members, representatives of Members and employing authorities. It also set out the format, frequency and method of distributing such information or publicity, other key organisations, values in relation to communications and the professional expertise available to the Fund.

The Communications Policy was last updated by the Investment and Pension Fund Committee in November 2015. The revised policy addressed action points raised by the recent internal Audit Report on Communication with Stakeholders, to reflect new legislation, pooling and Government department changes. The draft revised policy had been considered and endorsed by the Devon Pension Board at its meeting on 15th October 2018, and was attached at Appendix 1 to the Report.

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

**RESOLVED** that the revised Communications Policy, as detailed in Report CT/18/89 be approved.

\* 84

## **Actuarial Valuation 2019**

The Committee considered the Report of the County Treasurer (CT/18/90) on the proposed actuarial valuation of the Pension Fund due on 31 March 2019 and to be published on 31 March 2020 as part of a three-yearly cycle. The Valuation would set employer contribution levels for three financial years from 2020/21.

The Report summarised the proposed approach and timetable for the valuation, analysis of the review of the 2016 Valuation by the Government Actuary's Department (GAD) under Section 13 of the Public Sector Pensions Act and implications for the 2019 Valuation; and other actuarial issues. The GAD had given the Devon Fund 'green flags' on all measures assessed. The Report also considered changes to regulations whereby exit credits would be required where an employer exiting the Fund was deemed to be in surplus.

It was **MOVED** by Councillor L Parker Deaz-Ajete; **SECONDED** by J O'Dwyer and

**RESOLVED**

(a) that the planned approach to the 2019 triennial valuation of the Pension Fund be approved; and

(b) that the addition of a paragraph to the Funding Strategy Statement in relation to exit credits as set out in the Report be approved.

\* 85

## **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/18/91) on the Fund value



and asset allocation, performance against the benchmark, funding level, budget forecast monitoring and cash management, and engagement activity by the Fund's external investment managers.

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 September 2018 stood at £4,332.6 million, an increase of around £93 million over the quarter.

Members referred to consideration of additional training in relation to hedging, the level of any exposure to Flybe and noted that further information on engagement activity was available on request.

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

## **RESOLVED**

(a) that the Investment Management Report be noted;

(b) that the minimum amount transferred from UK Passive to Global Passive be reduced to £10 million over the next quarter, with further sums to be transferred if the trigger points are hit, as agreed by the Committee in February 2018; and

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

\* 86

## **Strategic Investment Review**

The Committee considered the Report of the County Treasurer (CT/18/92) on the reallocation of equities in accordance with the current Investment Strategy Statement (set out at Appendix 1 of the Report) and a proposed updated review of the current Strategy last carried out in 2016/17 by Mercer Investment Consultants. This would enable full consideration of current thinking on risk management and enable the Fund to take a considered view of its medium to long term investment strategy, rather than reacting to short term events.

Members referred to the fee proposed for the Consultants. Any significant change would be reported to the Committee. They also discussed the nature of Companies categorised as low volatile.

It was **MOVED** by Councillor R Hosking, **SECONDED** by R Edgell and

## **RESOLVED**

(a) that an initial £100 million be allocated to the Brunel Low Volatility Equities Portfolio, consistent with the medium-term target allocations set out in the Investment Strategy Statement; and

(b) that Mercer Investment Consultants be commissioned to carry out a refresh of the investment review carried out in 2016/17 for report to the February meeting of the Committee with proposals for revising the Investment Strategy Statement for 2019/20.

\* 87

## **Applications for Admitted Body Status**

The Committee noted the following application for admitted body status approved since the last meeting of the Committee: GemCare Southwest, a Plymouth based care provider taking over the social care reablement service for Plymouth City Council, replacing Human Support

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Group with effect from 03/12/2018. However, it was understood that GemCare had now withdrawn from the contract so would not require admitted body status.

\* **88**      **Dates of Future Meetings**

Friday, 22 February 2019, Friday, 28 June 2019, Friday, 13 September 2019, Friday, 15 November 2019, and Friday, 21 February 2020

\* **89**      **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.

\* **90**      **Pending Court Case**

(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/18/95) on an update on a fraud case that had involved irregularities in claiming an LGPS pension from the Devon Pension Fund.

\* **91**      **Independent Advisor Arrangements**

(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 (Independent Investment Advisor to the Committee) declared a disclosable pecuniary interest and left the meeting for the duration of this matter)

The Committee considered the Report of the County Treasurer (CT/18/93) on the impending resignation of the current Independent Investment Advisor, effective following the February 2019 meeting.

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

**RESOLVED** that a Panel comprising the Chair, Vice-Chair, Councillor Parker Deaz-Ajete and a nomination from the Union and Retired Members Group, meet with candidates put forward by MJ Hudson Allen bridge under the existing contract and the County Treasurer, in consultation with the Panel, be authorised to appoint an Independent Investment Advisor.

\* **92**      **Brunel Business Plan and Reserved Matters**

(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)

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The Committee considered the Report of the County Treasurer (CT/18/94) on the Brunel Pension Partnership's revised annual business plan, which was subject to the unanimous support of the shareholders via a special reserved matters request.

The Business Plan for 2019/20 has been discussed by the Brunel Oversight Board at its meeting on 1st November 2018 and was also presented at the engagement days for the committees and pension boards of the 10 participating LGPS funds. Members noted the lack of detail in respect of the proposed staffing within the proposed budget at their engagement event and which was now fully reported at this meeting.

The County Treasurer commented on the quality of planning by the Brunel Board for the level of staffing and impact on their pricing policy despite the advice from her and the other Section 151 Officers from the local authority partners which had been given at the early stages.

It was **MOVED** by Councillor Y Atkinson, **SECONDED** by D Healy and

## **RESOLVED**

(a) that the Brunel Pension Partnership's Business Plan for 2019/20 be endorsed for approval by the County Treasurer under her delegated powers as the shareholder representative for Devon; and

(b) that the reserved matters request in relation to the Brunel Pricing Policy be noted.

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

The Meeting started at 10.30 am and finished at 12.31 pm

# Agenda Item 9

## BRUNEL UPDATE

### Report of the County Treasurer

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

**Recommendations: That the Board notes the latest position with the Brunel Pension Partnership.**

#### 1. Introduction

- 1.1. This report updates the Pension Board on progress with investment pooling, and the relationship with the Brunel Pension Partnership Ltd. The key issues over the last quarter have been the agreement of Brunel's Business Plan for 2019/20, and progress on launching portfolios. Brunel is also planning a governance review.

#### 2. Brunel Business Plan

- 2.1 Under the terms of the shareholders agreement, the Brunel Pension Partnership is required to produce an annual business plan, which has to receive the unanimous support of the shareholders via a special reserved matters request. Following discussion by the Brunel Oversight Board, the business plan was issued to shareholders in November and was unanimously approved. The plan was considered and endorsed by the Investment and Pension Fund Committee before being signed off on behalf of Devon County Council by the County Treasurer.
- 2.2 The Business Plan for 2019/20 provides an update on the level of fee savings expected to be delivered compared with the original business case. The overall forecast savings up to 2036 across all the ten participating funds has increased by £250 million, largely as a result of increased Assets under Management, but also as a result of higher savings having been generated by the procurements undertaken so far.
- 2.3 However, Brunel had identified areas of pressure on resources that unless addressed meant that the company would not be able to meet the regulatory requirements of being an FCA regulated body and launch the planned portfolios within a reasonable timeframe. As a result a significant increase in budget was agreed for 2019/20, to provide for increase staffing, consultancy support and IT system requirements. Brunel also requested greater flexibility to manage budgets across a three year period, to enable them to bring forward spending or delay spending across financial years if required. However this was opposed by three of the shareholder authorities, and therefore not agreed.

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- 2.4 The total forecast cost to Devon for 2019/20 will be £1.198 million, compared with the original forecast of £739,000 contained in the original business case. However, this increase needs to be set against the savings that will be achieved by pooling, which would be put at risk if the additional resource was not put in place by Brunel. The business plan shows an updated position for each of the Brunel funds in comparison with the original business case, which shows an increase in savings for the Devon Fund over the 20 years to 2036 of £1.3 million, which is net of the increased resources set out above.

## **3. Transition of Assets**

- 3.1 Brunel now has 6 portfolios launched and operational, including 5 passive equity portfolios. Devon's passive allocation transitioned to Brunel in July 2018, and is now managed by Brunel's appointed manager, Legal and General Investment Management.
- 3.2 In December, Brunel launched an active UK Equity fund, with assets being transitioned before Christmas. The UK Equity Portfolio has been split between three managers, Investec, Baillie Gifford and Aberdeen Standard Investments. Devon Fund does not have an allocation to UK Equities and was not therefore involved.
- 3.3 At the November meeting of the Investment and Pension Fund Committee it was agreed that an initial £100 million should be allocated to Brunel's Low Volatility Equities Portfolio. Brunel have appointed two managers, Quoniam and Robeco, to manage the Low Volatility portfolio, which was expected to launch early in 2019. It is now anticipated that the initial transitions to the portfolio will take place in mid-March.
- 3.4 The major procurement activity during the first half of 2019 will be to appoint managers to the active Emerging Markets and Global High Alpha Equities portfolios. The Emerging Markets procurement has already been commenced, with 145 expressions of interest received. The Global High Alpha procurement is due to launch shortly. It is anticipated that emerging markets assets will transition around September and the Global High Alpha Equities Portfolio will be available by December. Devon currently has allocations to both areas, currently being managed by Aberdeen Standard Investments.

## **4. Governance Review**

- 4.1 Brunel formally began its operations on 18 July 2017 upon the execution of the current shareholders agreement and its annexes, including the services agreement. As Brunel is now progressing into normal operations and the governance arrangements have been operative for 18 months, a formal review of the governance arrangements relating to Brunel and its operations is being undertaken to ensure that all parties are operating effectively and with the appropriate levels of oversight and control.
- 4.2 The review will look at the following governance documents that refer to the operations and agreements between the parties that form the Brunel Pension Partnership:

- Articles of Association;
- Shareholders Agreement;
- Services Agreement.

The review will be based upon the feedback received from Clients and will aim to ensure that Brunel operates in a way that is compliant with its obligations under company law and its regulatory obligations as an FCA authorised, full scope MiFID firm.

- 4.3 It is intended that the review should be completed by the end of June, with revised documents agreed with the shareholders.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers – Nil

Contact for Enquiries: Mark Gayler

Tel No: (01392) 383621 Room G97





## PROPOSED CHANGES TO LGPS REGULATIONS

### 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. Under the public service pension framework, the costs of the pension schemes are periodically assessed to ensure the reforms remain affordable and sustainable.

1.2. In the LGPS there are two mechanisms used to do this:

- The Employer Cost Cap (ECC), which currently stands at 14.6%
- The Future Service Cost (FSC), which currently stands at 19.5%. The FSC is operated by the LGPS Scheme Advisory Board (SAB) and includes employer and member contributions at a ratio of 2:1 (13% employers' contributions and 6.5% relating to members).

1.3. If the total employer contribution rate changes by 2% or more in either direction, changes are required in order to bring the Scheme cost back into target.

#### 2. The Proposed Changes

2.1. A recent review by the Government Actuary Department (GAD) determined that the costs of the LGPS are now below the target rate. To address this, the SAB has proposed the following improvements to the Scheme, which are due to be implemented on 1<sup>st</sup> April 2019:

- Removal of Tier 3 Ill Health;
- Minimum Death-in-Service lump sum of £75,000 per member (not employment);
- Enhanced Early Retirement factors for all active members from 1<sup>st</sup> April 2019 to be applied to all service;
- Revised member contribution rates and bandings, which take account of varying tax relief:
  - a) a 2.75% contribution rate for salaries between £0 and £12,850
  - b) an expansion of Band 2, which will now include salaries between £12,501 and £22,500, and a contribution rate reduction from 5.8% to 4.4%
  - c) an expansion of the 6.8% contribution band from £45,200 to £53,500,

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2.2. The proposals take into consideration the change in the annual revaluation of CARE (Career Average Revalued Earnings) benefits to CPIH (Consumer Price Index including owner occupiers' housing costs), as opposed to CPI (Consumer Price Index) announced in the October 2018 budget.

2.3. It is expected that the proposals will result in an increase to the average employer future service rate across the scheme of approximately 0.9% of payroll costs. However, the impact on individual employers will vary and will be dependent on the 2019 valuation process.

## **3. Consultation**

3.1. A short consultation is due in February and is expected to only be open for 3 weeks.

## **4. Conclusion**

4.1. The Board is asked to note the report.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Dan Harris / Shirley Cuthbert

Tel No: (01392) 383000

## **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' internal 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 is also a member of the CIPFA Benchmarking Club which has enabled an annual comparison of our performance against other LGPS administration services. Approximately 32 LGPS Funds participated in the benchmarking exercise for 2017/18.

#### **2. Team Performance**

- 2.1. During 2017/18, the team issued 77% of work within target. At the last meeting of the Board, we reported that performance had increased to 80% for the six months ending 30th September 2018. Performance for the most recent quarter has dropped to 68%, which brings the overall performance for the 9 months ending 31<sup>st</sup> December 2018 to 77%.
- 2.2. A reduction in performance over the quarter was expected as, in addition to the Christmas break, we have been undertaking an extensive training plan across the member services team. This has resulted in staff focusing on training, in addition to undertaking the normal day-to-day processes, which has caused a temporary negative impact on output. The benefits from the training sessions, including the implementation of consistent and efficient processes across the teams, will bed-in shortly and we expect to see a turnaround in performance over the coming months.
- 2.3. Appendix 1 shows the performance relating to the Devon Fund only for the 9 months ending 31<sup>st</sup> December 2018.
- 2.4. At the last meeting of the Board, a request was made to present the performance reports over a longer period, to enable a more meaningful comparison and to highlight areas where performance has improved or dropped. This is in hand and a separate report will be presented to members during the meeting.

# Agenda Item 12

## 3. Future changes to performance reporting

- 3.1. As members may be aware, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, set out the minimum requirements regarding the disclosure of pension information.
- 3.2. The pensions administration software, which we use to monitor performance, only permits us to record two sets of targets for performance monitoring purposes. In view of this we have made the decision to remove the CIPFA benchmark targets from the system and from now on will be reporting our performance against the disclosure regulations, in addition to our internal targets.
- 3.3. Future performance reports will include our performance against the disclosure regulations, in addition to our internal targets.
- 3.4. In addition to the change in performance monitoring, officers are in the process of reviewing our classification and prioritisation of tasks. Currently, tasks are assessed as either a 'Priority' or 'Non-Priority'. We believe that this method of classification is no longer appropriate, as there are occasions where a 'Non-Priority' task, if not dealt with within a reasonable timescale, will become a 'Priority' task. In view of this, we are looking to implement a new classification which will categorise tasks as either High, Medium or Low priority. This will help to ensure that tasks are dealt with in a more effective and timely manner.
- 3.5. Officers will bring a future report to the Board which sets out the new classification of tasks.

## 4. Customer Feedback

- 4.1. A drop-down option for 'Customer Feedback' has recently been added to the 'contact us' page on the Peninsula Pensions website.
- 4.2. Officers will present a summary of compliments and complaints received during 2018/19 at the next meeting of the Board.

## 5. Conclusion

- 5.1. The Board is asked to note the Performance report.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972  
List of Background Papers - Nil  
Contact for Enquiries: Dan Harris  
Tel No: (01392) 383000

## Summary of Work Completed 01/04/18 – 31/12/18 (DCC)

	Within Target	Over Target	Total	Success Rate
Priority Procedures	4,558	1,189	5,747	79%
Non-Priority Procedures	16,593	5,292	21,885	76%
<b>TOTAL</b>	<b>21,151</b>	<b>6,481</b>	<b>27,632</b>	<b>77%</b>

### Priority Procedures

	Within Target	Over Target	Total	Success Rate
Deaths	492	226	718	69%
Employer Estimates	195	12	207	94%
Priority General	2,394	307	2,701	89%
LGPS Retirements	649	418	1,067	61%
Deferred Benefit Retirements	828	226	1,054	79%
<b>TOTAL</b>	<b>4,558</b>	<b>1,189</b>	<b>5,747</b>	<b>79%</b>

### Non-Priority Procedures

	Within Target	Over Target	Total	Success Rate
Amalgamation of Records	344	801	1,145	30%
Additional Voluntary Contribution Calculations	673	111	784	86%
Deferred Benefit Calculations (including recalculations)	712	499	1,211	59%
Divorce Calculations	260	10	270	96%
Frozen Refunds	559	1460	2,019	28%
Other Member Estimates	243	331	574	42%
Non-Priority General	10,474	1,200	11,674	90%
Payroll Adjustments	1,495	69	1564	96%
Police & Fire Retirement Estimates	1	1	2	50%
Refunds	691	116	807	86%
Retirement Estimates	899	280	1,179	76%
New Starters	74	0	74	100%
Transfer Values In	31	114	145	21%
Transfer Values Out	137	300	437	31%
<b>TOTAL</b>	<b>16,593</b>	<b>5,292</b>	<b>21,885</b>	<b>76%</b>



## ACTIONS AND RECOMMENDATION TRACKERS

### 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 funds progress on completing actions arising from internal audits and Pension Board member recommendations or requests.

#### 1. Introduction

- 1.1. As part of an agreed action from the October 2018 board meeting, an Audit action log has been created to track progress and completion of audit actions and recommendations. Officers have gone a step further in also producing a log of actions and requests raised by the Pension Board.

#### 2. Trackers

- 2.1. The Audit Actions tracker allows Board Members to monitor responses, actions and progress against audit findings from internal audit reports. The programme of internal audits is agreed with fund officers on an annual basis and undertaken throughout the year. The attached tracker includes actions arising from 2018/19 audits completed to date.
- 2.2. The Actions and Recommendations tracker compiles a list of actions, recommendations and requests raised by the Devon Pension Board. The attached list includes items dating back to April 2018.

#### 3. Conclusion

- 3.1. The Board is asked to note the attached action trackers.

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 PENSION FUND AUDIT ACTION TRACKER**

The audit action tracker allows Board Members to monitor responses, actions and progress against audit actions and recommendations arising from internal audits

Recommendations 2018/19	Priority	Management response and action plan including responsible officer	Follow up response	ACTIONED?
Audit scheduled	Days	Proposed Quarter		
Communication with Stakeholders (joint audit, 16 days in total)	8	Q1*		
Effectiveness of the Pension Board	10	Late Q1/early Q2		
Custodian Arrangements	7	Q3		
Responsible Investments	7	Q4		
Planning, reporting and advice	5	Q1-4		
Contingency	3			
<b>Effectiveness of the Pension Board</b>				
It is recommended that the Devon Pension Fund, Pension Board, webpage is updated to include the most recent version of the Devon Pension Fund Governance Policy and Compliance Statement (the version currently in the Pension Board section is marked as approved in 2015). A later version (marked as approved in 2017) is located in the pension fund investments section of the website.	<b>Low</b>	Agreed. Investment Manager, in liaison with the Head of Peninsula Pensions (by 31 March 2019)	Revised Governance Policy dated November 2018 loaded onto both parts of the website	Completed
Management to consider the difference in approach regarding provision of Devon Pension Poard member contact details. If the reason is that DCC publish only DCC email addresses (Councillor email addresses being @devon.gov.uk; whereas other email addresses given as per the Peninsula Pensions webpages include external email addresses) consideration should be given to whether DCC email addresses should be provided/allocated to Devon Pension Board members. And in relation to Board member changes, it is recommended that any updates are made in both locations concurrently.	<b>Medium</b>	Agreed. It will be considered whether there is a way of referring users from the Democracy in Devon - Devon Pension Board member webpages to the Peninsula Pensions Devon Pension Board webpage for further information including contact details. Investment Manage / Assistant County Treasurer - Investments, in liaison with the Democracy team (31 March 2019). Management felt however that would not be appropriate for Devon Pension Board members who are not County Councillors or DCC employees to be provided with a devon.gov.uk email address		
It is recommended that management continue to review Devon Pension Board member attendance at Board meetings and training events, and bring to the Board's attention accordingly consecutive non attendance at two meetings or two training events, inaccordance with the Devon Pension Board Terms of Reference.	<b>Medium</b>	Agreed. Considerations will be given to attaching the attendance log to Board reports. Investment Manager / Assistant County Treasurer - Investments. 31 March 2019	First report of attendance provided to the Board October 2018. On Future Work programme for every April and October board meetings	Completed
It is recommended that all the on going actions agreed by management relating to recommendations within the 2017-18 Induction Process for New Board and Committee members audit continue to be progressed and completed in 2018-19.	<b>Medium</b>	Agreed		

The responses to the survey as shown in Appendic C should be reviewed and taken forward as appropriate by management	<b>Medium</b>	Agreed. The survey responses will be considered. Investment Manager / Assistant County Treasurer - Investments. 31 March 2019		
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**DEVON PENSION FUND AUDIT ACTION TRACKER**

The audit action tracker allows Board Members to monitor responses, actions and progress against audit actions and recommendations arising from internal audits

Recommendations 2018/19	Priority	Management response and action plan including responsible officer	Follow up response	ACTIONED?
Audits scheduled	Days	Proposed Quarter		
Communication with Stakeholders (joint audit, 16 days in total)	8	Q1*		
General Data Protection Regulations (GDPR) compliance	8	Late Q1/early Q2		
Death in service / Death of Pensioners	10	Q3		
Quality assurance/control area	8	Q4		
Planning, reporting and advice	5	Q1-4		
Contingency	6			
<b>Communication with Stakeholders</b>				
The planned revision to the Communications Policy should include reference to the General Data Protection Regulations which came into effect in May 2018. Should GDPR communications compliance activity be deemed by management to constitute a 'material change' in policy, it is recommended that the Communications Policy should be updated immediately to reflect this.	<b>High</b>	Agreed. GDPR will be considered in relation to the Communication Policy and revision due to take place this year, prior to the November 2018 IPFC meeting, and alongside item d) at recommendation 1.1.3 below regarding Data Protection. Devon Pension Fund - Assistant County Treasurer (Investments & Treasury Management) by 30/11/18)		
The next scheduled review of the Communications Policy provides management with an opportunity to give consideration to the relevant provisions of the Pensions Regulator Code of Practice 14 'Governance and Administration of Public Service Pension Schemes', that relate to communication standards, and to update the Communications Policy accordingly, as required.	<b>Opportunity</b>	Agreed. Consideration will be given to this in relation to the Communication Policy revision due to take place this year, and alongside recommendation 1.1.4 where the Pension Regulator's Code makes reference to statutory provision of information requirements. Devon Pension Fund - Assistant County Treasurer (Investments & Treasury Management) (by 30/11/18)	New Communication Policy approved November 2018 incorporating the points raised in this audit	Completed
The following examples of areas covered within other Pension Fund Communications Policies, are provided for management consideration in relation future revision of the Devon Pension Fund Communications Policy:		Agreed. Consideration will be given to these examples in relation to the Communication Policy revision due to take place this year. Devon Pension Fund - ACC (Investments & Treasury Management) by 30th November 2018		
a) Annual review of the Fund's Communications Policy      b) Reference to Pensions Helpline number / email within the Policy document				
c) Reference to improving Service Standards e.g. seeking stakeholder feedback and the means for this e.g. on-line/Smart phone feedback form, feedback form included alongside Annual Benefit statement, feedback sought at all engagement events.		Avon Pension Fund's communications activity is identified as a potential good practice example for peer comparison purposes, for which the Avon Pension Fund webpages <a href="http://www.avonpensionfund.org.uk/">http://www.avonpensionfund.org.uk/</a> and on-line customer survey <a href="http://www.avonpensionfund.org.uk/customer-survey">http://www.avonpensionfund.org.uk/customer-survey</a> refer		
d) Inclusion of a section on Data Protection      e) Reference to Pensions Pooling arrangements and Brunel Pension Partnership Ltd	<b>Opportunity</b>			

The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 are applied by the service in relation to requests for information. Reference to these Regulations could be included within the Communications policy.	<b>Low</b>	Agreed. Consideration will be given to this in relation to the Communication Policy revision due to take place this year, and alongside recommendation 1.1.2. Devon Pension Fund - ACC (Investments & treasury management) by 30th November 2018		
It is recommended that management give consideration to CIPFA Guidance 'Delivering good governance in Local Government' in relation to effective engagement with stakeholders, and the West Midlands Pension Fund – good practice in stakeholder engagement case study included therein, in relation to possible application to future DPF Communication Policy revision.	<b>Opportunity</b>	Agreed. Consideration will be given to this in relation to the Communication Policy revision due to take place this year. Devon Pension Fund - ACC (Investments & Treasury Management) by 30th November 2018		
It is recommended that consideration to be given to making clear reference within the Communications Policy to the availability of information in alternative formats, e.g. Braille or audio version, how this can be requested by stakeholders and how the service would facilitate this.	<b>Medium</b>	Agreed. Consideration will be given to this in relation to the Communication Policy revision due to take place this year. Devon Pension Fund - ACC (Investments & Treasury Management) by 30th November 2018		
Quantitative measures for which the service could make provision to collect, measure and monitor include: i) satisfaction survey results relating to Communications and use/content of website; and ii) website usage figures, including in relation to the DPF Investments and LGPS webpages, and, should it be possible to do so, the number of 'hits' against the on-line Communications Policy document (when the updated document is communicated to stakeholders and published).		Agreed. Conversations are on-going between Peninsula Pensions management and the DCC Communications Team in regard to the collection and analysis of website usage figures (including in relation to 'new views', 'bounce back' etc) and discussion will take place internally regarding the appropriate timescale for consideration of implementation of additional customer feedback mechanisms regarding the Devon Pension Fund - Communication Policy and potentially additional Peninsula Pensions webpages. Customer feedback is also being sought from employers and via management client liaison.		Ongoing
It is recommended that the service progress monitoring and analysis of website usage figures, and consideration of an on-line website satisfaction survey, and that thought should also be given to monitoring satisfaction with communication outside of that provided on-line.	<b>Medium</b>	A review of website content is planned for this financial year and this recommendation will be considered alongside that review. Head of Peninsula Pensions by 31 March 2019		Ongoing
It is recommended that management consider resource availability to take forward the work of making the Communications strategy a living document following the internal restructure exercise.	<b>Opportunity</b>	Agreed - Head of Peninsula Pensions by 31 March 2019		Currently under review
It is noted that there are Peninsula Pensions webpages, applicable to LGPS members and employers, which would benefit from updating. These include, at the time of audit, 'Member News', 'Member Newsletters' and 'Employer News'.		Agreed. This will be considered including within the website review and as per recommendation 2.2.1 above.		Have arranged regular meetings with DCC comms team to ensure pages are regularly reviewed and are kept up to date
Furthermore, other than the on-line 'Contact Us' form, there was no easily located customer feedback form or pop-up on-line survey found. It is noted that a survey for website users is something that is planned by Peninsula Pensions.		Head of Peninsula Pensions (by 31 March 2019)		Customer feedback option added to contact us page

It is recommended that customer feedback mechanisms are reviewed and planned activity in this area be progressed. As per Risk 1, Avon Pension Fund on-line customer satisfaction / feedback mechanisms are proposed as a possible good practice example	Medium			
It is recommended that management establish a contract or Service Level Agreement with the DCC Communications Team for services to be provided in 2018/19 by DCC, in order to ensure that working arrangements are documented, including the cost to be paid by Peninsula Pensions and level of service to be provided by the DCC Communications Team.	Medium	Agreed. This is in-hand and is being taken forward as a high priority action by management. Head of Peninsula Pensions 31/3/19		In progress
<b>General Data Protection Regulations (GDPR) compliance</b>				
It is recommended that the GDPR Project Risk Register Risk be further populated including in relation to risk scoring, updated on an on-going basis and to form part of the internal management conversation on GDPR, and for links to be made as required to the published DPF/PP Risk Register as appropriate.	Medium	Agreed. Head of Peninsula Pensions, and Technical & Compliance Manager – by 31 March 2019.		In progress
Data Protection Impact Assessments should be undertaken, and a process established for this process to become 'business as usual' for the service, including in relation to written process notes to be prepared and communicated to relevant teams regarding the required process to be followed.	Medium	Agreed. Head of Peninsula Pensions, and Technical & Compliance Manager, in liaison with DCC Data Protection Officer – by 31 March 2019.	Use same procedure as Devon County Council - link on GDPR Project document	Yes - No further action required
Management should establish, and in liaison with DCC Data Protection Officer as required, whether there is further action that is required to be taken by the service regarding 'data' transferred out side of the European Economic Area (EEA) in relation to Western Union pension payments made to bank accounts outside of the UK and correspondence to members living abroad.	Medium	Agreed. Head of Peninsula Pensions, and Technical & Compliance Manager, in liaison with the DCC Data Protection Officer – by 31 March 2019.		Actioned
Management to identify and take forward any required action resulting from the output from GDPR compliance questionnaires issued to third parties outside of DCC procurement processes (these bodies are understood to be Heywoods, Stormpress, Hugh Symons, RNIB, Target).	Medium	Agreed. Head of Peninsula Pensions, and Technical & Compliance Manager, in liaison with the DCC Data Protection Officer – by 31 March 2019.	All third parties have Data processing agreements in place	Yes - No further action required
The project and service will need to allow adequate time and resource to addressing the 'historic' paper records held by Peninsula Pensions, which are understood to be located at various locations (including Great Moor House, County Hall and Larkbeare); and consideration of 'historic' data held on the Altair system, for all client areas (including previous client areas), in liaison with the system provider Heywoods.	High	Agreed. In view of developing a high level plan or strategy for addressing historic records. Head of Peninsula Pensions, and Technical & Compliance Manager – by 31 December 2018. The review of historic records will be a longer term piece of work for which resource will need to be identified to aid completion.	Head of PP to liaise with County Hall to arrange removal / destroyal of historic papers held there. Need to consider re removal of data in line with retention policy going forwards (ALTAIR)	Head of PP contacted DCC facilities management to arrange disposal
It is recommended that management prepare an internal process notes document for data security and data breach procedures and for this to be communicated to all staff.	High	This has been completed. The process is documented within training material, which has been communicated to officers. The documentation is located within the Peninsula Pensions central repository on SharePoint, and this location has been communicated to officers.		Yes - No further action required
Management may wish to consider, for internal reference purposes, completion of the ICO data protection self-assessment toolkit.	Opportunity	Agreed. Technical & Compliance Manager, in liaison with the Head of Peninsula Pensions, to consider utilising the ICO toolkit, if deemed appropriate for the service. By 31 March 2019.		Agreed - to be actioned
<b>Death in service / Death of Pensioners</b>				

It is recommended that comprehensive written procedure notes be developed and maintained for use by Benefits team members involved in Death In Service / Death of Pensioner processes, for training and reference purposes.	<b>Medium</b>	Death in Service and Survivor procedure notes are now in place for use by the Benefits team. Management will ensure that all additional procedure notes, relating to 'death' processes are in place. Technical & Compliance Manager – by 31 March 2019.	Technical Manager (MG) to ensure in place on Pensioner Payroll team - to liaise with Pensioner Payroll Manager AT (11/1/19)	In progress
It is recommended that all staff involved in the Death in Service / Death of Pensioners processes should be suitably trained, and their work monitored particularly in relation to the work of new or inexperienced team members, until the required level of competency is reached.	<b>Medium</b>	Agreed. Training in this area is on-going and will continue to be monitored by management. Head of Peninsula Pensions and Technical & Compliance Manager.	Form part of QA/QC arrangements	In progress
It is recommended that the Service review of internal Quality Check processes considers the initial audit advice, relating to the control environment, provided in 2017-18.	<b>Medium</b>	Agreed. Internal review of quality check processes is due to commence in Q4. This will include consideration of internal audit input and advice. Technical & Compliance Manager.		Arranged Feb 2019
In relation to purchasing of death certificates, it is recommended that only the named credit/debit card holder(s), in each case, procure required certificates and that, if necessary, Service working practices be updated to reflect this. Where there is a requirement for more than one person in the team to make purchases, the Service should consider what other options might be available, e.g. via issue of an additional card(s) or alternative means of purchasing.	<b>Medium</b>	This matter has been addressed. Additional cards have been issued to relevant team members. Head of Peninsula Pensions.		No further action required
It is recommended that management consider contingency arrangements in respect of Payroll death in service, death of member processes and in relation to review of team member access to information such as the General Register Office registers, the LGPS National Insurance Number database system, as part of these processes.	<b>Medium</b>	The support arrangements in place are considered to be sufficient. Workplace process videos are planned, making use of available technology, for training and contingency purposes. Technical & Compliance Manager.	Pensioner Payroll manual in place - Technical Manager to liaise with Pensioner Payroll Manager and arrange consideration of video software - commencing with 'running of payroll'	In progress
The use of the National Insurance Database should be taken forward to ensure compliance with regulations.	<b>Low</b>	Management will give consideration to this. Technical & Compliance Manager – by 30 September 2019.		Actioned
It is recommended that the Service continues to undertake regular deceased person matching/screening processes, and that resource is maintained to promptly review and action the outputs from these processes where action is required by the Service to prevent pensions overpayment.	<b>Medium</b>	Agreed. Head of Peninsula Pensions and Technical & Compliance Manager.		No further action - ongoing procedure
For business continuity purposes, it is recommended that more than one staff member be given access to and training on use of Tell Us Once, for the purpose of receiving and actioning death of member/pensioner notification.	<b>Medium</b>	Agreed in relation to team member access to and training on use of Tell Us Once. Technical & Compliance Manager – arrangements for this to be initiated by 31 March 2019.	2 officers have access - EER & Comms Manager and Pensioner Payroll Manager - consider additional user login	Actioned
Consideration should also be given to how on-line notification is received outside of DCC, including from Somerset, Torbay and Plymouth council areas.		Not agreed in relation to notification from outside of DCC as this is outside of Peninsula Pension's remit and would require national initiative.		
It is recommended that amounts owing, relating to death in service / death of member processes, continue to be monitored and regularly reported to management.	<b>Medium</b>	Agreed. Head of Peninsula Pensions and Technical & Compliance Manager.		No further action required - ongoing procedure (Finance team)

## 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 meet four times 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;
- Brunel Progress report.
- Actions and recommendations Tracker
- Future Work Programme.

##### April 2019

- Budget Monitoring
- 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.
- Breaches Log Annual Review.
- Statutory Statements – Investment Strategy Statement

The Fund's investment strategy is currently being reviewed by Mercer investment consultants, who will be making a presentation to the Investment and Pension Fund Committee on 22<sup>nd</sup> February. The review will also be reflected in a revised Investment Strategy Statement. Members of the Pension Board are invited to attend the Committee meeting for the presentation by Mercer.

# Agenda Item 14

## July 2019

- Governance Policy Review
- Annual Pension Board attendance review
- Administration Strategy

## October 2019

- Budget Monitoring
- Statutory Statements – Communications Policy
- Pension Board Terms of Reference
- External Audit Findings Report
- Annual Benefit Statement report

### **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

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99