

DEVON PENSION BOARD

15 July 2019

Present

Councillors C Slade (Chair) and S Randall-Johnson

William Nicholls, Independent Member
Julie Bailey, Fund Member Representative
Paul Phillips, Fund Member Representative
Andy Bowman, Fund Member Representative

Attending in Accordance with Standing Order 25 (2)

Councillor R Bloxham

Apologies:-

C Hearn, G Smith and C Shipp

* 122 Minutes

RESOLVED that the Minutes of the meeting held on 3 April 2019 be signed as a correct record.

* 123 Items Requiring Urgent Attention

No item was raised as a matter of urgency.

* 124 Membership

The Board welcomed the re-appointment of Mr Paul Phillips and appointment of Ms Julie Bailey to the Devon Pension Board (both Fund Member representatives).

* 125 Review of the Investment Strategy Statement and Pension Board Terms of Reference

The Board considered the Report of the County Treasurer (CT/19/67) on a review of the Fund's policies and statements including a revised version of the Investment Strategy Statement circulated at the meeting and also appended to the minutes.

There was a total of four statutory policies that the Fund was required to have and maintain:

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

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 required each LGPS administering authority to have in place an Investment Strategy Statement. The guidance required that the Investment Strategy Statement should be revised at least every three years, and when there were any significant changes.

The Investment Strategy Statement required by the regulations included: -

(a) a requirement to invest money in a wide variety of investments;

(b) the authority's assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks were measured and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental or corporate governance considerations were considered in the selection, non-selection, retention and realisation of investments; and

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

Following the review of investment strategy undertaken by Mercer, a revised Investment Strategy Statement (ISS) had been put together to reflect the outcome of the review. This set out the strategic asset allocation for 2019/20 and the opportunity had also been taken to make other minor amendments. The revised Investment Strategy Statement had been approved by the Investment and Pension Fund Committee in February 2019.

The Report also set out the Pension Board's Terms of Reference which the Board was required to review each year to ensure they remained effective and reflective of the work and focus of the Board.

In discussion, Members and Officers referred to the anticipated guidance from the Ministry of Housing, Communities and Local Government which would reflect issues such as climate change, the terms of reference and the move to four meetings per year, the recent declaration of a climate emergency and whether this should be more explicit in Strategy documents and the feedback and reporting mechanisms from the Local Authority Pension Fund (LAPF) to the Investment and Pension Fund Committee.

The Board asked that there be more easily accessible information on the webpages for improved communication to scheme members regarding climate change and ESG issues. Officers agreed to pick this up as part of a forthcoming review of communications and webpages.

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

RESOLVED that the terms of reference of the Pension Board, Investment Strategy Statement and Compliance Statement be endorsed and the Investment and Pension Fund Committee be asked to note the Boards comments on the importance of climate change and ESG issues in monitoring of investments and the expansion of this in future Strategies.

* **126** **Devon Pension Fund Risk Register**

The Board considered the Report of the County Treasurer (CT/19/68) on the Risk Register as part of the Board's scrutiny role in relation to risk and compliance previously considered at its meeting on 3rd April 2019.

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

The Risk Register was reviewed and updated on an ongoing basis during the year and a number of areas, including aspects highlighted by the Board, had been amended as appropriate, removing additional plans and adding them to the mitigating controls.

The Board noted the addition of two new risks. The first (F4) related to ESG (Environmental, Social and Governance) risks. Whilst this was contained within the Investment Strategy Statement, and managed through the investment strategy, it hadn't been previously referenced in the Fund risk register. The second risk (F16) referred to the McCloud and Sargeant cases which were legal challenges to the protections which had been put into revised scheme regulations in the Judges' and Firefighters pension schemes. The cases were likely to have implications for the LGPS regulations which put in place similar protections for those nearing retirement when the CARE (Career Average) scheme was brought in in 2014.

The Board, in discussion, referred to climate change not being on the risk register.

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

RESOLVED that the Board notes the Pension Fund Risk Register and the additional actions proposed to mitigate risk be noted and that Mr Rose (Risk Management & Internal Audit) be invited to a future meeting of the Board.

* **127** **Annual Review of Attendance**

The Board considered the Report of the County Treasurer (CT/19/69) on the annual review of attendance, in line with the Board's terms of reference, of attendance at the Board's four meetings and training events. An updated version was circulated at the meeting to include attendance at the Board meeting on 3 April 2019, which was appended to the minutes. The log showed attendance of both board meeting and training events.

Members discussed the attendance rates of Board Members, the potential for 'shadows' and the process for appointment to the Board for fund employer representatives.

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

RESOLVED that the attendance as recorded be noted and the Board ask that Fund Employers be asked to nominate representatives based on ability to attend future meetings and training events (notwithstanding training was a legal requirement).

* **128** **Investment and Pension Fund Committee**

The Board received the Minutes of the meeting held on 3 April 2019 and noted that C Lomax would stand down as a Unison / Retired Members representative of the Investment and Pension Fund Committee.

* **129** **Peninsula Pension Administration Strategy Review Update**

The Committee considered the Report of the County Treasurer (CT/19/70) on the administration strategies, a mechanism to formulate a service level agreement between the administering authority and the scheme employers and which covered a number of areas including: administration performance standards; employer performance standards; and procedures for liaison and communication between the fund and scheme employers.

The administration strategy helped to strengthen governance arrangements by setting out clear policies and performance standards for the fund and scheme employers and ensured continued compliance with the Pensions Regulator Code of Practice 14.

The current administration strategy had been approved by the Investment and Pension Fund Committee in April 2015, following consultation with employers.

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

A draft of the Strategy would be presented to the Board at its meeting on 21st October 2019 meeting, before full consultation with employers.

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

RESOLVED that the actions being undertaken by officers to ensure compliance and best practice be noted and endorsed.

* **130** **Peninsula Pensions Administration - Performance Statistics**

The Board noted the Report of the County Treasurer (CT/19/71) Peninsula Pensions' internal service standard targets and performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information. This additional reporting element had been introduced in 1st January 2019.

Performance targets were monitored on a monthly basis via a task management system and reporting tool within the pension database. Performance against the Disclosure Regulations for 2018/19 was 98% and there was a continued improvement in performance despite implementation of an extensive training plan across the member services section, which was impacting the normal day-to-day workloads of staff.

Officers had also conducted a review of the classification and prioritisation of tasks carried out by the member services team. This would help ensure that tasks were dealt with appropriately and in a more effective and timely manner.

Appendix 1 of the Report showed a detailed breakdown of administration performance relating to the Devon Pension Fund for the year ending 31st March 2019 against the internal targets and Disclosure Regulations and Appendix 2 the longer-term performance of Peninsula Pensions in respect of the Devon Pension Fund from 1st January 2017 to 31st March 2019. Members noted that the total number of cases outstanding had dropped significantly over the period reported.

Members commented and asked questions about how issues were categorised as low, medium and high priority and also the importance of good communications on expectations and timeliness of responses.

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

RESOLVED that the Report be noted.

* **131** **LGPS Update**

The Board noted the Report of the County Treasurer (CT/19/72) on an update on some of the latest issues affecting the LGPS. The report focused on the Good Governance Project launched by the Scheme Advisory Board and various issues relating to actuarial valuations.

The Good Governance Project was a project to look at the governance structures within LGPS and whether any changes to regulations were required to improve governance. The project was considering four options including improved practice, greater ring-fencing of the LGPS within existing structures, use of new structures and new local authority body. This would report later in the year.

In relation to the Governments consultation and actuarial variations, the Board noted that the Investment and Pension Fund Committee had resolved to submit a response to MHCLG. A response would be submitted by the County Treasurer in consultation with the Chair of the Investment and Pension Fund committee following circulation to Committee Members.

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

RESOLVED that the Report be noted.

* **132** **Actions and Recommendations Tracker Reports**

The Board considered the Report of the County Treasurer (CT/19/73) on the Audit action log created to track progress and completion of audit actions and recommendations. In addition, the report detailed a log of actions and requests raised by the Pension Board.

The Actions and Recommendations tracker comprised a list of actions, recommendations and requests raised by the Devon Pension Board and includes items dating back to April 2018.

Members referred to the audit tracker and suggested future reports could contain key milestone dates and a progress update on the actions.

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

RESOLVED that the progress on completing actions arising from internal audits and Pension Board member recommendations or requests be noted.

* **133** **Future Work Programme**

The Board considered the Report of the County Treasurer (CT/19/74) on a proposed future Work Programme for the year over the next three meetings.

The Future Work Programme set out a clear agenda for future areas of review and discussion for the Pension Board, providing provide assurance that the Devon Pension Fund was managed and administered effectively and efficiently, and that it complied with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

Members noted the intention to have attendance data as a standing agenda item and a further item on risk management in January 2019.

Officers further advised there had been a recent Governance review and a Report would be brought to the October Board meeting.

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

RESOLVED that the future work programme as set out in the Report be noted, with the inclusion of the items listed above.

* **134** **Dates of Future Meetings**

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

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DEVON PENSION BOARD
15/07/19

The Meeting started at 11.30 am and finished at 12.36 pm