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

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 22 February 2024

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INVESTMENT AND PENSION FUND COMMITTEE

Friday, 1st March, 2024

A meeting of the Investment and Pension Fund Committee is to be held on the above date at 10.30 am at Daw Room, Committee Suite - County Hall to consider the following matters.

Donna Manson
Chief Executive

A G E N D A

PART I - OPEN COMMITTEE

- 1 Chair's Announcements
- 2 Apologies for Absence
- 3 Minutes (Pages 1 - 4)

Minutes of the meeting held on 24 November 2023, attached.

- 4 Items Requiring Urgent Attention

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

- 5 Devon Pension Board (Pages 5 - 8)
Minutes of the Devon Pension Board meeting held on 30 January 2024, attached.
- 6 Brunel Oversight Board (Pages 9 - 16)
Minutes of the Brunel Oversight Board meetings held on 13 December 2023 and 25 January 2024, attached.
- 7 Internal Audit Plan 2024/25 (Pages 17 - 24)
Report of the Director of Finance and Public Value (DFP/24/24), attached.
- 8 Investment Management Report (Pages 25 - 52)
Report of the Director of Finance and Public Value (DFP/24/25), attached.
- 9 Treasury Management Strategy 2024/25 (Pages 53 - 60)
Report of the Director of Finance and Public Value (DFP/24/26), attached.
- 10 Actuarial Services Tender Outcome (Pages 61 - 62)
Report of the Director of Finance and Public Value (DFP/24/27), attached.
- 11 Pension Administration Strategy (Pages 63 - 114)
Report of the Director of Finance and Public Value (DFP/24/28), attached.
- 12 Communications Strategy (Pages 115 - 132)
Report of the Director of Finance and Public Value (DFP/24/29), attached.
- 13 Private Market Allocations (Pages 133 - 138)
Report of the Director of Finance and Public Value (DFP/24/30), attached.
- 14 Local Government Pension Scheme Update (Pages 139 - 142)
Report of the Director of Finance and Public Value (DFP/24/31), attached.
- 15 Employer Changes

Employer changes not previously reported to the Committee are set out below.

(a) New admitted bodies - The following application for admitted body status has been approved:

- On 1 September 2023 Direct Cleaning Services took on the cleaning contract for some of the schools within Thinking Schools Academy Trust.
- On 30 October 2023 First Federation outsourced their out of hours school services to Fishkids.
- On 30 October 2023 First Federation outsourced their catering services at Willowbank School to Norse

(b) New academy conversions and changes:

- On 1 September 2023
 - The Castle Partnership Trust (TCPT) merged with Uffculme Academy Trust and became Blackdown Education Partnership. They have academies in both the Devon and Somerset Pension Funds.
 - Gulworthy Primary and Lamerton Cof E Primary Schools became academies and joined the Learning Academy Partnership.
 - Bay Education Trust became part of Thinking Schools Academy Trust.
 - The Burton Academy changed name to the Loadstar Academy and joined the Thinking Schools academy Trust.
 - The Brunel Academy joined the Special Partnership Trust.
 - Matford Brook – A new School officially opened and became part of the Ted Wragg Trust.
- On 1 October 2023
 - St Margarets C of E Junior School became an academy and joined Ventrus.
 - Newtown Primary School became an academy and joined Academy for Character & Excellence.
 - Pilton Infants and Horwood & Newton Tracey School joined TEAM Multi Academy Trust.
- On 1 November 2023
 - Wolborough Cof E Primary School became an academy and joined Link Academy Trust.
 - Trinity C of E School became an academy and joined Academy for Character & Excellence.
 - St Christophers Secondary MAT became part of Athena Learning Trust.

(c) Cessations:

- With effect from 1 June 2023 Torbay Youth Trust ceased membership of the LGPS with all active staff taping back to Torbay Council. The assets and liabilities will also transfer to Torbay Council.

16 Annual Consultative Meeting with Staff and Retired Members

The Annual Consultative Meeting is being held in the afternoon following the Investment and Pension Fund Committee meeting, commencing at 2.15pm. Presentations will be made by Schroders Greencoat on the Wessex Garden Fund, Mark Gayler, Head of Investments, Rachel Lamb, Head of Peninsula Pensions, and Cllr Colin Slade, Chair of the Devon Pension Board. Members of the Committee are invited to attend.

17 Dates of Future Meetings

Future meetings are scheduled for:

14 June 2024 10.30 am
13 September 2024 10.30 am
29 November 2024 10.30 am
28 February 2025 10.30 am
28 February 2025 2.15 pm – Staff / Retiree Consultation

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

18 Exclusion of the Press and Public

Recommendation: that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involves 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 (including the authority holding that information).

19 Brunel Business Plan and Reserved Matters Requests (Pages 143 - 212)

Report of the Director of Finance and Public Value (DFP/24/32) (RESTRICTED), attached.

20 Local Impact Portfolio Update (Pages 213 - 260)

Report of the Director of Finance and Public Value (DFP/24/33) (RESTRICTED), attached.

21 Brunel Climate Change Policy Implementation (Pages 261 - 266)

Report of the Director of Finance and Public Value (DFP/24/34) (RESTRICTED), attached.

Members are reminded that Part II Reports contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). They need to be disposed of carefully and should be returned to the Democratic Services Officer at the conclusion of the meeting for disposal.

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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. Filming must be done as unobtrusively as possible without additional lighting; focusing only on those actively participating in the meeting and having regard to the wishes of others present who may not wish to be filmed. Anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance.

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Declarations of Interest for Members of the Council

It is to be noted that Members of the Council 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.

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Induction Loop available



INVESTMENT AND PENSION FUND COMMITTEE

24 November 2023

Present:-

Devon County Council

Councillors J Morrish (Chair), Y Atkinson, H Gent and G Gribble (remote)

Unitary Councils

Councillor M Lowry (remote)

Union and Retired Members

R Franceschini and M Daniell (remote)

Other Employers

Councillor R Bloxham

Apologies:-

L Parker-Delaz-Ajete and councillors P Bullivant (Vice Chair) and M Brook

* 142 **Announcements**

There was no announcement made by the Chair.

* 143 **Minutes**

RESOLVED that the minutes of the meeting held on 15 September 2023 be signed as a correct record, subject to the amendment of Minute *133 to rectify a spelling error in R Franceschini's name.

* 144 **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* 145 **Devon Pension Board**

The Committee noted the minutes of the Devon Pension Board meeting held on 13 October 2023. Minute *134 was commented on, which regarded a Government consultation on the future of the Local Government Pension Scheme investment pools and was discussed at the last meeting of this

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INVESTMENT AND PENSION FUND COMMITTEE

24/11/23

Committee. The Government had now issued a response to the consultation. Officers would update further at the next meeting.

* **146** **Brunel Oversight Board**

The Committee noted the minutes of the Brunel Oversight Board meeting held on 7 September 2023.

* **147** **Audit Report on the Pension Fund Statement of Accounts 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/107) on the Audit Report of the Pension Fund's Statement of Accounts for 2022/23. At the last meeting of the Committee, the external audit of the Fund had not been completed. It had now been, subject to a small number of remaining items, with a draft Audit Findings Report attached at Appendix 1 to the report. Members were also updated on the progress of the audit of the accounts for 2020/21 and 2021/22, which had been completed and 'consistency' audit opinions issued.

The Committee heard from a representative of Grant Thornton, the external auditor, who outlined the remaining areas required for the audit of the 2022/23 accounts, in particular some further work on IT controls. It was stated that the external auditors hoped to issue a finalised audit opinion on the 2022/23 accounts in January 2024; and that the work that had already been completed on the audit of the 2022/23 accounts demonstrated that the Fund had effective arrangements in place to produce complete, accurate and timely accounts.

Members noted the report.

* **148** **Investment Management Report**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/108). The Report outlined the Fund value and asset allocation, Fund performance, funding level, 2023/24 budget forecast, cash management and voting and engagement activity.

Member attention was drawn to the addition of £50 million to the Sterling Corporate Bonds portfolio as agreed by the Committee at its last meeting.

As at 30 September 2023, the Fund value stood at £5,363.4 million which represented an increase of around £50 million over the financial year to date, albeit with little increase since the end of June. For the financial year to date up to 30 September 2023, the Fund's return was +1.3% compared to the strategic benchmark of +2.7%, namely an underperformance. It was explained that the Sustainable Equities and Infrastructure portfolios had struggled in the quarter as banks and oil companies had led the market, with Infrastructure impacted by rising interest rates and gilt yields.

Members discussion points included the diversification of the Fund; and employee contribution bands into the Fund, namely that these are set nationally and out of direct control of the Fund.

Members noted the report.

* **149** **Future Cashflow Forecast**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/109) which outlined three scenarios of future cashflows into the Fund, based on a model provided by the Fund Actuary, to project across a 25-year period. The three scenarios reflected different degrees of deterioration of the Fund's cashflow position. It was explained to members that there were other scenarios, but that in the case of, for instance, increased fund membership, then these other (positive) scenarios would not detriment the Fund's cashflow and were therefore not of concern.

Members heard, based on current projections of the Fund's cashflow, that in the most severe of the scenarios outlined, the Fund would still be able to meet its obligations to pay pensions for the next six or seven years without needing to sell Fund assets, and that there was therefore no immediate call to refocus the current investment strategy to generate additional income. The next external review of the Fund's investment strategy was planned for late 2024 or early 2025, which was explained to be a suitable time to factor in future cashflow forecasts into any recommended changes to the strategy.

Members noted the report.

* **150** **Employer Changes**

The Committee noted:

(a) New admitted bodies –The following application for admitted body status had been approved since the last meeting of the Committee:

- 1 June 2023 - Plymouth City Council tuped staff to PEC Management Services Ltd which they had previously seconded to them.
- 1 July 2023 - Delt Shared Services won the contract to provide IT, Finance, HR and Estates management including catering, cleaning, maintenance etc for Mount Tamar School, an academy within the Transforming Futures Trust.

(b) Employer Cessations - None

(c) New academy conversions and changes.

- 1 June 2023 - Avanti Hall part of Reach South changed to Thomas Hall.
- 1 July 2023 - Honiton Community College joined Ted Wragg Trust.
- 1 August 2023 - Honiton MAT moved to Learning Academies Trust

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INVESTMENT AND PENSION FUND COMMITTEE

24/11/23

- 1 August 2023 - Sparkwell All Saints Primary School moved to Link Academy Trust

* 151 Dates of Future Meetings

Members noted the dates of future meetings of the Committee as:

1 March 2024 10.30am
1 March 2024 2.15pm - Staff/Retiree Consultation
14 June 2024 10.30am
13 September 2024 10.30am
29 November 2024 10.30am

* 152 Exclusion of the Press and Public

RESOLVED that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involves 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 (including the authority holding that information).

* 153 Local Impact Investment

(An item taken under Section 100A (4) of the Local Government Act 1972 during which the press and public were excluded).

Members considered the Report of the Director of Finance and Public Value (DF/23/110) on progress made committing the approved 3% allocation to local impact investments, which was agreed previously by this Committee in June 2023; and provided an update on the due diligence done in relation to three proposed investments, with final decisions delegated to officers, also as agreed at the June meeting (Minute *126 refers).

Members noted the report.

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 10.31 am and finished at 11.30 am

DEVON PENSION BOARD

30 January 2024

Present:-

Councillors C Slade (Chair) and S Randall Johnson
A Bowman (Vice-Chair), I Arrow, R Jeanes, P Phillips and D Walshe

Apologies:-

C Hearn

* 137 **Chair's Announcements**

There were no announcements made by the Chair.

* 138 **Minutes**

RESOLVED that the Minutes of the meeting held on 13 October 2023 be signed as a correct record.

* 139 **Items Requiring Urgent Attention**

No item was raised as a matter of urgency.

* 140 **Review of Attendance**

The Board noted the Report of the Director of Finance (DFP/24/07) on a review of the Board Member attendance at meetings and training events. A log of attendance of both board meetings and training events were attached in Appendix 1 of the Report.

Officers commented that one member of the Board had attended a stewardship review training session, and that this would be added to the training log.

* 141 **Devon Pension Fund Risk Register**

The Board considered and noted the Report of the Director of Finance (DF/24/08) on the Pension Fund Risk Register and proposed mitigation actions.

At the meeting, the Board received a presentation from the Devon Audit Partnership on how risk within Devon, including with regard to the Devon Pension Fund, is identified and managed. It covered areas such as how risk is defined and how risk level is set (including examining the likelihood of a risk occurring, and the potential impact of that risk); that, despite mitigation, it

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DEVON PENSION BOARD

30/01/24

would not be possible to eliminate risk altogether; and key resources on risk such as updates at committee, a live Power BI dashboard, and documentation produced by the Government.

During discussion, a member of the Board suggested that risk related to the Government proposals regarding the amalgamation of Local Government Pension Scheme (LGPS) investment pools should be considered for addition to the risk register.

* **142** **Communications Policy Review**

The Board considered the Report of the Director of Finance (DFP/24/09) on the updated Communications Policy, which was one of four statutory statements which the Fund was required to have in place. The Policy was last updated in November 2019, with a revised policy attached as Appendix 1 to the Report. This iteration of the Policy had undergone mostly cosmetic changes, as outlined in the Report.

* **143** **Contribution and Breaches Monitoring**

The Board noted the Report of the Director of Finance (DFP/23/10) which updated members on the current procedures for the monitoring of timely payment of contributions from employers. Although there were fourteen contributions received late during the quarter, officers advised that this largely constituted of new employers and were all one-off incidents, with no pattern of concern arising.

* **144** **Investment and Pension Fund Committee**

The Board noted the Minutes of the Investment and Pension Fund Committee held on 24 November 2024.

* **145** **Audit Plan 2024/25**

The Board received the Report of the Director of Finance (DFP/24/11) on the proposed Internal Audit Plan for 2024/25, which reflected the Local Authority's statutory duty to arrange proper administration of its financial affairs. The audit service would continue to be delivered by Devon Audit Partnership.

An officer highlighted and corrected an error in the Report, on pages 77 and 78, where two references were made to 2023/24 which should refer to 2024/25.

Members discussed the split of allocation days under the audit plans (35 days allocated for internal audit support for the Pension Fund, and 50 days for Peninsula Pensions) and how this differed to previous years.

* 146 **Peninsula Pensions Administration Update and Performance Statistics**

The Board noted the Report of the Director of Finance (DFP/24/12) which provided an update on the performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Appendices 1 to 3 of the Report highlighted key aspects of performance for the attention of the Board. The Report also updated on the McCloud remedy and the review of Peninsula Pensions' Administration Strategy, on which a consultation had ceased at the end of 2023.

Member discussion centred around the mechanisms for admitting employers into the Fund and what knowledge testing was done in advance of their admission into the Fund; and strategies for following up on non-payment from Fund employers.

* 147 **Local Government Pension Scheme (LGPS) Update Report**

The Board noted the Report of the Director of Finance (DFP/24/13) updating on the latest developments impacting the LGPS.

* 148 **Future Work Programme**

The Board noted the Report of the Director of Finance (DFP/24/14) on the future work programme.

* 149 **Dates of Future Meetings**

The Board noted that future meetings would be held at 10.30am on:

Tuesday 30th January 2024
Monday 29th April 2024
Monday 15th July 2024
Monday 21st October 2024
Wednesday 29th January 2025
Thursday 3rd April 2025

It was suggested that the April 2024 meeting of the Board would need to be rescheduled owing to a Devon County Council Full Council meeting that had been scheduled for the same date and time.

NOTES:

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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 10.31 am and finished at 11.24 am

BRUNEL OVERSIGHT BOARD

Public Minutes

Wednesday 13th December 2023, 10:30 am – 12:15 pm

Attendees

Pension Committee Representatives		
Paul Crossley	Avon	
Timothy Butcher	Buckinghamshire	
Jayne Kirkham	Cornwall	
James Morrish	Devon	
John Beesley	Dorset	
Robert Gould	EAPF	Chair
Lynden Stowe	Gloucestershire	
Kevin Bulmer	Oxfordshire	Vice-Chair
Peter Seib	Somerset	Apologies
Richard Britton	Wiltshire	

Member Representative Observers		
Andy Bowman	Scheme Member rep.	
Alistair Bastin	Scheme Member rep.	

Fund Officers and Representatives		
Nick Dixon	Avon	
Julie Edwards	Buckinghamshire	
Sean Johns	Cornwall	
William Cresswell	Cornwall	Minutes
James Rich	Cornwall	
Mark Gayler	Devon	
David Wilkes	Dorset	
Craig Martin	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	
Anton Sweet	Somerset	

Brunel Pension Partnership		
Laura Chappell	Brunel, CEO	
Denise Le Gal	Brunel, Chair	
Liz Mckenzie	Brunel, SNED	
David Vickers	Brunel, CIO	
Joe Webster	Brunel, COO	
Tim Dickson	Brunel, HoCRT	
Alice Spikings	Brunel, SO	

Minutes

No.	Item
1.	Confirm agenda Requests for urgent or for information items Any new declarations of conflicts of interest
	AB noted they attended the LAPFF conference representing the Oxfordshire fund. AB was informed by LAPFF that Brunel isn't a member which LC confirmed.
2.	Review 7th September BOB minutes - Review and sign-off of the previous meeting minutes.
	The minutes were approved with no comment.
3.	Chair and Vice-Chair election
	WC stated that they had sent around an email asking if BOB members wanted to nominate themselves for the role of BOB Chair and Vice-Chair. WC noted that both RG and KB were willing to continue in their respective roles and LS kindly supported this proposal. WC noted there were no other nomination received and confirmed RG and KB as Chair and Vice-Chair of BOB respectively for 2024. The group congratulated RG and KB.
4.	Brunel Chair Recruitment update
	RG noted the Brunel Chair recruitment is on track.
5.	Brunel CEO report - An update from the Brunel CEO on its business activities.
	LC presented the highlights from the CEO report: JK asked that for the next meeting if FW's update could include an update from the asset owner round table.
6.	Brunel CIO update

	<p>JK noted the portfolios are struggling with performance and asked DV's update to focus on why.</p> <p>DV presented the Q3 2023 investment performance. DV noted they are producing a report to provide additional context and it will be available for Q1 next year.</p> <p>DV noted the Middle East conflict has had little impact on the portfolios, but has potential for a bigger impact if Iran and US are brought in.</p> <p>RG asked DV for on his view on hedged or unhedged currency exposure?</p> <ul style="list-style-type: none"> - DV noted currency evens out over a 20-year horizon and hedged would be unnecessary over this time period. DV noted they personally half-hedge their exposure. - DLG noted historically, LGPS funds hedge half of their currency exposure.
<p>7.</p>	<p>Client Assurance Framework (including Investment Update)</p>
	<p>SJ presented the Client Assurance Survey. JW thanked SJ for his work in the Operations Sub-Group on the quarterly performance report.</p> <p>SJ presented the BOB assurance report. SJ noted the first face to face assurance meeting was held and there was a big advantage to having the long sessions.</p> <p>SJ noted there are comments on the Red, Amber, Green rating and the rationale behind them were challenged at the meeting. Clients are comfortable with the ratings.</p> <p>SJ noted this will be his last assurance piece and MT will be taking over next month.</p>
<p>8.</p>	<p>Brunel Chair/SNED Update</p>
	<p>LM noted most of their update has been covered in earlier discussions. LM added they have had a meeting with two Shareholders, Avon and Wiltshire, and covered local issues. DLG noted they accompanied LM.</p> <p>JB noted Teresa Clay is at the next Scheme Advisory Board (SAB) meeting.</p>
<p>9.</p>	<p>Any other urgent or for information items</p> <p>Future Meeting Dates:</p> <ul style="list-style-type: none"> • 25th January 2024 • 7th March 2024 • 6th June 2024 • 5th September 2024 • 5th December 2024
	<p>RG requested comments on the BOB format to be fed in via email and noted holding them in person is being considered.</p> <ul style="list-style-type: none"> - JK noted they attended in person, and it was useful. JK noted it would be useful if the meetings were occasionally moved closer to Cornwall.

BRUNEL OVERSIGHT BOARD

Public Minutes

Thursday 25th January 2024, 10:30 am – 12:30 pm

Attendees

Pension Committee Representatives		
Paul Crossley	Avon	
Timothy Butcher	Buckinghamshire	
Jayne Kirkham	Cornwall	
James Morrish	Devon	
John Beesley	Dorset	
Robert Gould	EAPF	Chair
Lynden Stowe	Gloucestershire	
Kevin Bulmer	Oxfordshire	Vice-Chair
Peter Seib	Somerset	Apologies
Richard Britton	Wiltshire	Apologies

Member Representative Observers		
Andy Bowman	Scheme Member rep.	
Alistair Bastin	Scheme Member rep.	

Fund Officers and Representatives		
Nick Dixon	Avon	
Julie Edwards	Buckinghamshire	
William Cresswell	Cornwall	Minutes
James Rich	Cornwall	
Mark Gayler	Devon	
Craig Martin	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	
Anton Sweet	Somerset	

Brunel Pension Partnership		
Laura Chappell	Brunel, CEO	
Denise Le Gal	Brunel, Chair	
Liz Mckenzie	Brunel, SNED	
David Vickers	Brunel, CIO	
Joe Webster	Brunel, COO	
Faith Ward	Brunel CRIO	
Tim Dickson	Brunel, HoCRT	
Alice Spikings	Brunel, SO	
David Anthony	Brunel, HOF	

Minutes

No.	Item
1.	<p>Confirm agenda</p> <p>Requests for urgent or for information items</p> <p>Any new declarations of conflicts of interest</p>
	RG noted RB's apologies.
2.	<p>Review 13th December 2023 BOB minutes</p> <p>- Review and sign-off of the previous meeting minutes.</p>
	The minutes were approved with no comment.
3.	<p>Business Plan and Budget Update</p>
	<p>MG introduced the business plan which outlines Brunel's proposed budget for 2024/25. MG noted the budget was first presented to and scrutinised by Brunel's Finance Sub-Group.</p> <p>MG noted Brunel have presented the following two years budgets to indicate there should be no other additional increases beyond the items stated.</p> <p>JW highlighted opportunities Brunel have identified to increase savings. These opportunities will be presented to the Client Group.</p> <p>Budget figures were queried and challenged by JK, JB, LS, ND and TB. DA and JW answered.</p> <p>ND and KB supported the budget.</p>
4.	<p>COP 28 Update</p>

	<p>FW presented the COP28 presentation and noted they attended as the chair of IIGCC.</p> <p>FW presented the key outcomes from an investment perspective.</p> <p>FW presented the areas which they were hoping to be covered but were not.</p> <p>FW presented the goals of their attendance, the Climate Action Tracker, and the next steps.</p> <p>KB asked whether there were any developments on standardising data.</p> <ul style="list-style-type: none"> - FW noted the International Sustainability Standards Board work was promoted following launch of standards in June 2023. The formation of the ISSB was announced at COP26. The aim is to standardise carbon reporting into an accounting standard. - FW noted the UK is one of the furthest ahead. and the FCA had indicated the adoption of the ISSB standards. - FW noted political pressure to support the adoption of the standards as minimum baseline, recognising there will be additional UK investor's needs (building blocks approach), would be welcome. <p>JK asked what objectives FW would have wanted from COP on biodiversity and nature.</p> <ul style="list-style-type: none"> - FW noted more detail on article 6 was required. FW noted their belief that well-functioning carbon markets are an essential to enhance capital flows, and global standards are required to reduce greenwashing and even fraud. - FW noted Brunel are an early adopter of TNFD in a best endeavours capacity. <p>JM commented on the focus on methane and asked if FW believes this is being linked to agriculture.</p> <ul style="list-style-type: none"> - FW noted agriculture could be considered a large contributor of methane and an area for potential solutions. FW noted the discussion on methane at COP recognised the emissions produced in other sectors, oil and gas, manufacturing, as well as agriculture. <p>JM noted their scheme members most important issue is their investment performance.</p> <ul style="list-style-type: none"> - JK noted Cornwall's members have expressed a large interest in where their pensions are invested and the ethical concerns with their investments. <p>JM asked for clarification on the number of fossil fuel lobbyists.</p> <ul style="list-style-type: none"> - FW noted there was an estimated 2000 fossil fuel lobbyists in attendance which is a concerning amount and made up 2% of total attendance. <p>ABo requested a version of the presentation that can be shared.</p>
5.	PWC Consultation

	<p>RG started the discussion and requested BOB members share their viewpoints on the LGPS and Pooling developments at a high level.</p> <p>There was a discussion on the consultation. KB, ABo JB, ND, and ABa shared their views.</p> <p>LC summarised the discussion, and noted an external party has been hired to help Brunel devise future strategy. LC noted the consultation with shareholder representatives and the Brunel Board is a useful exercise and there will be workshops with the Brunel board.</p>
6.	<p>Brunel Update</p> <p>- An update from the Brunel CEO on its business activities.</p>
	<p>LC presented a list of items Brunel have accomplished since the last meeting in December.</p> <p>LM provided an update on the Chair recruitment process.</p>
7.	<p>Any other urgent or for information items</p> <p>Future Meeting Dates:</p> <ul style="list-style-type: none"> • 7th March 2024 • 6th June 2024 • 5th September 2024 • 5th December 2024
	<p>RG noted the future meeting dates and closed the meeting.</p>

DFP/24/24
Investments and Pension Fund Committee
01 March 2024

Proposed Internal Audit Plan for 2024/25

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Committee be asked to:

- (a) Consider and agree the proposed Internal Audit plan for 2024/25 which has been considered by Devon Pension Board on the 30 January 2024 with no further comments

2) Introduction

- 2.1 Under the Local Government Act 1972 the Authority, and specifically the Chief Financial Officer (the Director of Finance and Public Value), has a statutory duty to “make arrangements for the proper administration of their financial affairs”. Assurance that this is the case is given through the reporting of Internal Audit. The audits are carried out in accordance with the Accounts and Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.2 Public Sector Internal Audit Standards (PSIAS) require the purpose, authority, and responsibility of Internal Audit activity to be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 2.3 The latest Internal Audit Charter and Strategy 2021/22 for Devon County Council was approved at the 25 February 2021 Audit Committee meeting. The document can be viewed at [Democracy Devon Audit Committee](#).
- 2.4 The Internal Audit Charter and Strategy is applied in relation to Devon Pension Fund and Peninsula Pensions Internal Audit activity, with associated reporting provided to the Devon Pension Board and Investment & Pension Fund Committee.

3) Internal Audit Plan 2024/25

- 3.1 The Internal Auditors for the Pension Fund are responsible for providing assurance that financial and other systems are operating effectively and in line with legislation

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and the Authority's financial regulations. This is achieved through two audit plans: one for the Devon Pension Fund and one for Peninsula Pensions

- 3.2 The Internal Audit Service for the Pension Fund is delivered by the Devon Audit Partnership. This is a shared service arrangement between Plymouth, Torbay, Devon, Mid Devon, Torridge and North Devon and South Hams and West Devon councils along with Devon and Somerset Fire and Rescue constituted under section 20 of the Local Government Act 2000.
- 3.3 The audit plans for the financial year 2024/25 allow for up to 35 days of internal audit support for the Pension Fund and 50 days of internal audit support for Peninsula Pensions, providing 85 days of internal audit provision overall. Further detail is set out in Appendix 1.

4) Conclusion

- 4.1 The Committee is asked to approve the proposed Internal Audit Plan for 2024/25.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

Name: Bradley Hutton

Telephone: 01392 382593

Address: Room 180 County Hall

Appendix 1



Internal Audit

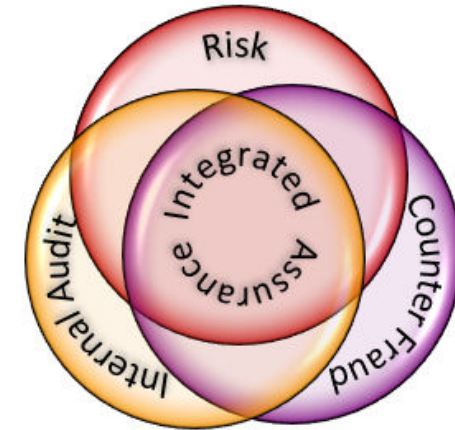
**DRAFT Internal Audit Plan
2024/25**

**Devon Pension Fund and
Peninsula Pensions**

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March 2024

Not Protectively Marked



Support, Assurance and Innovation

Agenda Item 7

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within Devon Pension Fund and Peninsula Pensions, the role of the Board within the Standards is taken by the Council's Investments and Pension Fund Committee and senior management is Pension Fund's Senior Management. The Investments and Pension Fund Committee, under its Terms of Reference contained in the Council's Constitution, is required to consider the Internal Audit Plan to provide assurance to support the governance framework.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) and the scope of Internal Audit work. The PSIAS refer to the role of 'Chief Audit Executive'. For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Chief Audit Executive is responsible for developing a risk-based plan which considers the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation.

The need for robust and effective controls to ensure that resources are used to the best effect and deliver the authority's objectives has never been greater. Internal audit helps provide independent assurance that risks are known, understood, and addressed, and that systems and procedures are sound, effective, and free (as far as can be) from waste, error, or fraud. Preparing a plan that addresses the emerging risks and developing areas for the council, whilst still covering the material and cross cutting systems is essential and ensures that internal audit resources are directed in the most appropriate way.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope will be discussed and agreed with management with the view to providing Senior Management, the Director of Finance (Section 151) and Members with assurance on the control framework to manage the risks identified. The plan will remain flexible, and any changes will be agreed formally with management on a regular basis and reported to the Investments and Pensions Fund Committee.

Expectations of the Investments and Pension Fund Committee for this annual plan

Investments and Pension Fund Committee members are requested to consider and approve the proposed audit plan for 2024/25.

Tony Rose

Head of Devon Audit Partnership

<p>Devon Audit Partnership</p> <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams and West Devon councils, along with Devon and Somerset Fire and Rescue. We aim to be recognised as a high-quality assurance service provider in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks, and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at pony.d.rose@devon.gov.uk</p>	<p>Confidentiality and Disclosure Clause</p> <p>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied / circulated / disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>
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Annual Flexible Audit Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients' needs as and when needed – *Agile Auditing*.

Key benefits provide for:

- reduction in non-productive resource planning.
- improved opportunity to keep plan aligned to current risks within Service Areas and for the wider Council.
- more effective and timely pre-audit engagement with Service Leads.
- greater and more regular discussion with client leads – supporting current risk and work priorities.
- the current trend for more flexible audit plans – agile auditing.
- experience that plans change regularly.
- changes in external risk drivers are more easily picked up in audit assurance needs.

Our audit plans are always built around the risks identified through risk management, audit needs and perceptions of current issues and in discussion with client management.

The 2024/25 internal audit plan and resourcing is set out in the table below. This shows a good spread of coverage across the Pension Service which we feel will provide good opportunity to provide assurance on the wider control framework from which to build our annual assurance opinion for Devon County Council.

Since 2021/22 our approach was revised to scope, schedule, and resource plans throughout the year with Senior Management in an agile way incorporating risk changes as necessary. This was effective and this approach will continue in 2024/25.

Follow-up and implementation

We will follow-up prior year reviews which identified limited assurance and ensure that evidence is in place to support any high-risk issues.

Anti-fraud and Corruption

All our work will contain elements to ensure that sound and effective arrangements are in place to prevent and detect fraud and / or irregularity.

The Aim of the Plan

The audit plan is agreed on an annual basis, incorporating the key risks identified through the Fund's risk register and areas identified by Internal Audit in consultation with management. However, recent good practice also recognises that it is advisable for plans to remain flexible, to enable them to be amended according to prevailing risks and changes to the control environment in the organisation, so whilst the annual plan should be approved at an appropriate level, it should also be capable of being flexed as necessary. The plan will also be regularly reviewed alongside the service to provide any updates or noteworthy items.

The Plan

The audit plans for the financial year 2024/25 allows for up to 35 days of internal audit support for Devon Pension Fund (DPF) and 50 days of internal audit support for Peninsula Pensions (PP), providing 85 days internal audit provision overall. The allocation of days between DPF and PP has changed for 2024/25 with additional days being allocated to PP where there is an increased level of risk due to a number of regulatory changes coming into effect in 2024.

We have worked with senior management to determine the key risks to the Fund and from this have developed a plan for the coming year. The plan considers both financial and non-finance-based systems, and our work will provide assurance to Senior Leaders and Members on the effectiveness of arrangements. Our working papers are available to external audit colleagues for their consideration in planning their work.

Any significant findings from the previous year's audit work will be reviewed to ensure that agreed recommendations have been implemented and are effective.

As part of the audit plan, we will also provide assistance and advice and be a central contact point for senior management.

Timetable

- The audits will be completed at specified times of the year through consultation and prior agreement with senior management.
- All findings will be reviewed with senior management at the end of each audit programme and prior to the issue of any draft reports.
- A summary of all final reports will be provided to the Devon Pension Board

2024/25 Plans

The following table sets out the planned internal audit work for 2024/25. Other issues and systems are sometimes identified during the course of the audits and, found, will be discussed with senior management. These issues may be incorporated into future audit plans dependent upon priority and risk assessment.

The plans for both the Devon Pension Fund and Peninsula Pensions include following up of recommendations made previously at the next audit of that function or as part of other audits where there are links between functions / recommendations. This activity is shown within 'Audit Planning, Advice and Reporting' in the audit plan tables below.

Management track progress and completion of audit actions and report to the Devon Pension Board throughout the year.

Devon Pension Fund Audit Plan 2024/25

Audit risk areas	Days
1. Private Market Accounts Reconciliation	10
2. Communications Policy and Compliance	8
3. Responsible Investment	8
4. Good Governance Review	7
5. Audit Planning, Advice and Reporting	2
Total days	35

Peninsula Pensions Plan 2024/25

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Audit risk areas	Days
1. Employer Performance Reports (support with Power BI)	3
2. Employer Data Quality Review	8
3. Pension Admin Strategy Compliance	10
4. Quality Control and Assurance	8
5. McCloud	8
6. HMRC Reports	10
7. Audit Planning, Advice and Reporting	3
Total days	50

Our standard daily rate for this work will be £338.

Tony Rose
 Head of Devon Audit Partnership

March 2024

DFP/24/25
Investment and Pension Fund Committee
1 March 2024

INVESTMENT MANAGEMENT REPORT

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Committee be asked:

- (a) To note the Investment Management Report.
- (b) To approve rebalancing within the Equities allocation by adding £25 million to the Sustainable Equities and £35 million to the Emerging Markets portfolios, funded from the Passive Equities allocation.
- (c) To note compliance with the 2023-24 Treasury Management Strategy.

2) Fund Value and Asset Allocation

The table below shows the Fund value and the asset allocation for the Fund compared to the proposed 2023/24 target asset allocation as at 31 December 2023.

Fund Value and Asset Allocation as at 31 December 2023

	Fund Value as at 31/12/23	Target allocation 2023/24	Fund asset allocation at 31/12/23	Variation from Target
	£m	%	%	%
Fixed Interest				
Sterling Corporate Bonds	427.4	7	7.6	
Multi-Asset Credit	694.1	12	12.3	
Cash	162.5	1	2.9	
	1,284.0	20	22.8	+2.8
Equities				
Passive Equities	1,533.4	25	27.2	
Global High Alpha Equities	325.8	5	5.7	
Global Smaller Companies	289.7	5	5.1	
Emerging Markets	239.3	5	4.2	
Sustainable Equities	539.7	10	9.6	
	2,927.9	50	51.8	+1.8

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	Fund Value as at 31/12/23	Target allocation 2023/24	Fund asset allocation at 31/12/23	Variation from Target
	£m	%	%	%
Alternatives/Other				
Diversifying Returns Funds	163.7	3	2.9	
UK Property	364.4	8	6.5	
International Property	98.5	2	1.7	
Infrastructure	517.9	9	9.2	
Private Equity	72.1	3	1.4	
Private Debt	192.3	4	3.4	
Local Impact Portfolio	17.3	1	0.3	
	1,426.2	30	25.4	-4.6
Total Fund	5,638.1	100	100.0	

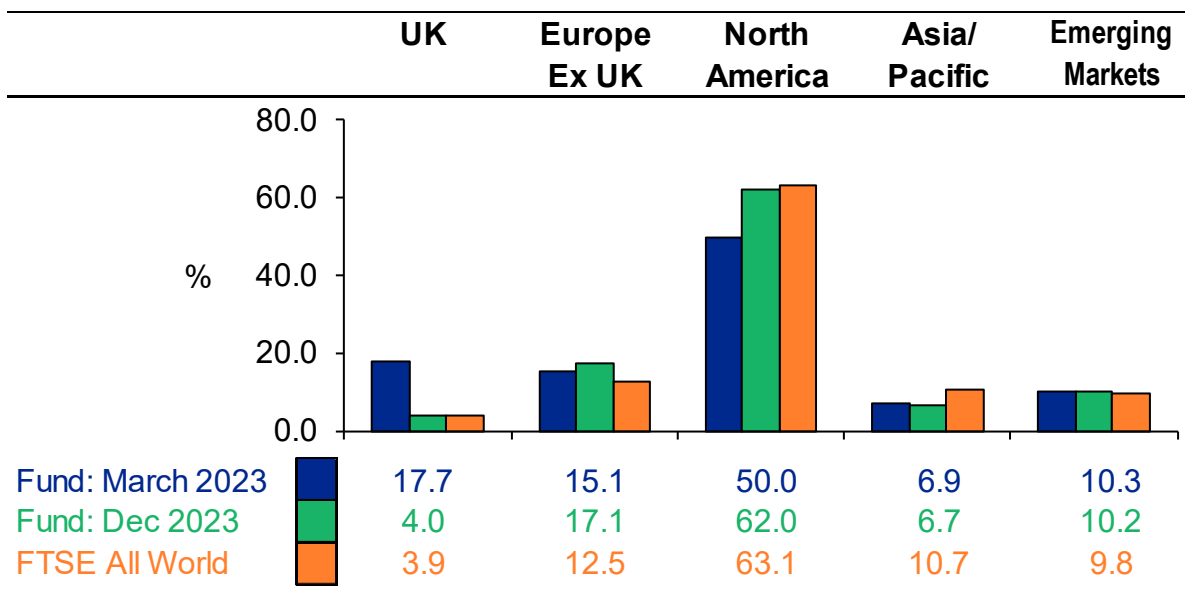
The key points with regard to the end of quarter asset allocation are summarised below:

- a) The Fund value as at 31 December 2023 stood at £5,638.1 million, an increase of £275 million over the last quarter, and around £325 million over the financial year to date.
- b) Sterling Corporate Bonds and Multi-Asset Credit are both above the target weighting. While there is still significant uncertainty around the global economy, the expectation is that interest rates in the US and the UK will begin to come down in the latter half of 2024. In those circumstances, it is proposed to retain the small overweight position for the time being.
- c) The passive allocation has now been consolidated into the Global Paris Aligned Benchmark passive fund. As part of the consolidation, £50 million was withdrawn to rebalance the allocation back towards target. However, the strong equity performance during November and December means that the weighting remains above the target level.
- d) Within equities, Sustainable Equities and Emerging Markets are both underweight. It is proposed to add £25 million to the Sustainable portfolio and £35 million to the Emerging Markets portfolio to bring them up to target, funded from the overweight passive allocation.
- e) The main underweight allocation continues to be that to Alternatives/Other. The Property allocation in particular has struggled over the last year, and now stands at 1.8% below target (UK and International combined). Brunel have made commitments to a couple of property funds as part of bringing our portfolio in line with their model portfolio.
- f) Significant commitments have been made to bring private debt and private equity up to the target level, but these will still take some time to be fully drawn.

Geographical Weighting of Equity Allocation

- g) The following chart gives the geographical split of the Fund's equity allocations against the FTSE All World Index geographical weightings.

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

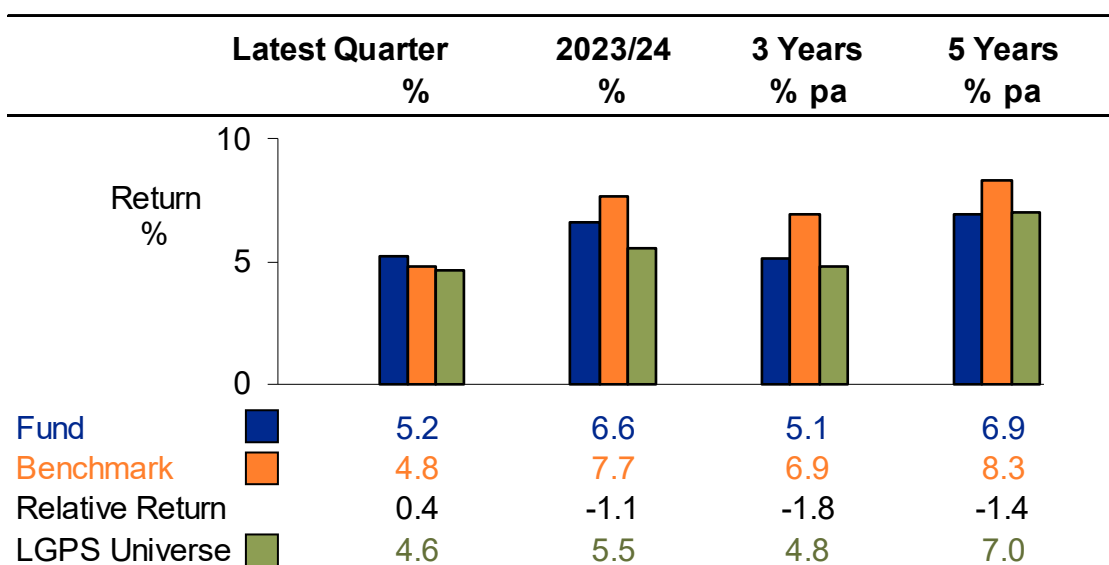


- h) The decision to consolidate the Fund's passive equity allocation, including the UK Fund, into the global developed Paris aligned benchmark fund was implemented in late October. This has reduced the UK allocation from 17.7% to 4% of the Equities allocation, meaning that the geographical split of holdings now more closely aligns to the weightings in the FTSE All World and other global indices.

3) Fund Performance

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

Longer Term Fund Performance Summary



Source for LGPS Universe: PIRC Local Authority Pension Performance Analytics

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The performance statistics quoted are net of fees. The LGPS universe figures for the last quarter are based on the asset allocation of the PIRC Local Authority Universe with index returns applied. The previous periods are updated to include actual Universe returns.

The Fund achieved a positive return of +5.2% for the quarter to 31 December, taking the return for the financial year to date up to +6.6%, compared with the fund strategic benchmark of +7.7%. Despite lagging the Fund's benchmark, the return was ahead of the LGPS Universe average of +5.5%. The key areas of under-performance against benchmark were Sustainable Equities and Infrastructure.

A breakdown of the performance of the Total Fund for the financial year to date and three years to 31 December 2023 and the comparative Index returns are shown in the following table:

Performance to 31 December 2023

Sector	Financial Year To Date		Three Years		Benchmark Description
	Fund Return	Bench mark	Fund Return	Bench mark	
	%	%	%	%	
Fixed Interest					
Investment Grade Bonds	+7.6	+6.1	-4.5	-4.9	iBoxx Sterling Non-Gilts ¹
Multi-Asset Credit	+9.4	+6.7	+1.5	+5.9	GBP SONIA +4% ¹
Cash	+4.9	+3.6	+2.0	+2.0	GBP 7 Day LIBID
Equities					
Passive Equities	+12.4	+12.4	+9.4	+9.5	Devon Passive Index
Global High Alpha Equities	+9.7	+11.9	+7.3	+10.3	FTSE World / MSCI World
Global Smaller Companies	+3.1	+8.1	+3.1	+5.8	MSCI World Small Cap
Emerging Markets	+1.1	+2.8	-4.6	-2.5	MSCI Emerging Markets
Sustainable Equities	+3.6	+10.9	+3.6	+8.7	MSCI AC World
Alternatives/Other					
Diversifying Returns Funds	+6.3	+6.7	+3.0	+6.1	GBP SONIA +4%
UK Property	-0.9	-1.4	+1.9	+1.3	AREF/IPD UK All Property
International Property	-4.9	-5.0	+6.1	+5.3	MSCI Global Property
Infrastructure	+1.4	+5.6	+7.2	+10.8	CPI + 4% ¹
Private Equity	-0.6	+10.9	-	-	MSCI AC World
Private Debt	+9.1	+5.6	+10.6	+10.8	CPI + 4% ¹
Local Impact Portfolio	+1.0	+2.3	-	-	7% p.a. Return

Total Fund	+6.6	+7.7	+5.1	+6.9	Devon Bespoke Index
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Notes

- the benchmark shown is the current benchmark, but the benchmark return will also incorporate the benchmarks applicable for the earlier part of the 3 year period where the benchmark has changed as a result of transition to Brunel.

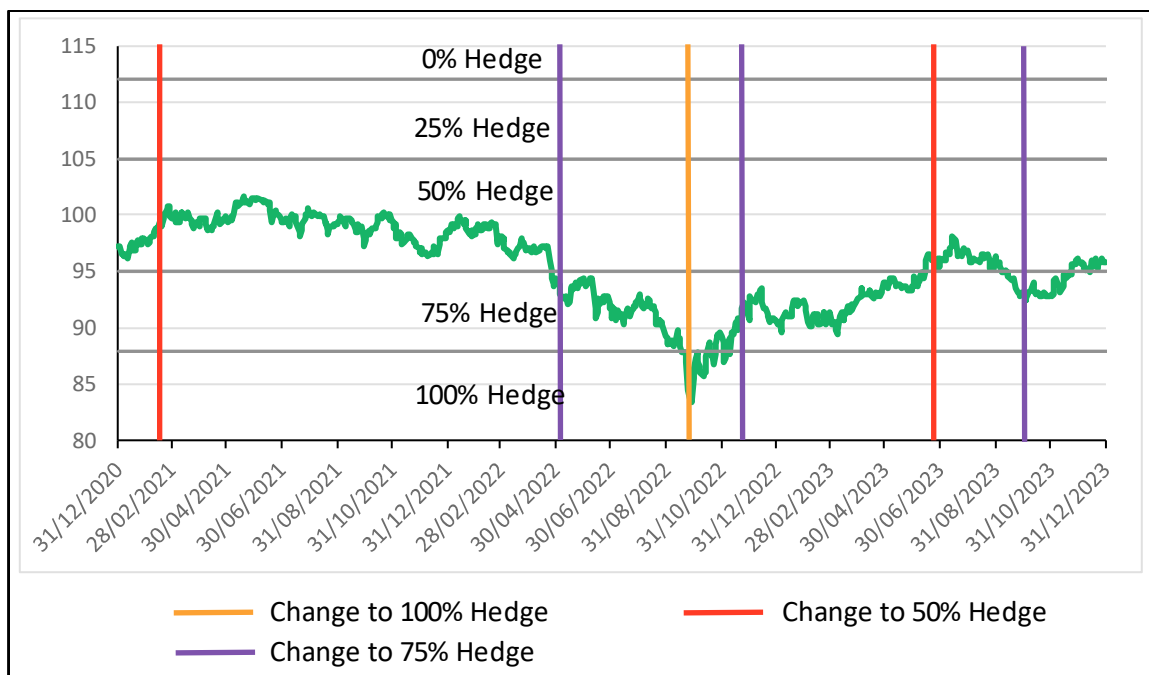
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- a) The Sterling Corporate Bonds and Multi-Asset Credit portfolios have both delivered a positive return ahead of benchmark over the year to date, having previously struggled during the period of rapid increases in interest rates.
- b) Over the quarter, the Sustainable Equities and Emerging Markets portfolios performed above benchmark, but all the active equity portfolios have underperformed against benchmark over both the current financial year to date and over the three year period. Over the medium term, underweights on the big seven tech stocks and on the energy sector have detracted from performance across the equity portfolios. The last quarter performance has been more impacted by individual stock selection, rather than macro-economic factors.
- c) Infrastructure was the other significant area of relative underperformance over the quarter. Rising interest rates have impacted on both Infrastructure and Private Equity, as they have fed through to an increase in the cost of capital, most obviously in debt funding costs. This has impacted on valuations to some extent, while the use of an inflation plus benchmark for Infrastructure has contributed to the underperformance given the continuing high level of inflation.
- d) Both UK and International Property have seen negative returns over the year to date during a period where property markets in general have fallen. But both are ahead of their respective benchmarks over both the financial year to date and the three year period.

Currency Hedging

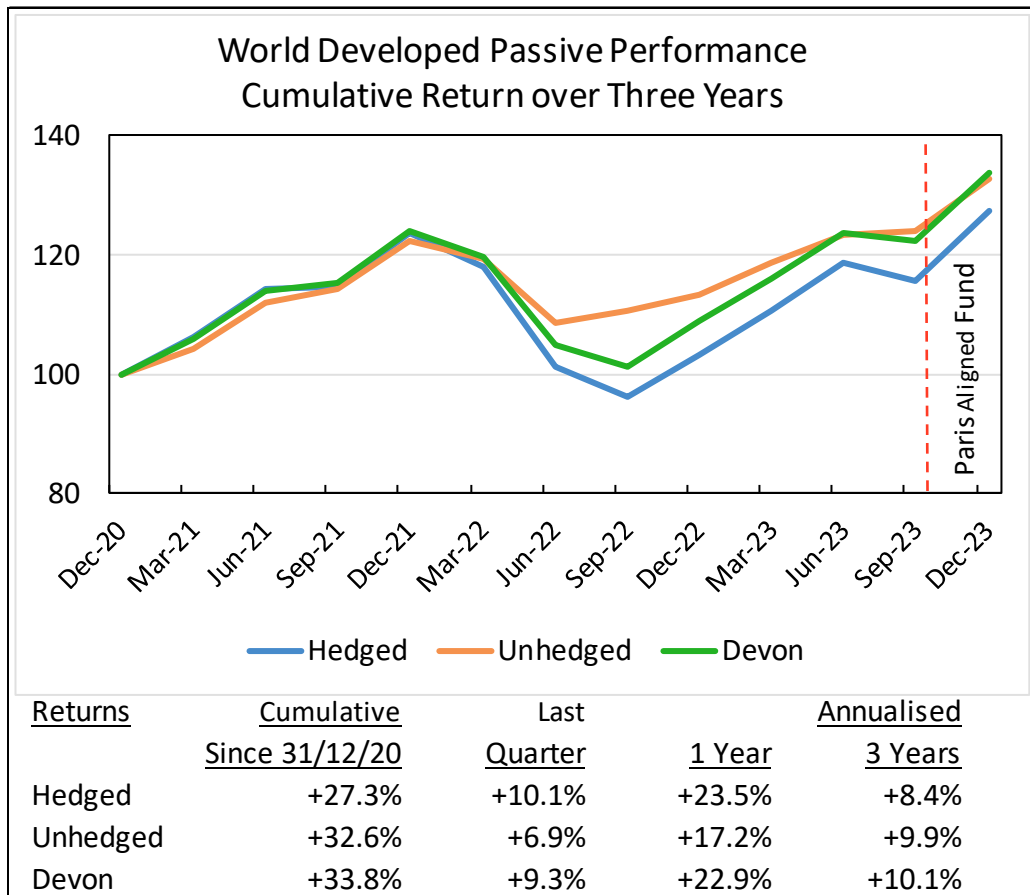
- e) The following graph shows the value of Sterling against a weighted average of the other major currencies, over the three years to 31 December 2023. The currency strategy agreed by the Committee is to increase or decrease the hedge ratio on the Fund's global passive equity funds based on the ranges as shown on the chart. The middle (base 100) position reflects a weighted average of £1 = \$1.40, £1 = €1.15 and £1 = ¥150.

Value of Sterling v. Weighted Average of US Dollar, Euro and Yen



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- f) Previously, the currency hedging strategy was applied to the Global Developed Passive allocation. Following the consolidation of the passive allocation into the Global Developed Paris Aligned Benchmark (PAB) fund, the strategy has now been applied to the PAB allocation. The dotted line in the chart below marks the date of transition, and the return figures represent the returns of the Global Developed Passive funds up to 31 October and the Paris Aligned funds (hedged and unhedged) thereafter.
- g) The hedge ratio had increased to 75% at the end of September, after the pound had fallen to \$1.2207. The pound then rose to \$1.2747 as at the end of December. As a result of the increasing value of the pound, over the quarter the hedged portfolio delivered a higher return than the unhedged portfolio.
- h) Over the longer periods of one and three years the hedging strategy has delivered a better return than both a fully hedged or a fully unhedged portfolio. This is illustrated in the following chart.



4) Funding Level

The triennial actuarial valuation, as at 31 March 2022, carried out by the Fund Actuary, Barnett Waddingham, determined that the Devon Pension Fund had a funding level of 98.4%.

The Fund Actuary has provided a funding update, as at 31 December 2023, using the approach of rolling forward the data from the 2022 valuation, and updating it for subsequent investment returns, pension and salary increases. While it is not possible to assess the accuracy of the estimated liability as at 31 December 2023 without completing a full valuation, the results will be indicative of the underlying position.

- a) The returns over the period since the 2022 Triennial Valuation are shown in the following table.

Return since 31 March 2022 compared with Actuarial Assumption

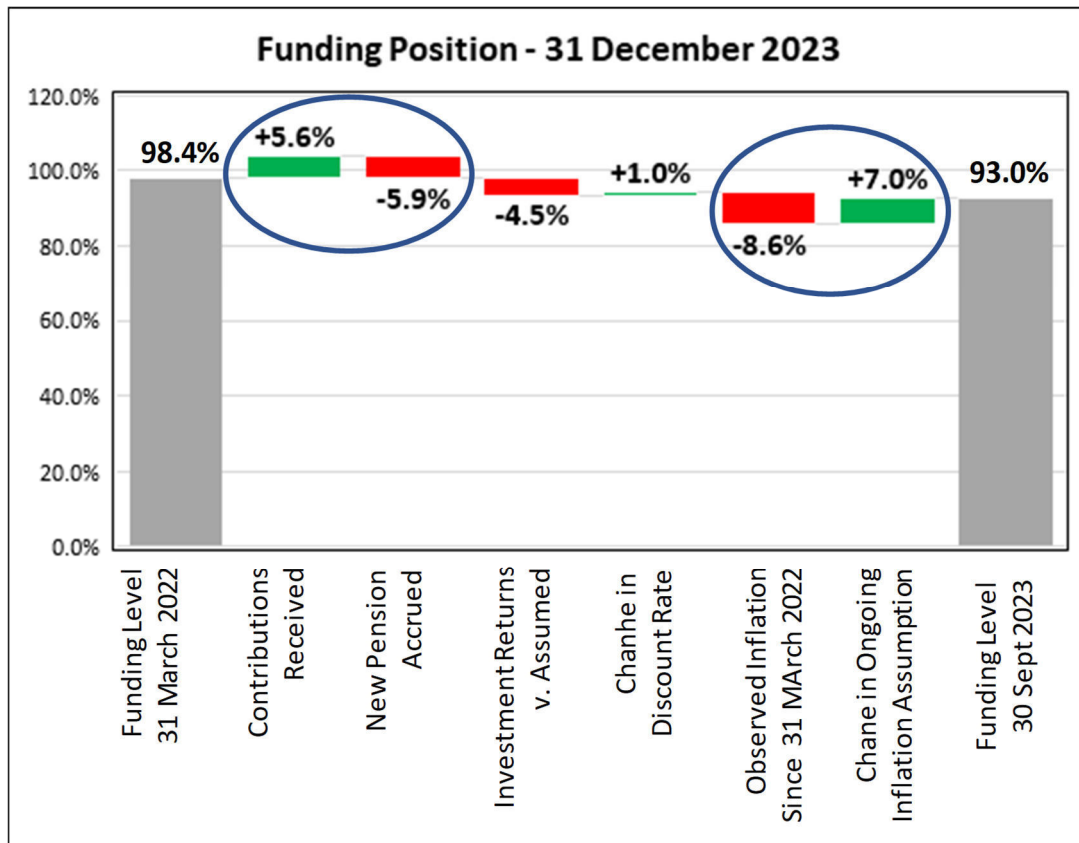
	Actuarial Assumption	Actual Return
2022/23	4.7%	-1.5%
2023/24	4.7%	5.2%
Return since 31/3/22 (annualised)	4.7%	2.1%

- b) The annualised investment return of +2.1% since March 2022 is well below the Actuary's assumption of a +4.7% return. This has a negative impact on the value of Fund assets and therefore on the funding level.
- c) The valuation of liabilities depends on the assumptions used by the Actuary, in particular those for pension and salary increases and the discount rate applied to liabilities. The assumptions used by the Actuary for the December 2023 funding update, compared with those used in the 2022 Triennial Valuation are shown in the following table.

Actuarial Assumptions	March 2022	December 2023
Pension Increases (CPI)	2.90%	2.43%
Salary Increases	3.90%	3.43%
Discount Rate	4.70%	4.79%

- d) The assumption for pension and salary increases has been reduced, but this is offset by the pension increase applicable from April 2023 and the increase that will be applicable from April 2024, which are now reflected as actual increases.
- e) The assumed discount rate going forward has also increased slightly. Other LGPS Funds, where their actuaries have based their discount rate on a margin above gilt yields, have seen significant improvements in funding levels due to the current elevated level of gilt yields. In some cases, discount rates in excess of 6% are being applied. However, it is thought that the discount rate used by Barnett Waddingham, based on the Fund's investment strategy, provides a more realistic view of the current funding position.
- f) The chart below shows the change in the estimated funding level between 31 March 2022 and 31 December 2023. The circled items show the effect of employer and employee contributions paid into the fund over the year offset by the additional pension liability accrued over the year, and then the impact of the April 2023 pension increase and the increase to be applied from April 2024, offset by the reduced inflation assumption going forward. The biggest impact is from the negative investment return during 2022/23 which has the effect of reducing the funding level by 4.5%.

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- g) In summary, the estimated funding level as at 31 March 2023 is 93.0%, compared with the funding level as at the 2022 Triennial Valuation of 98.4%.

5) Budget Forecast 2023/24

Appendix 1 shows the income and expenditure for 2023/24 against the original budget forecast. The following points should be noted.

- a) Contributions income to date is ahead of the budget and is forecast to be higher than the original budget forecast for the year. There have also been a high number of transfers in processed during the year to date, and these are now forecast to be higher than the original budget.
- b) Pension lump sum payments have been higher than anticipated, and there have been more transfers out. These are both now forecast to be higher than the original budget forecast.
- c) Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. Income to date is ahead of budgeted income.
- d) The high actual expenditure to date on Peninsula Pensions is because the annual licence fee for the pension administration system is paid during the first quarter. In addition, the invoice for the quarter to December to the Somerset Pension Fund had yet to be issued. However, a small overspend of £60,000 is anticipated resulting from the IT updates required to implement the McCloud judgement.
- e) The invoiced investment management fees line represents the overhead costs of Brunel. All Brunel invoices for the year have now been paid with a small underspend of £16,000. All other fees are taken directly from the funds and are charged based on

Agenda Item 8

a percentage of the value of the assets under management. No significant variances are expected at this stage, but much will depend on asset performance over the rest of the financial year.

- f) Transaction costs for the year to date are higher than expected, to some extent reflecting initial costs in relation to new private market fund commitments, particularly private equity. The forecast for the year has been increased to reflect that.
- g) Oversight and Governance costs are anticipated to be broadly in line with the budget forecast, with small variances on actuarial costs and performance measurement. The pattern of expenditure on these headings will be variable across the year depending on when charges are raised.

6) Cash Management

The following table shows that the unallocated cash on deposit, as at 31 December 2023, was £164.2 million, plus \$1.7 million in US Dollars. At 31 January, the cash on deposit was little changed at £167.6 million, plus \$4.5 million in US Dollars. A higher proportion of the cash was held in immediately available funds, in anticipation of a £42 million capital call from the Greencoat Wessex Gardens Fund.

As agreed at the September meeting of the committee, a higher level of cash is currently being held, given that rates of between 5% and 6% can now be achieved.

Cash on Deposit

Type of Deposit	Maturity period	Actual as at 31/12/23	Average Interest Rate	Current as at 31/01/24	Average Interest Rate
GBP Deposits		£m	%	£m	%
Call and Notice Accounts	Immediate	39.2	5.31	67.6	5.26
	35 Day Notice	0.0		0.0	
Term Deposits	<30 Days	0.0		0.0	
	>30 Days	125.0	5.62	100.0	5.68
TOTAL GBP		164.2	5.55	167.6	5.51
USD Deposits		\$m	%	\$m	%
Call and Notice Accounts	Immediate	1.7	5.44	4.5	5.40

Points to note:

- a) The weighted average rate being earned on GBP cash deposits, as at 31st December 2023, was 5.55%. Given that rates have now stabilised, the average rate was little changed at the end of January.
- b) The deposits in place during 2023-24 have fully complied with the Fund's Treasury Management and Investment Strategy.

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7) Voting and Engagement

As a responsible investor, the Fund should report regularly on its engagement activity. The Devon Pension Fund is committed to responsible stewardship and believes that through stewardship it can contribute to the care, and ultimately long-term success, of all the assets within our remit.

Each year the Financial Reporting Council (FRC) publishes a list of asset owners and asset managers who are accredited signatories to the UK Stewardship Code, which sets high standards for how asset owners should fulfil their responsibilities as owners of the assets they hold.

During February we have been notified that the Devon Pension Fund has been re-accredited as signatories to the Code for the third consecutive year on the basis of its stewardship activity and reporting in 2022/23. The outcome letter commented that there had been improvements in reporting compared to the previous year. It also noted some minor areas for further improvement which will be addressed in the 2023/24 Annual Report.

Voting and engagement are delegated to the Brunel Pension Partnership for the actively managed equity portfolios and to Legal and General Investment Management (LGIM) for the passive portfolios. On significant issues, Brunel may request that their shares held by LGIM are split out and a different vote made. The voting records of Brunel and LGIM at company meetings held over the last quarter are summarised in the following table.

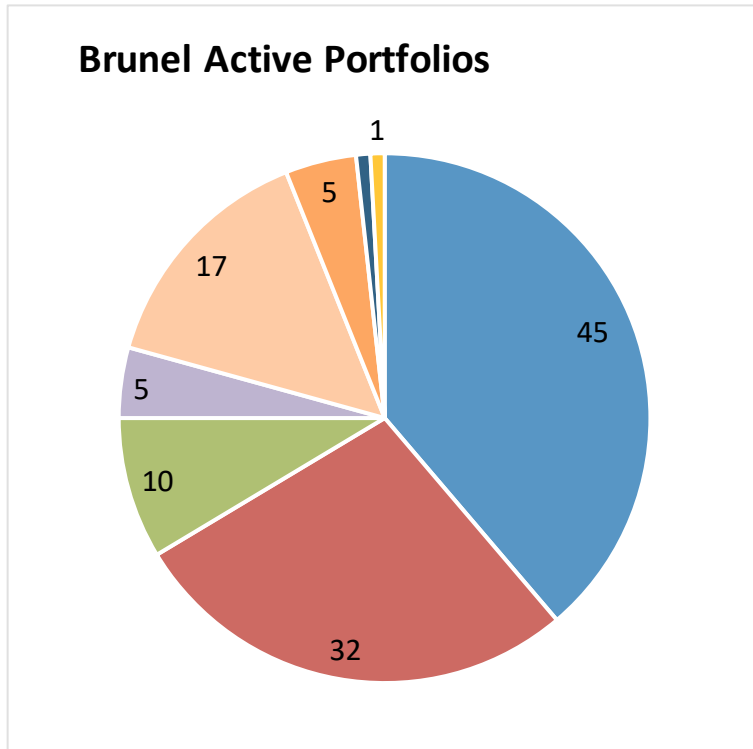
Votes Cast at Company Meetings in the quarter to 31 December 2023

Manager	Quarter to 31 December 2023		
	Number of Meetings	Number of Resolutions	Votes against management recommendation
Brunel / LGIM Passive Portfolios	61	653	171
Brunel - Active Portfolios	101	630	116

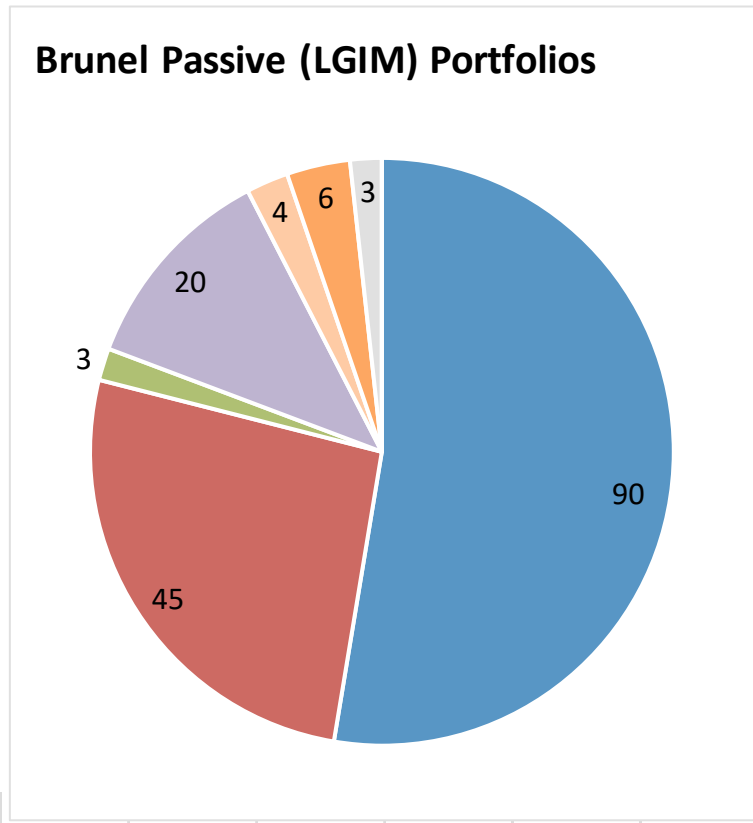
Points to note:

- a) Brunel and LGIM actively vote the shares held within their funds on behalf of their client funds, including Devon.
- b) The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Devon Fund would expect that the votes against management should be primarily on the priority areas set out in the Fund's Investment Strategy Statement. An analysis of the issues where votes have been cast against management recommendations is set out below.

Votes against management recommendation by issue Quarter to 31 December 2023



- Board stucture
- Remuneration
- Shareholder resolutions
- Capital structure and dividends
- Amend articles
- Audit and accounts
- Investment, mergers and acquisitions
- Other



- Director Related
- Remuneration
- Capital Structure and Dividends
- Audit and accounts
- Environmental/Climate
- Social/Human Rights/Diversity
- Corporate Governance
- Restructuring/M&A
- Other

c) The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), who undertake engagement activity on behalf of their member funds. Where significant issues arise on the agendas of company meetings, LAPFF will issue

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voting alerts, with recommendations on how to vote. The Devon Fund will then pass on these recommendations to Brunel and ask them to report back on how they have voted. We only received one voting alert during the quarter, related to BHP Billiton, which was not held in any of our portfolios at the time of the AGM.

- d) We also received representations from a fund member in relation to the Microsoft AGM held on 7th December, asking us to support two shareholder resolutions, one related to reporting on human rights, and one around the risks of Artificial Intelligence (AI). These are summarised in the table below:

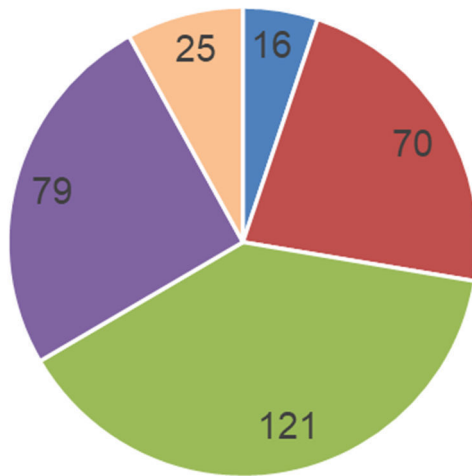
Microsoft AGM Shareholder Resolution Votes

Resolution	LGIM (Passive) Vote	Brunel (Active) Vote	Rationales
Report on Risks of Operating in Countries with Significant Human Rights Concerns	For	For	A vote FOR this proposal was warranted. Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.
Report on Risks Related to AI Generated Misinformation and Disinformation	Against	For	Brunel supported the resolution as the proposal promoted better management of ESG opportunities and risks and promoted transparency. LGIM applied a vote against this resolution as they considered that at the present time the company is a leader in its disclosures, governance processes and mitigation steps it is taking on risks posed by its operations from generative AI.

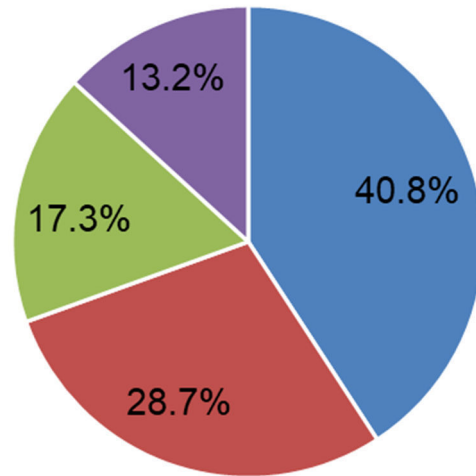
- e) Neither resolution was approved at the AGM. The human rights item gained 33.6% support from shareholders; the AI resolution was supported by 21.2% of shareholders.
- f) Brunel conduct significant engagement with investee companies on behalf of the Devon Fund and other clients. A breakdown of the engagement undertaken over the last quarter is summarised in the following charts:

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Number of Companies Engaged With, By Region



Breakdown of Issues Engaged On



● United Kingdom
● Europe
● North America
● Asia/Pacific
● Emerging Markets

● Environmental
● Social and Ethical
● Governance
● Strategy Risk and Communication

- g) More details on Brunel's engagement can be found in their quarterly report.
- h) The LAPFF quarterly engagement report for the quarter to 31 December is attached at Appendix 2 to this report. Highlights include:
- An overview of the 2023 LAPFF conference, detailing discussions on various important topics including electric vehicle (EV) supply chains and the biodiversity crisis.
 - A continued push on the 'Say on Climate' initiative, aimed at encouraging more companies to present their climate transition plans for shareholder voting.
 - Active engagement with insurance companies regarding climate change, which included meetings with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An.
 - Engagement efforts focused on mining and human rights, particularly with Grupo Mexico and Glencore. This included organising a seminar for investors featuring communities from Colombia and Peru impacted by Glencore's mining projects.
 - Discussions with German technology giant SAP to address the management of adverse human rights impacts, including issues of discrimination, arising from advancements in artificial intelligence (AI) technologies.
 - Issuance of a voting alert concerning BHP, highlighting concerns over the company's climate-related practices and its corporate culture regarding human rights.
 - Continued engagement with The Home Depot through the Investor Alliance for Human Rights' Uyghur Working Group, aimed at addressing the company's response to allegations of Uyghur forced labour within its supply chains.

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- Meeting with the chair of Barclays to gain insight into the company's efforts to enhance its corporate governance in light of allegations associated with its former executive and Jeffrey Epstein.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Appendix 1

Devon County Council Pension Fund Budget Forecast 2023/24

	Actual 2022/23 £'000	Original Forecast 2023/24 £'000	Actual to 31 Dec 2023/24 £'000	Revised Forecast £'000	Variance 2023/24 £'000
Contributions					
Employers	(141,245)	(165,000)	(132,945)	(180,000)	(15,000)
Members	(49,905)	(52,000)	(39,711)	(52,000)	0
Transfers in from other pension funds:	(13,253)	(14,000)	(17,962)	(20,000)	(6,000)
	<u>(204,403)</u>	<u>(231,000)</u>	<u>(190,618)</u>	<u>(252,000)</u>	<u>(21,000)</u>
Benefits					
Pensions	176,799	200,000	146,736	200,000	0
Commutation and lump sum retirement benefits	27,720	30,000	26,032	33,000	3,000
Lump sum death benefits	3,826	4,000	4,262	4,000	0
Payments to and on account of leavers	981	1,000	723	1,000	0
Transfers Out	9,140	10,000	10,296	12,000	2,000
	<u>218,466</u>	<u>245,000</u>	<u>188,049</u>	<u>250,000</u>	<u>5,000</u>
Net Withdrawals from dealings with fund members	14,063	14,000	(2,569)	(2,000)	(16,000)
Investment Income	(39,113)	(40,000)	(32,873)	(40,000)	0
Administrative costs					
Peninsula Pensions	2,602	2,864	2,934	2,924	60
	<u>2,602</u>	<u>2,864</u>	<u>2,934</u>	<u>2,924</u>	<u>60</u>
Investment management expenses					
External investment management fees - invoiced	1,511	1,650	1,634	1,634	(16)
External investment management fees - not invoiced	21,602	24,000	16,503	24,000	0
Custody fees	30	35	7	35	0
Transaction costs	1,980	1,800	3,135	3,500	1,700
Class Action Proceeds	0	0	0	0	0
Other investment management expenses	27	30	14	30	0
	<u>25,150</u>	<u>27,515</u>	<u>21,293</u>	<u>29,199</u>	<u>1,684</u>
Oversight and governance costs					
Investment & Pension Fund Committee Support	92	95	65	95	0
Pension Board	41	45	31	45	0
Investment Oversight and Accounting	388	420	243	420	0
Brunel Pension Partnership	20	10	0	10	0
Legal Support	37	30	4	30	0
Actuarial Services	107	40	98	70	30
Investment Performance Measurement	72	75	56	56	(19)
Subscriptions	58	61	16	61	0
Internal Audit fees	21	24	0	24	0
External Audit fees	47	50	(13)	50	0
	<u>883</u>	<u>850</u>	<u>500</u>	<u>861</u>	<u>11</u>
Total Management Expenses	28,635	31,229	24,727	32,984	1,755



Quarterly
Engagement
Report

October-December
2023



Say on Climate, National Grid, BP, UN Forum on Business and Human Rights, Rio Tinto



UPDATES

ACTION

LAPFF Conference

LAPFF held its 2023 annual conference in Bournemouth, covering a range of topics with a particular focus on climate-related issues. On the first afternoon, delegates heard from Richard Eadie and Simon Davy on how water companies can better deliver environmental value. This was followed by a discussion panel on how LGPS funds are managing climate-related financial risks. The first day closed with a review of the 2023 shareholder resolutions and a glimpse of the ones to come in 2024.

The second day kicked off with a discussion panel on the significance of proxy voting choices for investors in passive funds and the breakthrough introduction of passthrough voting. This allows asset owners to adopt their own

voting policies in pooled funds. Delegates then heard from asset managers on how they respond to the recent headline phenomenon of an ESG backlash. This was followed by a deep dive from Sir Philip Augar on whether investors should be concerned about the listing rules review.

The afternoon had a strong climate-related focus, opening with a discussion on how clean and equitable EV supply chains can be ensured, an emerging area of importance in the endeavor to decarbonise. This was accompanied by a session on how nature-related risks and the biodiversity crisis are managed and tackled. Another session outlined the role of alternatives in the race to achieving net zero by 2050. Also in the afternoon,

delegates engaged in a poignant discussion on investors' role in ending modern-day slavery, highlighting the pressing need and methods to take action and make change.

The final morning of the conference opened with a session with economic commentator, Will Hutton, on the great pay divide between executives and employees, followed by a discussion on the Living Wage with a representative from the Living Wage Foundation. This was followed by a presentation from LGA adviser, Barry Quirk, on levelling up. The conference closed with an inspirational story by Dave Fishwick about his journey to creating the Bank of Dave to help local businesses and communities in the wake of the 2008 financial crisis.

COMPANY ENGAGEMENTS

CLIMATE ENGAGEMENTS

LAPFF engages on climate change through both policy and company engagement channels. This dual approach is necessary to ensure that companies have an enabling environment to promote their climate change mitigation and adaptation work.

Say on Climate

Objective: Despite the significant investment risks of climate change, investors are not provided with a specific vote by investee companies on how they are seeking to decarbonise their business models. Against the backdrop of growing climate risks, rising expectations from investors for companies to outline their climate strategy, continued ratcheting up of climate regulations and emerging recommendations from the Transition Plan Taskforce, LAPFF has been engaging companies for the past few years on putting their transition plans to a shareholder vote. Last quarter, LAPFF coordinated an investor letter to 35 FTSE companies in high emitting sectors requesting such a vote. The letter was signed by 18 other investors with around £1.8tn AUM.

Achieved: LAPFF has received substantive responses to the letter, with some companies outlining their approach to climate and stating that they are considering such a vote for their AGM next year. Some companies outlined previous votes and their intention to continue to hold similar votes in the future. However, others stated either that they did not plan to hold such a vote and engaged shareholders through other means or that while having a vote in the past, they did not have immediate plans to do so again.

In progress: Despite additional companies having transition plan votes, they are not standard practice and often absent at AGMs where climate risks are most acute. LAPFF will continue to work with other investors engaging companies on having transition plan votes to enable investors to have a specific say on the climate strategies of investee companies.

LAPFF's main company engagements on climate this quarter were with National Grid and BP.

National Grid

Objective: LAPFF, along with two other investors of CA100+ Working Group, Church of England and Northern Trust, has been seeking to improve National Grid's disclosure and accountability on direct and indirect lobbying. The CA100+ benchmark on National Grid places it below its peer companies under indicator 7 on lobbying. In June 2023, National Grid pledged to publish its trade association memberships and updated climate policy ahead of the next AGM. LAPFF therefore is seeking to ensure the company's disclosure is timely and of a high standard.

LAPFF has also been seeking to ensure the company is more transparent about its plans to support the energy transition and reducing grid connection. The objective was to encourage disclosure and to offer the opportunity to provide feedback on the company's approach in both respects. LAPFF also sought a separate climate meeting with the company and to write a lobbying letter to National Grid seeking disclosure of industry associations and an updated climate policy.

Achieved: In November, LAPFF together with the Church of England wrote to the company, stating expectations for its upcoming lobbying report.

At the end of November, LAPFF met the Chief Sustainability Officer of National Grid. In this meeting LAPFF asked for an update on the backlog of grid connections and an update on the transition plan. The recent change in regulations has enabled the backlog to start to be cleared. This has been a main concern as the average time between requesting a connection and being offered one has increased from 18 months in 2019-20 to 5 years in 2023, as reported by the company. The easing of regulations will allow the company to terminate projects not progressing and push projects which are ready to the front of the queue.

Given that the expected power to be generated from these held-up contracts is as much as 400 Gigawatts with connection dates of 2030 or later, this

change will help towards decarbonising the power systems by 2030. However, there is still a challenge in speeding up building necessary infrastructure to physically enable the grid connections. LAPFF will monitor the effect of lifting these regulations and how quickly the company clears the backlog and is also looking for clarity in its infrastructure development plans.

The meeting also discussed the new transition plan to be published next year. LAPFF welcomed the fact that this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to ensure the report is not only about reducing emissions but how the company can facilitate new infrastructure to be built, and its wider role in the energy transition. The company also recognised a challenge in reaching long-term targets of net zero by 2040 in absence of a pathway for gas distribution in the US.

In Progress: The release of the lobbying disclosure report next year in good time before the AGM is expected and will enable the Forum to assess the progress made in the company on this area. So far National Grid appears to be responding well.

LAPFF also expects the new transition report to be released and to address the points have raised here. A key outstanding issue is gas distribution in the US, where the company asserts the ongoing importance of gas networks to the business due to its existing infrastructure and cost efficiency and envisage both hybrid solutions and clean gas. To address this LAPFF will seek to understand the US energy market in more detail. On engagement specifics, LAPFF is organising a wider CA100+ meeting in January and will arrange some direct follow up meetings through 2024.

BP

Objective: With the surprise departure of Chief Executive Bernard Looney, LAPFF requested a meeting with the Chair, Helge Lund, to help ascertain whether that departure affected BPs climate commitments.

Achieved: LAPFF attended a meeting with Lund in November, where we were told that the departure of the CEO had

COMPANY ENGAGEMENTS

not changed BPs climate commitments.

In Progress: Since that meeting COP28 has strengthened the emphasis for solutions to the transition away from fossil fuels, which emerged as a last-minute compromise instead of the original goal to “phase out fossil fuels.” Prior commitments were in the form of far more malleable goals of “net zero by 2050” and complicating matters with Scope 1, Scope 2 and Scope 3 emissions. LAPFF’s policy for several years has been that fossil fuel components of businesses need to be put into managed decline.

With a closer match between COP and LAPFF policy, the emphasis on phase out will be the focus of BP and other oil and gas companies. Scope 3 emissions, originating from the products sold by fossil fuel companies, have been obfuscated by a focus on the comparatively minor Scope 1 and Scope 2 emissions, missing the obvious point that less Scope 3 extraction naturally leads to less Scope 1 and Scope 2.

Housebuilding also has a large impact on climate change. As part of an ongoing engagement with the sector, LAPFF met with **Persimmon** this quarter.

Persimmon

Objective: Minimising the investment risks associated with climate change involves decarbonising housing stock. Housebuilders therefore play an important role in reducing emissions as well as facing regulatory risks if they fail to prepare for higher energy efficiency and emissions standards. As part of LAPFF’s engagements with UK housebuilders, LAPFF seeks to ensure that adequate transition plans are in place. With the vast majority of emissions not coming from their own activities, the engagements focus on plans for decarbonising supply chains and decarbonising homes in use.

Achieved: LAPFF met with representatives from the FTSE100 housebuilder Persimmon. In the meeting LAPFF had an open discussion about target setting which covered issues around embodied carbon. The meeting covered transition planning and plans. The discussion touched on so-called hard to abate sectors within the supply chain, such as cement and offsetting,



Persimmon housing estate Suffolk, UK trial schemes for net zero homes, and engagement with smaller suppliers on the transition.

In progress: LAPFF will be following the development of housebuilders’ transition plans and delivering on the targets that they have set.

CLIMATE & INSURANCE

LAPFF has also re-started its 2020 engagement with insurance companies on their climate strategies and practices. After meeting with Munich Re last quarter to discuss the company’s progress on assessing its impact on climate change and integrating climate considerations into corporate strategy and operations, LAPFF met with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An to discuss the same issues. Given the interest of LAPFF members in natural resources – and specifically biodiversity – LAPFF also asked these insurers how they are addressing natural resources within their climate strategies.

While there has been some progress in insurers’ understanding of the need to assess their impacts on climate change in order to understand their climate-related business risks (otherwise known as double materiality), in LAPFF’s view there has not been enough progress on this front. In particular, insurers are focusing almost exclusively on their investment businesses in relation to climate mitigation. This approach makes sense at face value, but LAPFF would like

to see greater consideration given to the role the insurance products can play in mitigating climate change through setting societal expectations of risk.

All companies engaged are at the beginning of understanding the relationship between climate and natural resources and how to bring natural resources into business decision-making. Therefore, LAPFF will aim to engage with the remaining large insurance holdings before moving on its largest bank holdings under this engagement.

Because there is an increasing recognition of the impact that climate change has on natural resources, LAPFF has engaged a range of companies on their impacts on nature.

TJX Companies – Deforestation

Objective: As a retailer specialising in brand-name clothing, home goods, and outdoor products, TJX Companies is exposed to various commodities that potentially link to deforestation in its supply chain. However, it currently lacks a public deforestation policy and does not address this issue in its vendor code of conduct.

Achieved: LAPFF initiated a dialogue with TJX Companies and met with representatives for the first time to discuss the development of such a policy. The conversation began with an overview of the company’s sustainability priorities,

COMPANY ENGAGEMENTS

focusing on climate and energy, before shifting to the topic of deforestation.

In Progress: This marks the commencement of ongoing discussions with TJX, a company substantially held by LAPFF. The Forum aims to continue engaging with TJX to advocate for the benefits of imposing deforestation requirements on its vendors.

Nestlé – Regenerative Agriculture and Climate Change

Objective: In the context of the agri-food sector's shift towards more sustainable practices, LAPFF sought a meeting with Nestlé to assess and understand the integration of regenerative agriculture into its strategy. This includes understanding the company's specific goals, initiatives, and progress in implementing regenerative practices, as well as its contributions to climate change mitigation and biodiversity conservation.

Achieved: During LAPFF's meeting with Nestlé, the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions looked at how this would be incorporated into their broader climate strategy and covered biodiversity more widely. While the long-term efficacy of these actions is yet to be measured, the conversations indicated a strong commitment from Nestlé, although further evaluation will be required in the future to gauge the impacts of strategies.

In Progress: LAPFF will continue to engage with Nestlé, focusing on monitoring the implementation of their regenerative agriculture practices. LAPFF will also look more widely across the agri-food sector as others are incorporating this into their business strategies as new methods and technologies become available.

Chipotle – Water Stewardship

Objective: LAPFF has been engaged with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an



Chipotle Mexican Grill at Pineapple Commons, Stuart, Florida

ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant proportion of the company's suppliers operate in areas of water stress. LAPFF now considers it imperative that the company utilise the results of this risk assessment to set measurable and time-bound targets in order to reduce negative impacts on freshwater.

Achieved: In October 2023, CERES published a corporate benchmark assessing the water stewardship practices of 72 companies against the six Corporate Expectations for Valuing Water, including Chipotle. Chipotle underperformed relative to the quick service restaurant (QSR) peer group. LAPFF Executive member John Anzani met with the company in December to discuss progress in adopting a more ambitious approach to its water stewardship practices.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water Finance Initiative (VWFI) and will continue to engage with Chipotle on this basis during 2024. It is LAPFF's expectation that Chipotle leverages the work it has undertaken in mapping exposure to water stress in order to set ambitious targets, particularly given that during Q4 2023 the science-based targets network has released guidance for companies to set the relevant freshwater targets.

HUMAN RIGHTS ENGAGEMENTS

Similar to the climate space, human rights policy and practice must align for companies to be able to implement their human rights responsibilities. Legislation requiring mandatory human rights and environmental due diligence, including the imminent Corporate Sustainability Due Diligence Directive (also known as the 'CS triple D'), makes the need for this alignment pressing. LAPFF has taken a number of measures this quarter to work toward this alignment.

LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. LAPFF regularly undertakes various avenues of engagement on human rights, and will continue to seek in its engagements with both companies and investors to clarify this link. The goal is that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

UN Forum and Working Group on Business and Human Rights

On the policy front, LAPFF was again

COMPANY ENGAGEMENTS

invited to present its work at the UN Forum on Business and Human Rights in Geneva on 27 November. LAPFF's video about its visit to Brazil to see communities affected by tailings dams was selected for screening out of, reportedly, a huge number of potential options. The video was well-received, with attendees stating that they would share it with colleagues, clients, and law students to drive home the on-the-ground impact that mining companies can have on people in host communities.

LAPFF also submitted a response to a UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The goal of this consultation is exactly to push alignment between law and practice on human rights. One of the main points LAPFF made is that corporate and commercial legal frameworks must align with international human rights law principles, for example of joint ventures, to facilitate good corporate practice.

COMPANY ENGAGEMENTS MEETINGS

In terms of company engagements, **Glencore** and **Grupo Mexico** were companies of focus this quarter. LAPFF generally has at least an annual meeting with the Glencore Chair. This meeting was its second with Chair Kalidas Madhavpeddi. Although LAPFF had requested a meeting with CEO Gary Nagle to discuss both climate and human rights performance at Glencore, Mr. Madhavpeddi was accommodating and helpful. LAPFF asked about the company's engagement with affected communities, but Mr. Madhavpeddi did not share much on this front.

LAPFF subsequently held a seminar for investors with communities from Colombia and Peru who are affected by Glencore's Cerrejon and Antapaccay projects, respectively. It has also been in touch with IndustriALL representatives who worked with investors last year to bring a climate-related resolution to Glencore's AGM. LAPFF's view from speaking to these stakeholders is that in the coming year, Glencore is likely to be the target of a concerted union and community campaign because of its human rights and environmental practices. Therefore, LAPFF has reached out to the company for a follow up

meeting to discuss these stakeholder concerns and to push the company to build and disclose stronger stakeholder engagement mechanisms and climate practices.

TECHNOLOGY COMPANIES AND HUMAN RIGHTS

Objective: Governance of new technology is well recognised as an investment risk. However, such risks have come to the fore again with significant advances in AI technologies. Alongside the significant potential benefits of AI, it has the potential to adversely impact people's employment and creates human rights risks, not least around discrimination. These risks are often greatest at companies developing and selling AI services and products. As with other human rights risks, LAPFF expects technology companies to have due diligence policies in place to prevent negative impacts.

Achieved: LAPFF executive member Heather Johnson met with the German tech company SAP. The company faces specific risks related to AI, including products which support HR functions. The meeting covered how the company was managing the risks of adverse human rights impacts, including discrimination. The discussion covered identification of risks and the company set out the framework and processes it has in place for preventing negative impacts. The

Sonora, Mexico: 40,000 cubic meters of copper sulfate were spilled into a dam, property of Grupo Mexico

meeting also covered how the company had responded to the German Supply Chain Due Diligence Act.

In progress: AI is an emerging technology with risks likely to become greater and more complicated. LAPFF will continue to engage technology companies in how these risks are being managed to ensure appropriate frameworks and safeguards are in place.

RESPONSIBLE MINERALS – ELECTRIC VEHICLE MANUFACTURERS (FORD, RENAULT AND MERCEDES)

Objective: As highlighted, there is an increasing trend in international regulations to impose the responsibility for human rights due diligence on companies. These regulations highlight the electric vehicle industry's obligation to ensure ethical and sustainable practices, particularly in supply chains. This development is part of a broader global movement towards enhanced corporate accountability and transparency. Over recent years, LAPFF has consistently engaged with various electric vehicle manufacturers on this matter, advocating for improved due diligence and transparency as these regulations have evolved.

Achieved: LAPFF has maintained ongoing dialogues with Ford, Renault, and Mercedes, meeting with Ford and Renault for the second time, and with Mercedes for the third time on this



COMPANY ENGAGEMENTS

issue. All three companies have shown notable progress in their human rights management processes and efforts to comply with regulations, especially in the depth of their public reporting. Despite some areas still requiring improvement, it would appear they are more actively engaging with suppliers and pursuing ethical sourcing to meet international human rights standards.

In Progress: LAPFF will continue to monitor and seek engagement with those companies exposed to the various human rights risks associated with electric vehicles, which become ever more evident as production is scaled up.

COLLABORATIVE ENGAGEMENTS PRI ADVANCE

LAPFF continued its engagement with **Vale** and **Anglo American** through the PRI Advance human rights initiative, including through bringing investors in other PRI Advance groups into stakeholder engagement meetings on **Glencore**, **BHP**, and **Rio Tinto**. These initiatives are moving quite slowly, in part in LAPFF's view, because investors are generally less aware of and less attuned to human rights considerations than they are corporate governance and environmental issues. Therefore, they are still considering how best to engage companies on human rights, which tend to deal with 'soft' issues such as illegal discrimination and freedom of association rather than 'hard' issues like clear financial costs.

LONDON MINING NETWORK AND COMMUNITIES AFFECTED BY MINING

LAPFF continues to find great value in engaging with community groups affected by mining company operations. The meeting with communities affected by **Glencore** operations in Colombia and Peru was the first in-person meeting of this kind that LAPFF had held since the Covid pandemic. Most community meetings are online because affected community members tend to be in developing countries, and everyone has limited travel budgets (not least for climate reasons). However, LAPFF



workers stock the shelves at a Home Depot store

coordinated with London Mining Network to hold an in-person seminar which six investors attended. The Colombian and Peruvian community members shared the severe environmental impacts **Cerrejon** was having on its rivers and soil, which is leading to significant health concerns in both countries. A LAPFF representative also met with communities with continued concern about **BHP's** practices in Brazil.

LAPFF held online meetings with communities from Brazil and Mexico. LAPFF continues to engage with the community members with whom it visited in Brazil, particularly in relation to the reparations at **Samarco**-affected communities. Although over 100 houses have reportedly been built in one of the resettlements – **Bento Rodrigues** - these community members continue to be concerned that the quality of the houses is poor, and they report that they don't know who to contact at **Vale** or **BHP** to complain. Part of the problem is that the **Renova Foundation** CEO with whom LAPFF met in Brazil has been sacked but not replaced successfully. His immediate successor lasted two months, according to the community members. LAPFF is waiting to hear whether a permanent, successful CEO has now been appointed or whether the search continues.

In relation to Mexico, LAPFF was assured earlier in the year that **Grupo Mexico** had met its reparations obligations in relation to its 2014 tailings

pond leak in Sonora, Mexico. However, LAPFF was alerted by a community representative and a news article about a Mexican government lawsuit to reinstate the reparation fund due to inadequate reparations payments. LAPFF has tried three times this quarter to obtain a meeting with the company but has been met with silence. Meanwhile, LAPFF met with the community representative at the UN Forum on Business and Human Rights at the end of November to receive a further update on the case. It appears that LAPFF will now need to investigate options to escalate its engagement with **Grupo Mexico**, but it will need to do so in consideration of safety concerns for the affected communities.

In Progress: LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. Therefore, LAPFF will continue to seek in its engagements with both companies and investors to clarify this link so that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

INVESTOR ALLIANCE FOR HUMAN RIGHTS

LAPFF continued to work closely with the

COLLABORATIVE ENGAGEMENTS

Investor Alliance for Human Rights, both in relation to the Uyghur Group and in relation to conflict-affected and high-risk areas (CAHRA).

Investor Alliance for Human Rights – The Home Depot Inc

Objective: As a part of the Investor Alliance for Human Rights' Uyghur Working Group, LAPFF led on an engagement with The Home Depot, which was implicated in allegations of Uyghur forced labour in its luxury vinyl tile (LVT) flooring supply chains, with PVC derived from Xinjiang. LAPFF sought to understand how Home Depot responded to these allegations, and how the company has undertaken work to eliminate forced labour risks and comply with human rights standards.

Achieved: LAPFF, alongside other investors, met with Home Depot for a second time following reports in August that shipments of LVT from Asia were being blocked by US Customs, including those destined for Home Depot. During the call, LAPFF sought answers on what the company was doing to ensure that its company supply chain was free of forced labour, potential implications of bifurcation of supply chains, and what new methods Home Depot was implementing to have sufficient audit procedures in place.

In Progress: LAPFF will continue to monitor the company's approach to global human rights due diligence and seek further engagement in due course for updates on the issue, with a focus on the company's implementation of enhanced audit procedures.

CAHRA PILOT PROJECT

LAPFF was invited to join IAHR's CAHRA pilot project. The project has been initiated in part because of the escalation of conflicts globally, including in Ukraine, Nagorno Karabakh, and Israel and Gaza, which reignited this quarter. LAPFF had already been attending a number of IAHR webinars on this topic to understand better how to engage companies on CAHRA issues, so the opportunity to participate in this pilot is welcome, especially given LAPFF's engagements with companies operating in Russia,

Myanmar, and the Occupied Palestinian Territories.

VOTING ALERTS

LAPFF also issued a voting alert for BHP expressing concern that the company's rhetoric and practices on climate are not aligned and expressing concerns about the corporate culture in respect of human rights. BHP is currently the subject of potentially costly litigation in Brazil, the UK, and Australia in relation to its failings related to the Samarco tailings dam collapse alone. LAPFF continues to have serious concerns that the company is not taking appropriate accountability and responsibility for its human rights and environmental practices, and that this omission could lead to large financial losses for both the company and investors.

JUST TRANSITION ENGAGEMENTS

LAPFF's aim is to move away from siloed ESG engagements in recognition of the overlap between these three areas in pursuing a just transition. There are currently two dedicated work streams covering a just transition specifically, although the climate and human rights work by definition addresses just transition to a degree.

RIO TINTO SHAREHOLDER RESOLUTION

Within the quarter LAPFF explored the option of filing a just transition shareholder resolution at Rio Tinto's 2024 AGM requesting the company undertake independent water impact assessments at its mine sites. The proposed resolution sought to ensure that the company adequately assesses its impacts on water resources so that it can properly identify operational, reputational, legal, and consequently financial risks to the business and investors.

In the end, LAPFF did not file the resolution. LAPFF is currently in dialogue with Rio Tinto, and Rio Tinto has issued a water impact assessment in relation to its QMM operation in Madagascar. Although the company is not fully meeting the

resolution's request, LAPFF is encouraged that the company is willing to discuss how to move forward on the request and continues to be hopeful that the company will meet it. LAPFF is pursuing further dialogue with the company on this issue and will take a view after the 2024 AGM whether the resolution filing process needs to be resumed.

EQUINOR

As part of its involvement with World Benchmarking Alliance just transition initiative, LAPFF participated in a collaborative call with Norwegian energy company, Equinor. Equinor has a policy commitment to a just transition and the engagement provided a useful opportunity to discuss how the policy was being implemented. The meeting covered the company's approach to assessing and mitigating negative social impacts of the energy transition, governance of just transition issues, just transition planning and metrics and targets.

In Progress: As part of LAPFF's involvement in the WBA initiative, it will continue oil and gas companies on just transition plans. LAPFF will continue to engage mining companies on undertaking independent water impact assessments.

BOARD DIVERSITY ENGAGEMENTS

Objective: It is well-documented at this point, both in academic literature and in the corporate governance world, that board diversity improves corporate performance. Diversity covers a range of areas, including gender, cultural, and economic (for example workers on boards). Consequently, LAPFF engages companies on board diversity and composition as a matter of course to work toward improved financial returns across member portfolios.

Achieved: LAPFF is a long-standing member of the 30% Club Investor Group, which began with a focus on gender diversity and has now expanded its work to include racial diversity on boards. Over time, this group has also expanded from focusing on UK companies to engaging

COLLABORATIVE ENGAGEMENTS

companies in other countries. The latest round of engagements has been with a range of Asian companies, including KKR & Co and Shinhan Financial Group.

LAPFF also questioned Glencore on its board composition this quarter. The company has a small board compared to its peers in the mining sector, and LAPFF wondered if its small size allowed for enough diversity of views. Although three of the eight board members are female, LAPFF is also looking, for example, for board members with backgrounds in climate change and human rights who are sufficiently independent to challenge the board on its climate, human rights, and internal controls systems, especially given the corruption challenges the company is continuing to face.

In Progress: Board diversity is a continuing workstream for LAPFF, as it pushes companies to move from merely appointing certain numbers of diverse board members to truly considering and integrating their views into company strategy and practice. This objective relies on cultural change which takes a long time to achieve so is something at which LAPFF chips away each quarter on different fronts. LAPFF has also secured a meeting with KKR & Co for Q1 or 2024 to discuss diversity targets.

GOVERNANCE ENGAGEMENT

Barclays

Objective: In October, former Barclays executive Jes Staley was banned by the FCA from holding senior positions in financial services and charged with a £1.8m fine for allegedly misleading the watchdog about his past relationship with convicted sex offender Jeffrey Epstein. In turn, LAPFF felt it imperative to engage with Barclays to discuss learnings from this tumultuous episode and sought to see actions the bank had taken to strengthen corporate governance at both board and management level.

Achieved: LAPFF met with the Chair of Barclays, Nigel Higgins, at the end of October. The Chair openly discussed the event and actions the bank had taken, including freezing deferred bonuses

to Stanley at the time of investigation. The company stated it has strengthened their board recruitment practices and remained vigilant. However, LAPFF will be monitoring the governance going forward. More widely, LAPFF requested an update of Barclays's climate policy and have arranged to have a specific meeting on this topic separately.

In Progress: Following the recent board changes earlier this year at Barclays, including the appointment of new executives, LAPFF will continue to watch the corporate governance nominations and succession plans of the company board. LAPFF maintains a cordial dialogue with the chair and aims to continue engaging on this topic.

PUBLIC HEALTH ENGAGEMENT

FAIRR Initiative's Restaurant Antibiotics Engagement – Restaurant Brands International (RBI)

Objective: FAIRR's Restaurant Antibiotics engagement focuses on reducing the use of antibiotics in protein supply chains. This initiative involves companies within the fast-food and casual dining sector, with the aim of mitigating the risks associated with antibiotic resistance due to the overuse of antibiotics in livestock. The objective is to safeguard public health.

Achieved: LAPFF joined a call with FAIRR and other investors with Restaurant Brands International (RBI). As a first call with the company, investors shared key asks of the engagement and pushed for enhanced transparency on the company's efforts to reduce antibiotics in its supply chain.

In Progress: LAPFF signed onto a series of letters sent by FAIRR and will seek to join meetings as appropriate when they become available. LAPFF is also hoping to continue supporting engagement with RBI as the dialogue develops.

Taskforce on Social Factors

LAPFF's chair is a member of the Taskforce on Social Factors, which was established by the DWP with cross-departmental and multi-regulator involvement. The taskforce was established to outline how trustees could and should address social risks and opportunities. Specifically, the group has looked at the materiality of such issues, data on social factors, and the actions pensions funds can take. During the quarter, the group's initial findings were published for consultation. Within the report a series of recommendations were set out to pension trustees, the investment industry, regulators, government, civil society and businesses.

MEDIA COVERAGE

ESG Investor: [ESG Overload – ESG Investor](#)
Room 151: [LAPFF alongside other investors call for climate vote at high-emitting companies – Room 151](#)
IPE: [Investors coalition creates platform to strengthen human rights stewardship | News | IPE](#)
The Point: [Global perspective: is ESG paying lip service to human rights? | The Point ESG News](#)
Environmental Finance: [CCLA, LAPFF call for climate votes at 'high-emitting' sectors](#)
Pensions & Investments: [U.K. investors turn up the heat on boards for climate transition plans](#)
Sustainable Times: [Investors Managing £1.8 Trillion Rally for Climate Strategy Votes at Upcoming FTSE 350 AGMs](#)
IPE: [Investor group calls for climate vote at high-emitting companies](#)
Net zero investor: [£1.8trn investors call for climate vote at high-emitting companies](#)
Funds- Europe.com: [Investors seek climate votes at high-risk firms](#)
Pensions Age Magazine: [Investor group calls for climate vote at high carbon emitting FTSE 350 firms](#)
TheMJ.co.uk: [Council pension funds call for climate vote](#)
LocalGov.co.uk: [Council pension funds call for climate vote](#)
Investment Week: [Investors overseeing £1.8tn in assets call for AGM votes on climate transition plans](#)

COMPANY PROGRESS REPORT

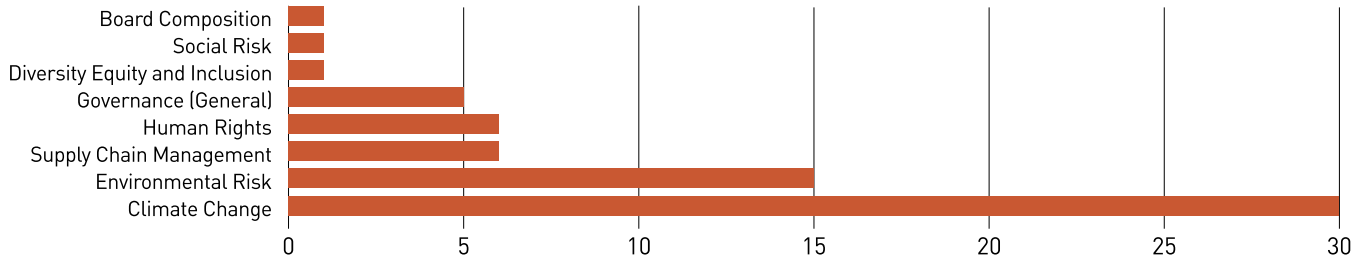
44 companies were engaged over the quarter.

Company/Index	Activity	Topic	Outcome
Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Meeting	Environmental Risk	Dialogue
ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
AVIVA PLC	Meeting	Climate Change	Dialogue
AXA	Meeting	Climate Change	Moderate Improvement
BAE SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
BAKKAVOR GROUP PLC	Received Correspondence	Climate Change	Dialogue
BARCLAYS BANK PLC	Meeting	Governance (General)	Dialogue
BARCLAYS PLC	Received Correspondence	Climate Change	Dialogue
BP PLC	Meeting	Governance (General)	Dialogue
CENTAMIN PLC	Received Correspondence	Climate Change	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Change in Process
CRH PLC	Received Correspondence	Climate Change	Dialogue
EASYJET PLC	Received Correspondence	Climate Change	Dialogue
ENERGEAN PLC	Received Correspondence	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Sent Correspondence	Social Risk	Awaiting Response
FORD MOTOR COMPANY	Meeting	Supply Chain Management	Dialogue
FRESNILLO PLC	Received Correspondence	Climate Change	Dialogue
GLENCORE PLC	Meeting	Board Composition	Dialogue
HARBOUR ENERGY PLC	Received Correspondence	Climate Change	Dialogue
HSBC HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
INTERNATIONAL DISTRIBUTIONS SERVICES PLC	Sent Correspondence	Governance (General)	Awaiting Response
JOHN WOOD GROUP PLC	Received Correspondence	Climate Change	Dialogue
KKR & CO INC	Received Correspondence	Diversity Equity and Inclusion	Small Improvement
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Dialogue
LLOYDS BANKING GROUP PLC	Meeting	Environmental Risk	Small Improvement
MERCEDES-BENZ GROUP AG	Meeting	Human Rights	Small Improvement
NATIONAL GRID GAS PLC	Meeting	Climate Change	Dialogue
NATWEST GROUP PLC	Received Correspondence	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Change in Process
PERSIMMON PLC	Meeting	Climate Change	Dialogue
PING AN INSURANCE GROUP	Meeting	Climate Change	Change in Process
PRUDENTIAL PLC	Meeting	Climate Change	Change in Process
RENAULT SA	Meeting	Supply Chain Management	Moderate Improvement
RESTAURANT BRANDS INTERNATIONAL INC	Meeting	Supply Chain Management	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	No Improvement
ROLLS-ROYCE HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
SANOFI	Received Correspondence	Environmental Risk	Substantial Improvement
SAP SE	Meeting	Human Rights	Dialogue
SHELL PLC	Received Correspondence	Climate Change	Dialogue
STANDARD CHARTERED PLC	Received Correspondence	Climate Change	Dialogue
THE HOME DEPOT INC	Meeting	Supply Chain Management	Moderate Improvement
THE TJX COMPANIES INC.	Meeting	Environmental Risk	Small Improvement
TI FLUID SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
VALE SA	Meeting	Human Rights	Dialogue

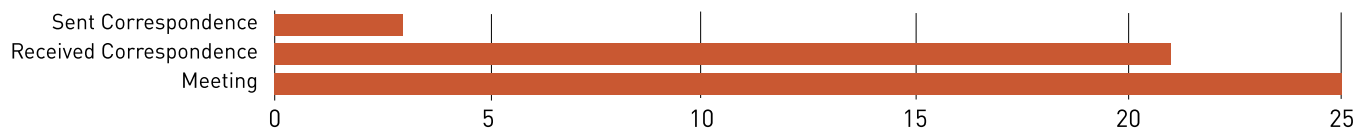
Agenda Item 8

ENGAGEMENT DATA

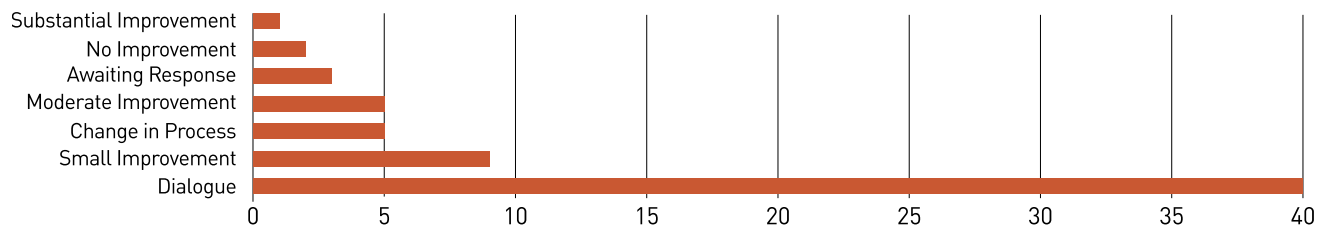
ENGAGEMENT TOPICS



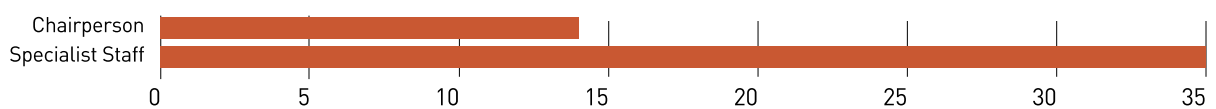
ACTIVITY



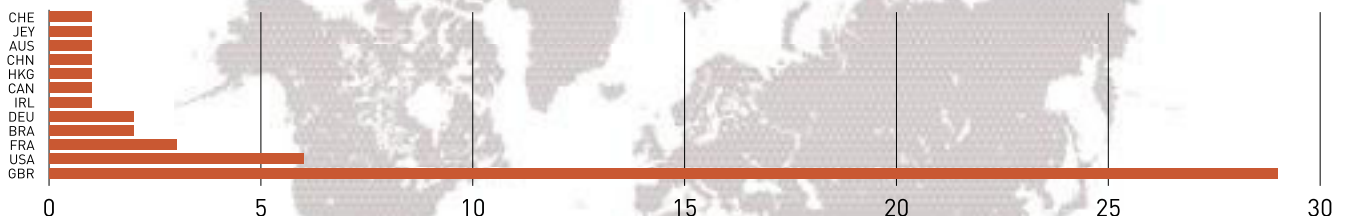
MEETING ENGAGEMENT OUTCOMES



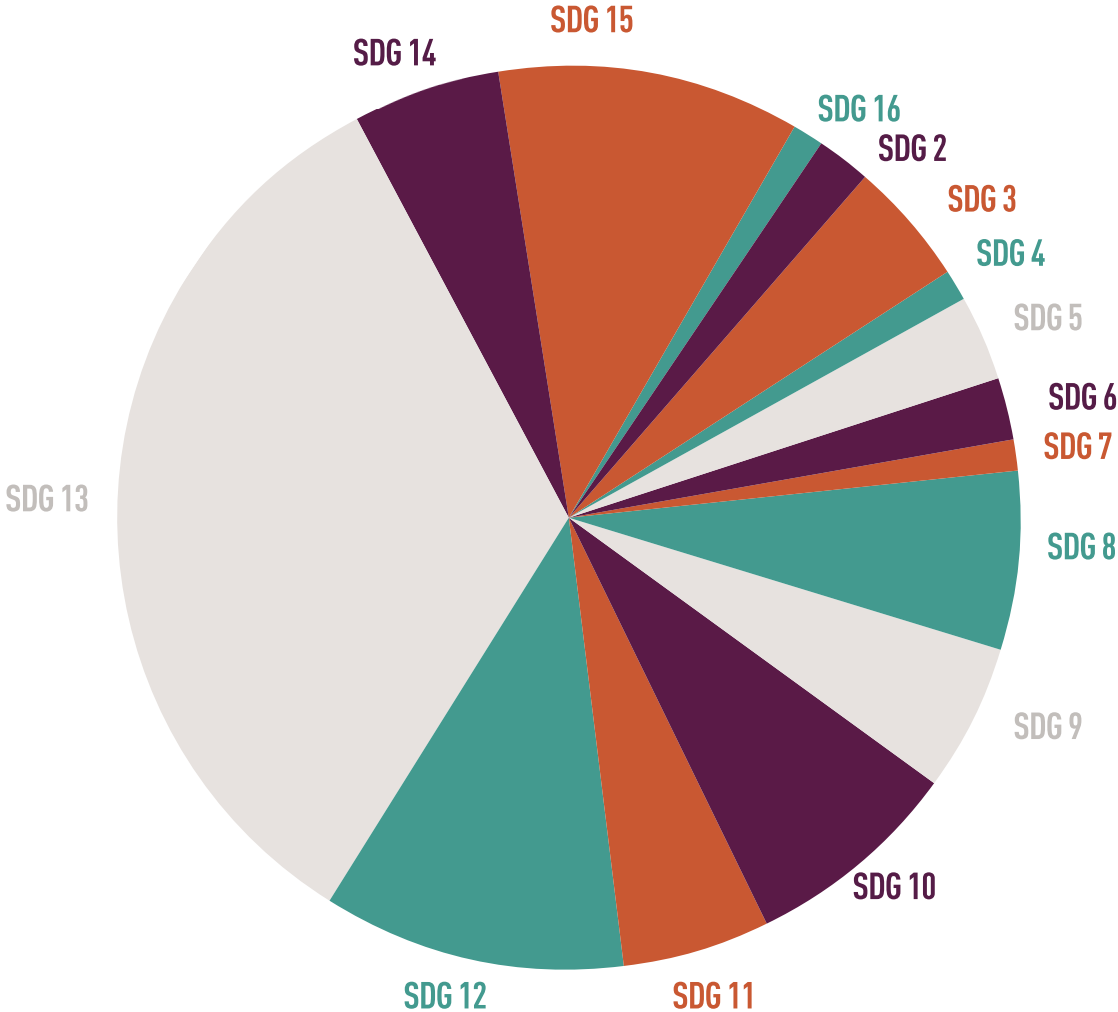
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	3
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	6
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	7
SDG 11: Sustainable Cities and Communities	5
SDG 12: Responsible Production and Consumption	10
SDG 13: Climate Action	31
SDG 14: Life Below Water	5
SDG 15: Life on Land	10
SDG 16: Peace, Justice, and Strong Institutions	1
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

Agenda Item 8

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lapfforum.org

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Enfield Pension Fund	London Pension Fund Authority	Swansea Pension Fund
Barking and Dagenham Pension Fund	Environment Agency Pension Fund	Lothian Pension Fund	Teesside Pension Fund
Barnet Pension Fund	Essex Pension Fund	Merseyside Pension Fund	Tower Hamlets Pension Fund
Bedfordshire Pension Fund	Falkirk Pension Fund	Merton Pension Fund	Tyne and Wear Pension Fund
Berkshire Pension Fund	Gloucestershire Pension Fund	Newham Pension Fund	Waltham Forest Pension Fund
Bexley (London Borough of)	Greater Gwent Pension Fund	Norfolk Pension Fund	Wandsworth Borough Council Pension Fund
Cambridgeshire Pension Fund	Greater Manchester Pension Fund	North East Scotland Pension Fund	Warwickshire Pension Fund
Camden Pension Fund	Greenwich Pension Fund	North Yorkshire Pension Fund	West Midlands Pension Fund
Cardiff & Glamorgan Pension Fund	Gwynedd Pension Fund	Northamptonshire Pension Fund	West Yorkshire Pension Fund
Cheshire Pension Fund	Hackney Pension Fund	Nottinghamshire Pension Fund	Westminster Pension Fund
City of London Corporation Pension Fund	Hammersmith and Fulham Pension Fund	Oxfordshire Pension Fund	Wiltshire Pension Fund
Clywd Pension Fund (Flintshire CC)	Haringey Pension Fund	Powys Pension Fund	Worcestershire Pension Fund
Cornwall Pension Fund	Harrow Pension Fund	Redbridge Pension Fund	
Croydon Pension Fund	Havering Pension Fund	Rhondda Cynon Taf Pension Fund	Pool Company Members
Cumbria Pension Fund	Hertfordshire Pension Fund	Shropshire Pension Fund	ACCESS Pool
Derbyshire Pension Fund	Hounslow Pension Fund	Somerset Pension Fund	Border to Coast Pensions Partnership
Devon Pension Fund	Islington Pension Fund	South Yorkshire Pension Authority	LGPS Central
Dorset Pension Fund	Kingston upon Thames Pension Fund	Southwark Pension Fund	Local Pensions Partnership
Durham Pension Fund	Lambeth Pension Fund	Staffordshire Pension Fund	London CIV
Dyfed Pension Fund	Lancashire County Pension Fund	Strathclyde Pension Fund	Northern LGPS
Ealing Pension Fund	Leicestershire Pension Fund	Suffolk Pension Fund	Wales Pension Partnership
East Riding Pension Fund	Lewisham Pension Fund	Surrey Pension Fund	
East Sussex Pension Fund	Lincolnshire Pension Fund	Sutton Pension Fund	

DF/24/26
Investment and Pension Fund Committee
1 March 2024

TREASURY MANAGEMENT STRATEGY 2024-25

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Committee be asked to adopt the Treasury Management Strategy for 2024/25 as set out in Appendix 1.

2) Introduction

- 2.1 In December 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a revised Code of Practice for Treasury Management and a revised Prudential Code. As a result, the Committee adopted the revised Devon County Council Treasury Management Policy and Practices as the overarching framework for the treasury management of the Pension Fund's cash allocation. No changes are proposed to these policies for 2024/25.
- 2.2 The policy requires the Investment and Pension Fund Committee to consider a treasury strategy report for the management of the Fund's cash allocation, setting out the strategy and plans to be followed in the coming year.

3) Treasury Management Strategy

- 3.1 The Treasury Management and Investment Strategy is shown in draft at Appendix 1. It sets out the current treasury position, cash investments, prospects for interest rates and the investment strategy.
- 3.2 The strategy is broadly consistent to that agreed for 2023/24 and is purely in relation to the management of cash, not the rest of the Fund's investments. Pension Fund cash balances are generally kept at a low level with the main purpose being to provide the required level of liquidity. However, given that rates of over 5% can now be achieved on cash investments, the Committee has agreed that higher levels of cash, up to 4% of the Fund, can be held pending the drawdown of private market commitments.

Agenda Item 9

4) Conclusion

- 4.1 The Committee is asked to approve the adoption of the Treasury Management Strategy for 2024/25.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Treasury Management Strategy 2024/25

Introduction

The Treasury Management Strategy sets out the Devon County Council Pension Fund's policies in relation to the management of the Fund's cashflows, its banking, money market and capital market transactions and investment strategies.

The Pension Fund has adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management in the Public Services. A revised Code of Practice was published by CIPFA in December 2021. As a consequence, a revised Treasury Management Policy Statement and a statement of 'Treasury Management Practices' (TMPs) consistent with those for Devon County Council were approved by the Investment and Pension Fund Committee in February 2022 as the overarching policy framework for the management of the Pension Fund's cash allocation. No changes are proposed for these policies for 2024/25.

This Treasury Management Strategy document sets out:

- The current treasury position, debt and investments;
- Prospects for interest rates; and
- The investment strategy.

Schedule of Investments

The following schedule shows the Pension Fund's fixed and variable rate investments as at 31 March 2023 and as at 31 December 2023 (current).

Table A – Schedule of Investments

	Actual 31.03.23 £'m	Interest Rate %	Current 31.12.23 £'m	Interest Rate %
GBP Deposits				
Fixed Rates				
Term Deposits < 365 days	15.00	4.22	125.00	5.62
365 days & >	0.00			
Variable Rate				
Call Accounts	0.00		1.39	5.15
Money Market Funds (MMFs)	44.70	4.08	37.77	5.32
All GBP Investments	59.70	4.12	164.16	5.55
USD Deposits				
Variable Rate				
Money Market Funds (MMFs)	1.10	4.91	1.67	5.44
All USD Investments	1.10	4.91	1.67	5.44

The Pension Fund's cash balance is generally kept at a low level sufficient to support cashflow, to ensure that pension payments are met and to fund investment commitments when required. The Fund's Investment Strategy Statement has a target 1% allocation in cash to meet these requirements. However, with interest rates now at over 5%, additional cash may be held up to 4% of the Fund as a low-risk investment pending the drawdown of that cash for private market investments. The remainder of the Pension Fund's investments are allocated to other asset classes beyond the scope of this treasury management strategy.

The recent investment performance of the Pension Fund's cash has improved as a result of rising interest rates, as the Bank of England has sought to contain inflation. The Bank of England continued to raise the base rate during 2023, taking it up to 5.25%, the highest level for 15 years. This has had an impact on the rates available for investment, which have gradually increased over the last two years.

Prospects for Interest Rates

Forecasting future interest rate movements even one year ahead is always difficult, and the current economic environment and recent volatility in rates has exacerbated this. The factors affecting interest rate movements are clearly outside the Council's control. Whilst short term rates are influenced by the Bank of England's Base Rate, long term rates are determined by other factors, e.g. the market in Gilts. Rates from overseas banks will be influenced by their national economic circumstances. The County Council retains an external advisor, Link Asset Services, who forecast future rates several years forward. Similar information is received from a number of other sources.

Having taken interest rates to their highest level in 15 years in August 2023, the Bank of England's Monetary Policy Committee (MPC) kept Bank Rate unchanged for a third consecutive time at its December meeting. With the market anticipating cuts in rates during 2024, the MPC concluded that was too early to conclude that services inflation or pay growth were firmly on a downward path.

Nevertheless, current market expectations, following this meeting and the previously released weaker than anticipated employment and growth figures, are for an initial cut in interest rates in early Summer 2024, followed by further cuts in rates during the Autumn.

The following table outlines current expectations for movements in the Bank of England's base rate.

Table B – Base Rate Forecasts

Base Rate	Dec (act) 2023	March 2024	June 2024	Sep 2024	Dec 2024	March 2025
Capita	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%
Capital Economics	5.25%	5.25%	5.25%	5.25%	4.75%	4.25%

Investment Strategy 2024/25 – 2026/27

The Devon Pension Fund continues to adopt a very prudent approach to counterparties to whom the Fund is willing to lend. As a result, only a small number of selected UK banks and building societies, money market funds and overseas banks in highly rated countries are being used, subject to strict criteria and the prudent management of deposits with them. The lending policy is kept under constant review with reference to strict criteria for inclusion in the counterparty list.

The Treasury Management Strategy will continue to be set to ensure a prudent and secure approach.

The Investment and Pension Fund Committee is required under the guidance in the CIPFA Treasury Management Code of Practice to approve an Annual Investment Strategy.

The overall aims of the Pension Fund's strategy continue to be to:

- Limit the risk to the loss of capital (security);
- Ensure that funds are always available to meet cash flow requirements (liquidity);
- Maximise investment returns (yield), consistent with the first two aims; and
- Review new investment instruments as they come to the Local Authority market, and to assess whether they could be a useful part of our investment process.

The overriding objective will be to invest prudently, with priority being given to security and liquidity before yield.

Under the Markets in Financial Instruments (MiFID II) directive, local authorities are now classed as retail clients by the Financial Conduct Authority (FCA). This has implications for the range of investments that are available to local authorities. While bank and building society deposits are unaffected by the regulations, some banks have determined that they will only take term deposits from professional clients, and a range of alternative forms of investments are only available to professional clients. However, if the local authority meets criteria set by the FCA, then it can apply to the financial institutions with which it wishes to invest to request that the institution concerned "opts up" the local authority to elective professional client status. The Pension Fund has made applications and been opted up to elective professional client status where required.

Those counterparties who have confirmed that they will treat the Pension Fund as a professional client under the MiFID II regulations are set out in Table C below.

Table C – Counterparties that have "opted up" the Council to elective professional client status

Counterparty	Counterparty Type
Blackrock	Money Market Fund
Aberdeen Standard	Money Market Fund
Insight	Money Market Fund

In addition, brokers Tradition, Tullett Prebon and Imperial Treasury, and our treasury advisors, Link Group, have opted up the Council and Pension Fund to professional client status. The majority of bank and building society deposits are unaffected by the MiFID II regulations. This list only includes those counterparties relevant to the Pension Fund's treasury management strategy and the management of cash. The Pension Fund has also opted up to elective professional client status with the external investment managers it uses as part of its wider investment strategy.

Subject to the MiFID II regulations, a variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Pension Fund to invest through its treasury management strategy, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Pension Fund to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down.

The Pension Fund has considered these alternatives but, given the wider investments of the Fund and the need for liquidity with respect to the Fund's cash, has concluded that these less liquid forms of investment should not form part of the Fund's treasury management strategy.

Security is achieved by the creation of an 'Approved List of Counterparties'. These are the banks, building societies, money market funds and other public bodies with whom we are prepared to deposit funds. In preparing the list, a number of criteria will be used not only to determine who is on the list, but also to set limits as to how much money can be placed with them, and how long that money can be placed for.

Banks are expected to have a high credit rating. The Council uses the ratings issued by all three of the major credit rating agencies, Fitch, Moody's and Standard & Poor's, made available to the Council through its external Treasury Advisors. These are monitored daily.

The lowest rating published by any of the agencies is used to decide whether an institution is eligible for inclusion. Where the counterparty is only rated by two of the major ratings agencies the lowest rating published by either of the two is used. This rating also determines the maximum amount which can be loaned to an individual counterparty. Non-Eurozone overseas banks that meet the criteria are included from countries with a high Sovereign rating.

The time length of all deposits with financial institutions will be managed prudently, taking account of the latest advice from the Council's external advisors.

Money Market Funds have a portfolio comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments. Many money market funds are now regarded as a more secure form of investment than bank deposits, as they diversify their investments across a range of financial institutions to spread the risk, and will therefore be used where appropriate.

Money market funds must have an 'AAA' rating to be included on the counterparty list. They may be CNAV (Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value) or VNAV (Variable Net Asset Value). Yields and prices will be monitored on a daily basis to ensure that there is minimal risk of loss of capital.

Appendix 1

The Pension Fund will also make use of the US Dollar money market fund used by the Fund custodian. Cash will only be held in US Dollars where distributions are received from investments denominated in the currency and pending drawdown of commitments to US Dollar denominated funds.

Other public sector bodies are principally arms of Government, or other local authorities, and although not rated are deemed suitable counterparties because of their inherent low risk.

The 'Approved List of Counterparties' specifies individual institutions and is formally reviewed at least monthly. Notification of credit rating downgrades (or other market intelligence) is acted upon immediately, resulting in any further lending being suspended.

The following Table D summarises the current 'Approved List' criteria.

Table D – Counterparty Approved List Summary

Counterparty Type	Fitch	Moody's	Standard & Poor's	Credit Limit
UK Banks with >30% UK Government ownership				
not below	A- & F1	A3 & P-1	A- & A-1	£50 million
Other UK Banks				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Building Societies				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
Overseas Banks				
Sovereign Rating	AAA	Aaa	AAA	
and not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
and not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Public Bodies				
Central Government				
– Debt Management Office				Unlimited
Local Government				
– County Councils				£10 million
– London Boroughs / Metropolitan Authorities				£10 million
– English Unitaries				£10 million
– Scottish Authorities				£10 million
– English Districts / Welsh Authorities				£5 million
Fire & Police Authorities				
				£5 million
Money Market Funds	AAA	Aaa	AAA	£30 million

Where the short term rating of a counterparty is one notch below the stated criteria, but the counterparty meets the long term rating criteria, they may still be used subject to the advice of our external advisors (Capita) who will take into account a range of other metrics in arriving at their advice.

The credit ratings shown in the table for banks and building societies allow for greater sensitivity in recognising counterparty risk. Liquidity in investments is the second key factor in determining our strategy. Funds may be earmarked for specific purposes, and this will be a consideration in determining the period over which the investment will be made.

The counterparty limits shown in the table also apply at a banking group level. This ensures that the Pension Fund is not exposed to the risk of having maximum sums invested in multiple institutions owned by a group that encounters financial difficulties.

Borrowing Strategy 2024/25 – 2026/27

The Pension Fund will not normally need to undertake borrowing. There may, however, on an exceptional basis be a requirement for short term borrowing to aid cashflow. If short-term borrowing is required, this will be targeted at an average rate of **5.25%**.

DFP/24/27
Investment and Pension Fund Committee
1 March 2024

ACTUARIAL AND INVESTMENT CONSULTANCY CONTRACT PROCUREMENT

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Committee be asked to note the outcome of the procurement exercise for a contract to provide actuarial services to the Devon Pension Fund for the period from 1 April 2024 to 31 March 2030.

2) Introduction

- 2.1 The Devon Pension Fund requires the professional services of an actuary in order to carry out the triennial actuarial valuation of the Fund and a variety of other tasks. The current contract is due to expire on 31 March 2024.
- 2.2 At the June 2023 meeting of the Investment and Pension Fund Committee it was resolved to undertake a joint procurement with the Somerset Pension Fund, using the LGPS National Framework for Actuarial Services, in order to award a new contract for the period from 1 April 2024 to 31 March 2030. A joint approach with the Somerset Fund was agreed as the benefits administration for both the Devon and Somerset funds is undertaken by Peninsula Pensions as a shared service.
- 2.3 This report sets out the process undertaken. The outcome of the procurement exercise will be reported orally at the meeting.

3) Procurement Process

- 3.1 The use of the LGPS National Framework means that an initial exercise had been undertaken on behalf of all LGPS funds to appoint providers to the framework. Individual funds can then use the framework to undertake a “mini-competition” between the providers appointed to the framework in order to award a contract.
- 3.2 Four providers under the National LGPS Framework were given the opportunity to participate in a mini-competition exercise, in accordance with the framework agreement. The specification for the mini-competition specified that submissions

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would be judged 80% on quality and 20% on price. Only two of the four providers submitted a tender.

- 3.3 Each submission was independently evaluated and awarded scores for quality by an evaluation panel comprising the Head of Investments, the Head of Peninsula Pensions and the Somerset Funds & Investments Manager, supported by the Devon County Council Procurement Team.

4) Conclusion

- 4.1 The outcome of the procurement process is still subject to due diligence checks. Subject to the completion of those checks it is anticipated that the outcome of the tender exercise will be reported orally at the meeting.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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DFP/24/28
Investment and Pension Fund Committee
1 March 2024

PENSION ADMINISTRATION STRATEGY - EMPLOYER PERFORMANCE

Report of the Director of Finance and Public Value

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

1) Recommendation

The Committee is asked to approve the revised Pension Administration Strategy.

2) Introduction

- 2.1 Peninsula Pensions (PP) collaborates with Employers to provide an excellent administration service for all scheme members. The Employer & Communication team's key role within PP is to offer training, support, and guidance to all employers to ensure that they are fully aware of their responsibilities and can meet them. Despite this, there are some employers that fail to engage with the team, resulting in numerous requests being made for information. This impacts both on the resource required by PP to deal with these requests, and the quality of service provided to scheme members.
- 2.2 The current pension administration strategy(PAS) sets out the timescales for provision of information from employers to the administration team, in addition to the statutory timescales relating to provision of information to scheme members from PP within the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#). They also include the ability to charge fees where an employer is underperforming, which to date has not been put into practice.
- 2.3 Peninsula Pensions has considered other administering authority Pension Administration Strategies and contacted them for further discussion. From these discussions, it is apparent that usually one fine is sufficient for providers to improve their overall performance and engagement and prevent future breaches occurring. It is also apparent that employers (and their payroll providers) prioritise the submission of pension information to administrators that enforce charges, ahead of those who do not charge for late submissions.

3) Key revisions to the Pension Administration Strategy document

- 3.1 A revised Pension Administration Strategy is attached at Appendix 1. The intention is to implement the revised strategy from 1st April 2024 and approval is being sought

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from both the Devon and Somerset Committees accordingly. Peninsula Pensions has made amendments to the Pension Administration Strategy and consulted with employers accordingly for both the Devon and Somerset LGPS Funds. The consultation period ran from 16th November 2023 to 31st December 2023 and feedback received has been included at Appendix 2. The feedback table also includes the responses from Peninsula Pensions.

- 3.2 The revised Pension Administration Strategy has taken account of feedback received, and includes some key additions and changes to improve understanding in relation to support, expectations, and a move to instigate fines for individual employers. The latter will avoid all employers essentially covering the additional administrations costs for under performance of the minority. The key changes included are:
- Introduction of Employer fees for underperformance/lack of engagement.
 - Peninsula Pensions Communication Policy Paper (Appendix A of the Pension Administration Strategy)
 - Introduction of Audits on individual employers and their responsibilities
- 3.3 Peninsula Pensions where possible, wish to encourage employers to produce the information relating to members that have left the scheme, prior to the date that they leave the scheme, in line with the Pension Administration Strategy. This will enable the team to calculate pension benefits and arrange payments due in a timelier manner to ease transition of members from employment to retirement without delay.
- 3.4 Peninsula Pensions are working with Audit colleagues to strengthen the new process and provide assurance around both the quality and timeliness of data provision from individual employers. The aim will be to have a database in place which stores the data that Employers provide, highlighting performance within the prescribed parameters. When completed, the summary dashboard from the database, and reports relating to the new internal administration targets agreed, will form part of the report delivered to the Pension Board in future.

4. Summary

- 4.1 It should be noted that the intention of these amendments is to ultimately improve the service that scheme members receive, allowing for timely administration of their pension benefits in line with the statutory timescales. The Pension Fund should not be funding the additional administration costs caused by lack of engagement by certain individual employers. The charges will be used to purely cover the additional administration work that Peninsula Pensions has undertaken, as opposed to benefiting from them financially. The implementation of the charges is a last resort, where an employer has either failed to engage, or continues to underperform with their responsibilities.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers Nil

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Devon Pension Fund Administration Strategy

April 2024



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[Appendix A](#) – Peninsula Pensions Communications Policy

[Appendix B](#) – Performance Standards

[Appendix C](#) – Rechargeable Administration costs

Introduction

Peninsula Pensions is the operational name for the shared administration service of the Local Government Pension Scheme (LGPS) on behalf of the Devon and Somerset Administering Authorities.

Devon County Pension Fund (*“the Fund”*) is responsible for the administration of the Local Government Pension Scheme (*“LGPS”*) within the geographical area of Devon. The service is carried out by Peninsula Pensions on behalf of Devon County Council (*“the administering authority”*) on behalf of qualifying employers and ultimately the LGPS members.

This document is the Pensions Administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive, and high-quality pension administration service.

Delivery of such an administration service is not the responsibility of one person or one organisation. It is the joint working of a number of different stakeholders, which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership. As the cost of this service is borne by the Fund, and effectively recharged pro-rata to each employer via the contribution rate, it is in everyone's interests to ensure an efficient cost-effective provision.

Compliance

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency, and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund.

A copy of this strategy is issued to each of the relevant employers. The undertakings set out within this Pension Administration Strategy will be regularly reviewed by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below, nor is it intended to replace the information provided in the Employers' Guide on the Peninsula Pensions [website](#).

Review

Peninsula Pensions and The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to

any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

The administration strategy is linked to the following statutory documents of the Administering Authority which are located on the Devon County Pension Fund [website](#):

- Governance Policy and Compliance Statement
- Communications Strategy
- Funding Strategy Statement
- Investment Strategy Statement

Regulatory Framework

Regulation 59 of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document (*“the pension administration strategy”*) detailing administrative standards, performance measures, data flows and communication with employers.

Regulation 70 of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions under these Regulations.

Regulation 71 of the LGPS Regulations 2013 allows an administering authority to apply interest to late payment of scheme contributions.

Regulation 72 of the LGPS Regulations 2013 sets out who is responsible for the decisions relating to a scheme member's rights and liabilities in the LGPS.

Regulation 79 of the LGPS Regulations 2013 permit the Administering Authority to appeal to the Secretary of State against an employer's decision or lack of decision.

This document has been presented, considered, and approved by the Devon Pension Board and the Investment and Pension Fund Committee and, as such, the contents of which apply to all existing and future employers of Devon County Pension Fund from 1 April 2024.

Record Keeping

Record-keeping is a fundamental part of managing a scheme such as the LGPS. Administering Authorities and employers have a legal obligation to collate and maintain accurate data records.

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Each party shall duly observe all its obligations under all applicable laws which apply to the handling of personal data, including the General Data Protection Regulation (Regulation (EU) 2016/679) and the Data Protection Act 2018 as may be amended, extended, or replaced from time to time.

The Administering Authority and the employers agree to comply with the obligations set out in the 'Memorandum of Understanding' regarding Compliance with Data Protection Law between the Administering Authority and all employers within the Fund' (the "MOU"), a copy of which is published on the Peninsula Pensions [website](#). The Administering Authority reserves the right to amend, update or replace the MOU from time to time.

Peninsula Pensions must be able to demonstrate that records are accurate and up to date, within the parameters of data protection legislation, in order to govern and administer the pension scheme efficiently and effectively for scheme members.

Employers (and their delegated payroll providers) are responsible for providing the core data required by the Administering Authority. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met. Please refer to link for more information [Pensions Line Special - August 2023 - Employer Duties \(govdelivery.com\)](#).

The Administering Authority has a legal duty to provide scheme members with accurate and timely information regarding their benefits. The use of electronic processes aides all parties to do this in a timely, secure, and efficient manner.

A strong working partnership between the Administering Authority and employers is key in delivering a successful administration service. This document describes how the Administering Authority provides support to employers in meeting their responsibilities.

Peninsula Pensions will notify employers in advance of any proposed changes in systems, processes, legislation, and data requirements, and will provide sufficient time, support and guidance for employers to implement any changes.

Full details covering the processes for employers, including the procedures for the escalation of outstanding requests for information, can be found within the employer's section of our website.

If employers have concerns about the data required, they should contact Peninsula Pensions without delay. This will allow Peninsula Pensions to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

Where an employer does not actively engage with Peninsula Pensions to resolve issues and/or consistently fails to meet its responsibilities under the

LGPS Regulations, the Administering Authority (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. Similarly, stakeholders (such as the Pension Board) may report Peninsula Pensions to The Pensions Regulator if it is believed that a breach has occurred in respect of its duty as scheme administrator.

If deemed to be materially significant, The Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

The Pensions Regulator may impose a penalty under section 10 of the Pensions Act 1995. At the time of creating the PAS, the maximum amount of a penalty in relation to a breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Penalties may be imposed on any party who has legal requirements or responsibilities relating to the management or administration of the scheme, and anyone else who could be subject to any of The Pensions Regulator's statutory powers of investigation and enforcement, such as employers and professional advisers.

The Pensions Regulator's compliance and enforcement policy for public service sector schemes can be accessed via the following link:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/compliance-policy-public-service-pension.ashx>

More information about the work of The Pensions Regulator can be found via the following link:

<https://www.thepensionsregulator.gov.uk/en>

Liaison and Communication

The delivery of a high quality, cost-effective administration service is not only the responsibility of the Administering Authority, but it also depends on them working with several individuals in different organisations to ensure that members and other interested parties receive the appropriate level of service and that statutory requirements are met.

Peninsula Pensions has a dedicated Employer & Communications Team who will work with employers to ensure they are equipped to meet their responsibilities in line with the LGPS Regulations.

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Every employer will have access to a dedicated Member Services Team who will assist employers with queries relating to individual members.

Each employer will designate a named individual(s) to act as a **Pension Liaison Officer**, who will serve as the primary contact regarding any aspect of administering the LGPS.

Peninsula Pensions will employ a multi-channel approach in liaising and communicating with employers to ensure that all requirements are consistently met. This is set out in the Peninsula Pensions Communication Policy set out in [Appendix A](#).

Employer Training / Meetings

Employer focus sessions are arranged throughout the year. They cover employer responsibilities including:

- Starter and leaver processes
- Final Pay
- LGPS Discretions
- End of Year requirements
- Internal Dispute Resolution Procedure

Peninsula Pensions hold annual Pension Liaison Officer Group (PLOG) meetings.

The Devon Pension Fund holds an annual employers' meeting where officers provide information on Fund Finances, Investment Performance, and topical issues for the Fund.

Attendance to these meetings by each employer's main contacts and Senior Management is actively encouraged and will be recorded and form part of each Employers Performance Report to confirm active engagement.

Employer Discretions Policy

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date. Examples can be found on the Peninsula Pensions webpage [Employer discretions - Peninsula Pensions](#).

Notification of employee's rights

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee electronically or in writing.

Internal Dispute Resolution Procedure

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. The name, job title and contact details of this nominated person must be kept current with the Fund.

Administering Authority and Employer Responsibilities

The LGPS Regulations identifies a number of responsibilities for the Fund and Employers which will enable us, together, to move forward for the benefit of the Fund and our Scheme members. We will achieve this by:

- Clearly defining the respective roles of employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between employers and the Administering Authority
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Continuous development of resources via the use of digital technology and staff training for both the Administering Authority and employers
- Applying charges where an employer consistently fails to meet deadlines to ensure that scheme members are not disadvantaged, and in addition, that the resulting additional administrative strain is not a burden on all employers.

Note: Peninsula Pensions are not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. This responsibility rests fully with the employer.

Payroll providers – for employers who have delegated the responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a

delegation form will need to be completed confirming the areas for which they are permitted to act on your behalf. If information, or lack of information, received from the payroll provider results in incorrect or no information being issued, or incorrect, or no benefits being paid to scheme members, the responsibilities under the Local Government Pension Regulations lie fully with the employer.

A complete breakdown of responsibilities and expected performance levels can be found in [appendix B](#).

Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

Part of the annual audit will also involve contact and visits with Employers, to ensure pension responsibilities including monthly data provided meets LGPS regulatory requirements.

Performance Monitoring

The Strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS. Below we have set out the ways in which performance and compliance will be monitored:

- The Administering Authority and employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy.
- The Administering Authority will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document.
- The Administering Authority will undertake a formal review of performance against this strategy on an annual basis and liaise with employers in relation to any concerns on performance.
- The Administering Authority monitors its own performance against internal key performance indicators and the Disclosure Regulations 2013. Formal monitoring is carried out on a monthly basis and is reported to the Pension Board on a quarterly basis.
- The performance of employers against the standards set out in this document will be reported to the Investment and Pension Fund Committee and Pension Board, as appropriate, and will include data quality.
- The Administering Authority will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items.

Under performance of Scheme Employer

Employers are responsible for the submission of accurate data and to pay the correct amount of pension contributions within the specified timescales. When there is **late or inaccurate submission of data or late payment** of contributions, the scheme member will likely be impacted, and the administering authority may subsequently be unable to perform their duties within the statutory timescales. In addition, consequent costs to the fund would be met from *all* employers' contributions.

Regulations 70 and 71 of the LGPS 2013 regulations gives administering authorities the ability to recover any administration costs incurred as a result of the underperformance of an employer, from the employer responsible for the underperformance.

In order to promote efficiency, reduce costs and better target the costs of non-compliance to those employers identified as underperforming, and who are unwilling to engage with Peninsula Pensions, the **additional** charges in [appendix C](#) will be applied,

From April 2024 Peninsula Pensions will use an employer database to monitor performance. Any additional costs incurred in the administration of the scheme as a direct result of individual underperformance, will be highlighted with a view to recovering these costs from the responsible employer.

Peninsula Pensions will:

- write to the employer, setting out area(s) of non-compliance with performance standards, offer support and, where applicable, request attendance at a training/coaching session
- where the underperformance is in respect of an admitted body, the originating employer will be informed and will be expected to work with Peninsula Pensions to resolve the issue(s)

If no improvement is seen within one month, or the employer is unwilling to attend a meeting to resolve the issue, Peninsula Pensions will issue a formal written notice, setting out:

- the area(s) of non-compliance that has/have been identified
- the steps taken to resolve this area(s)
- how the underperformance has contributed to the additional costs of administration and the amount of the additional cost incurred

Agenda Item 11



Peninsula Pensions will also provide notice that the additional costs incurred as a direct result of the employer's poor performance will now be reclaimed.

A breaches report will be presented to the Pension Board on a quarterly basis. This report will include the nature of the breach, the party responsible for the breach and details of any action taken to address the breach.

The report will also include a recommendation for the Board to consider whether a breach is significant enough to warrant reporting to The Pensions Regulator.

In the event of a levy being issued to the Administering Authority by The Pensions Regulator, the levy will be passed on to the relevant employer where it can be demonstrated that the employer's action or inaction is responsible for the levy.

Any disagreement regarding the amount of the levy will be decided by the Secretary of State who will have regard to:

- the provisions of the pension administration strategy that are relevant to the case
- the extent to which the Administering Authority and the employer have complied with those provisions in carrying out their functions under these regulations

Actuarial work

The Administering Authority will appoint an actuary, who will conduct a valuation of the pension fund, as appropriate. The actuary will determine the assets and liabilities in respect of each employer and will calculate the appropriate contribution rate to be applied for the subsequent three-year period.

The costs associated with the administration of the scheme are charged directly to the pension fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

In the event that an employer elects to outsource a service, the actuary is required to produce a report in respect of those scheme members involved in the outsourcing. The outsourcing employer will be liable for any actuarial costs arising from the outsourcing of a service, including the production of the report.

Guidance regarding the outsourcing of a service is located within the employer's section of our website as below.



An employer may also commission the actuary to undertake additional work, the costs of which will be charged to the individual employer. Please note that these costs will also include an element of the cost of any administration work involved in liaising with the actuary.

Outsourcing a service

Peninsula Pensions webpage [TUPE and admitted bodies - Peninsula Pensions](#) holds information to be followed in connection when an outsourcing is being considered and when it has occurred. This includes the requirement of a rates and adjustment actuarial certificate to be issued for the new admitted body. This provides the employer contribution rate and associated bond/guarantor amount.

From the Transfer Date, the Administering Authority shall permit the Eligible Employees to be or to remain members of the Scheme and to participate as active members of the Fund. From that date the Admission Body shall operate as if it were an employing authority for the purpose of the Regulations and shall exercise the responsibilities provided for in the Regulations.

Please note the Fund will expect contribution payments to be made *from the Transfer Date* even if the admission agreement has not been sealed and executed at Transfer Date. (The LGPS 2013 regulations do permit admission agreements to be completed after a TUPE has occurred).

If at the time of the outsourcing an employer rate is not known the outsourcing employer will work with Peninsula Pensions to expedite the actuarial certificate required by the admitted body. If contributions are not paid the fees for late payment as set out in appendix C will apply.

Investment and Pension Fund Committee
Devon County Council

Date.....

Appendix A – Peninsula Pensions Communication Policy
(to be viewed alongside the Devon Fund Policy pages 3-7) [Corporate websites - 2018 Communications Policy.pdf - All Documents \(sharepoint.com\)](#)

1. Introduction

Peninsula Pensions (PP) was formed in 2013 as a shared pension administration service, with Devon County Council acting as lead authority, for the provision of the Local Government Pension Scheme (LGPS) administration for the Devon County Council and Somerset Council administering authorities.

Peninsula Pensions also administers the Police Pension Schemes for Avon and Somerset Police and the Firefighters Pension Schemes for Gloucestershire Fire and Rescue Service.

This communication policy outlines the guidelines and procedures for effective communication by PP with its stakeholders, including scheme members and employers, through its [online Scheme Member Self Service portal](#) and [website](#). The goal is to ensure transparent, timely, and reliable dissemination of information while safeguarding data privacy and security.

2. Objectives

The objectives of the communication policy are as follows:

- To provide accurate and up-to-date information on pension schemes administered by Peninsula Pensions.
- To enhance stakeholder engagement and satisfaction through responsive and user-friendly communication channels.
- To maintain data privacy and security in all communication processes and interactions.
- To comply with relevant laws, regulations, and best practices governing communication in the public sector.

3. Communication Channels

PP shall use the following communication channels to interact with stakeholders:

- **Online Portal:** Member Self Service (MSS)/Transformational Member Experience (TME) is the primary source of communication with members. It allows them to check information; produce their own estimates – including a wider financial projector; process certain benefits, for example refunds,

transfer out quotations, and deferred retirement options; update personal information; upload documents; and ask us questions.

- **Website:** The website will hold information on all the pension schemes administered by PP. It will include details on latest updates, processes and timescales for the varying functions administrators carry out. There will also be details of how to contact PP and sign up to our Member Self Service portal.
- **Email:** Following Devon County Council's policy relating to emails, as required, secure and official email communication shall be employed for personalised and confidential interactions.
- **Member support team** – a dedicated team to help and support members with both telephone enquiries and responses to enquiries raised within the MSS/TME online portal in an understandable, efficient, and timely manner. Telephone calls may also be recorded for training purposes with the intention of constantly reviewing and improving the service provided through feedback.
- **Newsletters** – yearly updates to pensioners, and regular updates sent to both scheme members and employers.
- **Employer Meetings** – full employer meetings will occur annually, in addition to focus sessions and training events held throughout the year as required. These events can be online and / or in person events.
- **Member and scheme literature** – personal benefit statements, pensioner newsletters and P60s provided on a yearly basis. P60s are also available via MSS/TME online portal as are pensioner pay advices. When material changes occur, newsletters will be issued accordingly, and information placed on MSS/TME online portal and / or our website.

4. Content Guidelines

- **Accuracy and Timeliness:** All information shared on the online portal and website must be accurate, kept up-to-date, and reviewed regularly to reflect any changes in regulations, policies, or procedures.
- **Clarity and Simplicity:** Communication content should be clear, concise, and easily understandable, avoiding technical jargon where possible.
- **Accessibility:** The online portal and website shall be designed to meet accessibility standards, enabling easy access for individuals with disabilities.

5. Stakeholder Engagement

- **Feedback Mechanism:** The online portal and website include a feedback mechanism, enabling stakeholders to provide suggestions, report issues, and seek clarifications.
- **Response Time:** PP shall endeavour to respond to stakeholder enquiries and feedback promptly, setting specific service level standards for each type of communication.

6. Data Privacy and Security

- **Confidentiality:** PP shall handle all personal and sensitive data in strict confidence and comply with relevant data protection laws in line with our [privacy statements](#).
- **Secure Channels:** Communication channels that involve the transmission of sensitive information shall be encrypted and secured.
- **Authentication:** To ensure data security, stakeholders may be required to verify their identity through secure authentication methods when accessing certain information or services.

7. Review and Updates

The communication policy shall be reviewed annually or whenever there are significant changes in regulations, technology, or communication practices.

8. Policy Dissemination

This communication policy shall be made accessible to all employees, stakeholders, and the public through our website.

By adhering to this communication policy, PP aims to foster transparency, trust, and accountability while effectively serving its stakeholders in matters related to pensions and related services.

Appendix B – Performance standards

Performance standards are expressed as targets (i.e. the level of performance expected in normal circumstances). It is accepted that there may be occasions where it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.

Employer Responsibilities

1. Communication

Function/Role	Performance Target
Primary contacts - Nominate and keep under review named contacts including main contact and HR and payroll links.	Within 1 month of employer joining the Pension Fund or change to nominated representative
Stage 1 Appeals (IDRP) Officer - Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to Peninsula Pensions.	Within 1 month of employer joining the Pension Fund or 1 month of a change in Appeals Officer
Independent Registered Medical Practitioner (IRMP) - Appoint an IRMP qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from Peninsula Pensions, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of employer joining the Pension Fund or within 1 month of a change in IRMP(s)
Employer Discretions - Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to Peninsula Pensions).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts – Ensure that Fund-approved LGPS content is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to Peninsula Pensions website .	Review LGPS content annually or within 1 month following receipt of information regarding adjustment to Fund approved wording
Communicate any information provided by Peninsula Pensions to scheme members/potential scheme members.	Within 1 month unless an alternate timeframe is set by Peninsula Pensions

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	due to statutory requirements
Refer new / prospective scheme members to Peninsula Pensions' website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing – Notify Peninsula Pensions of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	Within 1 week following Committee approval
Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer.	A minimum of 2 months in advance of the date of contract
Notify Peninsula Pensions of changes / extension / cessation of arrangements with a contractor.	Within 1 week of decision being made
Assist Peninsula Pensions in ensuring that the terms of the contractor's admission as an employer (Admission Agreement) are complied with.	Notify Peninsula Pensions immediately if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority in respect of Breaches of the Law.	Within 1 week of the request

2. Payments to the Fund

Function/Role	Performance Target
The Employer's Rate - Apply the employer contribution rate and deficit sum agreed with the Administering Authority on becoming an employer and adjust as instructed by the Administering Authority from a date determined by the Administering Authority.	Apply as instructed by the Administering Authority following advice from the scheme actuary
The Employee's Rate - Calculate and review the correct employee contribution rate for all members at commencement and on 1st April each year. Also, to be	On 1st April each year and as per the employer's discretionary policy

reviewed at intervals during the year at the employer's discretion.	on adjusting the employee's contribution rate at intervals during the year
Assumed Pensionable Pay (APP) - Ensure the correct application of APP during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides.	Review of eligibility for APP immediately upon a member moving to reduced/nil pay
Monthly Payment to the Pension Fund - Remit employee, employer and any additional contributions and submit the online contributions form to the Administering Authority.	By the 19th of the month after deduction from pay or date specified by the Administering Authority.
Payment of AVCs - Remit Additional Voluntary Contributions (AVCs) to the AVC provider(s).	By the 19th of the month following the deduction from pay
Make strain/shortfall payments to the Administering Authority in respect of early payment of benefits from flexible retirement, redundancy, or business efficiency retirement, or where a member retires early with employer's consent.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the Administering Authority and the Actuary.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of all other work carried out on behalf of the employer by the Actuary and connected data quality assurance undertaken by the Administering Authority.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund

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Prompt payment of invoices issued by the Administering Authority for specific services provided e.g. admission agreement work.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund
Make payment of additional costs to the Administering Authority associated with non-compliance with performance standards of the scheme employer.	Within 4 weeks of receipt of invoice from Peninsula Pensions or the Pension Fund

3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to Peninsula Pensions in the format stipulated in the instructions issued each February.	By 30 April following the year-end
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from Peninsula Pensions within 3 weeks of receipt of the query. In circumstances where an employer submits a late year-end return, limiting the time that Peninsula Pensions must complete its duties, the timescales may be reduced, as advised by Peninsula Pensions



4. Scheme Members Information

Function/Role	Performance Target
<p>To notify Peninsula Pensions of all new scheme members, changes in personal details, e.g. name, working hours via Interface or Employer Self Service.</p> <p>* Where an employer provides employees with a link, (included as part of documentation provided with new contracts), to relevant PP website page, a fee will not be invoked at the 1-month date, assuming full starter information is received by PP within 2 months of the start date. The website page will include all information required to satisfy disclosure regulations.</p> <p>NB Ideally full details would be received within 1 month, to enable PP to add the scheme member record to our database and allow them access to the online portal.</p>	<p>1 month*</p>
<p>On cessation of membership determine the reason for leaving, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.</p> <p>NB Where an employee is suffering from a Terminal Illness and limited life expectancy, employers should contact Peninsula Pensions for guidance without delay.</p> <p>Final Pay Period – this is the pay period the scheme member was made a leaver on your payroll.</p> <p>** To enable employers to automate information via their payroll system following their ‘final pay period’, in addition to satisfying the regulatory timescales as administrators, a fee will not be invoked provided that earlier notification of basic leaver information is given by the employer, to enable PP to provide key information to scheme members ahead of their leaving date.</p> <p>Alternatively, if employers can action interim ‘payroll runs’ as opposed to one single monthly pay run, information could potentially be automated earlier for provision to PP in line with timescales.</p>	<p><u>Leavers under age 55</u> within 1 week following final pay period</p> <p><u>Leavers age 55+</u> For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period**</p>
<p>Apply a scheme members election to opt out of the LGPS to the member’s payroll record.</p>	<p>Election applies from the 1st of the month</p>

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<p>Notify Peninsula Pensions in line with the process for leavers, as stated above.</p>	<p>for the next available payroll, except where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded by employer's payroll</p>
<p>Where a member dies in service - determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.</p>	<p>Inform Peninsula pensions within 2 weeks of employer being notified. Provide full leavers notification within 1 week of final pay period.</p>
<p>Provide monthly CARE data within required format.</p>	<p>Within 2 weeks of pay period it is paid in.</p>
<p>Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP.</p>	<p>Within 2 weeks of the return to work, or as set out in the employer's discretion policy</p>
<p>Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a scheme member and forward information via Interface to Peninsula Pensions.</p>	<p>In the month following receipt of election from scheme member</p>
<p>Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).</p>	<p>Within 1 month of return to work.</p>
<p>Arrange for the deduction of AVCs from scheme member's pay following election.</p>	<p>Commence deduction of AVCs in month following the month of election, as advised by AVC Provider</p>
<p>In line with General Data Protection Regulations (GDPR) an employer will protect information relating to a member contained in any item issued by Peninsula Pensions from</p>	<p>Ongoing requirement</p>



improper disclosure. They will only use information supplied or made available by Peninsula Pensions for the LGPS	
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Administering Authority Responsibilities

1. Peninsula Pensions

To complete cases in line with the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations](#), with at least 90% of cases completed within the statutory targets.

Peninsula Pensions Responsibility	Disclosure regulations / Legal Requirement	Internal Targets
To accurately record and update new member records on pension administration systems.	Within 2 months of effective date of change	On receipt of interface information from employer
To produce a statutory notification and forward to member's home address, together with information relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form.	Within 2 months of joining the scheme or within 2 months of request being made	To assist in meeting the statutory deadlines, data reports required for production of statutory notifications are scheduled to run every 2 weeks.
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	Various timescales impacted – examples below: <ul style="list-style-type: none"> - 31st August Annual benefit statements - 6th October Annual 	To meet statutory deadlines relating to annual benefit statements / triennial Fund valuations/ annual allowance calculations

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	Allowance statements	
To produce annual benefit statements for all active members as at the preceding 31 st March and notify electronically or by post to member's home address.	31 st August	31 st July
To produce annual benefit statements for all deferred benefit members, as at the preceding 31 st March, and notify electronically or by post to member's home address.	31 st August	30 th June
To provide information and quotations to scheme member about additional voluntary contribution (AVC) options.	Within 2 months of request being made	
To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 2 months of request being made	
To accurately record and update member records on pension administration systems for those members leaving the scheme, with entitlement to a 'frozen' refund of contributions as opposed to deferred benefits or immediate payment of benefits. Provide them with the options available and refund benefit entitlement.	Within 2 months of receiving notification that pensionable service has ended or within 2 months of a request	Within 2 weeks
To accurately record and update member records on pension administration systems for those members leaving the scheme, with entitlement to deferred benefit as opposed to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	Within 2 months of receiving notification that pensionable service has ended or within 2 months of a request	

To accurately calculate and inform the member of the options available to them upon retirement.	Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)	On receipt of information from employer within statutory timescales
Upon receipt of members completed payment option and other required retirement forms, finalise pension records and authorise payment of lump sum and set up of pensioner payroll record.	n/a	Within 2 weeks
Upon receipt of members completed documentation relating to refund of contributions, arrange payment of refund		Within 2 weeks
Upon receipt of a member general enquiry, including a first stage complaint, or enquiry relating to the member online portal, provide response		Within 2 weeks
Upon receipt of pensioner 'payroll' information relating to a member's pension in payment, update member record		Within 2 weeks or sooner if payroll pay run impacting
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 2 months of request being made	Within 2 weeks
Upon receipt of notification of change to existing member's personal details, update member record		Within 2 weeks
Upon receipt of members completed documentation relating to transfer of benefits, arrange payment		Within 2 weeks
Each Administering Authority is responsible for exercising the discretionary powers given to it by the regulations. The Administering		Peninsula Pensions will maintain links to these

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Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.		discretions on their website and review every 3 years or sooner if required
Under the General Data Protection Regulations 2018 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	n/a	Ongoing requirement, online security within databases regularly reviewed
Notification of Pension Fund Triennial Valuation results including contribution rates – assuming information provided by Actuaries as agreed		Provisional results December following valuation, with final results the following March

Appendix C

Our aim is to work with employers for the benefit of scheme members in a timely manner and in line with the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations](#). However, where underperformance has arisen and there is lack of engagement, we will look to charge employers as set out below.

Discretion for avoidance of charges will be limited, and only considered when full engagement with employer and Peninsula Pensions has taken place, and on completion of form of agreement confirming steps being taken and timetable agreed to correct the position.

Description of Failure	Fee
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Failure to notify Peninsula Pensions with full information relating to new starters joining the LGPS within 1 month of their start date	£50 per member plus an additional £50 per member for each subsequent month late
Failure to notify Peninsula Pensions of other changes relating to an active member of the LGPS within 1 month of the change - this will include all changes outlined in the Pension Admin Strategy (for example, hour changes / additional pension contributions)	£50 per member plus an additional £50 per member for each subsequent month late
Failure to submit requested pay data relating to Annual Allowance by the 5 th July	£100 per day from date specified, up until the date the data is received
Failure to submit monthly data match files eg CARE pay by last day of the following month or, provide them outside of the Peninsula Pensions template	£100 per day from the day after the last day of the following month, up until the date return is received / received in correct format
Failure to notify Peninsula Pensions of member leaving the LGPS (as opposed to potential retirement - relating to either termination of employment or opting-out) within 1 month of the event	£50 per member plus an additional £50 per member for each subsequent month late
Failure to notify Peninsula Pensions of any retirement within 1 week following final pay period.	£200 per member plus an additional £200 per member for each subsequent month late
Whereas a result of the Employer's failure to notify Peninsula Pensions of a retirement, interest becomes payable on any lump sum or death grant paid, Peninsula Pensions will recharge the total amount of interest to the Employer (in addition to any late payment fees stated)	Interest calculated in accordance with Regulation 71 of the LGPS Regulations 2013
Failure to notify Peninsula Pensions of the death in service of a member within 2 weeks of the Employer receiving notification	£200 per member plus an additional £200 per member for each subsequent month late
Failure to pay over the monthly contributions to the Fund by the 19 th of the month following deduction of the contributions	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Failure to provide the monthly contribution forms	£50 per occasion plus an additional £50 per occasion for each subsequent month late

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Failure to provide Peninsula Pensions with the End of Year return by 30th April	£100 per day from 1st May to date return is received
Failure to respond to requests to resolve member queries (for example queries related to annual returns or leaver forms) within 2 weeks of request	£50 per member request plus an additional £50 per member for each subsequent month late
1 estimate per year per employer led retirement 'type' There is also the strain calculation report for employers which can be provided by PP, to help when looking at potential costs.	£100 per estimate request plus VAT per additional request (assuming same reason for leaving requested)
Failure to pay invoices from Peninsula Pensions within the prescribed payment period	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Consistent failure to engage with Peninsula Pensions when contacted / to provide accurate data / or with attendance at training /focus sessions without advising/notice.	£50 per occasion plus an additional £50 per occasion for each subsequent month late
Any other failure to comply with the employer duties included in either the 'Communication' section, the 'payments to Fund' section, or the 'scheme members information section' of the Pension Administration Strategy within the prescribed timescales, where not specifically mentioned separately above.	£50 per occasion plus an additional £50 per occasion for each subsequent month late
Admission Agreements - We require contributions to be deducted from the TUPE date and paid across by 19th of following month. This applies even if admission agreement documentation not completed. If an actuarial report not requested/received at TUPE date, contributions to be paid within 2 weeks of admitted body receiving report.	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Fines received by either Peninsula Pensions or the LGPS Fund from regulatory bodies eg HMRC, TPR, ICO due to an employer breach	Amount of the fine will be fully recharged

Additional ad-hoc work caused to Peninsula Pensions by late and/or inaccurate submissions of data due to underperformance of employer.	This work will be charged in line with the average staff daily rate of £200, <i>in addition</i> to relevant fee quoted above where appropriate.
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Notes to Charging Schedule

- Notifications of new starters, changes, absences, leavers, retirements, and death in service must give full and accurate information as detailed in the Employer's Guide.
- Regulation 71 of the LGPS Regulations 2013 states that interest must be calculated at one per cent above base rate on a day-to-day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member or scheme member's representative to provide the information to the Fund, the Fund will be liable for the payment of any interest due.

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Appendix 2

Feedback to consultation:

In total 29 responses across both Devon and Somerset LGPS Funds were received, this included 4 of the employers who offer payroll services to other Fund employers. The feedback has been considered and adjustments made to the Pension Administration Strategy where indicated below. Peninsula Pensions are grateful to those Employers that have interacted with the Consultation and provided the feedback.

FEEDBACK FROM ALL EMPLOYERS	RESPONSE / CHANGE (if applicable)	Change made to PAS (Y/N)
Record Keeping		
No particular comments except that the aim should be to clearly state to MINIMISE the admin necessary for Employers. Stop asking us to send information that you can copy across internally from the EAS5 forms to the CARE spreadsheet.	Whilst understanding the viewpoint of this employer, with one member in the Fund, this situation is not common. Where there is more than one member with an employer, the position would be different, and the proposal would not work. This will however be noted as an area to be considered further in future for smaller employers.	N

<p>I am very concerned by the whole tone of the document which comes across as confrontational and punitive rather than focused on building relationships, knowledge and understanding. My comments will be very similar for each section but in particular the level of charges proposed are, to be frank, ridiculous between one publicly funded body and another. Fees escalating by £100 per day are out of all proportion and unjustifiable, taking resources away from children's education. I ask you to reconsider and amend.</p> <p>It is in all our interests that the data held is accurate and updated in a timely manner but this is just one of many complex and time critical tasks undertaken by schools and inevitably there will be times when deadlines are not fully met - flexibility and working together to resolve is what is required in these circumstances not an immediate threat of exorbitant charges. Many of the data requirements in this document, relating to tasks that could be chargeable if notification is delayed, are notified to Peninsula Pensions by our managed service payroll provider, Somerset Council. Whilst we as the employer understand our responsibilities, we ask you to refer to the Council's response to the draft strategy in respect of pages 11 to 13. We support their comments.</p> <p>A number of the requests are not practical. An example is notifying Peninsula Pensions of new starters within one month of their start date. Whilst this would always be our expectation there will be circumstances where a starter in the latter days of a month may not be added to the payroll until the following month because our HR/Finance Officer was not aware or the employee delays providing you with necessary information to set up their payroll record. A second example is an employee with a start date of the very early part of the current month could be in post more than a month by the time the report is produced and sent, even though</p>	<p>The draft document is intended to clearly state the roles and responsibilities of both the Employer and Administrator to ensure that together the scheme member is provided with the best service possible and in line with the statutory requirements.</p> <p>The main intention is to continue to engage, work with and support employers, which we will emphasise further within the document. However, tools need to be in place to implement charges where appropriate for both lack of engagement and underperformance. Whilst appreciating that resources are difficult across all areas of public sector, the fees escalating by £100 per day are associated with information affecting large numbers of LGPS active scheme members, and in order that they are looked after correctly considering both statutory timescales and good practice, it is imperative this information is received on time.</p> <p>Where employers are having difficulty with provision of information, then by contacting the team without delay, they can work with employers to reduce or stop future fees occurring. There will be a formal document provided for completion for this purpose.</p>	<p style="text-align: center;">Y</p>
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<p>we do it as soon as possible after the payroll has been closed.</p>		
<p>Employer data is not always actioned following submissions sent to the Administering Authority, sometimes it takes over 3 months even though the submission has been made in the month the payroll is run. I have Members on a regular basis complaining that their data has not been updated by the Administering Authority and this is frustrating when they wish to transfer another pension or view their records. New starters find this particularly frustrating as they are waiting for a significant time before they are added to the scheme.</p>	<p>All new members joining the LGPS should receive a welcome pack from PP within 2 months as set out in the Disclosure Regulations. If a member contacts employers with this complaint, please let PP know so that this can be investigated further.</p>	<p>N</p>
<p>Do the penalties work against PP as well as the employer</p>	<p>PP performance is monitored regularly by Officers within both Funds, and in addition, is reviewed quarterly by the Fund's Pension Board and Committee. Any breaches are</p>	<p>N</p>

	<p>recorded, and where considered to be 'significant', are reported to The Pension Regulator which may result in fines being issued. The ultimate review is the direct feedback from scheme members, and where they believe there has been maladministration, they are able to progress complaints via the Internal Dispute Resolution Procedure, or further to The Pension Ombudsman.</p>	
Communication and Liaison		
<p>Some communication with the Employer and Communications team can be frustrating when different team members advise different rules or requirements for the same requests they send to the employer, which leads to confusion. Communication is not always in good time which puts added pressure on resources for employers to respond. Teams do not always respond promptly to queries.</p>	<p>The Employer guidance section of our website is intended to provide the information required to enable Employers to meet their responsibilities. If the information required is not available, and a problem with communication occurs as outlined, then the Employer & Communications Team Manager should be contacted to resolve the issue and avoid any further future problems. Expected response times will be added to the strategy accordingly.</p>	Y
<p>No designated person from PP but demanding one from the employer?</p>	<p>There is a designated employer and communication team whose primary work is to support, guide and train employers. Our Member Services teams are employer specific and can help with member queries accordingly. These details are held within the about us pages on our website and will be made clear on the document.</p>	Y

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<p>Please can you direct me to the Fund approved wording for Contracts?</p>	<p>The website is currently being updated to provide clearer messaging for new scheme members to assist with meeting the statutory timescales for provision of information. A link will be provided once finalised.</p>	<p>N</p>
<p>Fund & Employer Responsibilities</p>		
<p>As well as monitoring and applying charges to employers for failing to meet deadlines, (I feel this is acceptable for those employers who are non-compliant) however, it is also rather unfair when the Administering Authority do not always update and administer records in a timely manner. With Members having to constantly chase for their pensions or records. I have had occasions where I have submitted Members details and when the Member contacts Peninsula they are told that the employer has not submitted their details when clearly we have. The Administering Authority needs to also monitor their own deadlines and give out correct information to Members rather than just blaming the employer.</p>	<p>Work processed within PP is monitored daily to ensure scheme members are responded to as soon as possible and within the statutory timescales. It is difficult to respond in relation to incorrect information being provided to members without knowing the context, however, should this occur in future, please contact the Employer & Communication team, who will investigate the position further.</p>	<p>N</p>
<p>I think employer performance targets for notification of new starters and leavers (under age 55) should be increased from 1 month to 6 weeks. I would suggest a slight change to the wording of the last bullet point so it reads as follows: 'Applying charges where an employer consistently fails to engage with the Fund to ensure scheme members are not disadvantaged'. I do not think conscientious employers should be charged for consistently providing data and engaging with the Fund. There are anomaly cases which may slip the deadlines such as the late notification of a starter/leaver.</p>	<p>When setting timescales for both employers and PP, the disclosure timescales are considered which must be adhered to, unfortunately the suggested increase in timescales would not permit time for the administrative work by PP to be finalised within the statutory timescale.</p>	<p>N</p>

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<p>Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP). Performance target is within 1 month, when is this counted from, please?</p>	<p>Within 1 month of return to work.</p>	<p>Y</p>
<p>Provide monthly CARE data within required format. What is your definition of pay run? I understand the interface deadline to be 14th of the following month.</p>	<p>The content has been altered to make it clear that information is expected within 2 weeks of the pay period that it is paid in.</p>	<p>Y</p>
<p>Audit</p>		
<p>Suitable timescales for our response should be agreed in advance.</p>	<p>Agreed</p>	<p>N</p>
<p>Outsourcing</p>		
<p>5% charge is once again disproportionate and unjustifiable.</p>	<p>This charge has been removed. Instead, there will be updates to our outsourcing processes to ensure smoother transfer of staff and onboarding of new admission bodies.</p>	<p>Y</p>

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Underperformance Fees		
<p>How have the fees/penalties been calculated. Regulation 70 of the LGPS Regulations 2013 allows '.....where costs have been incurred'. What are you including in your calculations? I think that you need to show why the frequency of subsequent charges ie Annual Allowance pay data is daily.</p> <p>Failure to notify PP of new starters joining within 1 month should be 2 months - If a starter joins on 20th of the Month and they are paid on 31st of the following month - they may not be on the return of the month they joined but on the second return.</p> <p>Both any retirement type, death in service notifications and resale member queries need to be longer timescales. In our small organisation I am the only one who completes forms and if I am on leave for 3 weeks then the proposed timescales will never be met.</p> <p>Estimate requests in excess of 1 per member in a rolling year - if a member makes 2 requests does this mean as an employer I have to say no?</p>	<p>This response takes into consideration all feedback relating to underperformance fees and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.</p> <p>The fees/penalties have considered the additional time and resource required. The daily rate across staff grades has been averaged, whilst also considering other south west administrators charge and ensuring consistency. If considered on an individual basis, it is likely that the charges would be higher.</p> <p>In relation to new starter members, it has been proposed that PP set up a specific new starter website page to satisfy the disclosure requirements. Employers can then link to this when roles offered, as part of the documentation provided with contracts. Where employers share this information with members, a fee will not be invoked, assuming full starter information is received by PP within 2 months of the start date. (Ideally this would be received within 1 month, to enable PP to add the scheme member record to our database and allow them access to the online portal).</p>	<p>Y</p>

	<p>The fee for estimates relates to employer led retirements e.g. ill health, redundancy. One estimate for each type of specific 'retirement reason for leaving' will be provided.</p> <p>Scheme members are advised to use the Member Self Service online portal to calculate their pension entitlement.</p> <p>For information, a 'strain' cost only report for a group of scheme members is not included as an estimate request and can be obtained by contacting the Employer & Communications team accordingly.</p> <p>Retirements and deaths are the highest priority work type for PP and have set regulatory timescales. There is a duty to provide benefit information relating to these areas as quickly as possible to enable members to make future financial decisions/make the change from salary to pension as smooth as possible.</p> <p>To enable employers to automate information via their payroll system following their 'final pay period', in addition to satisfying the regulatory timescales as administrators, a compromise is suggested whereby the timescale is adjusted in line with the aforementioned, provided that earlier notification of basic leaver information is given by the employer, to enable PP to provide key information to</p>	
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	<p>scheme members ahead of their leaving date.</p> <p>Alternatively, if employers can action interim 'payroll runs' as opposed to one single monthly pay run, information could potentially be automated earlier for provision to PP in line with timescales.</p> <p>Timescales for all types of Leavers, and responses to enquiries have been adjusted accordingly to make consistent.</p> <p>The statutory timescales are quoted in 'months'. The timescales within the Strategy are therefore now quoted as either 'months' when relating to statutory requirements, or a period of 'time' when relating to either Peninsula Pensions or Employer internal timescales for ease/clarity as opposed to 'working days'.</p>	
<p>If staff leave start of month, processed end of month (in line with payroll date) this may not be processed within month of leaving. We pay staff retrospectively, so if they left end of a month the final pay wouldn't be processed until next payroll. This would be more fair to be within two months of leaving date or within 15 days of last pay period. To send an estimate then follow up with adjusted form, makes more work for us and LGPS.</p> <p>If staff are casual (e.g. invigilators), we review anyone who has not been paid within last 3 months and make them leavers as of last payment date, therefore this would be outside of the month timeline.</p>		

<p>I am very concerned by the whole tone of the document which comes across as confrontational and punitive rather than focused on building relationships, knowledge and understanding. My comments will be very similar for each section but in particular the level of charges proposed are, to be frank, ridiculous between one publicly funded body and another. Fees escalating by £100 per day are out of all proportion and unjustifiable, taking resources away from children's education. I ask you to reconsider and amend.</p> <p>It is in all our interests that the data held is accurate and updated in a timely manner but this is just one of many complex and time critical tasks undertaken by schools and inevitably there will be times when deadlines are not fully met - flexibility and working together to resolve is what is required in these circumstances not an immediate threat of exorbitant charges. Many of the data requirements in this document, relating to tasks that could be chargeable if notification is delayed, are notified to Peninsula Pensions by our managed service payroll provider, Somerset Council. Whilst we as the employer understand our responsibilities, we ask you to refer to the Council's response to the draft strategy in respect of pages 11 to 13. We support their comments.</p> <p>A number of the requests are not practical. An example is notifying Peninsula Pensions of new starters within one month of their start date. Whilst this would always be our expectation there will be circumstances where a starter in the latter days of a month may not be added to the payroll until the following month because our HR/Finance Officer was not aware or the employee delays providing you with necessary information to set up their payroll record. A second example is an employee with a start date of the very early part of the current month could be in post more than a month by the time the report is produced and sent, even though</p>		
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<p>we do it as soon as possible after the payroll has been closed.</p>		
<p>As stated we understand the charging of fees for non-compliance or under performance, however these should only be charged after extensive discussion with the employer as to why the non-compliance has occurred. Non-compliance could occur for a variety of reasons and is not always willful or negligent. As mentioned communication with the Administering Authority can be difficult and the lack of availability of a team or lack of internal communication can be frustrating.</p>		
<p>Additional charges need to be on a lesser timescale as these are too short</p>		
<p>The member has up to 30 days from returning from unpaid absence to decide whether to apply for additional pensions to cover, so the 1 month period of notification would not be possible.</p>		

<p>Failure to notify Peninsula Pensions of a member leaving the LGPS (as opposed to retirement – relating to either termination of employment or opting out) within 1 month £50.00 per member. This would not be possible for claims-based members as we leave the payroll record open for 8 weeks following the actual leave date in order to late or outstanding claims. This decision to delay PAYE closure was in conjunction with LGPS at that time.</p>		
<p>Failure to notify Peninsula Pensions of any retirement type within 15 days of retirement date £200.00 per member. We are not sure how we could meet this lead time. Usually, retirement actions are negotiated around business and personal needs and our first notification of an intention to retire would be via a trigger workflow. By which time and given most LGPS members are subject to one month’s notice – we would have missed the 15 days deadline.</p>		
<p>Failure to respond to requests to resolve member queries (for example queries related to annual returns or leaver forms) within 10 working days of request £50 per member request plus an additional £50 per member for each subsequent month late</p> <p>Small organisations, such as ourselves, may only have one member of staff that deals with pensions. If that member of staff takes a two-week holiday they would be away for 10 working days. Therefore, to enable small organisations to achieve, rather than set them up to fail and be fined, could we please request that this ‘Description of Failure’ is amended to within 12 working days of request?</p>		

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<p>Failure to notify Peninsula Pensions of any retirement type within 15 days of retirement date £200 per member plus an additional £200 per member for each subsequent month late</p> <p>If an employee were to retire at the beginning of the month, they would still receive salary on 25th of that month for the days worked. Therefore, to allow for action after 25th of the month, could we please request that this 'Description of Failure' is amended to within 20 working days of retirement date?</p>		
<ul style="list-style-type: none"> • There is no context the monetary amounts quoted for the charges and why some are higher than others. • The timescales proposed will result in employees at the Council duplicating work in order to ensure we receive no charge • The timescales proposed will limit the holiday an employee can take, or alternatively, result in us needing to train and potential pay an employee more money, to cover in the absence of the employee normally processing our pensions • We have no alternative provider to go to. Given we are all in this together, would it not be more effective to report on a regular basis any delays, then use this information to target specific employers that cause delays rather than all employers? <p>Overall, whilst it is appreciated that consultation is happening, the proposed changes are not to the benefit of the Council and could result in us facing significant cost. We have at times, had delays in you as a provider responding to queries and whilst this may cause an element of frustration we would not consider charging you. It is for this reason we are not supportive of the proposed charges. I should also note that because of your Christmas shut down the consultation in essence ends earlier and not on 31st December (assuming</p>		

<p>consultation is a two way process until the end date).</p>		
<p>Starters are reported to Pensions via Altair reports on the 23rd of the month. We are only able to report once they have been set up on the payroll, unable to report if not set up on the payroll. Therefore potential fines for late starters. Would we still be fined?</p>		
<p>changes are reported via Altair reports for changes that have happened during that pay run. If for example, a manager does not change the hours on iTrent for one of their staff at the correct time, we are unable to report the hours change until it has been updated on iTrent and run through the payroll. This would create a potential fine. Would we still be fined?</p>		

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<p>Our Auto Rem process will fit this criteria, the Rems are run and produced on the 23rd of each month (for employees that are made a leaver during that pay run).</p> <p>However any late leavers that we receive would potentially incorporate a fine and also Casual employees (Including bulk leavers where we do an exercise to remove casuals that haven't been paid for a year therefore high numbers). It would not always be possible to produce a Rem for a casual employee within 1 month of their leaving date.</p> <p>Manual Intervention are now completed by the end of the month. However if we had a complex Rem to complete, if we kept pensions informed would they be able to waive the fee?</p>		
<p>If the leaver is at the beginning of the month will it still incur a fee as this will be produced as part of the auto rem. If it will then we will have to do a manual rem when processing the leaver. The Auto Rem will still be produced and need to be checked to ensure that the figures are the same as the manual rem that we would have done in advance. This is a duplication of work. Is there any leeway with this?</p>		
<p>Due to the large volume of queries, we receive we may struggle with this so will there be any leeway if there is evidence that we are trying to keep on top of these? Presumably, fees will just be for new queries after April and not for outstanding queries although we hope to clear all of these by then</p>	<p>For pre- April 2024 cases, fees will apply if they remain outstanding, but will only be applied from 1 April 2024.</p>	
<p>Do you mean estimates that apply to retirement and redundancy estimates where we ask for strain costs?</p>	<p>Please see earlier response.</p>	<p>Y</p>
<p>I assume this relates to employer led estimates (redundancy, flexible etc)? What if they are completely different types - e.g. employer looking at redundancy in April but member not selected for redundancy and then member interested in Flexible Retirement in December? It</p>	<p>Please see earlier response.</p>	<p>Y</p>

<p>doesn't seem fair to be penalised for unpredictable situations within a year.</p>		
<p>The timescales given in a number of the “failures” in Appendix C are also of concern to us. Examples are, but not limited to:</p> <p>Schools may not be available or know in a timely manner of a death in service to enable notification within 10 days, during a long school holiday period. This could also apply to a small employer with one administrator who is on holiday or other absence.</p> <p>New starters to be returned within one month of start date – this is not practical. Somerset Council and many of its employers have a pay date of the last working day of the month. A new employee with a start date near the end of the previous month or very early in the current month, is unlikely to be reported in time. Somerset Council payroll is finalised just a few days before payday. We have multiple processes to complete in the next week or so and it is unlikely that our pension returns will be completed in the timescales listed. This would also apply to many of our client payrolls.</p> <p>New starters with a payroll paid earlier in the month are also likely to be later than one month from start date in many circumstances. We have insufficient resource to stop our other payroll work to produce pension returns for individual payrolls. Our process is to do this for all at a similar time.</p> <p>To support our request for this deadline to be extended, we also note for new member records, Peninsula Pensions have 3 months to update their records and you will do this on receipt of the interface. We therefore do not see why the employer timescale should be within a month and what costs are incurred by the Administering Authority if it is later.</p>		

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<p>We suggest that the request for Annual Allowance data should have a date quoted.</p> <p>A charge for a non-quantified event is unreasonable. All charges should have a specified non-compliance.</p> <p>We suggest that you explain the transfer of fines, and when this may happen, in more detail.</p> <p>The final charge appears to be a catch all which may include “failures” detailed above and for which there is little or no quantifiable time.</p> <p>We do understand that a comment was made to one of our representatives at the meeting that the charging schedule isn’t being aimed at us (Somerset Council) but being instigated to target poor performers, but this does not remove the fact that the strategy states that all employers are responsible for meeting the unreasonable timescales given and we do support multiple fund employers.</p>		
<p>Failure to notify PP of other changes relating to an active member. As with new starters, this is not practical and needs to be a period after the pay day that this change takes effect from in the Payroll system as this will then also allow for retrospective changes and the change to appear on monthly payroll reports.</p>		
<p>With the on-line system being removed we are no longer able to do our own estimates and dates can shift – with the removal of the facility to do the estimates ourselves, we believe this number should be increased significantly.</p>	<p>1 estimate per year per employer led retirement type should provide the required information in relation to strain cost for an employer to decide regarding retirement. There is also the strain calculation report for employers which can be provided by PP, to help when looking at potential costs. The members benefits should only increase, assuming follow up</p>	<p>Y</p>

	estimates will be using a later date.	
Other comments		
<p>Why isn't the aim of your Administration Strategy clearly stated to MINIMISE the admin necessary for Employers. Stop asking us to send information that you can copy across internally from the EAS5 forms to the CARE spreadsheet. And please stop using EGRESS as a 'secure' email process. If you can confirm the very confidential EAS5 information you can send other missives without making employers log on to another process just to view emails. Using a third party platform runs the additional risk of data leaks, losses or ransomware of the external organisation and is simply over-bureaucratic.</p>	<p>Devon County Council Data Protection and Cyber Security officers advise all staff to use Egress in their day-to-day business to safeguard information and reduce the threat of data leaks etc mentioned.</p>	N
<p>This proposal completely undermines the good working relationship built up over many years with Peninsula and seems to be a fundamental change in the organisation's culture and approach. Is this really what you are seeking to achieve?</p>	<p>The aim is to always work with employers for the benefit of scheme members in a timely manner and in line with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations. However, where underperformance has arisen and there is lack of engagement, charges will be implemented to employers as set out below.</p>	N
<p>The proposed Administration Strategy does set out clear guidelines for Employers and the Administering Authority, however it does put a lot of emphasis on the Employer meeting all the requirements whilst we feel that there are issues with the timescales for the Administering Authority who are quick to blame employers for not submitting information. Concern is therefore raised in these case where fees could be imposed.</p>	<p>Where information is not provided within statutory timescales, then members will be advised that this is pending from the employer.</p> <p>If an employer and PP are working together to move a case forward within an agreed timescale, then there will be a discretion which can potentially</p>	

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<p>I sincerely hope that pragmatism and understanding is applied for employers who provide information on a consistent basis, not the administration of fines. Missing deadlines for certain scheme members will happen unfortunately and sometimes this is purely down to timing. New starters or leavers can sometimes be omitted from the monthly reports as this may be the timing of a manager completing the leaver process, the timing of an employee completing their new starter process or the time the monthly report is run.</p> <p>I completely understand the need for a cost-effective, inclusive and high-quality pension administration service requiring the joint working of both Fund and Employer but not at the expense of co-operating employers who sometime miss performance target levels.</p>	<p>be used to not impose the fee, and a form provided for completion for this to be considered.</p>	
<p>We are understanding of the need of performance targets that are enforceable and agree with the general aims of the strategy. Understandably, the strategy is from the perspective of the administration of the scheme but whilst employers may need change some things to fit in with the requirements, there does need to be some understanding of how employers operate in reality.</p> <p>With regards to the performance standards and additional charges, there does need to be clear guidance on how the determination on failures will be made and consistently applied, how and when they will be notified, and what the appeals process is. There is the possibility that the employer could be fined multiple times for the same failure (initial fee, fine from external organisation, additional staff charges and interest). This could potentially be deemed as excessive.</p> <p>There are inconsistencies in time measurements throughout the performance standards and additional</p>	<p>The successful administration of the Fund relies on all parties understanding their roles and responsibilities and working together to achieve this. The strategy sets out performance targets to ensure regulatory timescales are also met.</p> <p>Documentation has been produced to ensure discussions involving any failures follow the same format and processes are being developed to be implemented from 1 April 2024 to ensure consistency. This will include an appeals process.</p> <p>The strategy has been adjusted to incorporate weeks and months only.</p>	<p>Y</p>

<p>charges. For example, in some cases a period of time is used (days/weeks/months), and other cases it is working days. Also, the terms pay run, final pay day, final pay period are used but they do have different meanings. It would be good to have some clarity on why different measurements and terms are used in different cases.</p>		
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DF/24/29
Investment and Pension Fund Committee
1 March 2024

COMMUNICATION POLICY

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Committee be asked to approve the revised Communications Policy.

2) Introduction

- 2.1 The Communications Policy is one of the four statutory statements that the Fund is required to have in place. It sets out the Fund's policies on the provision of information and publicity about the Scheme to members, representatives of members and employing authorities. It sets out the format, frequency and method of distributing such information or publicity, other key organisations that we communicate with, our values in relation to communications and the professional expertise available to the Fund.
- 2.2 It is good practice to review and update the policy on a regular basis. The Communications Policy was last update in November 2019. The Policy has therefore been reviewed and a revised policy is attached as Appendix 1 to this report.

3) Communications Policy

- 3.1 The Communications Policy has undergone mainly cosmetic changes as follows:
 - The format of the report has been amended to make conversion to a web page easier.
 - Job Titles and partner organisation names have been updated as required.
 - Paragraphs have been rearranged to improve layout and flow of the document.
 - Page numbers have been added and artwork removed.
- 3.2 The revised policy was presented to the Pension Board for comment at their meeting on 30th January. Board members suggested that a reference to carrying out surveys of fund members should be included in the policy, reflecting the survey carried out in

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2022 on members views on how far the management of the Fund's investments should take into account environmental, social and governance issues. An additional paragraph has been added to the policy on this issue. Subject to that, the Board were happy with the revised policy as presented.

4) Conclusion

4.1 The Committee is asked to approve the revised policy.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Devon Pension Fund Communications Policy

Draft version presented to the Devon Pension Fund
Investment and Pension Fund Committee
on 1 March 2024

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Devon Pension Fund

Communications Strategy Statement

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Background

The Devon Pension Fund is a part of the Local Government Pension Scheme (the LGPS). Established as a national pension scheme in 1922, the LGPS is one of the oldest public sector retirement schemes. Approximately one million employees contribute to the LGPS in England and Wales - roughly 75% of the local government workforce. The LGPS has 89 independent localised funds governed by specific legislation that defines participation, governance, operational standards, investment and actuarial practices, administrative requirements and how retirement benefits are provided and paid.

The Devon Pension Fund is managed and operated by Devon County Council (DCC) who are appointed by statute as the Administering Authority of the Devon Pension Fund Local Government Pension Scheme. The assets of the Devon Pension Fund are not owned by DCC and are a separate legal and financial entity from DCC.

Devon County Council is the largest employer participating in the Devon Pension Fund. Many other employers participate in the Fund; County Councils, Town and Parish Councils, colleges, universities, Multi Academy Trusts (who manage schools or academies) and many employers, large and small.

The Devon Pension Fund employs specialised professionals to manage many of the practices and processes required to operate the Fund. A list of these service providers, their contact details and a brief explanation of their roles is provided.

The administration of members pension benefits is undertaken for the Devon Pension Fund by Peninsula Pensions, a shared pensions administration service - between Devon and Somerset.

Purpose of this document

The Devon Pension Fund encourages engagement between members and employers and its officers and representatives. The sharing of information amongst all stakeholders promotes good fund governance and fund management as well as developing a greater understanding of the complexities of planning for retirement.

This Communication Strategy Statement describes the intentions, processes and practices that facilitate good communication between all parties related to or engaged with the Fund and summarises the methods of connecting the stakeholders with information about personal benefits and the operation of the Devon Pension Fund.

Occasionally different methods of communication will be deployed as circumstances require. This Communication Strategy Statement does not limit the methods that may be used by the Fund to produce effective communication with stakeholders.

The Communications Strategy Statement is reviewed annually to accommodate changes to technology, legislation, actuarial requirements, or the practices of the LGPS and the Devon Pension Fund. The next formal review is scheduled for 1 July 2025.

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How the Fund connects with stakeholders

The Fund uses a range of communication channels and when deciding which to use consideration is given to the message, it's customers, and the cost to the Fund. Each time, the aim is to use the most appropriate and efficient means for connecting with stakeholders, whilst delivering concise, clear and accurate information.

To contain administration costs and embrace the use of technology, the fund aims to communicate as much as possible via electronically. This helps to ensure that the Fund maintains contact with members and removes the need for member tracing services. However, members are given the option to elect to receive any communication via other means.

Here are some of the common communication channels provided:

Online information sources

The Devon Pension Fund has made information available electronically for access by members and employers. The most efficient source of information are the two main Devon Pension Fund webpages.

- a) The Devon Pension Fund: - [Home - Devon Pension Fund](#)

This website provides useful and concise information about the Fund, including the:

- Annual Report and Accounts – including the annual financial statements
- Investment Strategy Statement
- Funding Strategy Statement
- Administration Strategy Statement
- Actuarial Valuation Report
- Fund Risk Register
- Fund Statistics
- Administering Authority Discretions Statement Information about the Responsible Investment objectives of the Fund

- b) Peninsula Pensions: - <https://www.peninsulapensions.org.uk>

The Peninsula Pensions website provides administrative information and guidance to employers as well as anyone who may be thinking of joining, is already a member, or may be a previous member or a pensioner member.

Member benefit information

After registration on the Member Self Service Portal members may:

- view their current benefit information

- model their own projected benefit calculations
- update personal details
- add or update Expression of Wish information
- view pay slips, P60s and annual benefits statements
- view newsletters
- print nomination and other forms for completion
- Interact with the administrator and raise questions or to upload or send documentation
- find out about methods of increasing future retirement benefits through options like Additional Voluntary Contributions and Additional Pension Contributions

For general queries members should complete the contact form on: [Contact Peninsula Pensions - get in touch for help and advice](https://www.peninsulapensions.org.uk/)<https://www.peninsulapensions.org.uk/>

Employer information and administration guidance:

There is also a section for employers: Peninsula Pensions ([Local Government Pension Scheme for employers - a guide \(peninsulapensions.org.uk\)](https://www.peninsulapensions.org.uk/))

Employers can obtain guidance and information on how to interact with the administrator to pay contributions, process member information (have benefits paid and access to forms and documents) and the practicalities of Outsourcing Services.

c) The Local Government Pension Scheme website

The LGPS web pages: <https://www.lgpsmember.org/> contain information about many aspects of the overarching LGPS arrangements useful to members and employers.

Member surveys

The Fund interacts with members using on-line surveys to gather information and opinion from members. This data is used to assist the Fund in determining strategic decisions and improving communication to members.

Annual Benefit Statements, Pensioner Pay Advice and P60

Active contributory members and deferred members have online access to their annual benefit statement showing current and prospective values of member's benefits

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

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

Newsletters

The Fund provides regular electronic newsletters:

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a) Employer Newsletters

Employers receive quarterly electronic newsletters containing news and developments of a strategic and nature affecting the employer and the Fund. Employers are encouraged to share the newsletter within their organisation. Special bulletins are published when necessary.

b) Pensions Line Newsletter

Peninsula Pensions distributes monthly Pensions Line Newsletters which is the main method of informing employers of regulatory updates as well as their responsibilities and processes to be followed to assist the smooth administration of the Fund. These are found at: [Pensions Line Newsletters - Peninsula Pensions](#)

c) Member Newsletters

The Fund regularly publishes member and pensioner newsletters and the Pensions Post sent directly to members. These inform about investment performance, investment and ESG strategy, member related events, changes to pensions legislation or improvements to the methods of obtaining their personal retirement benefit information. Recent back copies of these are available on the Fund web page: [Fund Policies - Devon Pension Fund](#)

Employer Liaison

Employer Communication Officers support employers in:

- Administrative and actuarial funding queries and liaison with other parties to provide information and advice to employers.
- Training and advice which are provided to Fund employers about administrative activities and tasks, tailored to the specific needs of any employer as well as actuarial and funding information.

The Fund also holds an annual Pension Liaison Officer Group meeting for all employers, set at a technical level, providing opportunity for the exchange views and news and addressing technical benefit issues, as well as changes to the Fund Administration Strategy.

Annual Employers Meeting

Employer organisations can meet senior Investment and Pension Fund managers at the Annual Employers Meeting. Pitched at the employer decision makers, these meetings provide formal and informal opportunities to exchange information and ask questions about fund performance, actuarial issues, changes to workplace pension's law, and developments in the reform of public pensions and LGPS specifically.

Annual Fund Member Consultative Meeting

Early in the calendar year an Annual Consultative Meeting with Fund members is held. The Chair of the Investment and Pension Fund Committee, senior Fund officers and management of Peninsula Pensions make presentations and answer questions.

Annual Fund Report

The Devon Pension Fund's Annual Report and Accounts is available at:

[Fund Policies - Devon Pension Fund](#)

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

Communications with key governance partners

Pensions governance is all about monitoring pension schemes to make sure they are run in their members' interests. Managers of the Devon County Council Investment and Peninsula Pensions teams work closely with the Investment & Pension Fund Committee and the Devon Pension Board to ensure that representatives are fully informed about Pension Fund matters and that they are fully supported in fulfilling their duties and responsibilities and able to make critical decisions.

The Governance Policy and Compliance Statement: [Important documents - Devon Pension Fund](#) outlines the arrangements for the Devon Pension Fund as maintained by Devon County Council in accordance with Regulation 55 of the Local Government Pension Scheme Regulations 2013. Under this provision all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, revise it following any material change in their delegation arrangements and publish it.

The Investment and Pension Fund Committee

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

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

Investment and Pension Fund Committee Meetings are held at least quarterly and are open to the public as observers, other than where information is exempt from public disclosure under the Local Government Act 1972. Committee agendas, reports and minutes are made available at: [Investment and Pension Fund Committee - Devon Pension Fund](#)

The Devon Pension Board

The Board meets four times a year, with meetings falling in between the meetings of the Investment and Pension Fund Committee.

More information on the Pension Board along with terms of reference and meeting minutes can be found on the at: [Committee details - Devon Pension Board - Democracy in Devon](#)

Actuarial services

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

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

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

Actuarial Services to the Fund are provided by Barnett Waddingham: [Barnett Waddingham \(barnett-waddingham.co.uk\)](http://barnett-waddingham.co.uk)

The Brunel Pension Partnership Ltd.

Devon County Council is a shareholder of the Brunel Pension Partnership Ltd. (Brunel) which is one of eight national Local Government Pensions Scheme LGPS Pools. Brunel was established to manage investments for the pension funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire in response to the Government's investment pooling initiative, with the aim of bringing together over £30 billion of investments from the 10 likeminded funds. 95% of the Devon Fund's investments are now managed by Brunel.

The Devon Fund continues to be responsible for its own investment strategy, and for deciding the strategic asset allocation between different asset classes to meet local investment objectives. Brunel provides a range of funds for their clients to invest in and are responsible for selection and monitoring of the external investment managers who manage those funds.

The Brunel Oversight Board, comprising the Chair of the Devon Pension Fund and the chairs of the nine other Brunel clients, meets on a quarterly basis to review the performance of Brunel and discuss other policy areas in relation to the operation of Brunel. This is a crucial body to ensure effective scrutiny of the operation of Brunel, and to act as a conduit of information between Brunel and the pension committees of the ten participating LGPS funds. Two Fund Member representatives, who have been selected from across the ten Brunel funds, also attend this board as observers.

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

Further news and information can be found at: [Home - Brunel Pension Partnership](#)

Other investment managers and advisors

Investment performance is consistently monitored and evaluated against portfolio objectives and benchmarks. This is undertaken by the Director of Finance and Public Value's Investment Team which has regular performance review meetings with Brunel.

Around 5% of the Fund's investments are managed outside of the Brunel investment pooling arrangements, either in illiquid investments initiated prior to the inception of Brunel or in investments in a local impact portfolio. These funds are managed by professional external fund managers. The Investment Team will meet regularly with these external fund managers to ensure they are meeting the Fund's investment objectives.

The Director of Finance and Public Value reports to the Investment and Pension Fund Committee on investment performance, covering strategy and the performance of Brunel and the other investment managers. Brunel will attend a briefing meeting with the Committee on a quarterly basis. The Committee has an experienced independent investment adviser, who will provide expertise and guidance on the Fund's investment strategy and the performance of Brunel and other managers. Regular communication between the Investment Team and the Independent Investment Advisor is essential to this relationship.

Every three years, the Fund will commission an external review of its investment strategy from a firm of investment consultants with LGPS expertise. Effective communication between the Investments Team, the Independent Advisor and the firm of consultants will ensure that the review is effective in making sure the investment strategy is fit for purpose.

Wider audiences

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

Press and Media

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

The Department for Levelling Up, Housing and Communities

The Department for Levelling Up, Housing and Communities is responsible for government policy on some public sector pensions including the LGPS. The Devon Pension Fund responds to consultation proposals for scheme changes.

LGPS Scheme Advisory Board

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

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

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

Local Government Association (LGA)

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

The Pensions Regulator

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

The Pension and Lifetime Savings Association (PLSA)

PLSA (<http://www.plsa.co.uk/>) speaks collectively for workplace pension schemes with the aim of influencing the direction of retirement provision. It has deep working relationships in Westminster and Whitehall. The Devon Pension Fund is a member of this organisations, and this helps us to be part of the national pension debate.

The Local Authority Pension Fund Forum (LAPFF)

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

The Society of County Treasurers (SCT)

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

Peninsula Pensions Communication documentation

This document does not attempt to address or include all the Devon Pension Fund administrative communications matters. Information relating to these topics are available on the Peninsula Pensions Website: <https://www.peninsulapensions.org.uk> .

Summaries of methods of sharing Fund information

Below are summaries of the prominent methods used by the Devon Pension Fund to share information. All reporting required by the Fund is in line with statutory timescales, specifically: The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (legislation.gov.uk)

Complaint handling

The Fund makes every effort to get things right so that members do not have any complaints. However, should you have a grievance please contact us to resolve issues as quickly as possible.

Members who are not satisfied with any decision made should contact Peninsula Pensions in the first instance either by phone, letter or using the contact us page on the Peninsula Pensions website. The Fund will always aim to resolve issues informally though there is a formal complaint process known as the Internal Dispute Resolution Procedure. This process has two stages though most complaints are resolved at the first stage. Any complaint made will be treated seriously and considered thoroughly and fairly.

More information can be found on the Peninsula Pensions webpage: - [An employee's guide to the Internal Dispute Resolution Procedure - Peninsula Pensions](#)

Data protection

The Devon Pension Fund Administering Authority is a Data Controller under the General Data Protection Regulations. This means the Fund stores, holds and manages member personal data in line with statutory requirements to enable us to provide pension administration services.

To enable the Fund to carry out its statutory duty, it is required to share member information with certain bodies, but only do so in limited circumstances.

For more information about how the Fund holds member data, where this is shared and what rights members have, please see the privacy notice: [Privacy and data protection - Peninsula Pensions](#)

Rights to information

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

The Fund predominantly uses electronic forms of communication in the interests of economy, efficiency and environmental issues. Members have the opportunity to receive paper copies by post. Face-to-face and telephone communications will continue to be important channels for members to interact with the Fund and vice-versa.

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Print and electronic communications are designed with consideration for those with additional needs and large print, audio or Braille versions of all printed literature can be provided. Please contact Peninsula Pensions with regards to any documentation.

There is nothing in this Strategy Statement that affects rights to access or receive information under the Freedom of Information Act or the Disclosure requirements of the Local Government Pension Scheme (LGPS) available at

[Accessing your personal information - how to make a subject access request - Freedom of information \(devon.gov.uk\)](#)

Summary of methods of sharing Fund information with members

Expectation	Product	Source	Frequency	Updated
Knowledge of benefits Fund information and news Fund contact details	Information	Devon Pension Fund and Peninsula Pensions websites Peninsula Pensions member self-service portal	Available online	Within one month of significant changes
Personal benefits and information Fund and transfer credit information for prospective and new members	Welcome letter at entry Member self-service portal Annual member benefit statement Annual pensioner statement, P60	Peninsula Pensions Peninsula Pensions website	New members: on entry Active members: annual via email of web link Pensioners: annual pension pay slips by post	As soon as practical after event
Information about Fund finances, triennial actuarial valuation, investment performance, and general investment principles	Fund Annual Report Fund annual financial accounts Annual Member Consultative Meetings	Devon Pension Fund website DCC Investments Team	Annual - for financial information	When audit, statutory and actuarial work completed
Ways to improve personal pension benefits	Information about Additional Voluntary Contributions and Additional Pension Contributions	Peninsula Pensions website	Available online	Within one month of significant changes

Expectation	Product	Source	Frequency	Updated
Information about pension matters	Pensioner Newsletter	Email and post and websites	As required	As required
Information about pension benefits in payment – after retirement	Pensioners pay advice		Annual or within one month of any notable change April & May annually, including P60 for previous year	Within one month of significant changes
Representation on the Investment & Pension Fund Committee	N/A	Member and employer newsletters	As vacancies occur, nominations for positions are advertised	As required
Investment & Pension Fund Committee meeting papers and minutes	DCC Archive	DCC archive: https://www.devon.gov.uk/democracy/	Available online	As required
Representation on the Pension Board	N/A	Member and employer newsletters	As vacancies occur, nominations for positions are advertised	As required

Summary of methods of sharing Fund information with employers

Expectation	Source	Frequency
Fund literature, guides, forms; policies and reports	Peninsula Pensions website	Updated as required
Information about changes in legislation and revisions to fund requirements. Latest news and investment performance updates.	Pensions Line newsletters Quarterly and special bulletins Fund website	Updated as required
Information about fund finances	Fund annual report & financial accounts	Annual and archived reports via the und website
Information about the Fund's progress, the pension landscape, developments, news, and information exchange.	Employers Meeting / Forum	Annual and unique events according to need
Information about actuarial matters including funding levels and employer contribution rates.	Annual Employers Meeting Devon County Council officers	As required
Technical information about administrative activities and tasks	Specialist Training Pension Liaison Officer Group	On demand Annual and as need arises
Enrolment of employees	Information, template letters, forms, and flowcharts Project guidance	Online Dedicated specialist support

Expectation	Source	Frequency
Representation on the Investment & Pension Fund Committee	Fund website	As vacancies occur
Access to Investment & Pension Fund Committee papers and minutes	DCC archive - https://www.devon.gov.uk/democracy/	Available online
Representation on the Pension Board	Fund website	As vacancies occur

DFP/24/30
Investment and Pension Fund Committee
1 March 2024

PRIVATE MARKETS INVESTMENTS

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Committee be asked to:

- (a) Note the progress being made on the investment of the Fund's private markets commitment.
- (b) Agree that no allocation be made to Brunel's Cycle 4 Infrastructure and Private Debt portfolios.
- (c) Approve a £100 million allocation to Brunel's Cycle 4 Private Equity portfolio.

2) Introduction

- 2.1 Private markets comprise investments not traded on a public exchange or market. They are an important part of the Devon Pension Fund's portfolio as:
 - They are expected to generate higher returns as a result of the illiquidity premium available to producers of long-term capital.
 - They provide diversification of returns.
 - They provide access to investment opportunities not usually accessible through public markets.
 - They provide greater potential for outperformance through active, hands-on management.
 - Infrastructure assets in particular can provide inflation linked returns that will assist the Fund in managing inflation risks.
- 2.2 The nature of private markets means that it can take time to build up investments to the desired level, as commitments need to be made to suitable funds, which are then drawn down as the funds identify suitable assets to purchase. Brunel's infrastructure, private debt and private equity portfolios operate on the basis of a two-year cycle, and client funds are required to make commitments at the beginning of each two-year cycle, with the opportunity to "top-up" their commitment one year later. No additional commitments are permitted between these dates. Cycle 1 was launched in 2018, cycle 2 in 2020 and cycle 3 in 2022. Cycle 4 will be launched in 2024, and commitments for cycle 4 must be notified to Brunel by the end of March.

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- 2.3 The purpose of this report, therefore, is to review the Fund's current allocation to the private markets portfolios – Infrastructure, Private Debt and Private Equity – and to determine whether further commitments need to be made towards Brunel's Cycle 4 portfolios.
- 2.4 The Fund's Investment Strategy Statement shows a medium-term target allocation to private markets of 30%. This includes a longstanding 10% allocation to Property, which is not addressed by this report. 1% of the medium term target allocation was top-sliced from each of Infrastructure, Private Debt and Private Equity to create a 3% target allocation to a Local Impact Portfolio. The current progress towards achieving the target allocations is summarised in the following table.

Private Markets Allocations

Asset Class	Medium Term Target Allocation	2023/24 Target Allocation	Current Allocation as at 31 Dec 2023
Infrastructure	9%	9%	9.2%
Private Debt	4%	4%	3.4%
Private Equity	4%	3%	1.4%
Local Impact Portfolio	3%	1%	0.3%

- 2.5 This report provides the Committee with further details on the individual private market portfolios and the current position on the commitments made. It does not consider the position on the Local Impact Portfolio, which is addressed in a separate report on the agenda for this meeting.

3) Infrastructure

- 3.1 Infrastructure funds are long term funds, typically with a life of 15-20 years. Before the set-up of Brunel, the Devon Fund had invested in five infrastructure funds, and will remain invested in those funds until they reach the end of their fund lives and have sold off all their assets. In addition, the Fund committed £175 million to Brunel's first infrastructure cycle, £310 million to Brunel's second infrastructure cycle, and £100 million to Brunel's third infrastructure cycle. The Devon Fund's total current commitments are set out in the following table.

Infrastructure Commitments as at 31 December 2023

	Total Commitment ¹ £'000	Current Valuation £'000	Remaining Commitment £'000
<u>Pre-Brunel Investments</u>			
Archmore (UBS) IIF	38,375	10,025	-
Igneo European DIF	42,915	22,013	-
Hermes IF	47,275	3,472	-
Hermes IF	47,275	38,335	-
Aviva IIF	40,000	28,891	-
Aviva Ground Rents Fund	20,000	13,992	-
	235,839	116,728	-
<u>Brunel Infrastructure Portfolios</u>			
Cycle I	175,000	155,704	29,695
Cycle II General	155,000	122,557	39,809
Cycle II Renewables	155,000	100,173	57,627
Cycle III	100,000	22,744	76,416
	585,000	401,178	203,547
TOTAL	820,839	517,906	203,547

Notes

1. Where the Fund is denominated in another currency, figures are based on foreign exchange rates as at 31 December 2023.
- 3.2 When the cycle 3 commitment was agreed the target infrastructure allocation was 10%. The Committee have subsequently agreed to top-slice 1% from the allocation to fund the local impact portfolio, bringing the target down to 9%. The current allocation has therefore reached its target, with significant commitments still to be drawn.
- 3.3 It is unlikely that 100% of the remaining commitments will be drawn. That which is drawn will be offset to some degree by the return of capital from the pre-Brunel funds, two of which are scheduled to close by the end of 2024. Nevertheless, the existing investments and committed capital should be sufficient to maintain the Infrastructure allocation at around the 9% target for the next 2-3 years.
- 3.4 It is therefore proposed that no allocation be made to Brunel's cycle 4 Infrastructure portfolio.

4) Private Debt

- 4.1 Private debt is a broad term that refers to any investment in privately negotiated debt. Borrowers often choose private financing because it can be customised to their needs or when public debt is not available. Private debt funds focus on direct lending to private companies, providing an attractive opportunity with a shorter investment

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term than infrastructure investments and a regular yield. The Devon Fund's current investments and undrawn commitments are shown in the following table.

Private Debt Commitments as at 31 December 2023

	Total Commitment ¹ £'000	Current Valuation £'000	Remaining Commitment £'000
<u>Pre-Brunel Investments</u>			
Arcmont Senior Debt Fund I	90,000	36,566	-
Golub Capital International Fund 11	60,464	51,479	-
	150,464	88,045	-
<u>Brunel Private Debt Portfolios</u>			
Cycle II	100,000	65,904	36,264
Cycle III	180,000	38,398	141,983
	280,000	104,302	178,247
TOTAL	430,464	192,347	178,247

Notes

1. Where the Fund is denominated in another currency, figures are based on foreign exchange rates as at 31 December 2023.
- 4.2 The current investment stands at 3.4%, compared to the 4% target allocation. However, there is still a substantial Cycle III commitment to be drawn. The Golub Fund still has 4-5 years left to run and is unlikely to return significant capital in the medium term. While Arcmont is nearing the end of the fund life and has returned a significant level of capital, it is still likely to be 3-4 years before all capital is returned.
- 4.3 The Private Debt allocation should therefore reach its 4% target through the drawdown of the current undrawn commitments, and should maintain that level for the following 2-3 years once the target is reached. It is therefore proposed that no allocation be made to Brunel's cycle 4 Private Debt portfolio.

5) Private Equity

- 5.1 Private equity is a broad term that refers to any investment in privately owned equity i.e. not listed on a public exchange. Typical investments include venture capital to new or growing businesses and buyouts with the intention of turning the company around. These can be very attractive investments, often producing higher returns than listed equity, and also producing an income yield that is attractive to mature funds such as the Devon Fund who need cashflow to meet pension payments.
- 5.2 The Devon Fund made its first commitment and investment in private equity through Brunel's cycle 2 portfolio, committing £125 million, with a further £150 million committed to cycle 3. The current position, including the undrawn commitments, are shown in the following table.

Private Equity Commitments as at 31 December 2023

	Total Commitment ¹ £'000	Current Valuation £'000	Remaining Commitment £'000
<u>Brunel Private Equity Portfolios</u>			
Cycle II	126,941	68,887	58,025
Cycle III	150,000	3,238	146,743
TOTAL	276,941	72,125	204,768

Notes

1. Where the Fund is denominated in another currency, figures are based on foreign exchange rates as at 31 December 2023.

- 5.3 While significant commitments were made to both cycle 2 and cycle 3, the sum invested is still only just over 1%. It is hoped that the rate of investment will increase over 2024, but as with all private markets investments the full commitment is unlikely to be drawn.

- 5.4 A key risk with private equity investments is vintage risk. This is the risk that if the investment is made at the wrong point in the economic cycle, then it may not achieve the desired outcome. Therefore, private equity investments should be spread over different vintage years in order to diversify the risk. The strategy has therefore been to build up the commitment gradually in order to manage vintage risk. Therefore, the intention was to continue to allocate to each cycle and build up the commitment slowly.

- 5.5 While it may be possible that the current level of commitment could take us up to the 4% target allocation, given the slow progress of drawdown and the need to commit to every cycle to manage vintage risk, it is proposed to allocate a further £100 million to Brunel's Cycle 4 Private Equity portfolio.

- 5.6 Another point to bear in mind is the Government's intention that all LGPS funds should have an ambition to invest 10% in Private Equity. This is yet to be enacted into regulation and guidance, but the Government response to the previous consultation document confirmed their intent to do so.

- 5.7 When the formal regulatory guidance is issued, we will still need to be happy that an increased allocation to private equity meets our fiduciary duty to manage the Fund to achieve the required investment return at the appropriate level of risk. It is suggested that this should be considered as part of the next external review of the Fund's investment strategy, which is due in the run-up to the 2025 Triennial Valuation. Should a higher allocation be agreed, there would still need to be a gradual build-up in order to manage the vintage risk.

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6) Conclusion

- 6.1 The Committee is asked to note the progress being made in deploying the capital previously committed to the private market portfolios. As set out, it is not proposed to make any allocation to the Cycle 4 Infrastructure and Private Debt portfolios. The next opportunity to invest in infrastructure and private debt via Brunel will be when Cycle 5 is launched in April 2026.
- 6.2 The Committee are asked to approve an allocation of £100 million to Brunel's Private Equity Cycle 4 portfolio. There will then be an opportunity to top this up in April 2025 if deemed appropriate.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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DFP/24/31
Investment and Pension Fund Committee
1 March 2024

LGPS UPDATE

Report of the Director of Finance and Public Value

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

1) Recommendation

That the Committee be asked to note the developments affecting the LGPS

2) Introduction

2.1 This report is brought to the Investment and Pension Fund Committee to provide an update on the latest developments affecting the LGPS.

3) The Pensions Regulator (TPR) code of Practice

- 3.1 The long awaited TPR's new general code has finally been laid in Parliament on 10th January and brings together and updates 10 existing codes of practice into one set of consistent expectations on scheme governance and administration. The code is expected to come into force on 27th March.
- 3.2 The new general code sets out in detail what TPR expects of a scheme that is required to maintain an effective system of governance. This brings together many key aspects of running a scheme, not least in terms of risk management. The detail of what constitutes an effective system of governance will be dependent on the size and complexity of the scheme.
- 3.3 The TPR will expect schemes to be able to demonstrate that they have appropriate procedures and policies in place. Officers will review the new code, identify any actions points and will provide a report to the Pension Board in due course.

4) LGPS- Next Steps on investments consultation

- 4.1 The Government has now responded to the consultation held last summer (reported to the board in October 2023) that contained a number of proposals concerning the future of pooling and the investing in assets to support levelling up in the UK.

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- 4.2 After having considered the responses, the government has indicated that it intends to implement the proposals that were set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity as follows:
- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.
 - revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
 - implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
 - revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.
 - make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.
 - amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
 - revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity.
- 4.3 With respect to pooling, the Government has set out that their immediate priority is for existing assets to be pooled, whilst the aim of consolidating into fewer larger pools is a longer term ambition. The Devon Fund has already pooled 95% of its assets with Brunel, including all listed assets.
- 4.4 Brunel have commissioned PWC to do some research on the benefits of scale, with a view to informing any action required in response to the Government's agenda.
- 4.5 When the formal regulatory guidance is issued in relation to the ambition for a 10% allocation to private equity, we would still need to be happy that that meets our fiduciary duty to manage the Fund to achieve the required investment return at the appropriate level of risk. It is suggested that this should be considered as part of the next external review of the Fund's investment strategy, which is due in the run-up to the 2025 Triennial Valuation.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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