

Phil Norrey
Chief Executive

To: The Chair and Members of the
Devon Pension Board

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 5 July 2019
Please ask for : Gerry Rufolo 01392382299

Email: gerry.rufolo@devon.gov.uk

DEVON PENSION BOARD

Monday, 15th July, 2019

A meeting of the Devon Pension Board is to be held on the above date, at 11.30 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 - 4)

Minutes of the meeting held on 3 April 2019, attached.

3 Items Requiring Urgent Attention

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

4 Membership

Following the interviews held in mid April for the two member representative positions, Mr Paul Phillips has been re-appointed. We welcome Ms Julie Bailey to the Pension Board who brings with her previous LGPS administration knowledge from her role within an academy employer.

MATTERS FOR CONSIDERATION OR REVIEW

5 Review of the Investment Strategy Statement and Pension Board Terms of Reference (Pages 5 - 36)

Report of the County Treasurer (CT/19/67), attached.

- 6 Devon Pension Fund Risk Register (Pages 37 - 58)

Report of the County Treasurer (CT/19/68), attached.

- 7 Annual Review of Attendance (Pages 59 - 62)

Report of the County Treasurer (CT/19/69), attached.

MATTERS FOR INFORMATION

- 8 Investment and Pension Fund Committee (Pages 63 - 68)

Minutes of Investment & Pension Fund Committee held on 28 June 2019, attached for information.

- 9 Administration Strategy Review Update (Pages 69 - 70)

Report of the County Treasurer (CT/19/70), attached.

- 10 Peninsula Pensions Administration - Performance Statistics (Pages 71 - 76)

Report of the County Treasurer (CT/19/71), attached.

- 11 LGPS Update (Pages 77 - 80)

Report of the County Treasurer (CT/19/72), attached.

- 12 Actions and Recommendations Tracker Reports (Pages 81 - 90)

Report of the County Treasurer (CT/19/73), attached.

- 13 Future Work Programme (Pages 91 - 92)

Report of the County Treasurer (CT/19/74), attached.


- 14 Dates of Future Meetings

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

Monday 21st October 2019
Thursday 16th January 2020
Thursday 16th April 2020.

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

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

<p>Membership</p> <p>Devon County Council Councillors C Slade (Chair) and S Randall-Johnson Fund Employer Representatives Graham Smith (Devon & Cornwall Police) and Carl Hearn (Tavistock Town Council) Fund Member Representatives Julia Bailey, Andy Bowman, Paul Phillips and Colin Shipp Independent Member (non-voting) William Nicolls</p>
<p>Declaration of Interests</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>Access to Information</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>Webcasting, Recording or Reporting of Meetings and Proceedings</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: http://www.devoncc.public-i.tv/core/</p> <p>In addition, anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the 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>Emergencies</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>Mobile Phones</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: centre@devon.gov.uk or write to the Democratic and Scrutiny Secretariat at County Hall, Exeter, EX2 4QD.</p>
<div>  <p>Induction loop system available</p> </div>

NOTES FOR VISITORS

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

SatNav – Postcode EX2 4QD

Walking and Cycling Facilities

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

Access to County Hall and Public Transport Links

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

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

Car Sharing

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

Car Parking and Security

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

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



Fire/Emergency Instructions

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

3 April 2019

Present

Councillors C Slade (Chair) and S Randall Johnson

Fund Employer Representative

Mr C Hearn

Fund Member Representative

Mr A Bowman and Mr P Phillips

Attending in Accordance with Standing Order 25(2)

Councillor R Bloxham

Apologies:-

Mr W Nicholls, Mr G Smith and Mr C Shipp

* **108** **Minutes**

RESOLVED that the Minutes of the Meeting held on 11 February 2019 be signed as a correct record.

* **109** **Items Requiring Urgent Attention**

No item was raised as a matter of urgency.

* **110** **Membership**

The Board noted that two Fund Member representatives were due to expire in 2019 and these positions had been advertised and 22 applications had been received with a good selection across current, deferred and retired members. A shortlist would be produced by Officers and interviews held on 15 April 2019.

* **111** **Internal Audit Report and 2019/20 Audit Plan**

(Councillor R Bloxham attended in accordance with Standing Order 25(2) and spoke to this item referring to extension of audit arrangements to include the Brunel Partnership)

The Board considered the Report of the County Treasurer (CT/19/36) on the Annual Internal Report – 2018/19, the Internal Audit Plan 2019/20 and the Service Level Agreement and the aim of the Plans. The Audit Plan as reported was flexible and would be subject to on-going discussion with senior Officers, as necessary.

The Annual Internal Report 2018/18 provided the Authority with an assurance opinion on the system of internal control of the Fund. Following risk-based reviews and sample testing, there were found to be no major weaknesses in the system of control.

The final audit reports included an action plan and implementation would be reviewed during subsequent audits or as part of a specific follow-up process. Members felt that whilst there would be monitoring/tracking of the action plan (Minute *119 refers) this should also be referenced in the action plans within the audit reports.

Overall, and based on work performed during 2018/19 and prior years, Internal Audit could provide significant assurance on the adequacy and effectiveness of the Fund's internal control environment.

Agenda Item 2

2

DEVON PENSION BOARD
3/04/19

It was **MOVED** by Councillor Slade, **SECONDED** by A Bowman, and

RESOLVED that the Internal Audit Report for 2018/19 be noted and the Internal Audit Plan for 2019/20 be endorsed, subject to a recommendation to the Investment and Pension Fund Committee that the audit plans reference the monitoring/tracking arrangements.

* 112 Devon Pension Fund Risk Register

The Board considered the Report of the County Treasurer (CT/19/37) on the identified risks incorporated into the Fund's Risk Register which had not changed since the Board's last meeting. The Report also covered the assessment process and revisions to the Register to mitigate risks. Members noted that generally the degrees of risks identified remained as before and suggested some minor changes to the draft.

It was **MOVED** by Councillor Slade, **SECONDED** by A Bowman and

RESOLVED that the Pension Fund Risk Register be noted (subject to minor drafting changes) and the additional actions proposed to mitigate risk be endorsed.

* 113 Pension Board Annual Report

The Board considered the Report of the County Treasurer (CT/19/38) on a draft Devon Pension Board Annual Report which detailed the work undertaken by the Board during 2018/19. The Annual Report highlighted the areas reviewed by the Board, and the key recommendations that had been reported to and acted upon by the Investment and Pension Fund Committee.

The Annual Report would be incorporated into the Devon Pension Fund Annual Report 2018/19 which would be considered for approval by the Investment and Pension Fund Committee later this year. The Pension Fund Annual Report contained the statement of accounts together with other information about the Fund's performance during the year.

Members noted that whilst this Board made recommendations to the Investment and Pension Fund Committee and acted in a scrutiny role looking at the work of the Committee to assist the Administering Authority, it could also report any serious concerns to the Pensions Regulator. Therefore, Members suggested that the wording in the Devon Pension Board Annual Report 2018/19 be changed as follows: 'The Board makes recommendations to the County Council *principally* through the Investment and Pension Fund Committee..'.

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

RESOLVED that the draft Pension Board Annual report 2018/19 be approved, subject to the change outlined above.

* 114 Training Review and 2019/20 Training Plan

(Councillor R Bloxham attended in accordance with Standing Order 25(2) and spoke to this item referring the on-line training modules undertaken by Members)

The Board noted the Report of the County Treasurer (CT/19/39) on the training plans for 2018/19 and 2019/20 for Members of both the Board and Investment and Pension Fund Committee to comply with the provisions of the Pensions Act 2004 in terms of training requirements and which accorded with good practice in-line with other Funds. As-well as the training plan the Report included a register of training undertaken by Members (Appendix ii of the Report). Members asked that the National LGPS Forum (conference) and the on-line training modules be included in the 'additional training' section, as appropriate.

Members also indicated that a single on-line or paper file containing reference to key documents and glossary of terms/definitions, which could be easily updated, would be useful for new and current Members and there were good examples on-line. The Officers agreed to consider the proposal possibly using the CIPFA framework and similar to the package designed for the Chair of the Board.

* **115 Investment and Pension Fund Committee**

(Councillor R Bloxham attended in accordance with Standing Order 25(2) and spoke to this item referring to the Committee meeting, notably the Strategic Investment Review and appointment of a new Independent Adviser)

The Board received the Minutes of the meeting held 22 February 2019.

* **116 Pension Board Budget Monitoring Report**

(Councillor R Bloxham attended in accordance with Standing Order 25(2) and spoke to this item referring to the aim to align meetings of the Brunel Investment Board, this Board and the Investment and Pension Fund Committee, to improve the flow of information).

The Board considered the Report of the County Treasurer (CT/19/40) on a budget monitoring statement showing the forecast outturn position for the financial year ending 31st March 2019 and the proposed Budget for 2019/20 for the servicing of the Board with the two additional meetings previously agreed.

It was **MOVED** by Councillor Slade, **SECONDED** by A Bowman, and

RESOLVED

(a) that the forecast outturn for the Devon Pension Board budget 2018/19; and

(b) that the Devon Pension Board budget for 2019/20 be approved.

* **117 Peninsula Pension Administration Update and Performance Statistics**

The Board noted the Report of the County Treasurer (CT/19/41) on Team performance and future changes to performance reporting.

During 2017/18, the team had issued 77% of work within target and this remained constant for the 9 months ending 31st December 2018. Performance over January and February had increased to 83%, which brought the total performance for the 11 months ending 28th February 2019 to 78% despite the extensive training plan which was impacting on the normal day-to-day workloads of staff. The Team was also in the process of recruiting to several vacant positions which would help going forward.

Appendix 1 and 2 to the Report showed performance relating to the Devon Fund only for the 11 months ending 28th February 2019 and the longer-term performance. The total number of cases outstanding had dropped significantly over the period.

Future changes to performance reporting related to the process of reviewing and improving methods of reporting performance and would now include performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information, in addition to the internal service standard targets.

In addition, following review of task classification and prioritisation a revised classification would be fed into future reports to help ensure that tasks were dealt with appropriately and in a more effective and timely manner.

Agenda Item 2

4

DEVON PENSION BOARD
3/04/19

The number of Members of the Fund accessing statements and other information was monitored (current at approximately 30-40%, the lowest users being retired members) and information on this, to encourage further use, was to be included in the Communications Strategy.

* 118 Breaches Policy

The Board noted the Report of the County Treasurer on the Breaches Policy and Procedures designed to comply with the guidance provided by the Pensions Regulator and to ensure that the Devon Pension Fund followed best practice in this area. The Breaches Policy was last presented to the Board at the April 2018 meeting.

The Breaches Log for 2018/19 (Appendix 1 to the Report) showed that there had been only 3 breaches recorded for 2018/19 but were not considered to be of material significance and therefore not reported to the Pensions Regulator.

The Board commended the work of the Team and the low level of minor breaches.

* 119 Actions and Recommendations Tracker

The Board noted the Report of the County Treasurer (CT/19/43) on the funds progress on completing actions arising from internal audits and Pension Board member recommendations or requests and a log of actions and requests raised by the Pension Board.

The Audit Actions tracker allowed Board Members to monitor responses, actions and progress against audit findings from internal audit reports. The programme of internal audits had been agreed with fund officers on an annual basis and undertaken throughout the year (Minute *111 refers).

* 120 Future Work Programme

(Councillor R Bloxham attended in accordance with Standing Order 25(2) and spoke to this item referring to the cost transparency project and reporting to members)

The Board considered the Report of the County Treasurer (CT/19/44) on a proposed Future Work Programme over the next three meetings (subject to consideration of Terms of Reference moving to the July meeting). This would help to provide assurance that the Devon Pension Fund was managed and administered effectively and efficiently in compliance with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

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

RESOLVED that the future work programme (as amended) be approved.

* 121 Dates of Meetings

15 July 2019, 21 October 2019 and 16 January 2020 at 10.30 am

[N.B. The County Council calendar available at:

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

The Meeting started at 10.30 am and finished at 11.33 am

STATUTORY STATEMENTS AND TERMS OF REFERENCE– ANNUAL REVIEW

Report of the County Treasurer

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

Recommendation: that the Board review the Investment Strategy Statement and Compliance Statement and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

1. Introduction

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

- Funding Strategy Statement (review due April 2020)
- Investment Strategy Statement
- Communications Policy (review due October 2019)
- Governance Policy and Compliance Statement. (review January 2020)

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

2. Investment Strategy Statement

2.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require each LGPS administering authority to have in place an Investment Strategy Statement. The guidance requires that the Investment Strategy Statement should be revised at least every three years, and when any significant changes are made to the Fund's investment strategy.

2.2. The Investment Strategy Statement required by the regulations must include:-

- (a) A requirement to invest money in a wide variety of investments;
- (b) The authority's assessment of the suitability of particular investments and types of investments;
- (c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- (d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- (e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

Agenda Item 5

- (f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

- 2.3. Following the review of investment strategy undertaken by Mercer, a revised Investment Strategy Statement (ISS) was put together to reflect the outcome of the review. This sets the strategic asset allocation for 2019/20 and the opportunity was also taken to make other minor amendments. The revised Investment Strategy Statement attached as Appendix 1 was approved by the Investment and Pension Fund Committee in February 2019.
- 2.4. Section 2 of the ISS sets out the Fund's investment beliefs, and its strategic asset allocation. The strategic review carried out by Mercer proposes a direction of travel over the next five years, looking at the current scenario and how the asset allocation should develop following the transition to Brunel. The ISS sets out the target allocations proposed for 2019/20, and then a medium term target based on the direction of travel set out in Mercer's report, and the advice of the Fund's officers and the Independent Advisor. These include the new allocation to Low Volatility Equities and an increased allocation to infrastructure.
- 2.5. Section 3 of the ISS sets out the Fund's approach to risk and the ways in which risks are to be measured and managed. This section sets out the key risks facing the fund and how they are to be managed. The investment strategy needs to be set in such a way that appropriate risk is taken to generate the required returns, whilst minimising volatility and downside risk as much as is feasible.
- 2.6. Section 4 of the ISS sets out the Fund's policy in relation to the pooling agenda. This section has been updated to reflect the fact that the Brunel Pension Partnership is now operational, and managing some of the Fund's assets.
- 2.7. Following last year's review, the Financial Reporting Council has reassessed the Fund's stewardship policies and has determined that we have met the requirements to be designated as tier 1 signatories to the UK Stewardship Code. This is a significant step forward for the Fund and the previous aspiration to tier 1 status in the ISS has been amended to reflect that this has now been achieved.
- 2.8. The only other change is to update the list of priorities in Section 6 (d) to include Board Diversity, an issue raised by the Pension Board.

3. Pension Board Terms and Reference

- 3.1. Following the introduction of the Local Pension Board under the Public Service Pensions Act 2013, The Devon Pension Board formally adopted its terms of reference in its creation meeting in July 2015.
- 3.2. As a matter of good practice and effective governance, the Board is required each year to review their Terms of Reference ensuring they remain effective and reflective of the work and focus of the board.

4. Conclusion

- 4.1. The Board is asked to review the Investment Strategy Statement and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

Devon County Council Pension Fund Investment Strategy Statement

**Revised by the Investment and Pension Fund Committee
23 February 2018**

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. The administering authority must invest, in accordance with its investment strategy, any Fund money that is not needed immediately to make payments from the Fund.

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

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

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

The Investment Strategy Statement will set out in more detail:

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Target Allocation 2018/19 (%)	Medium Term Target Allocation (%)	Role(s) within the Strategy
Equities	58	58	
Global and UK Passive	43	36	<p>Generate returns through capital gains and income through exposure to the shares of domestic and overseas companies; indirect links to inflation.</p> <p>The Fund invests in a range of actively and passively managed equity strategies to gain diversified exposure to global equity markets, using active managers and non-market cap indexation where appropriate and in the expectation that these will add value.</p> <p>Within this allocation are holdings in a number of specialist equity funds to gain exposure to a diverse range of return drivers (including small cap equities and focussed, activism funds).</p>
Global Active	5	5	
Emerging Markets Active	5	5	
Specialist Funds	5	-	
Low Volatility Equity	-	7	
Global Small Cap Equity	-	5	
Fixed Interest	13	13	
Global Bonds	6	-	<p>The Fund invests in a number of global bond investments, to provide diversified exposure to sovereign and corporate bond markets. These are expected to generate less volatile returns than equities, but also to generate returns above those available on domestic sovereign bonds ("gilts").</p> <p>Within these holdings, the Fund uses active management, and permits its fund managers a degree of flexibility to switch between underlying asset classes and credit qualities to enhance expected returns</p>
Corporate Bonds	-	6	
Multi-Sector Credit	6	6	
Cash	1	1	Held to meet benefit payments

Asset Class	Target Allocation 2018/19 (%)	Medium Term Target Allocation (%)	Role(s) within the Strategy
Alternatives / Other	29	29	
Diversified Growth	13	9	Deliver returns in excess of inflation, with a reasonably low correlation to traditional equity markets and providing a degree of downside protection in periods of equity market stress; opportunity for dynamic asset allocation.
Property	10	10	Generate inflation linked returns through income and capital appreciation via investment in global property markets, whilst providing some diversification away from equities and bonds.
Infrastructure / Private Markets	6	10	The Fund invests in a diversified portfolio of infrastructure investments, in order to gain exposure to attractive returns and investments with a degree of inflation linkage in the income stream generated. In the medium term, the Fund intends to increase exposure to private markets (equity and credit) to benefit from diversified sources of return (including illiquidity and complexity premia).

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

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

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

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

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

In accordance with the requirements of the LGPS (Management and Investment of Funds) Regulations 2016, the Investment Strategy will not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Authority within the meaning given by applicable legislation.

3. Risk measurement and management

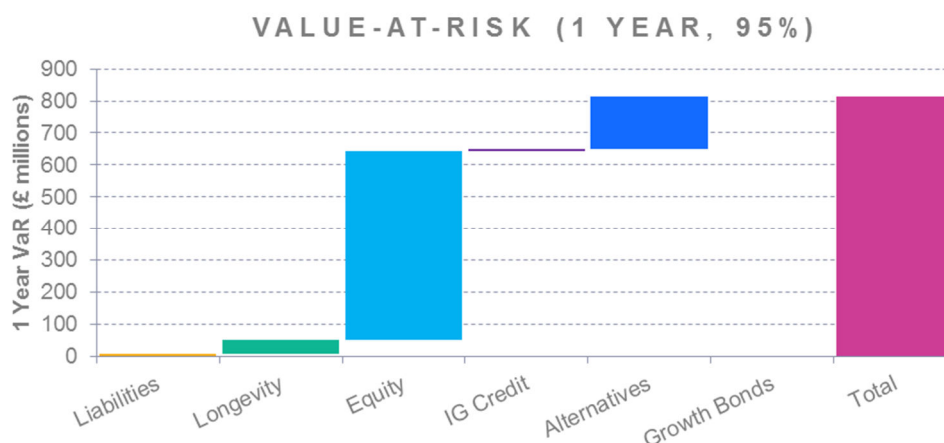
Successful investment involves taking considered risks, acknowledging that the returns achieved will to a large extent reflect the risks taken. There are short-term risks of loss arising from default by brokers, banks or custodians but the Fund is careful only to deal with reputable counter-parties to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

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

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

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

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



Note: "IG Credit" risk represents investment grade credit risks within Fund's fixed income mandates.

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

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

- That active managers underperform their performance objectives.

At Fund level, these risks are managed through:

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Approach to asset pooling

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

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

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

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

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

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

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

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

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

5. Social, environmental and corporate governance policy

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

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

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

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

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

The Devon Pension Fund is fully supportive of the UK Stewardship Code, published in July 2010, and the Committee accepts the rights and responsibilities that attach to being a shareholder and will play an active role in overseeing the management of the companies in which it invests. During 2018 we will develop this further by seeking to become tier 1 signatories to the code. As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities. More information is on the BPP website:

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

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

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

The Devon Pension Fund aims to be a supportive, long term shareholder. It believes that by discharging stewardship responsibilities it can enhance and protect the value of the Fund in the best interests of pension fund members and other stakeholders.

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

The Devon Fund appoints external managers to manage its investments. In the future it will make its investments via the Brunel Pension Partnership. As a result the Fund's policy is to apply the Stewardship Code through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF).

The Fund will expect its external investment managers to:

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

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

The Fund will actively monitor how each of its external investment managers is carrying out stewardship responsibilities over the Fund's assets. This will include:

- (i) Quarterly reporting from each of the Fund's equity managers on their stewardship activity, including details of the votes cast at company meetings, and where they have voted against company recommendations.
- (ii) Meetings between Fund representatives and the external managers to review performance, including stewardship activity.
- (iii) Quarterly reporting to the Investment and Pension Fund Committee on external investment managers' stewardship activity.
- (iv) Raising of issues of concern with external investment managers, for example where committee members have a clear view on an issue being proposed at a company meeting, or where LAPFF notify the fund of a significant proposal at a company meeting. The Fund may encourage the external investment manager to vote in a particular way, and will require the external investment manager to report back on how it intends to vote or has voted.

Seven of the Fund's eight main external investment managers as at 31 December 2017 are Tier 1 signatories to the UK Stewardship Code, the other is a Tier 2 signatory. In addition, the fund has smaller investments in four funds managed by other external investment managers, of whom two are Tier 1 signatories, one is a Tier 2 signatory and one is not a signatory to the UK Stewardship Code.

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

Devon County Council has a robust Code of Conduct and Conflicts of Interest policy, which all members of the Investment and Pension Fund Committee (whether Devon County Councillors or not) are required to adhere to. The policies can be found at:

<http://democracy.devon.gov.uk/ieListDocuments.aspx?CId=416&MId=2487&Ver=4&info=1>

Investment and Pension Fund Committee members are required to make declarations of interest prior to committee meetings in line with the Council's code of conduct and interest rules. This would ensure that if committee members had any personal interests in any company that the Fund invests in that may have an impact on stewardship activity then those interests would be declared and managed.

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

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

The Fund has reviewed the position of all the external investment managers who manage equity holdings on its behalf. Each has an appropriate conflicts of interest policy in place. The Fund will regularly review the position of its external investment managers and the Brunel Pension Partnership to make sure that their conflicts of interest policies are kept up-to-date.

(c) Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing the Fund's assets is delegated to external investment managers, and the Fund expects them to monitor the companies they invest in, intervene where necessary, and report back regularly on activity undertaken.

The Fund will expect its external investment managers to

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

The Fund will engage with its investment managers at regular quarterly meetings, and via phone calls and email correspondence. Each of the Fund's main investment managers is expected to provide a summary of their stewardship activity for inclusion in the Fund's Annual Report. Once the Brunel Pension Partnership becomes operational the Fund will expect Brunel to assess the effectiveness of engagement via an external benchmarking service.

In addition the Fund receives an 'Alerts service' from LAPFF which highlights corporate governance issues of concern at investee companies. These alerts are shared with the relevant asset managers, who are then expected to report back on how they intend to vote / have voted. The Fund reviews Quarterly engagement reports provided by LAPFF at Pension Committee meetings.

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

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. The Fund will expect its external investment managers to escalate activities if a company fails to meet expectations. The most important issues for us are:

- Strategy - including acquisitions and the deployment of capital
- Operational performance
- Quality and Diversity of the Board
- Succession planning
- Management of environmental / climate change risk
- Health & Safety
- Risk management
- Remuneration
- Corporate social responsibility

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

Escalation by the Fund's managers may include:

- (i) Additional meetings with management.
- (ii) Intervening jointly with other institutions – e.g. Fund managers have shown support for LAPFF alerts by publishing their voting intention online prior to AGMs.
- (iii) Writing a letter to the board or meeting the board.
- (iv) Submitting resolutions at general meetings and actively attending to vote.

Actions by managers are considered and undertaken on the basis of protecting and enhancing client value. Individual manager guidelines for such activities are disclosed in their own statement of adherence to the Stewardship Code. Each of the Fund's external investment managers provide a summary of their engagement activity, including examples of where they have intervened, that is published in the Devon Pension Fund's Annual Report.

On occasion, the Fund may itself choose to escalate activity, principally through engagement activity coordinated by the Local Authority Pension Fund Forum.

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

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

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

Representatives of the Committee and Fund officers are able to attend LAPFF's quarterly management meetings and the Annual Conference, which provides them with the opportunity to input to the priority areas for LAPFF to engage with companies on. Details of the Fund's holdings are provided to LAPFF on a regular basis, which enables LAPFF to assess the quantum of member funds' holdings when they are seeking to engage with companies.

LAPFF focuses its collaborative engagement on the following areas:

- (i) Leadership on key campaigns, such as Board diversity.
- (ii) Promotion of good governance.
- (iii) Management of environmental risk.
- (iv) Social and reputational risks such as employment standards.

As part of the LGPS pooling initiative, the Fund will also expect the Brunel Pension Partnership to foster collaboration with its client LGPS Funds on voting and engagement which should improve transparency of voting and embed best practice.

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

Responsibility for the exercise of voting rights has been delegated to the Fund's appointed investment managers who adopt their own voting guidelines. The Fund requires its managers to exercise all votes attached to its UK equity holdings, and to seek to vote where practical in overseas markets. This includes consideration of company explanations of compliance with the Corporate Governance Code. The Fund believes that the investment managers are best placed and have the necessary insight to vote in the best interests of its clients and align voting to the investment decision. Regular reports are received from asset managers on how votes have been cast.

While it is not practical to publish each individual vote on every stock held, the Fund will publish summary information, and will monitor activity on key governance themes, and how the external investment managers have cast their votes in comparison to other shareholders and LAPFF recommendations.

Information on voting policies and voting records can also be found on the external investment managers' websites.

Details of Managers' voting policies and vote reporting:

Manager	Link
State Street	https://www.ssga.com/content/ssga/softlinks/global/en/about-us/asset-stewardship.html/
UBS	https://www.ubs.com/global/en/asset-management/investing/responsible-investment.html
Aberdeen Asset Management	http://aboutus.aberdeen-asset.com/en/aboutus/expertise/equities/stewardship/delivery
Montanaro	http://www.montanaro.co.uk/about-us/ethical-and-esg-investing
Other Specialist Fund Managers (RWC / BMO / Fabian Pictet)	Voting records are not published on their websites, but details of votes cast and engagement undertaken are made available to the Devon Fund

The Fund permits holdings in its segregated portfolios to be lent out to market participants. The Fund retains the right to recall loaned stock or block stock from being loaned from its segregated portfolios should the Fund wish to not lend the stock for any reason. The stock lending policy on pooled Funds is determined by the individual investment managers.

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

The Investment and Pension Fund Committee will monitor the fund managers' engagement with the companies they have invested in, through the regular reporting arrangements in place. The managers' voting records will be reported to Committee on a quarterly basis. The engagement activity undertaken by LAPFF will also be reported to Committee on a quarterly basis, together with a record of voting alerts issued by LAPFF, how the Fund's investment managers have voted on the proposals concerned and the outcome of the votes.

The external investment managers produce an annual summary of their engagement activity for inclusion within the Devon Pension Fund Annual Report. From 2017/18 the Annual Report will include a report focusing on stewardship and voting activity. This will include details of investment manager activity, voting analysis, LAPFF alert analysis, engagement, case studies and collaboration

As part of its annual review of the Internal Control Reports of its managers, the Fund has identified the voting process as an area which is tested within the controls environment. All of the Fund's managers are independently verified by an external auditor, details of which are found in their ISAE 3402 made available by request or publicly on their websites. Where there are exceptions the Fund seeks clarification from managers.

7. Advice Taken

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

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

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

The Investment and Pension Fund Committee

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

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

The Devon Pension Board

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

County Treasurer: Mary Davis BA (Hons), CPFA

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

Assistant County Treasurer Investments: Mark Gayler ACMA, IMC

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

Investment Manager: Daniel Harris BSc (Hons) IMC

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

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

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

Mercer LLC Investment Consultants:

Tessa Page, Principal

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

James Giles, Senior Associate

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

Brunel Client Officer Group

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

Annex 1 – Compliance with the Myners Principles

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

1. Effective Decision Making

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

2. Clear Objectives

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

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

3. Risk and Liabilities

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

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

4. Performance Assessment

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

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

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

5. Responsible Ownership

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

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

6. Transparency and Reporting

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

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

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

which describes the Fund's policy on:

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

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

Annex 2 – Current Managers and Mandates

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

Devon Pension Board – Terms of Reference

1. Function of the Board

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

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

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

In fulfilling that role the Board undertakes the following tasks:

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

2. Board Membership

The Pension Board is composed of seven members as follows:

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

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

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

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

3. Code of Conduct

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

4. Appointment of a Chairman and Vice-Chairman

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

5. Voting Rights

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

6. Conflict of Interests

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

7. Role of Officers and Advisors

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

8. Number of Meetings

The Board will meet four times per year. In addition training sessions will be held, which may be joint sessions with the Investment and Pension Fund Committee.

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

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

10. Allowances / Expenses

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

11. Knowledge and Understanding

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

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

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

12. Reporting

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

13. Data Protection and Freedom of Information

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

PENSION FUND RISK REGISTER

Report of the County Treasurer

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

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

1. Introduction

- 1.1. Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks. The risks that have been identified are incorporated into the Fund's Risk Register.
- 1.2. The Pension Board monitors the Risk Register as part of its scrutiny role in relation to risk and compliance, and will raise any specific concerns to the Investment and Pension Fund Committee, as necessary. The Board previously considered the Risk Register at its meeting on 3rd April 2019.
- 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. The Pension Board highlighted a number of areas where additional plans had now been completed or dates had slipped, and the Risk register has been amended to take those additional plans into account, where appropriate removing them from the additional plans section and adding them to the mitigating controls.
- 3.2. In addition, two new risks have been added. Risk F4 has been added in relation to ESG (Environmental, Social and Governance) risks. Whilst these risks have been included within the Investment Strategy Statement, and managed through the investment strategy in place, they haven't previously been referenced in the Fund risk register. This omission has now been corrected.
- 3.3. Risk F16 refers to the McCloud and Sargeant cases. These cases are legal challenges to protections put into revised scheme regulations in the Judges' and Firefighters pension schemes for those nearing retirement, with the implication that those protections are illegal due to age discrimination legislation. These cases are likely to have implications for the LGPS regulations which put in place similar protections for those nearing retirement when the CARE (Career Average) scheme was brought in in 2004. It was announced at the end of June that the Government has not been granted an appeal and therefore we now await the outcome of negotiations and employment Tribunal decisions on how the situation will be remedied. This could result in significant additional liabilities for the LGPS and therefore the Devon Fund.
- 3.4. Taking account of the revisions above there are now 45 risks recorded in the Risk Register. The following table summarises the number of risks assigned to low, medium and high-risk scores, before and after mitigation.

Risk Category	Number of Inherent Risks Identified	Number of Risks following mitigating action
High	11	3
Medium	24	7
Low	10	35

- 3.5. Action taken to mitigate risks has reduced the number of high risks from 11 to 2. The remaining high risk is in respect of a market crash leading to a failure to reduce the deficit, and the impact of a no deal Brexit.

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			
Governance Arrangements											
G1	The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board, resulting in: <ul style="list-style-type: none">• Non-compliance with legislation and/or best practice.• Inability to determine policy, make effective decisions and/or deliver service.• Risk to reputation.	4	2	8	<ul style="list-style-type: none">• DCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008.• The Governance Policy and Compliance Statement is reviewed and updated regularly and scheme employers are consulted to ensure that the policy remains appropriate.• The Statement is published on the Devon Pensions website: https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/• Pension fund stakeholders are made aware of the Statement.• DCC has appointed an Investment and Pension Fund Committee to discharge the duties of the Council as Administering Authority of the Pension Fund.• The Committee review and approve the annual statement of accounts of the Devon Pension Fund, consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from any audit that need to be brought to the attention of the Council.• A Pension Board has been established as required by the Public Service Pension Act 2013.• Support and training are being provided to ensure that the Board is equipped to undertake its role.	4	1	4	Mark Gayler / 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"> • Non-compliance with legislation and/or best practice. • Inability to determine policy, make effective decisions and/or deliver service. • Risk to reputation. 	3	3	9	<ul style="list-style-type: none"> • The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills, and regular training is provided to ensure that members have the level of understanding required. • An Annual Training Plan is agreed by the Committee and Pension Board on an annual basis. • A training and induction programme is available for new Committee and Pension Board Members. • Committee and Pension Board members are asked to complete the Pension Regulator Trustee Toolkit. • The Fund subscribes to relevant bodies (e.g. CIPFA, LAPFF, PLSA) and sends representatives to major conferences. • DCC organises at least two training days per year for Investment and Pension Fund Committee and Pension Board members, with an additional engagement day being held with the Brunel Pension Partnership. • Committee and Pension Board members are made aware of and adhere to the Governance Compliance Statement, and are encouraged to identify training requirements. 	3	2	6	Mark Gayler / Charlotte Thompson	Following discussion at the Pension Board in April 2019, officers will look at the possibility of producing a handbook/manual for Board and Committee members	By 31 December 2019
Funding and Investments											
F1	<p>The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received, resulting in:</p> <ul style="list-style-type: none"> • Poor Fund performance/financial loss. • Increased employer contribution costs. 	4	3	12	<ul style="list-style-type: none"> • The Investment Strategy is set in accordance with LGPS investment regulations. • The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee. • The Investment Strategy takes into account the Fund's liabilities. • DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy. • An Annual Training Plan has been agreed for 2018/19. Training programmes are available for Committee Members and Investment Staff. • Members and Officers are encouraged to challenge advice and guidance received when necessary. 	4	2	8	Mark Gayler / Charlotte Thompson	Following discussion at the Pension Board in April 2019, officers will look at the possibility of producing a handbook/manual for Board and Committee members	By 31 December 2019

Appendix 1 - Devon Pension Fund Risk Register

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
F2	<p>The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>The Pension Fund's investment strategy and /or Fund Managers fail to produce the required returns, or organisational changes / manager departures at a Fund Manager damage performance, resulting in:</p> <ul style="list-style-type: none"> • Financial loss. • Insufficient funds available to meet future obligations. 	5	3	15	<ul style="list-style-type: none"> • Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2016 actuarial valuation includes provision for the fund to achieve full funding over 22 years. • The 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. • The investment strategy is reviewed annually by the Pension Fund Committee with advice from the External Investment Advisor to determine whether any action needs to be taken to amend the fund's asset allocation strategy. • The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. • Fund-specific benchmarks and targets are set. • Fund assets are kept under regular review as part of the Fund's performance management framework. • Fund managers 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. • The depth of expertise in the fund managers' teams have been assessed as part of the appointment process. • Performance targets are agreed by the Investment and Pension Fund Committee and are based upon recommendations 	5	2	10	Mark Gayler	<p>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.</p>	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			
					<p>Pension Fund Committee and are based upon recommendations provided by the DCC in-house Investment Team and our external investment advisor.</p> <ul style="list-style-type: none"> 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. External review of the Fund's investment strategy is commissioned on a regular basis. Mercers undertook an investment strategy review in 2016, which was then refreshed in February 2019. The 2019 report and recommendations were presented to the Investment and Pension Fund Committee in February 2019. 						
F3 Page 42	<p>The fund is exposed to unnecessary risks and avoidable costs due to poorly structured investment arrangements, resulting in:</p> <ul style="list-style-type: none"> Financial loss. 	5	2	10	<p>The Fund attempts to ensure the achievement of best value and minimise exposure to risk via the following:</p> <ul style="list-style-type: none"> The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. IMA disclosure tables are reviewed to ensure best execution by managers. Investment managers are asked to provide invoices for fees, wherever possible. Specialist services (e.g. transitions, currency transfers) are considered where appropriate in order to reduce costs. Banking and custodian arrangements are reviewed and re-tendered when appropriate. 	4	1	4	Mark Gayler	<p>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</p>	April 2018 onwards

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			
F4	The Fund fails to effectively manage risks associated with Environmental, Social and Governance (ESG) issues in relation to its investments, resulting in: <ul style="list-style-type: none"> Financial loss. Reputational Damage. 	5	2	10	The Fund's Investment Strategy Statement sets out its approach to ESG issues and stewardship and engagement, including: <ul style="list-style-type: none"> The Fund expects its fund managers (including the Brunel Pension Partnership) to monitor and manage the risks associated with ESG issues, and will review with managers on a regular basis how they are managing those risks. The Fund will engage (through Brunel, its asset managers, the Local Authority Pension Fund Forum or other resources) with investee companies to ensure they can deliver sustainable financial returns over the long term. The Fund holds annual meetings for both employers and scheme members to provide the opportunity for discussion of investment strategy and consideration of non-financial factors. 	4	1	4	Mark Gayler		
F5	Collapse of a fund manager or negligence, fraud or wilful default committed by a fund manager, resulting in: <ul style="list-style-type: none"> Financial loss. 	4	2	8	<ul style="list-style-type: none"> The Fund has considered the financial stability of managers during the appointment process and the situation is kept under review. In future when Brunel is selecting managers we would expect Brunel to consider financial stability of those managers, and will work with other Brunel clients to ensure that Brunel has in place robust procedures to do so. DCC use a global custodian service to ensure that there exists a separation of investment management arrangements from custody of assets. Legal requirements are in place for fund managers and are set out in the investment management agreements. Fund managers are required to be fully compliant with FCA, PRA and other regulatory requirements. The risk that a fund manager cannot provide a service during windup is mitigated by the availability of transition management arrangements put in place by the Brunel Pension Partnership. 	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			
F6	<p>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.</p> <ul style="list-style-type: none"> Financial loss. Increased employer contribution costs. 	5	3	15	<ul style="list-style-type: none"> The fund is well diversified and consists of a wide range of asset classes which aims to mitigate the impact of poor performance from an individual market segment. Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced. 	4	3	12	Mark Gayler		

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			
F7	Pay and price inflation are higher than anticipated. • An increase in liabilities which exceeds the previous valuation estimate.	4	3	12	<ul style="list-style-type: none"> The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees. The Fund has investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases. The Committee has received training on understanding liabilities and potential approaches to Liability Driven Investment. Hymans Robertson were commissioned to produce a report which reviewed the strategy for the fixed interest and its role in managing inflation risk. The report was presented to the I&PFC in September 2015, and recommendations partly implemented. This issue was also addressed in the strategic review carried out by Mercer in 2016/17 and the refresh in 2018/19. 	3	3	9	Mark Gayler		
F8	Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing. • An increase in liabilities which exceeds the previous valuation estimate.	3	3	9	<ul style="list-style-type: none"> Employers are charged the extra capital cost of non ill health retirements following each individual decision. Employer ill health retirement experience is monitored. 	2	2	4	Dan Harris		
F9	The average life expectancy of pensioners is greater than assumed in actuarial assumptions. • An increase in liabilities which exceeds the previous valuation estimate.	4	3	12	<ul style="list-style-type: none"> Life expectancy assumptions are reviewed at each valuation. Mortality assumptions include an allowance for future increases in life expectancy. 	3	2	6	Mark Gayler		
F10	Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately • Increased costs across all the remaining scheme employers	3	3	9	<ul style="list-style-type: none"> The team has procedures in place to monitor the receipt of contributions to the fund. The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately. Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments. 	3	1	3	Mark Gayler/ Martyn Williams		

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			
F11	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"> Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers. 	3	3	9	The risk is mitigated by: <ul style="list-style-type: none"> Vetting prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required. The Actuary has an objective of keeping contributions as stable as possible whilst ensuring the long term solvency of the Fund. Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. The actuarial valuation attempts to balance recovery period with risk of withdrawal. If necessary, appropriate legal action will be taken. An Employer Covenant Risk Assessment is undertaken by the Fund Actuary, Barnett Waddingham, in conjunction with the triennial valuations of the Fund. 	2	2	4	Mark Gayler/ Dan Harris		
F12	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"> Significant cashflow out of the Fund. Reduction in assets greater than reduction in the Fund's liabilities. 	3	2	6	The risk is mitigated by: <ul style="list-style-type: none"> Effective communication of the benefits of remaining in the LGPS. Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability. 	2	2	4	Mark Gayler/ Dan Harris		
F13	The result of the EU Referendum and the decision to leave the European Union results in significant economic instability and slowdown, and as a consequence lower investment returns, resulting in: <ul style="list-style-type: none"> Financial loss, and/or failure to meet return expectations. Increased employer contribution costs. 	4	4	16	The risk is mitigated by: <ul style="list-style-type: none"> Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller. The long term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time. 	4	3	12	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			
F14	The result of the EU Referendum and the decision to leave the European Union results in changes to the regulatory and legislative framework within which the Fund operates	3	3	9	The risk is mitigated by: <ul style="list-style-type: none"> The Government is likely to ensure that much of current EU regulation is enshrined in UK law. Officers receive regular briefing material on regulatory changes and attend training seminars and conferences, in order to ensure that any regulatory changes are implemented in the management of the Fund. 	2	3	6	Mark Gayler/ Dan Harris		
F15	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"> Financial loss, and/or failure to meet return expectations. Reduction in diversification opportunities and resultant increase in risk. 	4	2	8	The risk is mitigated by: <ul style="list-style-type: none"> All the Fund's current fund managers and financial counterparties have accepted Devon's application for elective professional client status. Robust training plan to ensure committee and officers have required knowledge and experience to meet the qualitative criteria to opt up. 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. 	3	1	3	Mark Gayler		
F16	Outcome of the McCloud and Sargeant cases results in significant additional pension liabilities for the Fund, resulting in: <ul style="list-style-type: none"> Increased employer contribution costs. 	4	3	12		4	3	12	Mark Gayler		

Appendix 1 - Devon Pension Fund Risk Register

Appendix 2 – Devon Pension Fund and 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			
Brunel Pension Partnership											
The risks highlighted in this section are those most relevant to the operation of the Devon Fund, the Brunel Pension Partnership has its own comprehensive risk register to monitor the total risk of the Brunel project.											
B1	The Devon Pension Fund has insufficient resources available to deliver the pooling proposal within the required timescale, without impacting the day-to-day management of the fund. <ul style="list-style-type: none">The management of the Pension Fund is adversely affected due to existing resources concentrating on the pooling proposal, resulting in underperformance and failure to meet statutory obligations.The 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.	4	3	12	<ul style="list-style-type: none">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.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.Regular update meetings are held between the County Treasurer and Assistant County Treasurer, as well as update meetings within the Devon Investment Services team, to review progress, workloads in order to identify and address any areas of concern.	4	2	8	Mark Gayler	<ul style="list-style-type: none">As Brunel moves out of the transition phase into business as usual this risk will recede.	2020/21
B2	Asset transition costs are greater than forecast. <ul style="list-style-type: none">Failure to control operational risks and transaction costs during the transition process may lead to an increase in the initial set-up costs forecast by the pooling proposal.	4	3	12	<ul style="list-style-type: none">Two asset transition management companies have analysed the costs of transitioning our current assets into the pool, under a variety of scenarios. The results of these analyses have been used as a basis for calculating the initial set-up costs of the Brunel Pension Partnership.The transition process includes selling securities from one portfolio and buying securities in another while systematically controlling operational risks and transaction costs. There may also be the opportunity to transfer securities in 'specie', that is to transfer a security directly from an existing portfolio into the new portfolio. The timing of sales and purchases is also critical.A transition 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	4	2	8	Mark Gayler		

Page 48

Appendix 1 - Devon Pension Fund Risk Register

Appendix 2 – Current Pension Fund Monitoring

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Custody											
Cu1	Failure of custodian leading to losses which results in a failure to reduce the deficit and potential adverse media interest. <ul style="list-style-type: none">Financial loss.	4	2	8	<ul style="list-style-type: none">The custodian contract is subject to regular review and periodic re-tendering.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.The custodian must adhere to FCA and PRA financial regulations.Fund assets are protected in the event of insolvency of the custodian	3	2	6	Mark Gayler/Charlotte Thompson		
Communication											
Cm1	Insufficient communication and engagement with the Pension Fund Stakeholders. <ul style="list-style-type: none">Non-compliance with legislation and/or best practice.Inability to determine policy, make effective decisions and/or deliver service.Reputation risk.	3	3	9	<ul style="list-style-type: none">A communications strategy is in place and was last reviewed and updated in November 2018.The Devon Investment Services and Peninsula Pensions websites are kept up to date.Fund Performance is reported to the Investment & Pension Fund Committee on a regular basis.Meetings are held regularly with the Fund’s Employing Authorities.Benefit illustrations are sent annually to contributing and deferred Fund members.The contact list for employers is updated regularly.Annual forums are held for employers and scheme members.The annual report and accounts are published on the Peninsula Pensions website.	3	2	6	Mark Gayler / Dan Harris / Martyn Williams		

Page 49

Appendix 1 - Devon Pension Fund Risk Register

Page 50

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

Appendix 1 - Devon Pension Fund Risk Register

Appendix 2 – Devon Pension Fund and the Regulator

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

Page 51

Appendix 1 - Devon Pension Fund Risk Register

Appendix 2 – Current, Inherent and Residual Risks

Risk no.	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plans	Timescale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Governance Arrangements/Code of Practice											
PP1	Failure to issue Annual Benefit statements to active and deferred members by 31st August: <ul style="list-style-type: none">• Reputational risk and complaints• Fines	2	4	8	<ul style="list-style-type: none">• Project management approach• Regular contact with employers to get data.• Monthly interfacing to reduce workload at year end• Statements to employers for 31/7/17 to allow time for distribution to staff prior to 31/8/17	2	3	6	Mike Germon	Increase employer take up of monthly interfaces. Many leavers are not being notified until year end	31.08.17 to have all pre April 2017 leavers processed within disclosure timescales
PP2	Failure to provide Basic information about the LGPS including: how benefits are worked out; how member and employer contributions are calculated	2	4	8	<ul style="list-style-type: none">• Reviews of documentation/letters• Website regularly update• Links to Pension Funds investment information and LGPS included on website	2	3	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
PP3	Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: <ul style="list-style-type: none">• Incorrect payments being made.• Risk of financial loss and damage to reputation.	3	3	9	<ul style="list-style-type: none">• LGA/External training.• Project work approach to implementation of legislative changes.• In house training for all staff.• Use of Perspective and Bulletins	2	2	4	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		

Page 52

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			
PP4	Failure of employing authority to provide timely and accurate member data and not fulfilling their responsibilities resulting in delays or errors with benefit payments. <ul style="list-style-type: none"> • Risk of financial loss and damage to reputation. • Incorrect benefit calculations • Delays while we request missing information 	3	3	9	<ul style="list-style-type: none"> • Administration Strategy in place since April 2015, employer duties clearly identified. Ability to fine employers is provided for in strategy and LGPS regulations. • Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors. • Outstanding data queries are passed to Employer Liaison Team to monitor • Advice and consultancy provided. • Yearly checks on data to highlight gaps • Employer administration meetings held twice a year • Quarterly e-zine with administration updates, plus special editions when required • Guidance available on website • Individual employer meetings include review of employer performance 	3	2	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb	Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies	Ongoing
PP5	Failure to advise/act on any material changes made to the LGPS as well as other overriding legislation/Public Sector Review	2	4	8	<ul style="list-style-type: none"> • Reviews of documentation/letters / Staff ongoing training • Website regularly update • Links to Pension Funds investment information and LGPS included on website • Participation in all high level Government discussions and consultations • Ensure best practice is implemented and PP is seen as a centre of excellence for pension administration • Be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits 	2	3	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
Communication											

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			
PP6	Insufficient communication and engagement with LGPS scheme members/employers <ul style="list-style-type: none"> • Non-compliance with legislation and/or best practice. • Inability to determine policy, make effective decisions and/or deliver service. • Reputation risk. 	3	3	9	<ul style="list-style-type: none"> • The Peninsula Pensions website is kept up to date. • Meetings between PP managers and Communications team on a regular basis - 6 weekly for 17/18 with a communications plan and strategy for the year ahead • Meetings are held with the Funds Employing Authorities and on request for training. • Benefit illustrations are sent annually to contributing and deferred Fund members. • The contact list for employers is updated regularly. • Annual forums are held for employers and Trade Unions. • The annual report and accounts are published on the Peninsula Pensions website. 	3	2	6	Natalie Taylor		

Appendix 1 - Devon Pension Fund Risk Register

Appendix 2 - Current 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			
Pensioner Payroll/Finance											
PP7	Pension benefits are not paid. <ul style="list-style-type: none">• Risk of financial loss arising from compensation claims• Damage to reputation.	4	2	8	<ul style="list-style-type: none">• The payroll system is set up to pay pensioners monthly.• Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure.• The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems.	4	1	4	Mike Germon	Online video training resource outlining key payroll processes	Dec 2017 - ongoing - commenced - also online Training Guide available on Altair 'Recommended Payroll Practice which includes: Controls & timetable
PP8	Pension benefits continue to be paid to deceased pensioners. <ul style="list-style-type: none">• Risk of financial loss and damage to reputation.	2	3	6	<ul style="list-style-type: none">• All pensioners are contacted annually.• Pension suspended if post is returned• Pensioners are incorporated into National Fraud Initiative.• Further targeted checks are conducted with credit reference agencies as appropriate.• Monthly mortality screening is undertaken and any positive matches are ceased immediately• Western Union overseas existence service undertaken bi annually	2	2	4	Mike Germon	<ul style="list-style-type: none">• Tell us once service is being rolled out to LGPS. Project dates to be confirmed	
PP9	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">• Significant cashflow out of the Fund.• Reduction in assets greater than reduction in the Fund's liabilities.	3	2	6	The risk is mitigated by: <ul style="list-style-type: none">• Effective communication of the benefits of remaining in the LGPS.• Actuarial calculation of transfer value should ensure current fair value and not be detrimental to the fund.• CLG monitoring CETVs nationwide and reviewing accordingly (may introduce regulations amendments to prohibit if thought necessary)	2	2	4	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
Data Protection											
PP10	The Pension administration systems and data may not be secure and appropriately maintained. <ul style="list-style-type: none">• Loss of sensitive data.• Reputation risk.• Financial loss arising from legal action.	3	2	6	<ul style="list-style-type: none">• Controls in place by Heywoods and regular penetration testing by both Heywoods and PP / audit checks undertaken	3	1	3	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb	Review under new Data protection legislation due May 2018	Dec-2017

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			
PP11	Personal data being issued to wrong individual due to manual/printer error <ul style="list-style-type: none"> • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action. 	3	2	6	<ul style="list-style-type: none"> • It is a mandatory requirement for all DCC employees every 2 years to undertake Data Protection training and to adhere to DCC's data protection policy. 	3	1	3	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb	Review under new Data protection legislation due May 2018	Dec-2017
Internal											
PP12	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"> • The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation. 	4	3	12	<ul style="list-style-type: none"> • Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. • Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. 	4	2	8	Mike Germon/ Natalie Taylor	Procedure manuals / training notes to be put in place in all areas	Mar-2018
PP13	Failure of scheme membership data and pension benefit calculation processes leading to fraud, corruption or error. <ul style="list-style-type: none"> • Unauthorised payments under the Finance Act 2004. • Risk of financial loss and damage to reputation. 	3	2	6	<ul style="list-style-type: none"> • Information and instructions are only accepted from authorised sources. • Employers and scheme members are required to review and confirm membership records annually. • Benefit calculations are checked by senior colleagues and are subject to independent authorisation. • All transactions comply with DCC financial regulations and are subject to independent authorisation. • All staff are covered by fidelity insurance up to £15 million. • Members approaching 75 are separately identified monthly. • Data accuracy checks undertaken by the systems team including address / NINO checks 	3	1	3	Mike Germon/ Natalie Taylor	Employer Self Service being introduced to including a reporting element to assist Employers with checking their data annually and signing off as correct	In progress 30/4/17 - ongoing
PP14	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. <ul style="list-style-type: none"> • Complaints • Monitoring Employer performance and chasing outstanding data • Fines 	3	2	6	<ul style="list-style-type: none"> • Robust workflow management system in place. • Payroll deadline procedures in place • Item in Business Continuity/Disaster Recovery Plan • Participate in National Fraud Initiative (NFI) • Life Certificates exercise carried out /mortality checks 	3	1	3	Charlotte Thompson	Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies	

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			
PP15	Failure of in-house management practices leading to fraud, corruption or error. • Risk of financial loss & damage to reputation.	3	3	9	<ul style="list-style-type: none"> Transactions are authorised by senior staff All staff are covered by fidelity insurance up to £15 million Sufficient members in the team to cover absence and leave Heywoods Audit trace report Appropriate separation of duties exists. Up to date regulations and practices. Internal and external audit checks performed to ensure that appropriate and effective controls are in place 	3	2	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
PP16	Failure of Shared Service leading to partner fund externalising pension administration •Reputation risk. • Financial loss arising from legal action •Loss of experienced/key staff	3	2	6	<ul style="list-style-type: none"> Constant assessment of Performance Quarterly Shared Service meetings with key Fund colleagues. Regular meetings between Peninsula Pensions and Employers, Employer Newsletters 	3	2	6	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb	Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies	
IT/Systems											
PP17	System failure. • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action.	5	2	10	<ul style="list-style-type: none"> The system is backed-up daily. System is hosted by Heywoods A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually. 	5	1	5	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		
PP18	Cyber attack • Loss of access to sensitive data. • Reputation risk. • Financial loss arising from legal action.	5	2	10	<ul style="list-style-type: none"> Ensure that the relevant people are suitably vetted and trained, that administrators and service providers have measures in place to avoid security breaches A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually. 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. 	5	1	5	Charlotte Thompson / Shirley Cuthbert / Rachel Lamb		

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			
PP19	Member Self Service: Systems and data may not be secure and appropriately maintained. • Data security / • Data Protection - Loss of sensitive data Reputation risk	3	2	6	<ul style="list-style-type: none">• Information and Instructions are only accepted from authorised sources• It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's Data Protection Policy• Regular penetration testing• Secure website (annual license renewal)	3	1	3	Mike Germon		

REVIEW OF ATTENDANCE

Report of the County Treasurer

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

Recommendation: that the Board review the attendance of members in line with the Pension Board's Terms of Reference

1. Introduction

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

2. Attendance log

- 2.1. The Terms of Reference also states that the membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors.
- 2.2. A log showing the attendance of both board meeting and training events is attached in appendix 1 and should be reviewed by the board.

3. Conclusion

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

Mary Davis

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

Board Member Attendance 2018/19

	Board Meeting			Training			
	23/04/2018	15/10/2018	11/02/2019	19/04/2018	18/10/2018	07/11/2018	28/03/2019
Fund Members							
Bowman	Y	Y	N	Y	Y	Y	Y
Shipp	Y	Y	Y	N	Y	N	N
Phillips	Y	Y	Y	Y	Y	N	Y
Keightley	N	N	RESIGNED	N	Y	Y	RESIGNED
Fund Employers							
Slade (DCC)	NA	N	Y	NA	Y	Y	Y
Smith (Police)	Y	Y	N	Y	Y	N	N
Hearn (Tavistock)	Y	Y	Y	Y	Y	Y	Y
Randall Johnson (DCC)	Y	Y	Y	Y	Y	Y	Y
Independent member							
Nicholls	N	Y	Y	N	Y	Y	N

INVESTMENT AND PENSION FUND COMMITTEE

28 June 2019

Present: -

Devon County Council

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

Unitary and District Councils

Councillors L Parker-Delaz-Ajete (Plymouth City Council), J O'Dwyer (Torbay Council) and J Pearce (South Hams LGA)

Other Employers

D Healy

Unison and Retired Members

R Franceschini and J Rimron

Attending in Accordance with Standing Order 25 (2)

Councillor B Greenslade

Apologies: -

Councillor A Connett, D Healy and C Lomax

* **112** **Minutes**

RESOLVED that the Minutes of the Meeting held on 22 February 2019 be signed as a correct record.

* **113** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **114** **Devon Pension Board**

The Committee noted the Minutes of the Devon Pension Board of the 3 April 2019, which could be viewed [here](#).

* **115** **Brunel Oversight Board**

The Committee noted the Minutes of the Brunel Oversight Board held on 28 June 2019.

Members referred to the gender pay analysis which had been undertaken by Brunel and was available for Members as was their climate change statement. The Chair confirmed Brunel's commitment to the revised approved Business Plan and the significant cost benefits.

* **116** **Internal Audit Report and 2019/20 Audit Plan**

The Committee considered the Report of the County Treasurer (CT/19/60) on the Annual Internal Audit Report 2018/19 and the proposed Internal Audit Plan 2019/20. The Internal Audit Report provided the Authority with an assurance on the system of internal control of the Fund. Overall, and based on work performed during 2018/19, the Internal Audit found substantial assurance on the adequacy and effectiveness of the Fund's internal control environment.

Agenda Item 8

INVESTMENT AND PENSION FUND COMMITTEE 28/06/19

The audit plans for the financial year 2019/20 allowed for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions. The details were set out in Appendix 1 Internal Audit Plan 2019/20 along with the Service Level Agreement.

Members noted that all data breaches were recorded and would be reported to the Pension Board and this Committee. Any significant breaches would also be reported to the Pensions Regulator. The Brunel Partnership had their own audit arrangements and any issues would be reported via the Brunel Oversight Board minutes.

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

RESOLVED

- (a) that the Annual Internal Audit Report for 2018/19 be accepted;
-
- (b) that the Internal Audit Plan for 2019/20 as detailed in the Report be approved; and
-
- (c) that the Assistant County Treasurer (Investments) be authorised to execute the Service Level Agreement relating to the Internal Audit Plan.

* 117 **Devon Pension Fund Risk Register**

The Committee considered the Report of the County Treasurer (CT/19/61) on an update of the Risk Register which included aspects commented on by the Pension Board. The Risk Register was attached at Appendix 1 to the Report and 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 Committee noted the two additional Risks added (f4 and f16). In regard to f16 since publication, the Supreme Court had passed judgement and had not granted the Government leave to appeal. However, uncertainty remained as the level of increased liability for the Fund was subject to actuarial evaluation. The details and mitigating controls would be amended by officers accordingly.

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

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

* 118 **Investment Management Report**

(Councillor Greenslade attended in accordance with Standing Order 25(2) and spoke to this item in regard to the performance of Active Global Equities).

The Committee considered the Report of the County Treasurer (CT/19/62) on the Fund value and asset allocation, performance against the benchmark, funding level, budget outturn 2018/19 and forecast budget 2019/20, cash management and engagement activity. Members had also received the LAPFF Quarterly Engagement Report for the Quarter to December 2018.

The Fund value at 31 March 2019 stood at £4,302.3 million, an increase of £270m over the quarter. Over the year to 31 March the Fund value rose by around £216m (5.6%).

Members discussed details relating to performance by the differing sectors, management fees, and changes relating to indirect costs which would be reported in the Annual Report as part of the national Cost Transparency initiative covering all pension funds.

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

RESOLVED

(a) that the Investment Management Report be noted;

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

* 119 **LGPS Update**

The Committee considered the Report of the County Treasurer (CT/19/63) on an update on some of the latest issues affecting the LGPS. In particular, the report focused on the Good Governance Project launched by the Scheme Advisory Board and various issues relating to actuarial valuations.

Following the current valuation, the Government was proposing to synchronise the timing of future valuations to coincide with the valuations of the unfunded public sector pension schemes. The Government had therefore issued a consultation (deadline by end of July) on moving to a four-yearly cycle from 2024 onwards with an LGPS valuation in 2024. The consultation also included a proposal to remove the requirement for further Education corporations, sixth form college corporations and higher education corporations in England to offer new employees' access to the LGPS. Each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible employees.

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

RESOLVED that the County Treasurer be authorised to approve a response to Government in consultation with the Chair and Vice Chair following circulation of a draft to all Members of the Committee.

* 120 **Training Review and 2019/20 Training Plan**

The Committee considered the Report of the County Treasurer (CT/19/64) on the proposed training programme for Committee and Board members to ensure that they had the skills and understanding required to carry out their stewardship role. The Report reviewed the training provided to both the Investment and Pension Fund Committee and the Devon Pension Board during 2018/19 and sets out the Training Plan for 2019/20. A draft of the Training Plan was presented to the Pension Board on 3 April 2019, and the Board's comments were set out within the report.

The Chair reported on the additional training he had undertaken as the Committee's representative on the Brunel Oversight Board and suggested that Brunel Partnership's Glossary was useful guide and should be circulated to members.

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

RESOLVED that the 2019/20 Training Plan be approved and adopted.

* 121 **Applications for Admitted Body Status**

The Committee noted the following applications for admitted body status approved since the last meeting:

(a) FCC Environment contract to provide waste management services to South Hams and West Devon, commencing on 1 April 2019: closed agreement and 90 staff transferred to the contractor; and

(b) Service Master Clean Contract Services: cleaning contract for St Andrews C0f E Primary School, commencing on 1 April 2019: closed agreement and 4 staff transferred.

Agenda Item 8

INVESTMENT AND PENSION FUND COMMITTEE
28/06/19

* **122** **Dates of Future Meetings**

13 September 2019; 15 November 2019; and 21 February 2020 at 10.30 am

* **123** **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded from the meeting for the following items of business (Minutes *124 and *125) 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.

* **124** **Employer Contributions**

(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).

The County Treasurer (CT/19/25) reported on the latest situation with regard to the deficit contributions of one of the Fund's employers.

* **125** **Brunel Update and Transition of Assets and Reserved Matters Requests**

(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).

The Committee considered the Report of the County Treasurer (CT/19/65) on Brunel's progress in setting up the Property and Emerging Markets portfolios and proposed actions to transition from the Fund's current managers to the Brunel portfolios. It also proposed the delegation of the implementation of the current currency hedging strategy on the Developed World Passive Equity Portfolio to Brunel in conjunction with an external Manager and gave an update on recent reserved matters requests.

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

RESOLVED

(a) that the strategic allocation of 2% of the Fund to Global Property and 8% to UK Property be approved;

(b) that the County Treasurer be authorised to terminate the contracts of the Devon Pension Fund's currently appointed active emerging markets managers at the appropriate time and liaise with the Brunel Pension Partnership to arrange the transition of assets to the Brunel Emerging Markets Portfolio;

(c) that the implementation of the currency hedging strategy for the Developed World Passive Equity Portfolio be managed by Brunel in conjunction with the external Manager as set out in the Report; and

(d) that the reserved matters requests approved since the last meeting be noted.

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

Agenda Item 8

INVESTMENT AND PENSION FUND COMMITTEE
28/06/19

The Meeting started at 10.30 am and finished at 12.54 pm

Agenda Item 8

PENINSULA PENSIONS ADMINISTRATION STRATEGY REPORT

Report of the County Treasurer

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

Recommendation: That the Board notes the report and actions being undertaken by officers to ensure compliance and best practice.

1. Introduction

- 1.1. Administration strategies were first introduced into the LGPS regulations in 2008, and now fall under Regulation 59 of the LGPS 2013 Regulations.
- 1.2. They provide a mechanism to formulate a service level agreement between the administering authority and the scheme employers and cover a number of areas including:
 - administration performance standards;
 - employer performance standards;
 - procedures for liaison and communication between the fund and scheme employers.
- 1.3. The administration strategy helps to strengthen governance arrangements by setting out clear policies and performance standards for the fund and scheme employers and will ensure continued compliance with The Pensions Regulator Code of Practice 14.
- 1.4. The current administration strategy was approved by the Investment and Pension Fund Committee in April 2015, following consultation with employers.
- 1.5. Regulation 59 of the LGPS 2013 Regulations requires the strategy to be kept under review and revised as appropriate. An administering authority must consult with scheme employers and such other persons as it considers appropriate during this process.

2. Revision Progress

- 2.1. At the Devon Pension Fund training day held on 28th March 2019, Peninsula Pensions informed participants that a review of the administration strategy would be undertaken during 2019/20.
- 2.2. This review follows the restructure of Peninsula Pensions, an increase in the use of online technology and communication methods, improved performance monitoring and increased scrutiny of public sector pension funds by The Pensions Regulator.

Agenda Item 9

2.3. Officers are currently working on a revision of the Devon administration strategy and have been consulting with colleagues from other funds to share best practice. A draft revision of the strategy will be shared with the Board for review and comment ahead of a consultation with scheme employers.

2.4. The proposed timetable for implementation is set out below:

Draft revision presented to the Devon Pension Board	Oct 2019
Presented to the Investment and Pension Fund Committee	Nov 2019
Consultation with Employers	Dec 2019 /Jan 2020
Approval by Investment and Pension Fund Committee	Feb 2020
Revised Administration Strategy effective from	April 2020

3. Conclusion

3.1. The Board is asked to note the report and actions being undertaken by officers to ensure compliance and best practice.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
Contact for Enquiries: Shirley Cuthbert
Tel No: (01392) 385229

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.
- 1.2. In addition to the internal targets, Peninsula Pensions also monitors performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information. This additional reporting element was introduced in 1st January 2019.
- 1.3. Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.

2. Team Performance

- 2.1. During 2017/18, the team issued 77% of work within target against our internal timescales. At the last meeting of the Board, we reported that performance had increased to 78% for the 11 months ending 28th February 2018.
- 2.2. Performance remained consistent during March, bringing the total performance for the financial year 2018/19 to 78%.
- 2.3. Following the change to reporting methods, we are now able to monitor our performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Our performance against the Disclosure Regulations for 2018/19 is 98%.
- 2.4. It is pleasing to see a continued improvement in performance, as we are continuing to undertake an extensive training plan across the member services section, which is impacting the normal day-to-day workloads of staff. We have recently recruited to several vacant positions within the team which should help to improve things further going forward.
- 2.5. Officers have also conducted a review of the classification and prioritisation of tasks carried out by the member services team. This will help to ensure that tasks are dealt with appropriately and in a more effective and timely manner.
- 2.6. Appendix 1 of the report shows a detailed breakdown of administration performance relating to the Devon Pension Fund for the year ending 31st March 2019 against the internal targets and Disclosure Regulations.

Agenda Item 10

- 2.7. Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions in respect of the Devon Pension Fund from 1st January 2017 to 31st March 2019. Members will note that the total number of cases outstanding has dropped significantly over the period reported.

3. Conclusion

- 3.1. 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 / Shirley Cuthbert

Tel No: (01392) 383000

Summary of Work Completed 01/04/18 – 31/03/19 (Devon Pension Fund)

	Cases Completed	Performance (Disclosure Regs)	Performance (Internal Targets)
High Priority Procedures	14,133	97%	83%
Medium Priority Procedures	19,129	97%	82%
Low Priority Procedures	5,292	100%	54%
TOTAL	38,554	98%	78%

High Priority

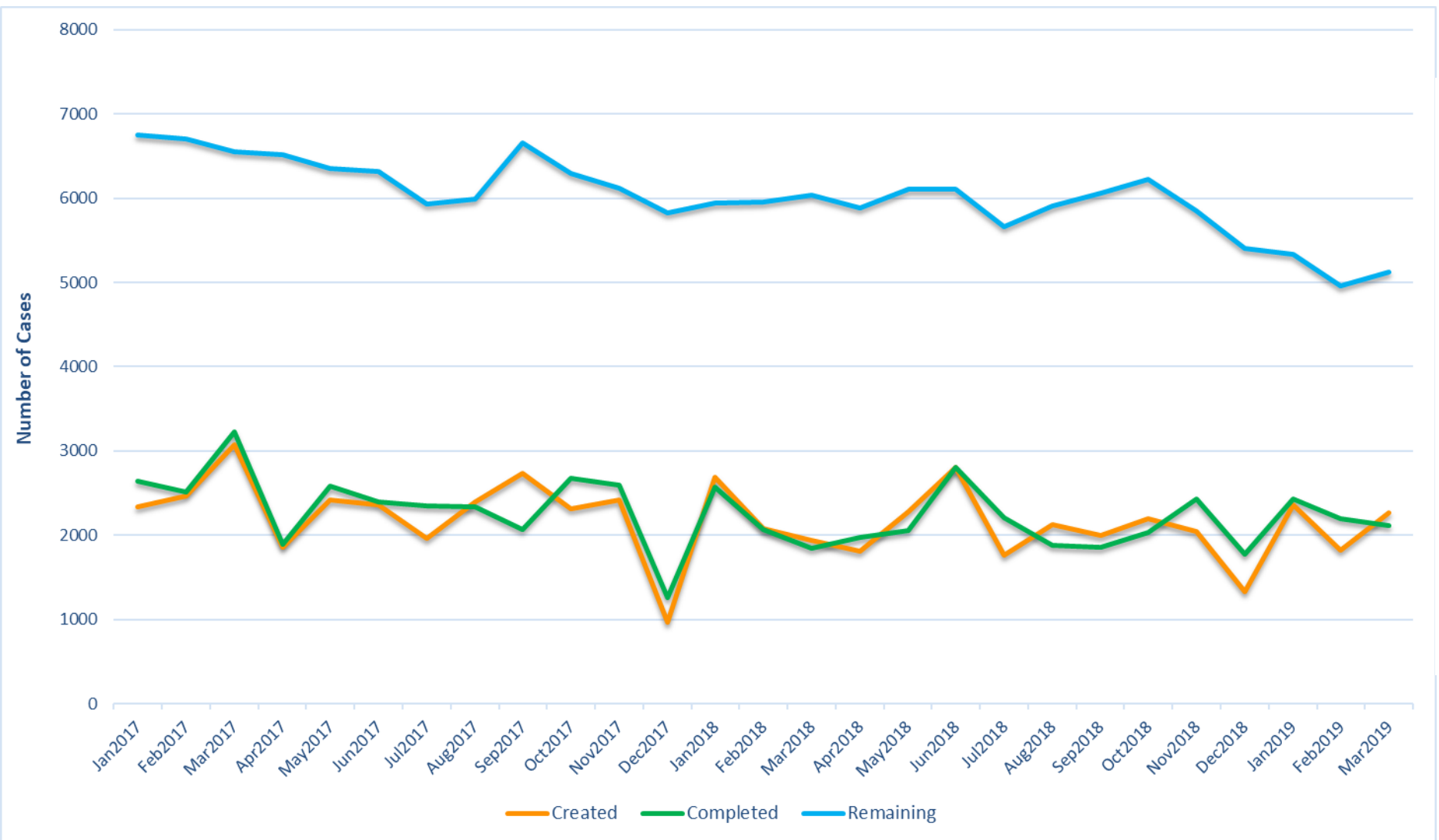
	Cases Completed	Performance (Disclosure Regs)	Performance (Internal Targets)
Changes	3,835	100%	94%
Complaints (Member)	39	100%	72%
Complaints (Employer)	0	-	-
Deaths	1,056	93%	62%
Payroll	3,042	100%	96%
Refunds	1,202	100%	87%
Retirements (Active)	1,564	89%	53%
Retirements (Deferred)	3,395	95%	79%
TOTAL	14,133	97%	83%

Medium Priority

	Cases Completed	Performance (Disclosure Regs)	Performance (Internal Targets)
Amalgamation of Records	1,865	100%	57%
Deferred Benefit			
Calculations	5,474	91%	91%
Divorce Calculations	353	100%	97%
Employer Queries	2,651	100%	55%
Estimates (Employer)	259	100%	90%
Estimates (Member)	985	100%	47%
General	3,452	100%	90%
HMRC	130	67%	63%
Member Self-Service	3,960	100%	100%
TOTAL	19,129	97%	82%

Low Priority

	Cases Completed	Performance (Disclosure Regs)	Performance (Internal Targets)
Estimates (Other)	277	100%	22%
GMP Queries	12	100%	95%
Interfund Transfers In	176	100%	45%
Interfund Transfers Out	104	100%	18%
Pension Top Ups	1,013	100%	92%
Frozen Refunds	2,691	100%	46%
New Starters	204	100%	97%
Pension Transfers In	282	100%	32%
Pension Transfers Out	528	100%	40%
TOTAL	5,292	100%	54%



LGPS UPDATE

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 Committee notes the latest LGPS Update

1. Introduction

- 1.1. This report is brought to the Pension Board to provide an update on some of the latest issues affecting the LGPS. In particular, the report focuses on the Good Governance Project launched by the Scheme Advisory Board and various issues relating to actuarial valuations.

2. The Good Governance Project

- 2.1. The Good Governance Project is a project to look at the governance structures within LGPS and whether any changes to regulations are required to improve governance. The project has been initiated by the LGPS Scheme Advisory Board, with a view to addressing perceived conflicts of interest between the management of the pension fund and the management of the administering authority.
- 2.2. Despite the lack of objective evidence that the current arrangements have caused any significant governance issues, consultants Hymans Robertson have been asked to produce a report. The project is considering the four options set out below. It is concerning that the status quo is not being considered as an option. The four options are:
 - 1) **Improved practice** - Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
 - 2) **Greater ring-fencing of the LGPS within existing structures** - Greater separation of pension fund management from the host authority, including budgets, resourcing and pay policies.
 - 3) **Use of new structures: Joint Committees (JC)** - Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.
 - 4) **New local authority body** - An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

Agenda Item 11

- 2.3. The first two options would result in the least change and would look to provide greater legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds, as well as looking at issues such as:
- The separation of the Pension Fund's statement of accounts, such that it was no longer included in the administering authority's statement of accounts.
 - New guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role.
 - Greater transparency around charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement.
 - Delegation of policies over certain HR matters such as recruitment and the payment of market supplements to the pension committee, rather than being automatically aligned to the administering authority's HR policies.
- 2.4. Options 3 and 4 would involve setting up new structure, and in the case of option 4 would set up a new authority to manage the pension fund, outside of the existing administering authority. This would more clearly remove the perceived conflicts of interest, but the setting up of new structures would add significant costs to the management of the fund.
- 2.5. Both the County Treasurer and the Assistant County Treasurer, Investments have been interviewed by Hymans Robertson as part of the project. In addition, the Chairman, together with officers, has attended a seminar held by Hymans Robertson.
- 2.6. While clearer guidance and transparency in respect to some of the governance arrangements, as set out in paragraph 2.3 above, would be welcome, officers believe that options 3 and 4 would bring further significant change in addition to the ongoing change resulting from the investment pooling initiative. They would also add significant additional administrative costs at a time when the Government focus has been on reducing cost.
- 2.7. Hymans Robertson are due to present their report to the Scheme Advisory Board later in the year.

3. Actuarial Valuations

- 3.1. As the Committee will be aware, the Fund Actuary, Barnett Waddingham, is currently carrying out the 2019 triennial actuarial valuation of the Fund. There have been a number of factors since 2016 that will impact the assumptions made by the Actuary – slowing of improvements in longevity, outperforming markets which may lead to lower returns in the future, a change in the assumptions used by government to cost unfunded schemes. Barnett Waddingham are currently reviewing these factors and propose to give us an early indication of the likely assumptions that they will adopt for the formal valuation. Any further information on this will be reported orally at the meeting.
- 3.2. Following the current valuation the Government is proposing to synchronise the timing of future valuations to coincide with the valuations of the unfunded public sector pension schemes. The other public sector schemes have a four year cycle of actuarial valuations and last had a valuation in 2016, at the same time as the LGPS. Their next valuation is therefore due in 2020, and the following one in 2024. The Government has therefore issued a consultation on moving to a four yearly cycle from 2024 onwards with an LGPS valuation in 2024.

3.3. There are two key elements of the Government's consultation:

- The Government has recognised that if the next LGPS valuation is in 2024, then that would leave a five year gap between the current 2019 valuation and the next one. It could be argued that five years is a long time and a lot can happen in relation to the funding position in that time. On the other hand, pensions is considered a long term issue and before triennial valuations were introduced valuations took place every five years. Therefore, the Government is consulting on whether to have a five year gap, or whether to have a valuation in 2022, on the basis of the current three year cycle, but then have just a two year gap in order to synchronise valuations in 2024. A two year gap between valuations would require more resources to administer.
- The Government also recognises that by extending the cycle to four years there may be circumstances in which that may be too long if issues arise that will impact the funding position. Therefore it is consulting on providing the option for Funds to decide to have an interim valuation between the scheduled four yearly valuations. This would only be allowed in exceptional circumstances and would require the permission of the Secretary of State.

3.4. The main motivation behind the move to synchronise the LGPS valuation cycle with the unfunded public sector schemes is the Government's cost cap mechanism. This is the mechanism by which the Government Actuary's Department (GAD) assesses the affordability of the pension scheme and whether any changes need to be made to bring the cost back in line with the Government's expectations. The Government wants to be able to conduct the assessments of all the public sector pension schemes at the same time.

3.5. GAD have published the results of their assessment of the affordability of the LGPS based on the 2016 Valuation. This indicated that the scheme was less expensive than the benchmark position, and as a result some improvements to benefits, and some reductions in employee contributions for low earners, were proposed to bring the cost of the scheme back in line with the benchmark. However, these changes have been put on hold as a result of a legal challenge to revised scheme regulations in the Judges' and Firefighters' pension schemes.

3.6. The legal challenges, known as the McCloud and Sargeant cases, are challenging the legality of protections put into revised scheme regulations in 2015 in the Judges' and Firefighters' pension schemes for those nearing retirement, on the basis that they are illegal due to age discrimination legislation. These cases are likely to have implications for the LGPS regulations which put in place similar protections for those nearing retirement when the CARE (Career Average) scheme was brought in in 2014.

3.7. The courts have ruled in favour of McCloud and Sargeant and the Government has been declined an appeal. We now await the outcome of negotiations and Employment Tribunal cases which will determine how the situation will be remedied. The final outcome of the case could result in the scheme rules being changed to remove the alleged discrimination, which would then result in additional liabilities for the LGPS. This would therefore increase the cost of the scheme above that assessed by GAD when they carried out their review. The Fund Actuary will take the recent rulings into account when he undertakes the 2019 valuation.

Agenda Item 11

4. Further and Higher Education Employers

- 4.1. The consultation outlined in section 3 that largely focuses on the valuation cycle also includes a proposal to remove the requirement for further Education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Each corporation will have the flexibility to decide whether to offer the LGPS to all or some eligible employees.
- 4.2. In recent years there have been a number of changes to the further education and higher education sector. These have resulted in the sector being removed from the General Government Sector and a new statutory insolvency regime has been introduced meaning that, for the first time, corporations could become legally insolvent. These bodies are responsible for determining their own business models and ensuring that their financial positions are sound. It is therefore argued that these bodies may value greater flexibility over their pension arrangements.
- 4.3. Some of these bodies are among the largest employers in the Devon fund. Whilst the proposals provide protection and continued access to the LGPS for existing staff, there is no doubt that over time these potential changes could have an impact on the fund as the level of new members could fall in the future.

5. Conclusion

- 5.1. The Investment and Pension Fund Committee has resolved to submit a response to MHCLG highlighting concerns about the proposed changes to regulations with regard to further and higher education employers. The committee expressed a preference to go through to 2024 for the next actuarial valuation after 2019, rather than have a further valuation in 2022. A response will be submitted by the County Treasury in consultation with the chair of the Investment and Pension Fund committee following circulation to committee members for comment by the deadline 31st July 2019.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933

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 actions from previous board meetings an Audit action log has been created to track progress and completion of audit actions and recommendations. In addition, officers have also produced 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. No audit reports for audits undertaken during 2019/20 have yet been published.
- 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

PENINSULA PENSIONS AUDIT ACTION TRACKER				Appendix 1
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			
Communication with Stakeholders				
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.	High	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)		1/2/19 confirmed by CT Investments Manager that Communications Policy was updated shortly after this audit and approved by Committee November 2018
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.	Opportunity	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	1/2/19 confirmed by CT Investments Manager that Communications Policy was updated shortly after this audit and approved by Committee November 2018
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		1/2/19 confirmed by CT Investments Manager that Communications Policy was updated shortly after this audit and approved by Committee 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 http://www.avonpensionfund.org.uk/ and on-line customer survey http://www.avonpensionfund.org.uk/customer-survey refer		
d) Inclusion of a section on Data Protection e) Reference to Pensions Pooling arrangements and Brunel Pension Partnership Ltd	Opportunity			

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.	Low	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		1/2/19 confirmed by CT Investments Manager that Communications Policy was updated shortly after this audit and approved by Committee 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.	Opportunity	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		1/2/19 confirmed by CT Investments Manager that Communications Policy was updated shortly after this audit and approved by Committee 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.	Medium	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		1/2/19 confirmed by CT Investments Manager that Communications Policy was updated shortly after this audit and approved by Committee 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.	Medium	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.	Opportunity	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)		Completed - 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			Actioned - procedure notes relating to 'death' processes in place (and have been since at least 2009 - on SharePoint)
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
General Data Protection Regulations (GDPR) compliance				
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 / destruction 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
Death in service / Death of Pensioners				

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.	Medium	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)	Actioned - procedure notes relating to 'death' processes in place (and have been since at least 2009 - on SharePoint)
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.	Medium	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.	Medium	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.	Medium	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.	Medium	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.	Low	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.	Medium	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.	Medium	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.	Medium	Agreed. Head of Peninsula Pensions and Technical & Compliance Manager.		No further action required - ongoing procedure (Finance team)

DEVON +A1:F23PENSION FUND AUDIT ACTION TRACKER				Appendix 2
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			
Effectiveness of the Pension Board				
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.	Low	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.	Medium	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		Completed - not possible to provide DCC email addresses to non DCC members/staff
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.	Medium	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.	Medium	Agreed		Completed

The responses to the survey as shown in Appendic 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. 31 March 2019		Completed
Custodian arrangements				
Management may wish to consider making an update to the DPF Governance Policy and Compliance statement, and any related documentation maintained by DPF, in relation to the appointment of the DPF Custodian under the Brunel pensions pooling arrangements.	Opportunity	Will be addressed at the next review of the all relevant Fund statutory statements		
Responsible Investment				
The plans for DPF management to work with Brunel to further develop reports on stewardship and to measure the carbon footprint of DPF investments, and for this information to be regularly reported to the IPFC, should be progressed.	Medium			

Appendix 3

DEVON PENSION BOARD ACTIONS AND RECOMMENATIONS TRACKER

The actions tracker allows Board members to monitor responses, actions and outcomes against their recommendations or requests. The tracker will be updated following each board. Once an action has been completed, it will be shaded out to indicate that it will be removed from the tracker at the next meeting.

Date	Recommndations / Actions	Response	Progress
23/04/2018	67 - outcome of pending court case to be reported to members in due course		Case ongoing
15/10/2018	90 - Future admin reports to cover trend analysis and include RAG assessment. Annual breaches report would be presented to future meetings	with Dan and Shirley. Breaches report to be brought to board annually but will bring any breaches to the attention of the board throughout the year.	Admin performance monitoring undergoing an overhaul - in development
03/04/2019	111 - Internal audit report for 2018/19 amd the internal Audit Plan for 19/20 to include reference to the monitoring/tracking arrangements in place	Reflected in 5.3 in the Internal Audit plan 19/20	Completed
03/04/2019	112 - Update risk register and ensure timelines are updated	Risk registered revised	Completed
03/04/2019	113 - Pension Board annual report, add the word 'principally' in opening paragraph	Report updated	Completed
03/04/2019	114 - Board members requested online/paper manual containing key documents and glossary of terms	In work - aiming for end of December completion. Manual to include foundation knowledge required by the CIPFA framework	In work
03/04/2019	120 - Future work programme to be amended to include TPR Code of Practice	Included for January 2020 meeting - for completeness we are still awaiting the outcome of the recent TPR engagement	Completed

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.

October 2019

- Budget Monitoring
- Administration Strategy
- Statutory Statements – Communications Policy
- External Audit Findings Report
- Annual Benefit Statement report

January 2020

- Governance Policy and Compliance Statement
- Pension Board Audit
- Attendance record review

Agenda Item 13

- Code of Practice compliance

April 2020

- Funding strategy Statement
- Devon Pension Board Annual Report
- Training review and training plan
- Budget Monitoring report
- Annual Review of Breaches log

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