

DEVON PENSION BOARD

20 October 2016

Present

Fund Employer Representatives

Councillors B Greenslade and S Randall-Johnson
Mr C Hearn and Mr G Smith

Independent Member

Mr W Nicholls

Fund Employee Representatives

Mr A Bowman, Ms H Keightley and Mr C Shipp

18 **Chairman**

RESOLVED that Councillor Greenslade be elected Chairman for the remainder of the 2016/17 Municipal Year.

19 **Minutes**

RESOLVED that the minutes of the meeting held on 14 April 2016 be approved and signed as a correct record.

20 **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

21 **Membership**

The Chairman welcomed Councillor Randall Johnson to her first meeting of the Board and also reported the recent resignation of Ms C Lewis (Fund Member Representative) indicating that a replacement representative would be sought in the usual way, following an open competition.

MATTERS FOR CONSIDERATION AND REVIEW

22 **Statutory Statements**

(a) Communications Policy

The Board considered the Report of the County Treasurer (CT/16/81) together with the Communications Policy most recently updated and approved by the Investment & Pension Fund Committee, in 2015.

It set out the Pension Fund's policies relating to the provision of information and publicity to members, their representatives and employing authorities and key organisations and summarised, inter alia, the format, frequency and method of distributing such information or publicity. The policy reflected the value placed by the Pension Fund on communications and the professional expertise available to it. The Board was advised that the Plan had, during 2015/16, also received a good level of assurance from the Devon Audit Partnership.

Members noted that this was one of four statutory statements the Fund was required to have in place which the Board was required to scrutinise and comment upon to the Council's Investment & Pension Fund Committee.

In reviewing operational aspects of this matter, Board Members sought assurances that Peninsula Pension's Quarterly Newsletter was indeed made available to fund members as indicated in the Annual Report through, for example, the County Council's internal 'Insider' staff newsletter.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Councillor Randall Johnson, and **RESOLVED** that the Report be noted and the Communication Policy be endorsed.

(b) Funding Strategy Statement

The Board considered the Report of the County Treasurer (CT/16/82) together with the Funding Strategy Statement most recently updated and approved by the Investment & Pension Fund Committee in September 2014 and previously reviewed by the Pension Board in October 2015. The Statement outlined the Pension Fund's funding objectives and the management of the cost of the benefits provided under the Local Government Pension Scheme and the objectives/strategy for setting employer contribution rates.

The Statement had been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 and was due to be revised in 2017 - after the 2016 Actuarial Valuation - to ensure it reflected any significant changes to funding assumptions arising therefrom. That revised statement would necessarily be presented to the Board for review.

Members noted that this was one of four statutory statements the Fund was required to have in place which the Board was required to scrutinise and comment upon to the Council's Investment & Pension Fund Committee.

In reviewing related operational matters, Board Members drew attention to the emphasis within the Statement to the Funds 'relationship' with employers rather than with members, commenting also on the desirability of the Fund being seen to build 'trust' in its members of its financial viability and security (i.e that it was safe to invest their money in the Fund) and that this could usefully be expounded both in this Strategy Statement and the Communications Policy at Minute 22(b) above.

It was **MOVED** by Councillor Greenslade, **SECONDED** by Mr Shipp, and

RESOLVED that the current Funding Statement and the process of review be noted subject to the view outlined above also being drawn to the attention of the Investment & Pension Funds Committee.

23 External Audit Findings Report

The Board noted the Report of the County Treasurer (CT/16/83) on the outcome of the audit of the Pension Fund for 2015/16 outlining the work undertaken by Grant Thornton (the Council's external auditors) to address the risks identified in the Audit Plan endorsed previously by the Council's Audit Committee in March 2016.

The Auditor's Report, a copy of which was appended to the County Treasurer's Report, had been presented to and endorsed by the Audit Committee on 7 September 2016 and the Investment and Pension Fund Committee on 16 September 2016; it had not identified any significant issues and had given an unqualified opinion upon the Fund's financial statement.

While Members recognised it was in line with standard industry practice, some concerns were expressed at the apparently arbitrary financial levels specified by the Council's external

auditors of 'materiality' set out in the Annual Report. The County Treasurer's professional advice was that the current levels were both appropriate and proportionate and that no change could be supported, advising also that the Council could neither dictate nor enforce and such change.

24 Devon Pension Fund Risk Register

The Board received the Report of the County Treasurer (CT/16/84) together with the current Pension Fund Risk Register delineating actions to mitigate and mitigate identified risk(s); the Register had been reviewed previously at the last Board meeting.

Members noted that the Investment & Pension Fund Committee had, on 17 June 2016, accepted the Board's previous suggestion* that the Risk Register should incorporate references/additional risks relating to the Brunel Pooling Partnership/Arrangements, as incorporated in the Risk Register Report now submitted. The Board was assured that timelines for specific actions or target set out in the Register were on target or had been met. Members also acknowledged the potential impact on the operation of the Fund of:

- should asset pricing fall to pre 'quantitative-easing' levels;
- of constituent authorities externalising pension administration;
- on the potential impact of the leaving the EU (Brexit) and any consequential changes to regulatory frameworks; and
- on the outcome of the Actuarial Valuation for 2017/18-209/20; and.

The County Treasurer assured the Board that the Risk Register was regularly monitored and revised to reflect changing circumstances and that where changes occurred every effort was made to protect the Fund and, for example and in the case of externalisation, that the resulting burden rested with the relevant authority.

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

RESOLVED that the Report be noted and the Investment & Pension Funds Committee be asked to consider further variations to the Register in respect of the issues identified above.

*[NB *See also the Board's 'Action Log' referencing information or data previously circulated to the Board electronically or by other means arising from earlier consideration of this matter and discussed at the informal briefing session preceding the meeting]*

MATTERS FOR INFORMATION

25 Pension Fund Annual Report & Accounts 2015/16

The Board considered the Report of the County Treasurer (CT/16/85) together with the Pension Fund's Annual Report and Accounts for 2015/16, summarising and commenting upon the Fund's performance during the year; the latter having also been approved previously by the Council's Audit Committee.

Members noted that, for the first time, the Fund's Annual Report had also included information about the Pension Board including a brief summary of its activities and deliberations over the period in question (and the action taken by the Fund/Fund Manager as a consequence) in scrutinising and satisfying itself with the operation and management of the Fund during that period. It was acknowledged that the timeline for production of any future Annual Report and the work of the Board could usefully be reviewed.

Board Members expressed the view that the Annual Report could also more usefully show performance against comparable authorities or Funds rather than solely against internally set

benchmarks and benefit from the use of 'plain English' . The publication of a short summary document for fund members outlining the key issues in the Annual Report was welcomed.

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

RESOLVED that the 2015/16 Pension Fund Annual Report and accounts be noted and consideration be given to more effective means of summarising performance in future Annual Reports in line with the views expressed at the meeting as summarised above.

26 Devon Pension Board: Budget Monitoring 2016/17

The Board considered the Report of the County Treasurer (CT/16/86) monitoring the Board's budget at Month 6, in respect of accommodation; training; legal, technical, administrative and professional support which showed a forecast underspend of £1,647.00.

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

RESOLVED that the budgetary position at Month 6 be noted.

27 Actuarial Valuation 2016 and Section 13 Report

The Board considered the Report of the County Treasurer (CT/16/87) on the work being undertaken in respect of the next three yearly valuation of the Pension Fund, due for publication by 31st March 2017, which would establish employer contributions for the period 2017/18 – 2019/2020.

Members noted that in addition to the formal actuarial valuation carried out the by the Fund the Department of Communities and Local Government would commission a Section 13 (Public Sector Pensions Act 2103) valuation by the Government Actuary's Department to examine the 2016 valuation results to see if, in their opinion, valuations were (a) compliant with the LGPS Regulations, (b) not inconsistent with other Funds and (c) would ensure solvency and long-term cost efficiency.

The County Treasurer's Report indicated that the Government Actuary's Department had already carried out a 'dry run' of the process using the 2013 valuation results which could be taken into account by the Fund and fed into its process for the 2016 valuation. Members noted that while the 'dry run' had revealed a standardised funding level of 82% (which was not significantly at variance from the 2013 level of 84%) it had identified a number of areas which could give rise to concerns in the formal Section 13 valuation. While, at least in part, those arose from the application of different assumptions and methodologies applied by different Actuaries and in order to prevent that happening, the Fund Manager had taken action to adopt a more prudent approach to the actuarial valuation. This would include, for example, reducing the period over which the current pension deficit would be reduced and the impact of that on the Fund's investment strategy which the County Treasurer confirmed, would be addressed in the forthcoming strategic review.

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

RESOLVED that the Board notes the Section 13 'dry run' report produced by the Government Actuary's Department and the resulting approach to the 2016 triennial valuation of the Pension Fund; the potential impact of which should also be reflected in the Fund's Risk Register (Minute 24 above refers) .

28 Admitted Bodies Process

The Board received the Report of the County Treasurer (CT/16/88) outlining the process for admitting bodies (e.g. the County Council) to admit other bodies into the Devon Fund, to enable existing members of the LGPS to remain in the scheme and continue to accumulate benefits under their existing LGPS arrangements whilst their employment was transferred

between different contractors and as long as they remained employed in connection with the delivery of the outsourced service.

Members also noted the potential impact of proposed changes to the current Regulations which would necessarily be reflected in existing processes.

29 Peninsula Pensions Performance Statistics

The Board received the Report of the County Treasurer (CT/16/89) incorporating performance data relating to Peninsula Pensions administration and action taken to ensure compliance within accepted industry norms and best practice.

Members acknowledged and welcomed the work being done to reduce previous backlogs by around 20% and cases older than 10 days by 28% and while recognising the difficulties and practicability of Peninsula Pensions being asked to provide discreet or disaggregated data, welcomed the data set out in Report CT/16/89 relating specifically to the Devon Fund area* for the current financial year, to assist Members in making a judgement as to the adequacy or otherwise of administrative costs for the Devon Fund.

The Head of Peninsula Pensions re-iterated that where specific performance targets had not been met these were kept under review and monitored to ensure action was taken within an acceptable period. She also outlined current and proposed arrangements for obtaining customer feedback* and commented further on such feedback and of any disputes logged or complaints received referred to in the County Treasurer's Report now submitted, confirming also that future performance management reports would provide more qualitative information as far as was practicable, would contain more detail on those PIs not governed by the 10 day rule and on complaints received by subject/themes.

The Board noted that further information on comparative data with other funds would be made available to members direct, following the recent publication by CIPFA of its Benchmarking data. That showed, inter alia, that Peninsula Pensions costs were below average and deficit backlogs were in line with the national average.

*[NB *See also the Board's 'Action Log' referencing information or data previously circulated to the Board electronically or by other means arising from earlier consideration of this matter and discussed at the informal briefing session preceding the meeting]*

30 Local Government Pension Scheme Pooling of Investments: Brunel Pension Partnership - Progress Report

The Board received the Report of the County Treasurer (CT/16/90) on progress with the establishment of the proposed 'pooling' arrangement for South West LGPS schemes, under the aegis of *Project Brunel*, and the preparation of the full business case for approval by the Investment & Pension Funds Committee and the County Council later this year. All Members of the Board would receive a copy of the final business case and were encouraged to attend the Investment & Pension Fund Committee on 2 December 2016 when the matter would be under discussion.

31 Investment and Pension Fund Committee

The Board received and noted the minutes of the Investment & Pension Fund held 16 September 2016.

32 Future Work Programme

The Board considered the Report of the County Treasurer (CT/16/91) outlining the proposed future work programme* and reviewed the suggestions therein and discussed at the meeting for inclusion in the Programme.

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

RESOLVED that the proposed work programme be approved and the Board reflect further, after the County Council elections in 2017, on its role and programme of activity (e.g. the Annual Report) and revisit the scheduling of its meetings.

*[NB *See also the Board's 'Action Log' referencing information or data previously circulated to the Board electronically or by other means arising from earlier consideration of this matter and discussed at the informal briefing session preceding that meeting]*

33 Future Meetings/Diary Dates

The County Solicitor reported that the next meeting of the Board had been re-scheduled for 10 April 2017 (in place of 24 April) to avoid close proximity to the County Council Quadrennial Elections on 4 May 2017.

Dates of future meetings of the Board and of the Investment & Pension Fund Committee are published on the County Council's Calendar of Meetings, which is available on the Council's website at: <http://democracy.devon.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1>