

DEVON PENSION BOARD

10 April 2017

Present

Fund Employer Representatives

Councillors B Greenslade and S Randall-Johnson
Mr C Hearn

Independent Member

Mr W Nicholls

Fund Employee Representatives

Mr A Bowman

Apologies:-

G Smith, H Keightley and C Shipp

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Minutes

RESOLVED that the minutes of the meeting held on 20 October 2016 be approved and signed as a correct record.

35

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

36

Membership

The County Treasurer reported on progress with the filling of a vacancy for a Fund Member representative (vice Ms Lewis) and to secure an appointment at the earliest opportunity.

The Board noted that following a technical problem in contacting all fund members by email, in February, to alert them to and invitee applications for this position the deadline had been extended and details would be re-issued. Applications from those candidates who had already been contacted and applied would be retained and considered alongside any new applications received in order that the vacancy might be filled in time for the next meeting of the Board.

37

Devon Pension Board Budget : Outturn for 2016/17 and Budget for 2017/18

The Board considered the Report of the County Treasurer (CT/17/36) monitoring the Board's budget and proposed outturn figures for 2016/17 and on the proposed budget for 2017/18 for costs in respect of such matters as accommodation, training, legal, technical, administrative and professional support.

The outturn for 2016/17 had revealed a likely underspend of £1,630 against the original budget of £27,350 which had again been proposed as the base budget for 2017/18.

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

RESOLVED that the forecast Outturn for 2016/17 and the proposed budget for 2017/18 be approved.

38

Devon Pension Board Annual Report 2016/17

The Board considered the Report of the County Treasurer (CT/17/37) together with the proposed text of the Boards 'Annual Report' of its activities during 2016/17 for inclusion in the Devon Pension Fund Annual Report.

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

RESOLVED that the proposed 'Devon Pension Board Annual Report 2016/17' be approved and included in the Devon Pension Fund Annual Report subject to:

(a) the third paragraph being adjusted to read along the lines of '*The Board makes recommendations to the County Council through its Investment & Pension Fund Committee (or such Committee as is appointed to exercise those functions) and to Officers to improve governance standards. The Board may also, in exceptional circumstances and where relevant also refer matters to the Scheme Advisory Board*'; and

(b) the seventh paragraph being also adjusted to reflect training would be undertaken by Board Members either through completion of the CIPFA Knowledge and Skills Self-Assessments or the Pension Regulator Trustee Toolkit;

and the revised wording be circulated direct to Board Members for endorsement.

39

Actuarial Valuation 2016

The Board considered the Report of the County Treasurer (CT/17/38) on the results of the Actuarial Valuation prepared in accordance with current legislative arrangements which had concluded that the Devon Fund had a funding level of 84% with assets of £3,311,000,000 against liabilities assessed at £3,939,000,000.

The Actuary had determined that an overall employer rate of 20.9% of pensionable payroll would be required to meet future service accruals and clear the current deficit of £628,000,000 over a period of 22 years. The Board noted that the Fund's Funding Strategy would necessarily need to be revised to reflect the outcome of the valuation as summarised above and set out more fully in the Treasurer's Report (see also Minute 40(a) below).

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

RESOLVED that the Report and the results of the Actuarial Valuation be noted.

40

Statutory Statements(a) **Funding Strategy**

The Board considered the Report of the County Treasurer (CT/17/39) together with the revised Funding Strategy reflecting the outcome of the recent Actuarial Valuation (Minute 39 above refers) and updated regulations, practice and actuarial assumptions and setting out the variations from previous iterations.

It set out the Pension Fund's policies relating to the Pension Fund's funding objectives and management of the cost of the benefits provided under the Local Government Pension Scheme and the objectives/strategy for setting employer contribution rates, prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013.

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 acknowledged it provided an efficient and effective strategy which would be the subject of further consultation with fund employers while also expressing the hope that the Actuary had, in making his assumptions, had regard to the impact of 'Brexit' upon fixture interest rates, recognising the longer term nature of the strategy.

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

(b) Investment Strategy

The Board considered the Report of the County Treasurer (CT/17/40) together with the revised Investment strategy prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requiring LGPS Administering Authorities to put a revised strategy in place by 1 April 2017.

The revised strategy now submitted had been approved by the Investment and Pension Fund Committee on 24 February 2017 and reflected the recent Strategic Review and impact of pooling requirements.

It set out the Fund's policies for investing money in a wide variety of investments, assessment of the suitability of investments and types of investments, approach to risk (and risk management), pooling investment arrangements and the application of any relevant social, environmental or corporate governance considerations in the selection, non-selection, retention and realisation of investments.

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 acknowledged that the Strategy might necessarily need to be reviewed more frequently than every three years, at least initially, to properly reflect the impact of the Brunel Pooling arrangements.

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

41

Devon Pension Fund Risk Register

The Board considered the Report of the County Treasurer (CT/17/41) together with the current Pension Fund Risk Register delineating actions to militate and mitigate identified risk(s); the Register had been reviewed previously at the last Board meeting. The County Treasurer re-iterated 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

Members noted that the Investment & Pension Fund Committee had accepted the Boards previous suggestions, as set out in detail in the Treasurer's Report and had also separated out the specific risks for Peninsula Pensions to better identify the risk owners.

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

42**Investment and Pension Fund Committee**

The Board received and noted the minutes of the Investment & Pension Fund held on 2 December 2016 and 24 February 2017, noting that Messrs. Bowman and Nicholls had also been in attendance at the latter meeting.

43**Pension Fund Annual Reports - Cost Transparency**

In line with the provisions of Standing Order 23, Mr Bowman (Fund Member Representative) had asked that the Board consider the apparent increases – and the reasons therefor - in transaction and management fund costs against those shown in previous Annual Reports.

The Board received a Report of the County Treasurer (CT/17/43) on the aforementioned matter explaining the impact of revised guidance on the need for greater transparency in publishing actual costs: perceived increases in costs were the result of fuller disclosure as opposed to any real terms increase in the cost of managing investments.

Members noted that there would be further increases in the disclosure of management expenses arising from the 2017 Transparency Code commenting also that this illustrated the need for future reports to contain effective comparisons of total management costs including indicating also why those costs may have changed.

44**Internal Audit Report for 2016/17 and Internal Audit Plan for 2017/18**

The Board considered the Report of the County Treasurer (CT/17/42) together with the Internal Audit Report for 2016/17 and the proposed Internal Audit Plan for 2017/18 which had been prepared by the Head of the Devon Audit Partnership as a means of providing assurance to the Board and the Council that there were no significant weaknesses or areas of concern in existing systems of control in the operation and management of the Fund.

The 2016/17 Review outlined the work undertaken and overall offered a 'significant assurance' of the overall adequacy and effectiveness of the Council's management of and internal controls for the Fund. Of the 10 specific audit activities undertaken during that year all had received either a 'good' or 'high standard' rating showing that any risks were mitigated and that internal controls were working.

The proposed Internal Audit Plan for 2017/18 outlined key challenges and opportunities arising from the Council's corporate goals and the Fund's risk registers with an overview of proposed audit coverage.

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

RESOLVED that the Report be noted and a revised summary of the outcome for the 10 areas of activity referred to above be circulated to Board Members including relevant definitions for the levels of assurance.

45**Peninsula Pensions Administration - Update and Performance Statistics**

The Board received the Report of the County Treasurer (CT/17/44) 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 new format of the performance report and the work being done to continue to reducing backlogs.

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 commented upon the performance review currently underway which was intended to streamline processes, wherever possible, without detriment to fund

members or affecting the quality of work, noting also that performance of the authorities within the shared service were now broadly similar.

Members nonetheless strongly urged that the existing local performance standards should continue to apply acknowledging also that comparisons with CIPFA Benchmarking data might not always be favourable, but standards should not be compromised.

46

Brunel Pooling Partnership: Progress Report

The County Treasurer outlined progress with and developments in the establishment of the Brunel Company and its governance structures and the implementation of the pooling arrangements previously approved by constituent partners including the appointment of the Board Chairman and progress with appointing non-Executive Directors and staff. An Interim Managing Director had been appointed pending the appointment later in the year of a substantive Chief Executive Officer.

The County Treasurer undertook to circulate a comprehensive organisation structure chart – both for the Board and employees - with details of remuneration/salaries over £50,000 - as soon as practicable.

Having previously expressed support for the principle of scheme members' involvement in governance of any future arrangements through representation on the Oversight Board, Members warmly welcomed the recent announcement that 2 non-voting members would now serve on that body, to be appointed in a manner yet to be determined.

47

Training Review 2016/17 and Plan 2017/18

The Board received and welcomed the Report of the County Treasurer (CT/17/45) reviewing the training and development opportunities provided for Members of both the County Council's Investment & Pension Fund Committee and the Board in 2016/176 and outlining a proposed plan for 2017/18, to satisfy the requirements of the Pensions Act 2004 and comply with best practice.

The County Treasurer undertook to explore the suitability of Members utilising the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills or the Pensions Pension Regulator Trustee Toolkit to ensure Boards Members commenced such training prior to the next meeting.

RESOLVED that the Report be noted and the Training Plan be endorsed for further consideration following the May 2017 County Council elections.

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Future Work Programme

The Board noted the Report of the County Treasurer (CT/17/46) outlining the proposed future work programme.

FUTURE MEETINGS

[NB: Future meetings of the Board are scheduled for 16 October 2017 and 23 April 2018, as shown in the County Council's Calendar of Meetings at:

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

[NNB 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 relating to any of the aforementioned matters and discussed at the informal briefing session preceding the meeting]