

DEVON PENSION BOARD

26 April 2021

Present:-

Councillor C Slade (Chair), Councillor S Randall-Johnson, W Nicholls, C Hearn, J Bailey, P Phillips, A Bowman, C Shipp and C Piper

Members attending in accordance with Standing Order 25
Councillors R Bloxham and J Hodgson

* **203 Standards Committee**

The Chair welcomed Mr I Hipkin who was attending the meeting in his capacity as a Co-opted Member of the Council's Standards Committee to observe and monitor compliance with the Council's ethical governance framework.

* **204 Minutes**

RESOLVED that the Minutes of the meeting held on 22 January 2021 be signed as a correct record.

* **205 Items Requiring Urgent Attention**

No item was raised as a matter of urgency.

* **206 Membership**

The County Treasurer reported that two Fund Member representatives' positions would expire in 2021.

The Board supported the proposed continued membership of Mr A Bowman and Mr C Shipp for a further 4 years, subject to County Council approval at its meeting on 27 May 2021. The Independent Member Bill Nicholls would be retiring from the Board and the position was being advertised. Members passed their best wishes and thanks to Mr Nicholls for his service to the Board.

* **207 Internal Audit Report and 2021/22 Audit Plan**

The Board considered the Report of the County Treasurer (CT/21/36) on the Head of the Devon Audit Partnership assurance opinion on the system of internal control of the Pension Fund and Peninsula Pensions.

The Head of the Devon Audit Partnership confirmed that the findings showed that following risk based reviews and sample testing, that there were no major weaknesses in the system of control.

The final audit reports also included an action plan which identified responsible officers, and target dates, to address control issues identified during the review. Implementation of action plans were subject to review during subsequent audits or as part of a specific follow-up process.

Overall, and based on work performed during 2020/21 and prior years, Internal Audit provided '*reasonable assurance*' (previously *substantial assurance*) on the adequacy and effectiveness of the Fund's internal control environment.

The Board's discussion points with the Head of the Audit Partnership included:

- methodology (both quantitatively and qualitative) for the assessment of the performance of the Investment and Pension Fund's Independent Adviser on which further information would be sought by the Head for a written response to Members;
- definition of '*reasonable assurance*' and '*substantial assurance*', with the Board noting that whilst the overall finding was '*reasonable assurance*' the majority of individual areas covered had rated '*substantial assurance*';
- the implications of the impending McCloud/Sargent judgement had been excluded from the audit plans as the judgement was still subject to management consideration and actions if appropriate and could in future be included in audit plans as these were flexible and subject to change;
- confirmation that the management action plan relating to Employer Self-Service had now been completed and which was now not being supported by the current provider and Peninsula Pensions had opened negotiations with a software provider; and
- confirmation that Peninsula Pension was now developing its own Communications Policy as well as being part of the overall communications strategy for the Pension Fund.

It was **MOVED** by Councillor C Slade and **SECONDED** by Councillor S Randall Johnson and

RESOLVED that the Internal Audit Report for 2020/21 be noted and the comments as above be reported to the Investment and Pension Fund Committee.

* **208** **Review of Attendance**

The Board noted the Report of the County Treasurer (CT/21/37) on the Members' attendance log. Overall attendance at training events and Board meetings had been good and there were no outstanding issues.

* **209** **Devon Pension Fund Risk Register**

(Councillor J Hodgson attended in accordance with Standing Order 25 (2) and spoke to this item and referred to the lack of reference within the Risk Register relating to investment in companies associated with fossil fuels; and Councillor R Bloxham attended in accordance with the Standing Order and responded on behalf of the Investment and Pension Fund Committee (owner of the Risk Register) and referred to the investment industry leading work being carried out by the Brunel Partnership in this area on behalf of the Devon Fund and as referred to at F17 of the Risk Register)

The Board considered the Report of the County Treasurer on the Risk Register previously considered at its meeting on 22nd January 2021. The Register (attached to the Report) highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. It incorporated the risk register of both the Investments Team and Peninsula Pensions. A one-page summary on risk management and the matrix used to assess risks was attached at Appendix 2.

The Investment and Pension Fund Committee was the ultimate risk owner for the Pension Fund and the Risk Register was presented to the Committee on an annual basis. The register was last approved by the Committee at its meeting held on 19th June 2020.

Any further risks which arose from future decisions by the Investment and Pension Fund Committee or from changes in legislation and regulations would be added, assessed, and mitigation actions identified.

Board Members in discussion with the Officers referred to:

- the timeline for the Fund's remaining non-Brunel holdings, comprising infrastructure and private debt investments which would not transition but be held until the end of their various fund lives (on which more information would be sought for a written response to Members);
- regular review and refreshment of the Investment Strategy last completed in 2018/19 with use of independent consultants in relation to F7 (Funding and Investments – Substantial changes to UK or global economies);
- F17: (Climate Change) referring to the Carbon footprint of the Fund and the significant reductions achieved as at 31 March 2019 and 31 December 2019 using the Weighted Average Carbon Intensity matrix which was widely considered to be the most accurate and Officers undertook to obtain more information for Members; and Officers also undertook to review the wording to give greater emphasis to the mitigation actions;
- duplication of the risks identified at F12 and PP9 relating to potential transfer of pensions to other providers and which would now be reviewed by Officers; and

- reassurance in regard to the high quality security arrangements in regard to Peninsula Pensions data (PP19) justifying the low risk rating.

The identified actions and reviews would be carried out by the Officers.

* **210 Pension Board Annual Report**

The Board received and noted the Report of the County Treasurer (CT/21/39) on a draft of the Devon Pension Board Annual Report 2020/21 (appendix to this Report) which outlined the work undertaken by the Board during 2020/21. The 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 Board's Annual Report would be included in the Investment and Pension Fund Committee's annual report which would contain the statement of accounts together with other information about the Fund's performance during the year.

The Board approved the draft subject to some minor drafting amendments relating to the completion of all training by Members and to refer to 'regular or quarterly' review of the Risk Register.

* **211 Training Review and 2021/22 Training Plan**

The Board noted and received the Report of the County Treasurer (CT/21/46) on the proposed Training Plan for 2021 (at Appendix 1) in order to ensure that both the Investment and Pension Fund Committee and the Pension Board maintained the knowledge and skills required in accordance with the CIPFA Code. A training needs analysis would be undertaken in the Autumn after the toolkit had been completed in order to identify areas of training for future events. The Training Plan had been reviewed to ensure that it reflected current best practise.

The Report also contained a register of attendance at each of the training events.

* **212 Funding Strategy Statement and Support Policies**

(Councillor J Hodgson attended in accordance with Standing Order 25 (2) and spoke to this item and requested that the obligations arising from climate change policy be referred to in the Funding Objectives (section 4) of Funding Strategy Statement)

The Board considered the Report of the County Treasurer (CT/21/40) on a draft Funding Strategy Statement (FSS) prepared in consultation with all participating employers. The purpose of the FSS was to explain the funding objectives of the Fund and how the cost of the benefits provided under the Local Government Pension Scheme were met through the Fund. It also

defined the objectives in setting employer contribution rates and the funding strategy.

As a result of the new regulations and guidance, revisions were now proposed to the Funding Strategy Statement, and a revised version was attached at Appendix 1 to this Report. The revised FSS made reference to two new policies, one in relation to contribution reviews and one in relation to Deferred Debt Agreement and Debt Spreading Agreements (DSAs). These were also attached as appendices 2 and 3 to this Report.

Members' discussion points with Officers included:

- Ethical, Social and Governance (ESG) matters including climate change was referred to in the Investment Strategy Statement but could also be considered as part of this Statement;
- the appeals process referred to at section 6 of the Statement whereby Employers could appeal to this Board, on which further information would be provided by Officers relating to the powers of the Board;
- the consultation timeline with Employers before consideration and approval by the Investment and Pension Fund Committee;
- the triannual review process by the Actuary of the valuation of the Fund, subject to any major changes (involving Employers) which could trigger an exceptional review; and
- the potential to include in the Risk Register the implications of any exit from the Fund by HE or FE institutions which the Officers undertook to review.

It was **MOVED** by Councillor A Bowman and **SECONDED** by Councillor S Randall and

RESOLVED

(a) that the revised Funding Strategy Statement set out at Appendix 1 to this Report be endorsed, subject to any changes arising from the above discussions;

(b) that the Contributions Review Policy set out at Appendix 2 to the Report be endorsed;

(c) that the Deferred Debt and Debt Spreading Agreement Policies set out at Appendix 3 to the Report be endorsed.

*** 213 Pension Board Budget Report**

The Board considered the Report of the County Treasurer (CT/21/41) on the proposed Board Budget for 2021/22, Monitoring Statement and forecast outturn position for the financial year ending 31st March 2021.

It was **MOVED** by Councillor C Slade and **SECONDED** by C Piper and

RESOLVED

(a) that the outturn for the Devon Pension Board budget 2020/21 be noted;
and

(b) that the Devon Pension Board budget for 2021/22 be approved.

* **214 Investment and Pension Fund Committee**

Councillors R Bloxham and J Hodgson attended in accordance with Standing Order 25 and spoke to this item.

Councillor Hodgson referred to the press release (copied to all members of the Council) on climate change policy on which she had received some comments.

Councillor Bloxham summarised the main points arising from the last meeting of the Investment and Fund Committee referring to the current value of the Fund and its recovery from the recent low in 2020 largely attributable to the pandemic, the climate change strategy being implemented by the Brunel Partnership involving positive engagement with companies, performance of the Brunel Patronships and delivery of savings as planned, and on the external advisers in relation to the investment strategy.

The Board thanked Councillor Bloxham for the feedback and received the Minutes of the Investment and Pension Fund Committee held on 26 February 2020.

* **215 Peninsula Pensions Administration - Performance Statistics**

The Board noted the Report of the County Treasurer (CT/20/42) on Peninsula Pensions' internal service standard target and 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.

Members' discussion points with the Officers included;

- the small increase in outstanding cases which related to one pay roll provider and the general trajectory remained downwards;
- Peninsula Pensions updated website;
- ongoing work and planning in regard to the Mcloud Sergeant judgement;
and
- the increasing number of 'self-service' sign up by fund members which was encouraging.

* 216 **LGPS Update Report**

The Board noted the Report of the County Treasurer (CT/20/43) on the latest developments affecting the Local Government Pension Scheme.

The Report covered the removal of the Exit Cap, the guaranteed minimum pension indexation, and proposed increase in the minimum retirement age.

* 217 **Actions and Recommendations Trackers**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item and referred to data relating to Fund investments in companies involved with fossil fuels. Councillor Bloxham attended in accordance with the Standing Order and responded and referred to the current data, active and positive engagement with companies and the good progress being made, as previously reported).

The Board received the Report of the County Treasurer (CT/21/44) on progress on completed actions arising from internal audits and Pension Board recommendations and requests.

The Report detailed the progress against last year's audit plan many of which related to urgent pandemic responses.

The next report would include the Audit Log (actions/progress) for the Investment Fund.

* 218 **Future Work Programme**

(Councillor J Hodgson attended in accordance with Standing Order 25 and spoke to this item and referred to the need to include updates on the climate change strategy. Councillor Bloxham attended under the Standing Order and responded and referred to performance as previously reported).

The Board received and noted the Report of the County Treasurer (CT/21/45) on the Board's Work Programme over the next three meetings.

Member discussion points included:

- the role of the Board in overseeing the work of the Investment and Pension Fund Committee, the regular reporting and Statements to that Committee on Ethical, Social and Governance (ESG) policy and matters including climate change strategy and progress; and
- future business would include reports on good governance currently being considered by the Scheme Advisory Board, the Pension Regulator's Code of Practice, and a breaches report was being developed with the software

provider; and completion of Audit Reports which Officers agreed to add to the programme as a standing item.

The programme would be amended as described above relating to future business.

* **219** **Dates of Future Meetings**

Tuesday, 13th July 2021
Monday 11th October 2021
Wednesday 2nd February 2022
Wednesday 4th May 2022

NOTES:

1. *Minutes should always be read in association with any Reports for a complete record.*
2. *If the meeting has been webcast, it will be available to view on the [webcasting site](#) for up to 12 months from the date of the meeting*

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

The Meeting started at 10.30 am and finished at 12.06 pm