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To: The Chair and Members
of the Devon Pension
Board

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 5 October 2023

Contact: Julia Jones

Email: julia.e.jones@devon.gov.uk

DEVON PENSION BOARD

Friday, 13th October, 2023

A meeting of the Devon Pension Board is to be held on the above date at 10.30 am
as a virtual meeting to consider the following matters.

Donna Manson
Chief Executive

A G E N D A

PART 1 - OPEN COMMITTEE

1 Apologies

2 Minutes (Pages 1 - 6)

Minutes of the meeting held on 6th July 2023 (attached)

3 Items Requiring Urgent Attention

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

MATTERS FOR CONSIDERATION OR REVIEW

4 Review of attendance (Pages 7 - 14)

Report of the Director of Finance (DF/23/95), attached

5 Contribution and breaches monitoring (Pages 15 - 18)

Report of the Director of Finance (DF/23/96), attached

6 Pension Board budget monitoring (Pages 19 - 20)

Report of the Director of Finance (DF/23/97), attached

7 Devon Pension Fund Risk Register (Pages 21 - 56)

Report of the Director of Finance (DF/23/98), attached

MATTERS FOR INFORMATION

8 Investment and Pension Fund Committee (Pages 57 - 64)

Minutes of Investment & Pension Fund Committee held on 15 September for information, attached.

9 Audit and action logs (Pages 65 - 84)

Report of the Director of Finance (DF/23/102), attached

10 Peninsula Pensions Administration - Performance Statistics (Pages 85 - 94)

Report of the Director of Finance (DF/23/99), attached.

11 LGPS Update Report (Pages 95 - 102)

Report of the Director of Finance (DF/23/100), attached.

12 Future Work Programme (Pages 103 - 104)

Report of the Director of Finance (DF/23/101), attached

13 Dates of Future Meetings

The Pension Board will meet at 10.30am on the following dates:

Tuesday 30th January 2024

Monday 29th April 2024

Monday 15th July 2024

Monday 21st October 2024

Wednesday 29th January 2025

Thursday 3rd April 2025

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

Nil

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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Induction Loop available



DEVON PENSION BOARD

6 July 2023

Present:-

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

Apologies:-

None

* **112** **Election of Chair and Vice Chair**

RESOLVED that Councillor Colin Slade be elected Chair and Andy Bowman be elected Vice Chair for the ensuing year.

* **113** **Minutes**

RESOLVED that the Minutes of the Meeting held on 18 April 2023 be signed as a correct record.

The Chair took the opportunity to thank Democratic Services Officer Gerry Rufolo, who was retiring, for his support as Clerk to the Board.

* **114** **Items Requiring Urgent Attention**

No item was raised as a matter of urgency.

* **115** **Membership**

The Board welcomed Ian Arrows (representing Fund members) to his first meeting of the Board.

Mr Arrows introduced himself and gave brief information about his background in law and his formal employment as a Senior Coroner for Plymouth, Torbay, and South Devon.

* **116** **Review of Attendance**

The Board received and noted the Report of the Director of Finance and Public Value (DF/23/69) on the attendance of Members at both Board meetings and training.

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DEVON PENSION BOARD

6/07/23

* 117 Contributions and Breaches Monitoring

The Board noted the Report of the Director of Finance and Public Value (DF/23/70) on current procedures for monitoring of timely payment of contributions from employers. A table in the Report showed a summary of the monthly contributions received in Q4 2022/23.

There were no payments of material significance, which required notification to the Pensions Regulator of the employer's failure to meet the legal deadline.

It was highlighted that an additional section on Breaches had been added and this would be included as a standard section for future reports. It was pleasing to note that an employer mentioned in the last report as not meeting deadlines was now delivering information on time.

It was suggested that there should be amended date in the table in the report for the third date to say after the 21st to allow for digital payments which had a deadline of that date. Additional information about whether employers were providing information in a timely manner was felt to be a useful addition to the report.

It was proposed by Mr Walshe and seconded by Mr Bowman and

RESOLVED that a new process be introduced where employers who have not met the deadlines for data information to the Authority at year end be publicly named to reduce the risk of the fund breaching legal deadlines.

The Report was also noted.

* 118 Devon Pension Fund Risk Register

The Board considered the Report of the Director of Finance and Public Value (DF/23/71) on the risks incorporated into the Fund's Risk Register (attached at Appendix 1 of the Report). The Board had previously considered the Risk Register at its meeting on 18th April 2023, and comments made had been taken on board in updating the register.

The Register highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. It incorporated the risk register of both the Investments Team and Peninsula Pensions. The Investment and Pension Fund Committee was the ultimate risk owner for the Pension Fund and last reviewed the Risk Register in October 2022.

In addition to the current mitigation in place, further actions were planned to provide a greater level of assurance, and these were detailed together with the planned timescale for the action to take place. The level of risk will be reviewed once these additional actions have been implemented. As a result of the incorporation of the risk register into the Authority's risk management

system, there was now a more rigorous system in place for regular review of the risks identified, enabling better risk management.

The Report also detailed new risks added to the risk register as a result of changes in regulations/legislation and decisions by the Investment and Pension Fund Committee.

Members' discussion points with the Officers included:

- Reference was made to risk F4 regarding management of Environmental, social and governance issues. The fund has been accredited by the FRC as signatories to the UK Stewardship code and this had been updated in the risk register.
- Communications to members through newsletters and surveys – these would continue but further clarification was needed to find out whether these would be available in paper as well as electronic form.
- Inflation risk was addressed by the strategic review of the fund's investment strategy which took place every 3 years. This had last been presented to the Investment and Pension Fund committee in February 2022.

RESOLVED that the Pension Fund Register and the additional actions proposed to mitigate risk be noted.

* **119** **Investment and Pension Fund Committee**

The Board noted the Minutes of the Investment and Pension Fund Committee meeting held on 16 June 2023.

It was questioned whether the Pension Fund Investment policy of allocating a certain percentage for local impact funding should be identified as a separate risk. This would be considered and fed back at the next meeting. The training plan would also be included in the October meeting.

120 **Actions and Recommendations Trackers**

The Board considered the Report of the Director of Finance and Public Value (DF/23/72) on progress made on completing actions arising from internal audits and pension board recommendations.

The Audit action log tracked progress and completion of audit actions and recommendations. In addition, the report detailed a log of actions and requests raised by the Board, and final audit reports issued relating to 2022/23 audits that had not already been brought to the Board. Previously completed actions have been removed.

It was highlighted that the final audit report on cyber security had been completed and was attached and there were a number of actions that had

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DEVON PENSION BOARD

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been addressed or were in progress. Members were reminded there was a training session this afternoon for them on cyber security.

* 121 **Peninsula Pensions Administration - Performance Statistics**

The Board considered the Report of the Director of Finance and Public Value (DF/23/73) on the performance of Peninsula Pensions against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the statutory requirements regarding the disclosure of pension information.

The report detailed the team performance, which included total performance against the Occupational and Personal Pension Schemes (Disclosure of information) Regulations 2013 for the quarter ending 31 March 2023, performance for previous quarters, work with employers to implement improvements; the processing of outstanding deferred benefit and amalgamation cases in preparation for the McCloud remedy and the work to prepare the Pension Dashboard, which had impacted performance. The team received a total of 10 compliments between 1 January 2023 and 31 March 2023.

Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Devon Pension Fund only, for the quarter ending 31 March 2023, and the full year 1st April 2022 – 31st March 2023, against the statutory Disclosure Regulations.

In addition, a further chart, as requested by the Board, has been included to highlight the variants in performance when compared with firstly, the previous quarter, and secondly, the previous 12-month period. And Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Devon Pension Fund only) for this financial year from 1st April to 31 March 2023. Appendix 3 of the report highlights the amount of work received over the last 12 month rolling period, compared to the same period in the previous year.

Other updates included the McCloud Member factsheet link for information.

Peninsula Pensions would be reviewing the Pension Administration Strategy and targets included during 2023, which included the internal target for Peninsula Pensions and expected performance requirements from individual Fund employers.

Members' questions and discussion points included:

- Administration Performance data shown in Appendix 1 might need revising. This would be checked and revised if needed.
- Some of the text in the charts in Appendices 2 and 3 were difficult to read. This would be made clearer for future.

- Recognised that the pandemic had led to an increase in change of people's working situations with some wishing to move to jobs in which they could work fully remotely.
- Requested that comparison data on performance from other comparable pension funds be made available to the Board
- Members were reminded that the outcome and recommendations from the Good Governance review were also awaited and might help with comparable data.

The Board noted the Report.

* **122** **LGPS Update Report**

The Board received and noted the Report of the Director of Finance and Public Value (DF/23/74) on an update on the latest developments affecting the LGPS. These related to the McCloud judgment and draft regulations concerning the remedy; consultation on changes to the Scheme Advisory Board's cost management process; and an update on the Pension Dashboard project.

Members' questions and discussion points with Officers included:

- When the conclusion of the McCloud remedy would come into effect – this had been scheduled to be at the beginning of October, but the legislation was not coming before Parliament until after the summer recess.
- Pension Schemes would then have 18 months to review all the records and implement any revisions accordingly.
- The Pension administration team were formally thanked for all their hard work on this.

* **123** **Future Work Programme**

The Board received and noted the Report of the Director of Finance and Public Value (DF/23/75) on the proposed Future Work Programme over the next three meetings

It was highlighted that the TPR Code of Practice was scheduled for January 2024 though officers had recently heard that the code would not be out in time and this will need moving to later in the year. The Pension Regulator data scores had been moved to the October meeting. Also scheduled for October was the Communications Policy Review, and the Governance Policy Review currently planned for January was likely to be pushed back due to awaiting the result of the Good Governance Review.

RESOLVED that the following topics be added to the Work Programme:

Review of the administration strategy

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DEVON PENSION BOARD

6/07/23

* 124 Dates of Future Meetings

The Pension Board will meet at 10.30am on the following dates:

Friday 13th October 2023

Tuesday 30th January 2024

Monday, 29 April 2024

Members were informed that future dates for the next council year would be available shortly.

Updates and other information available here

[Browse meetings - Devon Pension Board - Democracy in Devon](#)

NOTES:

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

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

The Meeting started at 10.30 am and finished at 11.11am

DF/23/95
Devon Pension Board
13th October 2023

REVIEW OF ATTENDANCE

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 Board be asked to:

- (a) Review the attendance and training record of the board.
- (b) Review the board's Terms of Reference

2) Introduction

- 2.1 The Devon Pension Board's Term of Reference currently states that the board will meet four times a year in addition to training events. Attendance at these meeting and training events is recorded and reported.

3) Attendance log

- 3.1 The Terms of Reference also states that the membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors.
- 3.2 A log showing the attendance of both board meetings and training events is attached in appendix 1 and should be reviewed by the board.

4) Terms of Reference

- 4.1 Following the introduction of the Local Pension Board under the Public Sector Pensions Act 2013, the Devon Pensions Board formally adopted its terms of reference in its creation meeting in July 2015.
- 4.2 As a matter of good practice and effective governance, the board is required to review their Terms of Reference ensuring they remain effective and reflective of the work and focus of the board. The current Terms of Reference is attached in appendix 2.

Agenda Item 4

5 Conclusion

4.1 The Board is asked to review the Terms of Reference and the attendance log.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall

Agenda Item 4

Devon Pension Board – Terms of Reference

1. Function of the Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Assist the Administering Authority as Scheme Manager; –
 - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
 - in such other matters as the LGPS regulations may specify.
- Secure the effective and efficient governance and administration of the LGPS for the Pension Fund.
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will also help ensure that the Devon Pension Fund is managed and administered effectively and efficiently and ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

In fulfilling that role the Board undertakes the following tasks:

- Monitor compliance of the Pension Fund with legislation, guidance issued by the Pensions Regulator, and with the policies set out in the Fund's statutory statements.
- Review and scrutinise the performance of the Pension Fund in relation to its governance and administration, policy objectives and performance targets.
- Approval of the Annual Internal Audit Plan for the Devon Pension Fund and for Peninsula Pensions.
- Consideration of the Internal Audit Annual Report and regular update reports for the Devon Pension Fund and Peninsula Pensions.
- Consideration of the External Audit report on the Pension Fund Annual Report and Statement of Accounts.
- Review of the Pension Fund Risk Register.
- Monitoring of the Fund's Internal Dispute Resolution Procedures.

2. Board Membership

The Pension Board is composed of nine members as follows:

Representing	No	Comments
Fund Members	4	Appointed by the Administering Authority from applicants responding to an advertisement.
Fund Employers	4	Two appointed by Devon County Council, plus two elected by employers at an Annual Employers' Meeting.
Independent Member	1	Appointed by the Administering Authority from applicants responding to an advertisement. (Non-voting)

Members of the Investment and Pension Fund Committee are excluded from membership of the Pension Board. No substitutes will be permitted.

The members of the Pension Board serve for a four year term, subject to the following:

- The employer representatives appointed by Devon County Council shall be appointed annually by the Devon County Council Annual Council Meeting, but with a view to maintaining stability of membership.
- Two member representatives and one employer representative shall serve for an initial six year term, after which a four year term will be served, to promote continuity of experience by reducing the risk of all members being replaced by new members at the same time.
- The independent member shall also serve for an initial six year term, after which a four year term will be served.
- The membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors.
- Arrangements shall be made for the replacement of members who resign or whose membership ceases due to non-attendance in line with the procedures for their original appointment.

3. Code of Conduct

Members of the Pension Board should abide by the Devon County Council Code of Conduct for members and co-opted members, as set out in Part 6 Section 1 of the Devon County Council Constitution.

Agenda Item 4

4. Appointment of a Chairman and Vice-Chairman

The Board will appoint a Chairman and Vice Chairman annually from among its members.

5. Voting Rights

All members and representatives, with the exception of the Independent Member will have equal voting rights.

6. Conflict of Interests

The Board Members will comply with the Devon County Council Members Code of Conduct, supplemented by any additional guidance on Conflicts of Interest, as set out in the Devon County Council Constitution.

7. Role of Officers and Advisors

The Pension Board requires the support of the Fund's key advisors to support it in the execution of its responsibilities. These will include the County Treasurer and staff from the Authority's Investments and Pensions Administration teams. It will also include staff from the Devon Audit Partnership. The Board will also be able to seek advice from other advisors, such as the Fund Actuary, and the Fund's external auditors.

8. Number of Meetings

The Board will meet four times per year. In addition training sessions will be held, which may be joint sessions with the Investment and Pension Fund Committee.

9. Arrangements for Meetings – Administration, Papers, Minutes, Quorum

The administration arrangements for meetings, for example the notice requirements for meetings and circulation of papers, the quorum required for a meeting, publication of minutes, etc. shall conform to Devon County Council's standing orders as set out in the Council's Constitution.

The first meeting in the municipal year be held in-person (with an option for any member to attend remotely) and the remainder continue as remote meetings. The Chairperson/Vice Chairperson may determine that it is necessary to hold further board meetings in person.

10. Allowances / Expenses

An allowance shall be paid to the independent member of the Committee in line with the allowance agreed for independent members of the Devon County Council Standards Board. No allowances shall be paid to other members of the Pension Board, but expenses shall be claimable in line with Devon County Council's agreed expenses rates.

11. Knowledge and Understanding

In accordance with Section 248A of the Pensions Act 2004, every individual who is a member of a Local Pension Board must:

- Be conversant with the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations);
- Be conversant with any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund;
- Have knowledge and understanding of the law relating to pensions;
- Have knowledge and understanding of such other matters as may be prescribed.
- Complete The Pension Regulator's Public Service Toolkit within a reasonable period of joining the board

The Pension Board will comply with the requirements of the Pensions Act 2004, including compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, the agreement of an Annual Training Plan and shall report on members' attendance at training events.

12. Reporting

Minutes of Pension Board meetings shall be reported for information to Devon County Council at the following Full Council meeting, although recommendations can be made to the Investment and Pension Fund Committee on issues that the Board wish to raise. Where material concerns arise, that the Board consider are not being addressed adequately, the Board can report their concerns directly to the Pensions Regulator. A report on the work of the Pension Board will be included within the Pension Fund's Annual Report and Accounts.

13. Data Protection and Freedom of Information

The administering authority (Devon County Council) must comply with the requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000 in its administration of the Board.

Agenda Item 4

DF/23/96
Devon Pension Board
13th October 2023

MONITORING OF CONTRIBUTIONS AND BREACHES

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 Board be asked to:

- (a) Note the actions taken to monitor the contributions
- (b) Note employer performance for end of year process and future developments

2) Introduction

- 2.1 This report is to update the Pension Board on the current procedures for monitoring of timely payment of contributions from employers.
- 2.2 Employers are required to make their contributions to the fund by the 7th of the month in accordance with the Administering Authority discretions. The legal deadline is however later than this on the 19th of the month where payment is made by cheque or 21st of the month where payment is made electronically.
- 2.3 Where contributions are received after the legal deadline and the Authority considers that late payment is of material significance, we have the duty to notify the Pensions Regulator of the employer's failure to meet the legal deadline.

3) Monitoring process

- 3.1 Employers are required to submit a remittance advice with their contributions. The Finance team within Peninsula Pensions record the payments received onto the Fund's finance system. Staff in the investment team update a database which records the contributions and also checks that they are in line with the rate certified by the actuary.
- 3.2 The date that the contribution was received is also recorded in order to monitor compliance with the legal requirements.

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- 3.3 The table below shows a summary of the monthly contributions received in Q1 2023/24. For each scheme employer, 3 contributions would be recorded and included in the table below except for those employers who joined or left during the period.
- 3.4 A total of 7 contributions were received late during this quarter. Five of these were from admitted bodies in the fund and two were Parish councils. All were one off incidents.

Employer by monthly contribution size	Paid on or before 7th of the month	Paid after 7th but on or before 21st	Paid after 21st	Not paid
£1 - £1000 (61)	126	27	2	0
£1001 - £10k (144)	373	48	5	0
£10k - £50k (72)	172	15	0	0
£50k+ (23)	61	11	0	0
<u>TOTAL</u>	<u>732</u>	<u>101</u>	<u>7</u>	<u>0</u>

4) Breaches

No other breaches occurred during Q4 of 2022/23.

5) Employer Performance

- 5.1 At the July Pension Board meeting, the board requested that Peninsula Pensions provided further information regarding the timeliness of year end data begin submitted by the scheme employers.
- 5.2 The Pensions Administration Strategy (PAS) states Employers must provide end of year data by 14 April. Any queries rising from the data are to be responded to within 3 weeks. This enables Peninsula Pensions to update records and issue Annual Benefit Statements prior to 31 August 2023 as legislated.

5.3 The table below sets out the number of returns received by specific dates:

Total EOY returns received	Date Received by	% of Fund Employers
196	14 April 2023	67%
212	30 April 2023	73%
256	31 May 2023	87%
292	30 June 2023	100%

The Team had to send 80 chaser emails between 24 April and 2 May, 35 second chaser emails between 11 May and 26 June and, 10 employers receiving a third chaser in June. It should be noted the chasers were a mixture of requests for the EOY data and responses to queries raised, for example, contributions provided but no record, no contributions provided but active record held.

5.4 Peninsula Pensions are working on ways to improve the number of employers providing data within our deadlines and officers are currently reviewing the pension administration strategy (PAS). A consultation with employers is currently planned for early November on the revised administration strategy which will be brought to the board in January meeting and for final approval at the Investment and Pension Fund committee in March 2024.

Peninsula Pensions are also working with Devon Audit Partnership on a tool to provide a report on key employer performance areas. The first report will be brought to the board in January 2024.

6) Conclusion

6.1 The Board is asked to review and note the contribution monitoring record.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

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Address: Room 180 County Hall

DF/23/97
Devon Pension Board
13th October 2023

DEVON PENSION BOARD BUDGET MONITORING 2023/24 – MONTH 6

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 Board be asked to:

- (a) Note the Devon Pension Board budget monitoring statement for month 6.

2) Introduction

- 2.1 A budget of the direct costs for the Devon Pension Board for 2023/24 was agreed by the board at its meeting on 18th April 2023.

3) Devon Pension Board Budget Monitoring Statement – Month 6

- 3.1 The budget monitoring statement for month 6 (as at 30th September 2023) is set out below.

Devon Pension Board Budget 2023/24

Forecast Outturn 2021/22 £	Description	Proposed Budget 2023/24 £	Actual	Forecas t
1,142	Training	3,000	94	2,000
471	Travel and Member expenses	1,000	0	1,000
3,500	Committee Support	3,500	3,500	3,500
36,083	Officer Support	38,000	16,894	38,000
0	Printing and Postage	0	0	0
41,196	Total Expenditure	45,500	20,488	44,500

Agenda Item 6

4 Conclusion

4.1 The Board is asked to note the monitoring report.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall

DF/23/98
Devon Pension Board
13th October 2023

PENSION FUND RISK REGISTER

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 Board be asked to note the Pension Fund Register and the additional actions proposed to mitigate risk.

2) Introduction

- 2.1 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks. The risks that have been identified are incorporated into the Fund's Risk Register.
- 2.2 The Pension Board monitors the Risk Register as part of its scrutiny role in relation to risk and compliance and will raise any specific concerns to the Investment and Pension Fund Committee, as necessary. The Board previously considered the Risk Register at its meeting on 18th April 2023, and comments made at board meetings have been taken on board in updating the register.
- 2.3 The Risk Register is attached at Appendix 1 to this report. It highlights the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. It incorporates the risk register of both the Investments Team and Peninsula Pensions.
- 2.4 The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and last reviewed the Risk Register in September 2023.

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3) Assessment of Risk

- 3.1 Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. These are then combined to produce an overall risk score. Each risk is scored assuming no mitigation, and then on the basis of the mitigation in place.
- 3.2 In addition to the current mitigation in place, further actions are planned to provide a greater level of assurance, and these are detailed together with the planned timescale for the action to take place. The level of risk will be reviewed once these additional actions have been implemented. As a result of the incorporation of the risk register into the Authority's risk management system, there is now a more rigorous system in place for regular review of the risks identified, enabling better risk management.
- 3.3 Further risks are likely to arise from future decisions taken by the Investment and Pension Fund Committee, and from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

4) Revisions to the Risk Register

- 4.1 For the Pension Fund the following amendments have been made
 - F1 the control regarding the annual training plan has been upgraded to green status following the approval of the plan at the September committee meeting.
 - F2 A new mitigating control has been added at the request of the Investment and Pension fund committee regarding the quarterly review of Brunel and the underlying fund managers
 - F13 (Climate) control added to refer to the Investment and Pension Fund committee's decision to move all passive equities into the Paris aligned Benchmark fund.
 - I2 A new mitigating control has been added regarding the annual treasury management audit
- 4.2 There are now 43 risks recorded in the Risk Register, 23 of which relate to Devon Pension Fund management and 20 to Peninsula Pensions. The following table summarises the number of risks assigned to low, medium and high-risk scores, before and after mitigation.

Risk Category	Number of Inherent Risks Identified	Number of Risks following mitigating action
Devon Pension Fund		
High	9	2
Medium	11	7
Low	3	14

Peninsula Pensions		
High	3	0
Medium	9	4
Low	8	16

- 4.5 Across Devon Pension Fund management and Peninsula Pensions, action taken to mitigate risks has reduced the number of high risks from 12 to 2. The remaining high risks are in respect of:
- F5- Global Financial Crisis leading to a failure to reduce the deficit.
 - F2 -Investment strategy not providing sufficient returns longer term.

5) Conclusion

- 5.1 The Board are asked to note the Pension Fund Risk Register, and the additional actions proposed to mitigate risk.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

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Address: Room 180 County Hall

Risks: Devon Pension Fund


Risk status (score)	Overdue (0 - 0)	Low (1 - 9)	Medium (10 - 14)	High (15 - 23)	Very high (24 - 30)
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Mitigating controls	Not started	Green	Amber	Red	Completed
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Risk details		Status and Risk owner		Mitigating controls	
<p>A1: Accounting</p> <p>Cause: Lack of training/awareness around pension fund accounting regulations.</p> <p>Event: Non compliance with accounting regulations and fin regs.</p> <p>Impact: Reputational damage. Qualified accounts.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low (<input type="checkbox"/> Unchanged)</p> <p>Risk owner: Mark Gayler</p> <p>Accountable officer: Philip Edwards</p> <p>Category: Compliance</p> <p>Last review: 5th April 2023</p> <p>Latest review details Controls reviewed and confirmed.</p>	<p>Green Staff are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.</p> <p>Green Pension Fund financial management and administration processes are maintained in accordance with the CIPFA Code of Practice, International Financial Reporting Standards (IFRS), and the DCC Financial Regulations.</p> <p>Green Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.</p> <p>Green Internal Audits are carried out on an annual basis.</p> <p>Green External Audit review the Pension Fund's accounts annually.</p>			

Risk details	Status and Risk owner	Mitigating controls
<p>B3: Brunel Pension Partnership</p> <p>Cause: Ineffective governance of Brunel or departure of key people from Brunel</p> <p>Event: Ineffective management of the Fund's investments or at the extreme breakup of the partnership.</p> <p>Impact: Significant costs to the Fund and financial loss. Reputational damage.</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged)</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 21 June 2023 Latest review details Review of mitigating actions and updated</p>	<p>Green Shareholder agreement in place sets out governance framework and is regularly reviewed</p> <p>Green Strong team now in place at Brunel, so not dependent on one or two key individuals.</p> <p>Green Brunel have their own risk register which is regularly monitored both by the Brunel Board and the Oversight Board and Client Group.</p> <p>Amber Brunel have put in place a revised People Strategy to support recruitment and retention of key staff though some key posts are still to be filled</p>
<p>Cm1: Communication</p> <p>Cause: Inadequate communications plan and/or insufficient resource to action.</p> <p>Event: Insufficient communication and engagement with pension fund stakeholders.</p> <p>Impact: Damage to reputation. Uniformed policy decisions. Non compliance with legislation/best practice.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium Current status : 9 Low (Unchanged)</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 21 June 2023 Latest review details Controls reviewed and updated. Risk score reviewed</p>	<p>Amber A communications strategy is in place and is due to be reviewed during 2023.</p> <p>Green The Devon Investment Services and Peninsula Pensions websites are kept up to date.</p> <p>Green Fund Performance is reported to the Investment & Pension Fund Committee on a regular basis.</p> <p>Green Meetings are held regularly with the Fund's Employing Authorities.</p> <p>Green Benefit illustrations are sent annually to contributing and deferred Fund members.</p> <p>Green The contact list for employers is updated regularly.</p> <p>Green Annual forums are held for employers and scheme members.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>Cu1: Custody</p> <p>Cause: Changing economic climate, fraud or changing financial position of the Custodian.</p> <p>Event: Failure of Pensions custodian.</p> <p>Impact: Financial loss. Failure to decrease deficit. Adverse media interest/damage to reputation.</p>	<p>Inherent status : 9 Low Current status : 6 Low</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023 Latest review details Controls reviewed and confirmed.</p>	<p>Green The annual report and accounts are published on the Devon Pension Fund website.</p> <p>Green Quarterly investment update is published on the Fund's website</p> <p>Green The custodian contract is subject to regular review and periodic re-tendering by the Brunel Pension Partnership.</p> <p>Green The custodian must adhere to FCA and PRA financial regulations.</p> <p>Green Fund assets are protected in the event of insolvency of the custodian</p>
<p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.</p> <p>D1: Data Protection</p> <p>Cause: Failure to secure and maintain pension fund systems.</p> <p>Event: Loss of sensitive data.</p> <p>Impact:</p>	<p>Inherent status : 9 Low Current status : 6 Low ( Unchanged)</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 5th April 2023 Latest review details Review of controls and risk score</p>	<p>Green It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's data protection policy.</p>



Risk details	Status and Risk owner	Mitigating controls
<p>Reputation risk. Financial loss arising from legal action.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated. 17/09/2021 - Devon Audit Partnership risk management team note Gov.UK press release 28.06.21 which may be of relevance https://www.gov.uk/government/news/eu-adopts-adequacy-decisions-allowing-data-to-continue-flowing-freely-to-the-uk F 1: Funding and Investments</p> <p>Cause: The committee Members and Investment Officers have insufficient knowledge of financial markets and inadequate investment and actuarial advice received. Event: The committee Members and Investment officers make inappropriate decisions. Impact: Poor fund performance/financial loss. Increased employer contribution costs.</p> <p>Notes 13/08/2019 - Wording of risk updated and category added. 25/02/2020 - Wording of mitigation</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Financial Last review: 26 September Latest review details Review of controls</p>	<p>Green The Investment Strategy is set in accordance with LGPS investment regulations and takes into account the Fund's Liabilities</p> <p>Green The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee.</p> <p>Green DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy.</p> <p>Green Annual Training Plan for 2023/24 has been approved by committee. Training programmes are available for Committee Members and Investment Staff. This can be delivered virtually where required</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>updated to reflect delay in producing handbook due to delay in new website</p>		<p>Green Members and Officers are encouraged to challenge advice and guidance received when necessary.</p> <p>Green Sharepoint site dedicated to training and knowledge in development is in place</p> <p>Green An induction session and pack will be provided for new members of the Committee and Board.</p>
<p>F 2: Funding and Investments</p> <p>Cause: The Pension Fund's investment strategy / strategic asset allocation fails to produce the required returns.</p> <p>Event: Volatility in the global and/or UK economy due to e.g. geo-political instability, changes to interest rates, Brexit, etc.</p> <p>Impact: Financial loss. Insufficient funds available to meet future obligations.</p>	<p>Inherent status : 20 High</p> <p>Current status : 15 High (Unchanged)</p> <p>Risk owner: Charlotte Thompson</p> <p>Accountable officer: Mark Gayler</p> <p>Category: Financial</p> <p>Last review: 26 September 2023</p> <p>Latest review details</p> <p>Mitigations remain in place</p>	<p>Green Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2022 actuarial valuation includes provision for the fund to achieve full funding over 15 years.</p> <p>Green The funding level is updated on a quarterly basis, based on roll forward of the Triennial valuation data and subsequent investment returns, pension and salary increases and reported to the Committee.</p> <p>Green The investment strategy is reviewed annually by the Pension Fund Committee with advice from the External Investment Advisor to determine whether any action needs to be taken to amend the fund's asset allocation strategy.</p> <p>Green The Fund's investments are diversified across a range of different types of assets and globally to minimise the impact of losses in individual markets.</p> <p>Green Fund-specific benchmarks and targets are set. Assets are under regular review as</p>
<p>Notes 13/08/2019 - Wording of risk updated and category added.</p>		



Risk details	Status and Risk owner	Mitigating controls
<p>F 3: Funding and Investments</p> <p>Cause: Collapse of Fund manager, investment arrangements are structured poorly, fraud.</p> <p>Event: The fund is exposed to unnecessary risks and avoidable costs.</p> <p>Impact: Financial loss.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 10 Medium</p> <p>Current status : 8 Low (Unchanged)</p> <p>Risk owner: Charlotte. Thompson</p> <p>Accountable officer: Mark Gayler</p> <p>Category: Operational</p> <p>Last review: 5th April 2023</p> <p>Latest review details Controls reviewed and confirmed</p>	<p>part of the fund's performance management framework</p> <p>Green Long term nature of the Fund provides some mitigation as the volatility caused by issues such as Brexit will reduce over time.</p> <p>Green External review of the Fund's investment strategy is commissioned at minimum every three years. The last review was undertaken by Mercers who presented their review to the Investment and Pension Fund committee in February 2022.</p> <p>Green Investment and Pension Fund Committee review and monitor the performance of Brunel and the underlying fund managers quarterly</p> <p>Green The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</p> <p>Green The new cost transparency initiative should ensure full transparency of costs</p> <p>Green Specialist services (e.g. transitions, currency transfers) are considered where appropriate in order to reduce costs.</p> <p>Green The Investment and Pension Fund Committee will monitor investment arrangements under Brunel to ensure they provide for effective risk management and risk adjusted returns across the portfolios.</p>


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Risk details	Status and Risk owner	Mitigating controls
<p>F 4: Funding and Investments</p> <p>Cause: Inadequate risk management policies on Environmental, Social and Governance Issues. Lack of awareness/training. Event: The fund fails to manage environmental, social and governance risks. Impact: Financial loss. Damage to reputation.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated</p>	<p>Inherent status : 15 High Current status : 8 Low ( Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Operational Last review: 21 June 2023 Latest review details New control added</p>	<p>Green Fund managers are required to be fully compliant with FCA, PRA and other regulatory requirements. Green The risk that a fund manager cannot provide a service during windup is mitigated by the availability of transition management arrangements put in place by the Brunel Pension Partnership. Green The Fund requires the Brunel Pension Partnership, and its other fund managers, to monitor and manage the risks associated with ESG issues, and will review with managers on a regular basis how they are managing those risks. Brunel has a leading reputation for responsible investment. Green The Fund will engage (through Brunel, its asset managers, the Local Authority Pension Fund Forum or other resources) with investee companies to ensure they can deliver sustainable financial returns over the long term. Green The Fund holds annual meetings for both employers and scheme members to provide the opportunity for discussion of investment strategy and consideration of non-financial factors. Green The Fund is accredited by the FRC as a signatory to the UK Stewardship Code</p>
<p>F 5: Funding and Investments</p> <p>Cause:</p>	<p>Inherent status : 20 High Current status : 16 High ( Unchanged)</p>	<p>Green The fund is well diversified and consists of a wide range of asset classes which aims to mitigate the impact of poor</p>


Risk details	Status and Risk owner	Mitigating controls
<p>Global financial crisis. Substantial political changes. Event: The market crashes, reducing the value of investments. Impact: The deficit increases, or there is a failure to reduce the deficit. Financial loss. Increased employer contribution costs.</p>	<p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Financial Last review: 5th April 2023 Latest review details (F6) Controls reviewed and confirmed</p>	<p>performance from an individual market segment. Green Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. Green The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced.</p>
<p>Notes 13/08/2019 - Risk wording updated and category added. F 6: Funding and Investments Cause: Substantial changes to UK or global economies. Event: Pay and price inflation are higher than anticipated. Impact: There is an increase in liabilities which exceeds the previous valuation estimate. Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 5th April 2023 Latest review details (F7) Controls reviewed and updated</p>	<p>Green The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. Green Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees. Green The Fund is increasing its target allocation to investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases. Green Inflation risk was addressed in the strategic reviewed undertaken by Mercer which was presented to the Investment and Pension Fund committee in February 2022.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>F 7: Funding and Investments</p> <p>Cause: Public services are cut and ill health increases.</p> <p>Event: There is an increase in the number of early retirements.</p> <p>Impact: There is an increase in liabilities which exceeds the previous valuation estimate.</p> <p>Notes 13/08/2019 - Risk wording changed and category added.</p>	<p>Inherent status : 9 Low Current status : 6 Low</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler</p> <p>Category: Strategic Last review: 5th April 2023 Latest review details (F8) Controls reviewed and confirmed. Risk score reviewed and revised</p>	<p>Green Employers are charged the extra capital cost of non ill health retirements following each individual decision.</p> <p>Green Employer ill health retirement experience is monitored.</p>
<p>F 8: Funding and Investments</p> <p>Cause: The average life expectancy of pensioners is greater than assumed.</p> <p>Event: The actuarial assumptions are incorrect.</p> <p>Impact: There is an increase in liabilities which exceeds the previous valuation estimate.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium Current status : 9 Low ( Unchanged)</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler</p> <p>Category: Strategic Last review: 12 Jan 2023 Latest review details (F9) Controls reviewed and confirmed.</p>	<p>Green Life expectancy assumptions are reviewed at each triennial valuation. For the 2022 Valuation this included a review of the impact of COVID19 on mortality.</p> <p>Green Mortality assumptions include an allowance for future increases in life expectancy.</p> <p>Green Data used for the 2022 valuation suggest that life expectancy improvements are slowing down</p>
<p>F9: Funding and Investments</p> <p>Cause: Inadequate training.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium Current status : 9 Low ( Unchanged)</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler</p>	<p>Green The team has procedures in place to monitor the receipt of contributions to the fund.</p>

Risk details	Status and Risk owner	Mitigating controls
<p>Availability of staff.</p> <p>Cashflow issues for employers</p> <p>Event: Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately.</p> <p>Impact: There are increased costs across all remaining scheme employers.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Category: Operational</p> <p>Last review: 5th April 2023</p> <p>Latest review details (F10) Review of controls</p>	<p>Green The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately.</p> <p>Green Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.</p> <p>Green Contribution monitoring report is presented to the Pensions Board at each meeting for review</p>
<p>F10: Funding and Investments</p> <p>Cause: An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.</p> <p>Event: Departing employer does not fully meet their liabilities.</p> <p>Impact: Increased costs across the remaining scheme employers.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 6 Low ( Unchanged)</p> <p>Risk owner: Charlotte. Thompson</p> <p>Accountable officer: Mark Gayler</p> <p>Category: Financial</p> <p>Last review: 5th April 2023</p> <p>Latest review details (F11) Controls reviewed</p>	<p>Green Vetting prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required.</p> <p>Green The Actuary has an objective of keeping contributions as stable as possible whilst ensuring the long term solvency of the Fund.</p> <p>Green Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers.</p> <p>Green The actuarial valuation attempts to balance recovery period with risk of withdrawal.</p> <p>Green If necessary, appropriate legal action will be taken.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>F11: Funding and Investments</p> <p>Cause: Failure to meet regulatory requirements</p> <p>Event: Updated Legislative and regulatory requirements.</p> <p>Impact: Additional work to ensure compliance. Fines for noncompliance. Damage to reputation. Loss of members.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium Current status : 8 Low ( Unchanged)</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Compliance Last review: 5th April 2023 Latest review details (F14) Controls reviewed</p>	<p>Green Bond levels for each relevant employer and Employer covenant risks are re-assessed following each triennial actuarial valuation.</p> <p>Green Following changes to regulations, new policies have been put into place with regard to Deferred Debt and Debt Spreading Agreements. These will assist in managing exiting employer deficits.</p> <p>Amber Currently much of the EU regulation has been retained in UK law following Brexit although this could change</p> <p>Green Officers receive regular briefing material on regulatory changes and attend training seminars and conferences, in order to ensure that any regulatory changes are implemented in the management of the Fund.</p> <p>Green All the Fund's current fund managers and financial counterparties have accepted Devon's application for elective professional client status</p> <p>Green Robust training plan to ensure committee and officers have required knowledge and experience to meet the qualitative criteria to opt up.</p>
<p>F12: Funding and Investments</p> <p>Cause: Remedies resulting from McCloud and Sargeant legal cases.</p> <p>Event: Significant additional pension liabilities for</p>	<p>Inherent status : 10 Medium Current status : 10 Medium</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 5th April 2023</p>	<p>Green Employer costs from the 2022 valuation has included estimated impact of McCloud</p> <p>Green CPI revaluation on CARE benefits currently high which will result in the McCloud guarantee applying to less members</p>



Risk details	Status and Risk owner	Mitigating controls
<p>the Fund.</p> <p>Impact: Increased employer contribution costs.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.</p> <p>F13: Funding and Investments</p> <p>Cause: Climate Change</p> <p>Event: Impact on investee companies of the consequences of climate change and the transition to a low carbon economy</p> <p>Impact: Financial loss and/or failure to meet return expectations Increases employer contribution costs</p>	<p>Latest review details (F16) Controls updated now valuation finalised and annual pension increase confirmed</p> <p>Inherent status : 16 High Current status : 12 Medium (Unchanged) Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler</p> <p>Category: Last review: 23 August 2023 (F17) Controls added following decision to increase allocation to PAB fund</p>	<p>though actual impact unknown until the member leaves</p> <p>Green 100% of Brunel's portfolios, across all asset classes, are carbon and climate aware. Consideration of climate change impacts is fully embedded into their manager selection process</p> <p>Green Brunel integrates climate change into their risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, and seek to reduce unrewarded climate and carbon risk.</p> <p>Green The Devon Fund requires its non-Brunel investment managers (Infrastructure and Private Debt) to take climate change risks into account and report back regularly.</p> <p>Green The Devon Fund will undertake an annual assessment of the carbon footprint of its investments. The assessment as at 31 December 2022 showed a 45% reduction in the Weighted Average Carbon Intensity of the Fund's equity investments compared with 31 March 2019</p> <p>Green The Investment Strategy Statement contains the Fund's approach to Climate</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>F14: Cyber Security</p> <p>Cause: Cyber Attack</p> <p>Event: Loss of access to key systems</p> <p>Impact: The fund cannot continue to operate and deliver its propriety services following a disaster, IT incident or data loss scenario</p>	<p>Inherent status : 20 High Current status : 12 Medium</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Last review: 23 August 2023</p>	<p>change and adopts the Brunel Climate change policy</p> <p>Completed The Fund has moved its UK and Smart Beta passive allocations to new UK Climate Transition and Global Paris Aligned funds to significantly reduce exposure to fossil fuel reserves.</p> <p>Not Started – Investment Committee agreed to move the UK and World developed passive allocations to the Global Paris Aligned Benchmark fund</p> <p>Green - Logotech system is a hosted system which is backed up daily. System can be accessed via non DCC computers in the event of a disaster recovery situation.</p> <p>Green – Supplier Contract management - Business Continuity Plan in place as well as incident response plans, penetration testing which are all tested annually.</p> <p>Green – Brunel’s cyber security arrangements have been audited by Deloitte which came back positive. Annual assurance framework in place with Brunel</p> <p>Green - All staff have completed mandatory cyber security training</p> <p>Green - All pensions and investment committee members and pension board members have received cyber security training</p>

Risk details	Status and Risk owner	Mitigating controls
<p>G1: Governance Arrangements</p> <p>Cause: The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board.</p> <p>Event: The administering authority is non compliant with legislation and/or best practice.</p> <p>Impact: There is an inability to determine policy. There is an inability to make effective decisions. There is an inability to deliver service. Negative impact on reputation.</p> <p>Notes 13/08/2019 - Wording of risk updated.</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 8 Low (Unchanged)</p> <p>Risk owner: Charlotte. Thompson</p> <p>Accountable officer: Mark Gayler</p> <p>Category: Strategic</p> <p>Last review: 5th April 2023</p> <p>Latest review details</p> <p>Controls and risk score reviewed</p>	<p>Not Started - Business Continuity Plans include supplier contact details and plan to be tested every 12 months. The plan is reviewed by the Pensions Board.</p> <p>Green DCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008.</p> <p>Green The Governance Policy and Compliance Statement is reviewed and updated regularly and scheme employers are consulted to ensure that the policy remains appropriate.</p> <p>Green The Statement is published on the Devon Pensions website: https://www.devonpensionfund.org.uk/fund-policies/important-documents/</p> <p>Green Pension fund stakeholders are made aware of the Statement.</p> <p>Green DCC has appointed an Investment and Pension Fund Committee to discharge the duties of the Council as Administering Authority of the Pension Fund.</p> <p>Green The Committee review and approve the annual statement of accounts of the Devon Pension Fund, consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from any audit that need to be brought to the attention of the Council.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>G2: Governance Arrangements</p> <p>Cause: Poor governance arrangements.</p> <p>Event: The Investment and Pension Fund Committee and Pension Board are unable to fulfil their responsibilities effectively.</p> <p>Impact: Non-compliance with legislation and/or best practice. There is an inability to determine policy, make effective decisions and/or deliver service. There is a risk to reputation. Possibility of fines/sanctions.</p> <p>Notes 13/08/2019 - Wording of risk updated and category added.</p>	<p>Inherent status : 12 Medium </p> <p>Current status : 9 Low  (Unchanged)</p> <p>Risk owner: Charlotte. Thompson</p> <p>Accountable officer: Mark Gayler</p> <p>Category: Operational</p> <p>Last review: 5th April 2023</p> <p>Latest review details Controls and risk score reviewed</p>	<p>Green A Pension Board has been established as required by the Public Service Pension Act 2013.</p> <p>Green Support and training are being provided to ensure that the Board is equipped to undertake its role.</p> <p>Green The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills, and regular training is provided to ensure that members have the level of understanding required.</p> <p>Green An Annual Training Plan is agreed by the Committee and Pension Board on an annual basis. The plan has been adapted to ensure provision of on-line sessions given the Coronavirus pandemic</p> <p>Green A training and induction programme is available for new Committee and Pension Board Members.</p> <p>Amber Some Committee members have yet to complete the Pension Regulator Public Sector Pensions Toolkit</p> <p>Green The Fund subscribes to relevant bodies (e.g. CIPFA, LAPFF, PLSA) and sends representatives to major conferences.</p> <p>Green DCC organises at least two training days per year for Investment and Pension Fund Committee and Pension Board members, with an additional engagement day</p>

Risk details	Status and Risk owner	Mitigating controls
<p>11: Internal</p> <p>Cause: Concentration of knowledge in a small number of staff.</p> <p>Event: Loss of staff leading to a breakdown in internal processes and service delivery.</p> <p>Impact: Financial loss and potential risk to reputation.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged)</p> <p>Risk owner: Charlotte. Thompson Accountable officer: Mark Gayler Category: Strategic Last review: 12 Jan 2023 Latest review details Controls and risk score reviewed</p>	<p>being held with the Brunel Pension Partnership.</p> <p>Green Committee and Pension Board members are made aware of and adhere to the Governance Compliance Statement, and are encouraged to identify training requirements.</p> <p>Green Following a request by the Pension Board, officers have produced a web based handbook to act as a knowledge hub</p> <p>Green The Investment Manager is able to cover in the absence of the Head of Investments</p> <p>Green Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff.</p> <p>Green Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process.</p> <p>Green A formal training record for officers is maintained centrally.</p> <p>Green A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken.</p> <p>Green The Devon Investment Services procedure manual will continue to be refined and updated on an ongoing basis.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>I2: Internal</p> <p>Cause: Inadequate treasury management practices.</p> <p>Event: Fraud, corruption or error.</p> <p>Impact: Risk of financial loss. Damage to reputation.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low (Unchanged)</p> <p>Risk owner: Charlotte. Thompson</p> <p>Accountable officer: Mark Gayler</p> <p>Category: Operational</p> <p>Last review: 23 August 2023</p> <p>Latest review details</p> <p>Controls reviewed and remain appropriate</p>	<p>Green The review of CIPFA's knowledge and skills framework relating to officers should result in key outcomes being delivered.</p> <p>Green Counterparty transactions are authorised by senior staff outside of the investment team.</p> <p>Green All staff are covered by fidelity insurance up to £15 million</p> <p>Green Sufficient members in the team to cover absence and leave</p> <p>Green Appropriate separation of duties exists.</p> <p>Green Treasury Management Practices are reviewed and updated regularly.</p> <p>Green Up to date financial regulations and practices.</p> <p>Green Processes in place ensure that all elements of the daily treasury management activity can be carried out remotely away from the office.</p> <p>Completed Annual internal audit undertaken which achieved substantial assurance level</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP – Readiness for connection to Pensions dashboards</p> <p>Cause(s)- Lack of resource/capacity to fully implement the required changes in a timely way; Delays in receiving national guidance.</p> <p>Event Peninsula Pensions is not fully prepared for connection to Pensions dashboards</p> <p>Impact(s) – Scheme members experience delays in connections to dashboards</p> <p>In the absence of connection to dashboards Members planning for retirement could experience delays in identifying their pensions/understanding the value of their pensions</p> <p>Reputational impact to Peninsula Pensions</p> <p>Possible legal implications (fines/penalties) for Peninsula Pensions</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb</p> <p>Accountable officer: Daniel Harris</p> <p>Category: Compliance</p> <p>Last review: 18 May 2023</p> <p>Latest review details</p> <p>Initial score and mitigating controls input</p>	<p>Green</p> <p>Internal project team in place</p> <p>Green</p> <p>Communications to employers and members</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP – Readiness for implementation of changes relating to the McCloud judgment</p> <p>Cause(s) – Lack of resource/capacity to fully implement the required changes in a timely way;</p> <p>Delays in receiving national guidance.</p> <p>Event – Peninsula Pensions is not fully prepared for implementation of the legislative changes (remedy) following the McCloud judgement.</p> <p>Impact(s) – Scheme members experience delays in the ‘remedy’ being applied</p> <p>Financial impact to scheme members</p> <p>Reputational impact to Peninsula Pensions</p> <p>Possible legal implication (fines/penalties) for Peninsula Pensions</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb</p> <p>Accountable officer: Daniel Harris</p> <p>Category: Compliance</p> <p>Last review: 18 May 2023</p> <p>Latest review details</p> <p>Initial score and mitigating controls input</p>	<p>Green</p> <p>Internal project team in place</p> <p>Green</p> <p>Data cleansing activity underway including with employers</p> <p>Green</p> <p>Communications to employers and members</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP 1 - Annual Benefit Statements</p> <p>Cause/s Staffing Absences ICT Failures Poor data quality Event Annual Benefit statements are not sent to active and deferred members by 31st August. Impact Fines from the regulator Damage to reputation Increased complaints from Members Increased demand on resources to rectify the situation Creation of a backlog of other tasks due to diverted resource.</p>	<p>Inherent status : 8 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green • Project management approach • Regular contact with employers to obtain data. • Monthly interfacing to reduce workload at year end • Statements to employers for 31/07 to allow time for distribution to staff prior to 31/08</p> <p>Amber Following the completion of the historic data sign off exercise, employers will move to monthly interfacing which will reduce the number of queries at year-end. Target date for completion is 31st March 2023.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP 2 - Failure to provide basic information about the LGPS</p> <p>Cause/s Inability to access basic LGPS information via the website due to IT issues or non publication. Starter Packs not being sent and/or received by members. General scheme literature not being made available to members. LGPS Administration team not informed of new members. Event Failure to make available provide Basic information about the LGPS including: how benefits are worked out; how member and employer contributions are calculated. Impact Negative reporting by or fines from the Pension's regulator. Damage to reputation.</p>	<p>Inherent status : 10 Medium Current status : 8 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green Reviews of documentation/letters Green Website regularly updated Completed Links to Pension Funds investment information and LGPS included on website Completed A revised New Starter pack has been designed and is now provided to members Completed Our methods and content of communication will be reviewed to ensure that members and employers are provided with accurate and relevant information.</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP 3 - Non-compliance with legislation and failure to correctly implement new legislation and regulations</p> <p>Cause Lack of structure/process to identify new legislation as it is released. Event Non-compliance with legislation/regulations. Impact Incorrect benefit payments. Damage to reputation. Fines from Regulators.</p>	<p>Inherent status : 12 Medium Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green LGA/External training Green Project work approach to implementation of legislative changes. Green In house training for all staff. • Use of Perspective and Bulletins Completed A Training and Technical team is now in place, following the Pension Review. The team has commenced delivering training across the teams.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP 4 - Failure of employing authority to provide timely and accurate member data</p> <p>Cause Employing authorities not fulfilling their responsibilities.</p> <p>Event Delays in the provision of pensions member data. Inaccuracies in the pension member data.</p> <p>Impact Incorrect benefit calculations. Financial Loss due to compensation to members. Incorrect benefit payments Delays to payments Additional work to request and correct information</p>	<p>Inherent status : 12 Medium Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green Pension Administration Strategy in place since April 2015 and was revised in 2020. Employer duties are clearly identified in the PAS. Ability to fine employers is provided for in PAS and LGPS regulations.</p> <p>Green Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors.</p> <p>Green Outstanding data queries are passed to Employer and Communications Team to monitor</p> <p>Completed Guidance available on website</p> <p>Green Individual employer meetings include review of employer performance</p> <p>Completed An Employer and Communications team is now in place. The team will consider employer performance and take action to address any issues, as required.</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP 5 - Withdrawal of support for Employer Self Service</p> <p>Cause Pensions software provider withdrawing support for ESS</p> <p>Event Employers will no longer be able to access member records, run estimates or submit and receive information via ESS.</p> <p>Impact Increased workloads and reduced efficiency for PP which may result in delays in information being provided to employers, possible breaches and an increase in complaints.</p>	<p>Inherent status : 12 Medium Current status : 8 Low</p> <p>Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green Software provider is required to give 12 months' notice before any change to the contract</p> <p>Amber Consideration is being given to a number of options. The development of an internal solution is being prioritised to ensure continued service delivery. The E&C team have commenced work on this project and are aiming to have a solution in place by 31/12/2022</p> <p>Completed New internal interface solution in place January 2023</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP 6 - Communication of Entitlements</p> <p>Cause Insufficient communication and engagement with LGPS scheme members/employers.</p> <p>Event Employers and or Members are not made aware of their entitlements within LGPS resulting in Non-compliance with legislation and/or best practice.</p> <p>Impact Inability to determine policy Employees not joining the scheme. Inability to make effective decisions and/or deliver service</p>	<p>Inherent status : 12 Medium Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green The Peninsula Pensions website is kept up to date</p> <p>Green Meetings between PP managers and Communications team on a regular basis, with a communications plan and strategy for the year ahead</p> <p>Green Meetings are held with the Funds Employing Authorities and on request for training</p> <p>Green Benefit illustrations are sent annually to contributing and deferred Fund members</p> <p>Green The contact list for employers is updated regularly.</p> <p>Green Annual forums are held for employers and Trade Unions</p> <p>Green The annual report and accounts are published on the Peninsula Pensions website</p> <p>Amber A Communication Policy exists for the Devon Pension Fund, which includes Peninsula Pensions. The Peninsula Pensions Senior Management team are considering creating a separate communication policy for Peninsula Pensions which will be brought to the Board for consideration during 2023</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP 7 - Non Payment of Pension Benefits</p> <p>Cause Systems Failures Lack of information from employers Poor internal processes Event Pension benefits are not paid. Impact Damage to Reputation. Financial loss arising from compensation claims.</p>	<p>Inherent status : 12 Medium Current status : 8 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green The payroll system is set up to pay pensioners monthly.</p> <p>Green Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure</p> <p>Green The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems.</p> <p>Amber Fully updated Pensioner Payroll Manual is now in place. An online training resource is being developed and will be completed during 2022.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP 8 - Payment to deceased pensioners</p> <p>Cause LGPS Information is not updated as circumstances change. Poor internal processes. Event Pension benefits continue to be paid to deceased pensioners. Impact Damage to Reputation. Financial loss arising from overpayments. Additional resource to recover funds</p>	<p>Inherent status : 8 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Daniel Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green All pensioners are contacted annually. Green Pension suspended if post is returned Green Pensioners are incorporated into National Fraud Initiative Green Further targeted checks are conducted with credit reference agencies as appropriate Green Monthly mortality screening is undertaken and any positive matches are ceased immediately Green Western Union overseas existence service undertaken bi annually Green Tell us once service has been rolled out to LGPS. All relevant staff now have access and we are using fully utilising the service.</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP10 - Data and System Security</p> <p>Cause Insecure pensions and administration data.</p> <p>Event Loss/disclosure of Sensitive Data/Information.</p> <p>Impact Financial costs from legal action. Fines from ICO.</p>	<p>Inherent status : 9 Low Current status : 6 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Dan Harris</p> <p>Category: Operational Last review: 18 May 2023 Latest review details Review by Rachel Lamb and minor updates/enhancements made to the risk mitigating controls</p>	<p>Green Access and security controls exist and the system is tested regularly by Heywoods and PP. Responsible Officer: Systems Development Officer</p> <p>Green System controls in place including systems access controls, approval/workflow controls and audit trail. The system is subject to regular checks by internal audit.</p> <p>Green In-house GDPR training is delivered to all new and existing team members on an annual basis to ensure that staff are fully aware of requirements under the data protection legislation. In addition to this, all staff are required to complete DCC's GDPR and DCC's mandatory Cyber Security e-learning assessment annually.</p>
<p>PP11 - Personal Member Data</p> <p>Cause Error when printing/sorting/compiling data.</p> <p>Event Poor internal processes. Information issued to the wrong person/organisation.</p> <p>Impact Financial Costs from legal action. Fines from ICO.</p>	<p>Inherent status : 9 Low Current status : 6 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Daniel Harris</p> <p>Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's data protection policy.</p> <p>Green In-house GDPR training is delivered to all new and existing team members on an annual basis to ensure that staff are fully aware of requirements under the data protection legislation. In addition to this, all staff are required to complete DCC's GDPR e-learning assessment annually.</p> <p>Completed Internal e-Learning training 'Sharing personal data' was also undertaken by whole office during March 2018. All staff are required to complete DCC's e-learning assessment annually.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP12 - Knowledge Management</p> <p>Cause Departure or non-availability of staff who hold key knowledge. Event Breakdown in internal processes and service delivery. Impact Financial Loss due to costs of obtaining resource, or delays/inefficiencies in existing processes. Reputation Damage.</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Strategic Last review: 6th July 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by Devon Pension Board on 06/07/23</p>	<p>Green Knowledge of all tasks are shared by at least two team members and can in addition be covered by senior staff Green Training requirements are set out in job descriptions. Amber The Training and Technical team have created training and procedure notes for the team covering all major processes. These will help to ensure consistency across the teams and will assist with the training of new recruits. Training notes are kept under review and updated as and when regulations come into effect.</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP13 - Scheme Membership Data</p> <p>Cause Incorrect information from employers. Fraudulent provision of data. System errors Poor internal processes. Event Unauthorised or invalid payments. Impact Financial loss Reputational Damage</p>	<p>Inherent status : 9 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green Information and instructions are only accepted from authorised sources. Green Employers and scheme members are required to review and confirm membership records annually Green Benefit calculations are checked by senior colleagues and are subject to independent authorisation Green All transactions comply with DCC financial regulations and are subject to independent authorisation Green All staff are covered by fidelity insurance up to £15 million Green Members approaching 75 are separately identified monthly Green Data accuracy checks undertaken by the systems team including address / NINO checks Completed Employer Self Service introduced. Amber Employers are currently in the process of undertaking a historic data sign off exercise. Once an employer has been signed off, they will move to monthly data submissions. Target date for completion is 31st March 2023.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP14 - Compliance with Disclosure Regulations</p> <p>Cause Requirement to issue information within a certain timescale after a request/event. Event Failure to comply with disclosure regulations and to process accurate pension benefit payments in a timely manner. Impact Complaints which take up time to resolve. Additional Time spent chasing data Regulator Fines Compensation costs for members</p>	<p>Inherent status : 9 Low Current status : 6 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green Robust workflow management system in place. Green Payroll deadline procedures in place Green Item in Business Continuity/Disaster Recovery Plan Green Participate in National Fraud Initiative (NFI) Green Life Certificates exercise carried out /mortality checks Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies. Target date for completion 31/12/22 (with ongoing reviews and development after this date).</p>
<p>PP15 - Fraud, Corruption and Error</p> <p>Cause Poorly designed or implemented management practices/processes. Staff deliberately updating or providing fraudulent data. Event Fraud, corruption or error. Impact Financial Loss Reputational Damage</p>	<p>Inherent status : 12 Medium Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green Transactions are authorised by senior staff Green All staff are covered by fidelity insurance up to £15 million Green Sufficient members in the team to cover absence and leave Green Heywoods Audit trace report Green Appropriate separation of duties exists Green Up to date regulations and practices Green Internal and external audit checks performed to ensure that appropriate and effective controls are in place</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP16 - Loss of Shared Service Partner</p> <p>Cause Shared service partner choosing to use a different pensions administrator. Event Peninsula pensions no longer operates on the same scale. Impact Reputational Damage. Loss of staff / redundancies.</p>	<p>Inherent status : 9 Low Current status : 9 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Strategic Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by Devon Pensions Board on 7th Feb 2023</p>	<p>Green Constant assessment of Performance Green Quarterly Shared Service meetings with key Fund colleagues Green Regular meetings between Peninsula Pensions and Employers Green Employer Newsletters Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies. Target date for completion 31/12/22 (with ongoing reviews and development after this date). Green The system is backed-up daily. System is hosted by Heywoods Green A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually. Green Supplier management – Business Continuity Plan in place, along with incidence response plans, penetration testing and an annual disaster recovery test. In addition other documentation is provided with assurances of most recent UKAS certified body ISO (currently 27001) / cyber essentials / SOC2 compliance</p>
<p>PP17 - Pensions System Failure</p> <p>Cause Connection issues. Supplier fault Cyber Attack. Event The hosted Altair pensions system fails. Impact • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action</p>	<p>Inherent status : 15 High Current status : 10 Medium (-5) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 18 May 2023 Latest review details Review by Rachel Lamb and enhancements made to the risk mitigating controls and new control added.</p>	<p>Green The system is backed-up daily. System is hosted by Heywoods Green A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually. Green Supplier management – Business Continuity Plan in place, along with incidence response plans, penetration testing and an annual disaster recovery test. In addition other documentation is provided with assurances of most recent UKAS certified body ISO (currently 27001) / cyber essentials / SOC2 compliance</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>PP18 - Cyber Attack</p> <p>Cause Cyber-attack on the Pensions ICT systems and or host systems. Event Loss of system access. Theft of confidential/personal data. Impact Inability to make payments to members. Fines from the ICO. Financial loss. Loss of membership data. Disclosure of sensitive data.</p>	<p>Inherent status : 15 High Current status : 10 Medium (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 18 May 2023 Latest review details Risks score and controls reviewed by Rachel Lamb</p>	<p>Green Ensure that the relevant people are suitably vetted and trained, that administrators and service providers have measures in place to avoid security breaches Green A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually Green Information from The Pensions Regulator: You can assess how secure your scheme is and find out more about protecting yourself on the government's Cyber Essentials website. And for more information about protecting against cyber threats, visit the National Cyber Security Centre's website.</p>
<p>PP19 - Member Self Service</p> <p>Cause Member Self Service access is compromised due to insecurity or lack of maintenance. Event Data is accessed and or obtained inappropriately. Impact Damage to reputation Loss of data Fines from ICO.</p>	<p>Inherent status : 9 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Dan Harris Category: Operational Last review: 7th Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7th Feb 2023</p>	<p>Green Information and Instructions are only accepted from authorised sources Green It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's Data Protection Policy Green Regular penetration testing Green Secure website (annual license renewal)</p>

INVESTMENT AND PENSION FUND COMMITTEE

15 September 2023

Present:-

Devon County Council

Councillors J Morrish (Chair), P Bullivant (Vice Chair), Y Atkinson, M Hartnell

Unitary Councils

Councillors M Brook and T Evans (remote, substitute)

Union and Retired Members

R Franceschini and M Daniell (remote)

(NB – attendees attending virtually are unable to participate in voting)

Apologies:-

L Parker-Delaz-Ajete and Councillors H Gent, R Bloxham, M Lowry

* 129

Minutes

RESOLVED that the minutes of the meeting held on 16 June 2023 be signed as a correct record.

* 130

Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

* 131

Devon Pension Board

The Committee noted the minutes of the meeting of the Devon Pension Board held on 6 July 2023.

* 132

Brunel Oversight Board

The Committee noted the minutes of the meeting of the Brunel Oversight Board held on 8 June 2023.

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INVESTMENT AND PENSION FUND COMMITTEE

15/09/23

* **133** **Pension Fund Annual Report and Accounts 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/80) on the Pension Fund Annual Report and Accounts 2022/23. The Annual Report, including the Statement of Accounts, was brought to the Committee each year for approval. The Statement of Accounts remained subject to approval by the County Council's Audit Committee and completion of the external audit. Formal publication of the Annual Report would not be possible until the audit had been completed.

The Report had been produced in line with CIPFA guidance and included within it statutory policy as required by such guidance. The Report highlighted that, at time of writing, the external auditors had yet to issue audit opinions on the Authority's 2020/21 and 2021/22 Statements of Accounts. As such, the final version of the Pension Fund Annual Report for those years was yet to be published.

Officers highlighted improvements made to the stewardship section of the Report in light of feedback from the UK Financial Reporting Council (FRC).

A member commented on the omission of a narrative report on the fixed interest Sterling Corporate Bonds and Multi Asset Credit portfolios. It was requested to officers that this be rectified and included for future annual reports.

It was **MOVED** by R Francheschini, **SECONDED** by Councillor Y Atkinson and

RESOLVED

(a) that the position on the audit of the 2020/21 and 2021/22 Pension Fund Statement of Accounts be noted;

(b) that the Pension Fund Annual report and Accounts for 2022/23 be approved and adopted, subject to approval of the Statement of Accounts by the Devon County Council Audit Committee and completion of the external audit; and

(c) that the submission of the unaudited Pension Fund Annual Report and Accounts to the Financial Reporting Council for assessment against the requirements of the UK Stewardship Code, be approved.

* **134** **Investment Management Report**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/80). The Report outlined the Fund value and asset allocation,

Fund performance, funding level, 2023/24 budget forecast, cash management and voting and engagement activity.

As of 31 March 2023, the Fund value stood at £5,362.9 million which was an increase of approximately £50 million over the quarter. Performance wise, the Fund achieved a positive return of +1.3% over the quarter to 30 June. This represented an under-performance against the strategic benchmark of +1.9%.

A member queried recommendation (c) in respect of what was meant by 'a temporary basis.' It was explained by officers that, if approved, the intention would be to quickly withdraw funds to increase the cash balance given current interest rates of 5-6% on cash. The cash balance would gradually reduce back to target as private market commitments were drawn.

It was **MOVED** by Councillor P Bullivant, **SECONDED** by Councillor Y Atkinson and

RESOLVED

(a) that the amendment of the strategic asset allocation targets for 2023/24, to reflect the table in Section 2 of the report, be approved;

(b) that the reallocation of £50 million from Passive Equities to Sterling Corporate Bonds be approved;

(c) that the provision of flexibility to officers to increase the cash balance to up to 4% on a temporary basis be approved;

(d) that compliance with the 2023-24 Treasury Management Strategy be noted.

* 135

Department for Levelling-Up, Housing and Communities consultation: Local Government Pension Scheme (England and Wales): Next Steps on Investment

The Committee considered the Report of the Director of Finance and Public Value (DF/23/82) on the Department for Levelling-up, Housing and Communities Consultation on the future of investment pooling in the Local Government Pension Scheme (LGPS).

Officers explained that although they understood and supported the intention of Government to ensure current pooling arrangements were effective, they were concerned about the possibility of Government imposing a minimum pool value of £50 billion and the impact this would have on the Pension Fund. With the combined assets under management of the Brunel funds being less than this, officers were concerned that this would therefore force realignment resulting in additional costs at the expense of the Fund; and that this was unnecessary given the positive performance of the Fund.

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INVESTMENT AND PENSION FUND COMMITTEE

15/09/23

Member discussion points centred around questions eleven and twelve of the consultation and the proposed response from the Devon Fund. Members were concerned that an investment strategy would be imposed which removed local control from the Fund, and that investment in areas which were less beneficial to the Fund would be forced by Government.

It was **MOVED** by Councillor M Brook, **SECONDED** by Councillor J Morrish and

RESOLVED

(a) that the proposed responses to questions eleven and twelve be amended to clearly reflect Member concerns around maintaining local control and not having an investment strategy as detailed above imposed on the Fund, with final wording delegated to the Director of Finance and Public Value in consultation with the Chair of the Committee; and

(b) that, subject to the changes outlined in recommendation (a), the response to the consultation on next steps on investment, attached at Appendix 2 to the report, be approved.

* 136

Pension Fund Risk Register

The Committee considered the Report of the Director of Finance and Public Value (DF/23/83) on the Pension Fund Risk Register. The report outlined the number of risks to both the Devon Pension Fund and to Peninsula Pensions, before and after mitigating actions had been applied.

Members debated the merit of including risks rated 'low' within the Register, with a member concerned that this might draw attention away from 'medium', 'high' and 'very high' risks which were inherently more important to address. Officers highlighted that this had been considered by the Devon Pension Board who wished to retain the 'low' risks in the Register. Other members expressed that 'low' risks could develop into 'medium', 'high' or 'very high' risks and that monitoring these – and therefore having these included in the Register – was important, in agreement with the judgement of the Devon Pension Board. Officers agreed to explore the issue with the Devon Pension Board.

A member commented that risk F2, which regarded the Pension Fund's investment strategy not achieving required returns, did not include the mitigating factor of the Committee's monitoring of the quality of external fund managers, and that this would be an important mitigating factor to be included.

It was **MOVED** by Councillor M Brook, **SECONDED** by Councillor Y Atkinson and

RESOLVED that the Pension Fund Register and additional actions proposed to mitigate risk be approved, subject to the inclusion of the mitigating control as outlined above to risk F2.

* **137** **Training Review 2022/23 and Training Plan 2023/24**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/84) which outlined the training made available to members of the Investment and Pension Fund Committee and the Devon Pension Board in 2022/23. Appendix 1 to the report proposed training to be provided over the year 2023/24 for members of the above-named committees.

It was **MOVED** by Councillor M Brook, **SECONDED** by Councillor Y Atkinson and

RESOLVED that the 2023/24 training plan be approved and adopted.

* **138** **Employer Changes**

The Committee noted:

- (a) New admitted bodies – The following application for admitted body status has been approved since the last meeting of the Committee:
- 1 January 2023 - Livewell with agreement from Plymouth City Council typed 1 member of staff to NHS (Devon ICB)
 - 1 April 2023 - Ted Wragg Trust retendered their catering contract and the new provider Dolce Ltd.
 - 1 April 2023 - Ted Wragg Trust typed cleaning staff to Fusion School Services Limited.
- (b) Employer Cessations - The following employer has left the scheme
- 31/3/2023 Aspens catering contract with Ted Wragg Trust ceased.
- (c) New academy conversions and changes.
- 1 March 2023 - Mount Tamar School joined Transforming Futures Trust.
 - 1 March 2023 - Sidmouth College joined Ted Wragg Trust.
 - 1 April 2023 - Wynstream Primary School joined Education South West.
 - Atrium School closed on 30th April 2023 and the 5 remaining staff have been transferred to South Dartmoor CC wef 1/5/2023.

Agenda Item 8

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INVESTMENT AND PENSION FUND COMMITTEE

15/09/23

* **139** **Dates of Future Meetings**

The Committee noted the dates of future meetings as:

24 November 2023, 10.30am;

1 March 2024, 10.30am;

1 March 2024, 2.15pm (Staff/Retiree Consultation)

* **140** **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) and, in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

* **141** **Review of Indemnity Bonds**

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

The Committee considered the Report of the Director of Finance and Public Value (DF/23/85) on the risk to the Pension Fund of a fund employer ceasing to exist with insufficient funding available to settle outstanding debts, or where such an employer might refuse to pay the cessation value. This was a risk that had been identified in the risk register.

Partial mitigation of risk was achieved by the requirement on some admitted bodies to have a bond or guarantee in place. The Fund Actuary had been asked, in line with good practice, to review the indemnity levels of all admitted bodies coming under the valuation.

It was **MOVED** by Councillor M Brook, **SECONDED** by R Franceschini, and

RESOLVED

(a) that the proposed action to notify letting authorities of the revised recommended bond levels and the employer risk assessment risk scores be approved; and

(b) that maintenance of the required indemnity bonds for the three housing companies at the current level be approved.

Agenda Item 8

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INVESTMENT AND PENSION FUND COMMITTEE

15/09/23

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 10.35 am and finished at 11.49 am

DF/23/102
Devon Pension Board
13 October 2023

ACTIONS AND RECOMMENTATIONS TRACKERS

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 Board be asked to note the progress made on completing actions arising from internal audits and Pension Board recommendations and requests.

2) Introduction

2.1 As part of an agreed actions from previous board meetings an Audit action log has been created to track progress and completion of audit actions and recommendations. In addition, officers have also produced a log of actions and requests raised by the Pension Board.

3) Trackers

3.1 The Actions and Recommendations tracker (Appendix 1) compiles a list of actions, recommendations and requests raised by the Devon Pension Board. Previously completed actions have been removed.

3.2 Below is a summary of outstanding audit actions

Audit	Year	Actions outstanding
DPF Employer Covenant	2022/23	2 medium
DPF Cyber Security	2022/23	4 (2 high, 1 medium and 1 low)

Agenda Item 9

4) Internal Audit Programme

4.1 Progress against this year's audit plan is summarised in the table below. A member of the audit team will attend the board meeting to provide a verbal update to the board which will include a presentation on the progress of the employer performance dashboard.

Devon Pension Fund Audit risk areas	Status	Assurance
Brunel Performance Management Reporting – 2022/23	Final report	Reasonable
Actuarial Valuation 2022 – 2022/23	Final report	Substantial
The Pensions Regulator Code of Practice 14/consolidated Codes of Practice compliance (joint audit) – 2023/24	Ongoing TPR delays – deferred to 2024/25	
Climate Risk and Environment Social Governance Reporting – 2023/24	Delay in legislation – deferred to 2024/25	
Inflation risk on Funding and investments on Devon Pension Fund	Scheduled Q3	
Succession Planning	Scheduled Q3	
Cyber Security follow up (joint)	Scheduled Q3	
Governance – Readiness for Change following the outcomes of the Good Governance Review	Scheduled Q4	
Peninsula Pensions Audit risk areas		
Implementation of McCloud 2023/24	Scheduled Q4	
Payroll and immediate payment system 2023/24	Final report	Reasonable
Finest replacement (joint)	Ongoing via project board	
Quality control and assurance 2023/24	Scheduled Q4	
The Pensions Regulator Code of Practice 14/consolidated Codes of Practice compliance (joint audit)	Ongoing TPR delays – deferred to 2024/25	
Employer performance dashboard	Ongoing	

4.2 Final audit reports issued since the last pensions board

- Performance reporting - Brunel
- Immediate payments
- Actuarial Valuation

The above reports are attached to this report.

5) Conclusion

- 4.1 The Board is asked to review the attendance log in accordance with the Terms of reference.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall

Agenda Item 9

Appendix 1

DEVON PENSION BOARD ACTIONS AND RECOMMENATIONS TRACKER

The actions tracker allows Board members to monitor responses, actions and outcomes against their recommendations or requests. The tracker will be updated following each board. Once an action has been completed, it will be shaded out to indicate that it will be removed from the tracker at the next meeting.

Date	Recommendations / Actions	Response	Progress
06/07/2023	117 - Inclusion of employer performance on provision of data to be included in breaches report		Audit developing performance data from peninsula pension records. Officers will further develop the breaches report
06/07/2023	123 - Admin strategy to be included in the future work programme		Included and on the agenda for the January 2024 board meeting

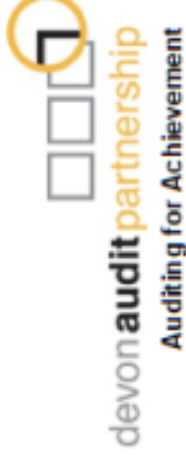
Internal Audit Report

Devon Pension Fund

Brunel Performance Reporting

March 2023

Official



Service Objective

The Devon Pension Fund's primary purpose is to provide pension benefits for its members. The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for members' benefits in a way that achieves long term cost efficiency and effectively manages risk.

Audit Opinion

Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Risks or Areas Covered

- key concerns or unmitigated risks

The performance targets within Devon Pensions Fund's Investment Strategy is not being met due to Brunel Pension Partnership not to account over its investment's performance

These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management; see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed

Level of Assurance

Reasonable Assurance

Introduction

The Devon Pension Fund participates with nine other administering authorities to pool investment assets through the Brunel Pension Partnership. At the centre of the partnership is Brunel Pension Partnership Limited (Brunel), a company established specifically to manage the assets within the pool. The Devon Pension Fund, through the Investment and Pension Fund Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel.

As a client of Brunel, the Devon Pension Fund has the right to expect certain standards and quality of service. The Service Agreement between Brunel and its clients sets out in detail the duties and responsibilities of Brunel, and the rights of the Devon Fund as a client. It includes a duty of care of Brunel to act in its clients' interests. There are clear governance arrangements for the pool in place, including The Brunel Oversight Board which is comprised of representatives from each of the Administering Authorities and two fund member observers, with an agreed constitution and terms of reference. Acting for the Administering Authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each Fund's investment strategy.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, one of whose roles is monitoring Brunel's performance and service delivery for each of the established Brunel portfolios. In relation to Devon Pension Fund, the Investments and Pension Fund Committee (IPFC) receives regular reports covering portfolio and Fund performance and Brunel's service delivery against the Investment Strategy.

A new quarterly performance monitoring report has been developed by Brunel to include private market investment performance, which was produced and presented for the first time to the Investments and Pension Fund Committee in March 2023.

Devon Audit Partnership have been asked to look at the new reporting format and provide assurance on how Devon Pensions Fund holds Brunel to account in meeting requirements of its investment strategy, and to review effectiveness of the information it receives from Brunel in order to demonstrate / achieve investment performance.

Executive Summary

Review of the new quarterly performance monitoring report that was presented for the first time to the Investments and Pension Fund Committee in March 2023, was found to be comprehensive, and enables effective monitoring of investment performance of the portfolio of pooled assets managed by Brunel Pension Partnership on behalf of Devon Pension Fund (DPF) against the clearly defined performance targets laid down in DPF Investments Strategy.

The overall DPF governance framework was found to be sound overall, with many layers of challenge and holding Brunel Pension Partnership to account over its investment performance at senior management level, committee / member level as well as externally. However, the evidence to support this challenge, particularly at committee level is compromised where any key challenge during pre and post meeting briefings is not being recorded, resulting in the level of assurance that can be given around the effectiveness of holding Brunel to account over its investment performance being reduced to reasonable assurance.

The detailed findings and recommendations regarding these issues and less important matters are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Management are required to agree an action plan, ideally within three weeks of receiving the draft internal audit report.

Written responses should be returned to Alexis Saffin (alexis.saffin@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. There are no issues arising from the audit that need to be considered for inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Tony Rose
Head of Partnership

Detailed Audit Observations and Action Plan

Devon Pensions Fund Investment Strategy is not being met due to Devon Pension Fund not effectively holding Brunel Pension Partnership to account over its investment's performance		Level of Assurance		
Opinion Statement:		Reasonable Assurance		
<p>There is an up to date investment strategy in place which clearly defines the expected investment performance measures including the expectations on the Brunel Pension Partnership (BPP) in relation to delivery of the targets and performance reporting expectations. Review of the Brunel Performance Report to quarter ending December 2022, that was presented to the Investments and Pension Committee and Pension Committee in March 2023 found to be comprehensive and in line with the format / structure recommended by the members of the Brunel Operations Group, in particular the expansion of the existing reporting to include private market performance. A recommendation has been offered in relation to content the which we feel would further enhance the reporting structure and effectiveness.</p> <p>Governance framework was found to be sound overall. There was good evidence to support challenge and holding Brunel to account over investment performance by senior management of DPF, however, whilst it is understood that there is similar robust challenge undertaken by the members of the Investment and Pension Fund Committee during their pre and post meeting briefings, this challenge is not being recorded. In the absence of key challenge being recorded, the level of assurance that can be given around the effectiveness of holding Brunel to account over its investment performance is compromised and has had to be reduced to reasonable assurance.</p>				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.1	<p>Whilst it was clear from discussions that there is good opportunity to interrogate and hold Brunel to account over its investment performance at every pre and post committee meeting briefing, the key discussions and questions are not being formally captured.</p>	Medium	<p>Key questions / challenges that take place between the IPFC and Brunel at the pre and / or post meeting briefings should be recorded. These wouldn't need to be published but would demonstrate to Internal Audit or other external scrutiny process.</p>	<p>Agreed and now in place.</p>
1.2	<p>There were two observations made when reviewing the Brunel Performance Report to quarter ending December 2022.</p> <ul style="list-style-type: none"> The Portfolio Section of the quarterly performance reports provides rolling performance data for the quarter being reported, year to date and since inception. However, the date on inception is not recorded for each portfolio and therefore it is not clear how long a period this performance reporting covers. It is unclear as to the purpose of the "Strategic Asset Allocation" section of the report, and whether this adds anything to the report. 	Low	<p>Discuss with Brunel about implementing the minor adjustments in the quarterly performance reports as suggested in the findings.</p>	<p>Management will consider the point regarding the fund starting date on the report though this is not critical.</p> <p>The strategic asset allocation information is required to confirm the fund is invested as per the allocation targets set by the Committee.</p>

Scope and Objectives

The objective of the audit was to provide assurance on how Devon Pensions Fund holds Brunel to account for meeting requirements of its investment strategy, and to review the effectiveness of the information it receives from Brunel in order to demonstrate / achieve investment performance.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. 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. 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.

Marking Definitions

Official The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official Sensitive A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the ‘OFFICIAL’ classification tier but may attract additional measures to reinforce the ‘need to know’. In such cases where there is a clear and justifiable requirement to reinforce the ‘need to know’, assets should be conspicuously marked: ‘OFFICIAL–SENSITIVE’. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Recommendation Priority

Assurance Definition

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors, or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate 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 conducting 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 tony.d.rose@devon.gov.uk



Service Objective	To speed up and simplify the payment of pension lump sums and minimise the reliance on using 3rd party for generation of BACS payments.
Audit Opinion	Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Risks or Areas Covered	Level of Assurance
<ul style="list-style-type: none"> - key concerns or unmitigated risks <p>Immediate Payments are not suitably controlled, resulting in inaccurate and fraudulent payments being made.</p> <p><i>These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed.</i></p>	Reasonable Assurance

Introduction

Peninsula Pensions processes the monthly pension payroll runs using Altair. Peninsula Pensions have recently implemented a new "Immediate Payments" system for processing lump sum pension payments, pension arrears and contribution refunds also using Altair, enabling all pension payments to be managed and controlled in house, and them no longer having to place reliance on a 3rd party to process the BACS payments through FINEST. The "immediate payments" system went live in January 2023.

Devon Audit Partnership have been asked to carry out a review of the newly implemented immediate payment system. The objective of the audit is to provide assurance on the control framework to ensure that payments made are suitably controlled, accurate, timely and the risk of fraudulent payments is minimised.

The audit did not review the benefit calculations process and focussed on the generation of the payroll record and payment in Altair, the payroll outputs, reconciliation and the process for transferring the payroll outputs into the main accounting systems for both the Devon and Somerset Pensions Funds

Executive Summary

The audit review has confirmed that immediate payments process for both Devon Pension Fund and Somerset Pension Fund are suitably controlled, and the risk of error or fraudulent payments being made are considered to be low. The level of assurance given was reasonable, rather than substantial due mainly to the inconsistent and / or incomplete audit trail for some Somerset Pension Fund immediate payments, which, whilst the process being followed was the same for both Devon and Somerset Pension Funds, the information for Somerset wasn't being consistently stored in the corresponding "P" folders on the network.

The detailed findings and recommendations regarding these issues and less important matters are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Management is required to agree an action plan, ideally within three weeks of receiving the draft internal audit report.

Written responses should be returned to Alexis Saffin (alexis.saffin@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. There are no issues identified during this review that need to be considered for inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

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Alexis Saffin – Senior Auditor
Bradley Hutton - Senior Assurance Manager

Detailed Audit Observations and Action Plan

Agenda Item 6

1. Risk Area: Immediate Payments are not suitably controlled, resulting in inaccurate and fraudulent payments being made.		Level of Assurance		
Opinion Statement:		Reasonable Assurance		
<p>The audit review has confirmed that immediate payments process for both Devon Pension Fund and Somerset Pension Fund are suitably controlled, and the risk of error or fraudulent payments being made are considered to be low. Controls include:</p> <ul style="list-style-type: none"> • fully documented procedures and trained staff, • an electronic immediate payment process checklist which walks the user through every stage of the process, • good separation of duties at all stages of the payment batch generation, BACS processing and reconciliation. • Robust checks and balances being carried out at all stages of the process thus ensuring that payments are correct, fully supported, appropriately authorised and correctly transferred to BACS and the main accounting system. • appropriate access rights to Altair, FileZilla and the bank, limited only to the staff that need it. <p>Since the implementation of the immediate payments process, there have been a few discrepancies identified during the bank / ledger reconciliation process which have been recorded in an issue log and returned to the payroll team for correction. None related to BACS errors, the errors / anomalies in the outputs reports / interface around either formatting or period / month end timeliness conflict. Due to the infancy of the process, until errors occur the Payroll Team don't know there's an issue. What the issues log showed is that rarely does the same error occur in subsequent months, which demonstrates that Payroll are being pro-active in fixing the errors as they occur.</p> <p>Whilst the immediate payment process being followed was the same for both Devon and Somerset Pension Funds, the audit trail for the Somerset Pension Fund was found to be inconsistent and / or incomplete, which impacts on the overall level of assurance that can be given.</p>				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.1	Standard Operating Procedures (SoPs) are available for each part of the immediate payments process. However, the SoPs currently do not have a document review date included.	Low	Consider including a process document review date into the SoPs, which will ensure that the documents remain relevant and up to date.	Agreed.
1.2	In relation to the Somerset Pension Fund, there were inconsistencies and / or gaps in the immediate payment process audit trail. This includes some copies of emails confirming submission to PENNOT return to HMRC not being retained on the respective "P" folder on the network, incomplete process checklists and the suite of reports not being added to the automation test spreadsheet.	Medium	The audit trail to support all stages of the immediate payment process being followed needs to be consistent and complete for the Somerset Pension Fund, similar to that of the Devon Pension Fund.	Agreed – the immediate payment process for both Funds is consistent, however the team will ensure that in future the audit trail is adhered to in all cases and documentation saved in the correct folders accordingly.

Scope and Objectives

The objective of the audit is to provide assurance on the control framework to ensure that payments made are suitably controlled, accurate, timely and the risk of fraudulent payments is minimised.

The audit scope will include both Devon and Somerset Pension Funds.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. 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. 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.

Marking

Official

Definitions

The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive

A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Recommendation Priority

Assurance Definition

Substantial Assurance	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.

High
Medium
Low
Opportunity

A significant finding. A key control is absent or is being compromised. If not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.

Control arrangements not operating as required resulting in moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.

Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate 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 conducting 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 tony.d.rose@devon.gov.uk

Internal Audit Report Devon Pension Fund Actuarial Valuation 2022

March 2023

Official



Service Objective

It is a statutory requirement for a valuation to be carried out every 3 years. Its purpose is to monitor the assets against the current value of the liability of the pension benefits earned to date, and to review the Employer contribution rates.

Audit Opinion

Substantial Assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Risks or Areas Covered

- key concerns or unmitigated risks

1. **The Actuarial Valuation process is not controlled and the risks of the effects of the valuation on employers are not adequately documented and communicated**

2. **There is not a current Funding Strategy Statement in place**

These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed

Level of Assurance

Substantial Assurance

Substantial Assurance

Introduction

Devon County Council (DCC) administers the Devon Pension Fund for DCC employees and over 200 other organisations including scheduled and other admitted bodies. A full valuation is currently carried out every three years, by the Fund Actuary, to establish the value of the assets and liabilities of the Fund and determine individual employer contribution rates and deficit funding contributions, where applicable.

The 2022 valuation has been completed, and the final employer contributions rates set for the next three years from April 2023 to March 2026. The valuation is intended to ensure the solvency of the Fund and achieve long term cost efficiency in setting contribution levels to reduce the deficit in the funding position.

Communications with employers over the valuation period keep employers comprised of the valuation process, advising them of interim valuations and notifying them of the new contribution rates that come into effect from April 2023.

Executive Summary

The 2022 Actuarial Valuation had been concluded at the time of the audit, and all that was remaining was the final sign off of the valuation by Barnett Waddington, the Fund Actuary, and the publishing of the valuation of the Fund's website.

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As reported to the Devon Pension Board in January 2020, the Fund Actuary, Barnett Waddingham, has determined that the Devon Fund has a funding level of 98%, up from 91% at the 2019 Valuation. The Fund's assets were valued at £5,316 million against future pension liabilities assessed at £5,405 million, giving a deficit for this valuation of £89 million. The indicative results had been communicated to most Employers at the time of the audit, and final Employer contributions were confirmed by the end of March 2023 although employers were in the process of being notified whilst the audit was taking place. The Devon Pension Fund Funding Strategy Statement (FSS) has been revised and takes account of the assumptions and recommended contribution and secondary contribution rates. The FFS was formally approved by the Investment and Pension Fund Committee on 3rd March 2023.

Whilst the Actuarial Valuation process takes a project management approach that is subject to oversight by the DCC Pensions Management Group, and we note from our testing that that the Actuary's target for data submission had been met. We have made recommendations in relation to strengthening the communication flow audit trail.

The detailed findings and recommendations regarding these issues are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Management is required to agree an action plan, ideally within three weeks of receiving the draft internal audit report.

Written responses should be returned to Alexis Saffin (alexis.saffin@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Value Added

Internal Audit aimed to provide added value, in relation to consideration of the robustness of Devon Pension Fund and Peninsula Pensions' approach to the actuarial valuation process; and consideration of whether effective communication flows are in place between Investments Team and Peninsula Pensions officers.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

Based on the evidence we have found in this audit there are no issues arising from the risk management, systems and controls examined that would warrant inclusion in the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Alexis Saffin, Senior Auditor
Bradley Hutton, Senior Assurance Manager

Detailed Audit Observations and Action Plan

Risk 1: The Actuarial Valuation process is not controlled and the risks of the effects of the valuation on employers are not adequately documented and communicated		Level of Assurance		
Opinion Statement:		Substantial Assurance		
<p>The Devon Pension Board and Investment & Pension Fund Committee have been kept informed of the planned approach, and progress towards, completion of the 2022 Actuarial Valuation. At the time of review in March 2023, the actuarial valuation was nearing completion, with only the remaining tasks to be completed:</p> <ul style="list-style-type: none"> • the notification of the employer contribution rates, applicable from April 2023, • formal sign off of the valuation by Barnett Waddington, the Fund Actuary, and • the publication of the valuation report on the website. <p>Data is provided to the Fund Actuary by Peninsula Pensions via the Barnett Waddington on-line exchange portal. Following submission of data by Peninsula Pensions there is a period of consolidation where queries are raised by the Fund Actuary via the portal for resolution. From reviewing screen shot extracts from the portal, we were able to confirm that all required information for the 2022 Valuation was provided in line with agreed timescales although the addition of a project communication timetable, similar to that used during the 2019 valuation would have provided a clearer audit trail. The 2022 process was nearing completion at the time of audit and the results of the valuation were in the process of being confirmed to employers and would be complete by the end of March 2023.</p> <p>TU Devon Pension Fund employers were informed of the 2022 valuation process and have at the time of audit, been notified on an individual basis of the provisional results from the valuation.</p> <p>CR Risks and mitigations associated / linked to the actuarial valuation have been identified and included in the Devon Pension Fund risk register, including changes in mortality rates following the Covid pandemic, and the employer's inability to repay any deficit on cessation.</p> <p>Effective communication flows are in place between Investments Team and Peninsula Pensions officers; and previously agreed management actions have been effectively implemented.</p>				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1	We understand that all required information and stakeholder communications for the 2022 Valuation was provided in line with agreed timescales, however, there was not a central log / checklist maintained to provide tangible evidence, and we had to draw our assurance from discussions and provision of screen shots from the Barnett Waddington portal. During the 2019 valuation, there was both a project communications timetable and a valuation checklist, but these had not been fully maintained for this review.	Low	Consider re-instating the project communication timetable and fully utilise the valuation checklist for the 2025 valuation.	Agreed re valuation checklist – we will ask BW to save the checklist centrally in future for all to access update accordingly - RL

Risk 2: There is not a current Funding Strategy Statement in place		Level of Assurance
	<p>Opinion Statement: Administering Authorities are required to prepare and publish a Funding Strategy Statement in accordance with Regulation 58 of the LGPS Regulations 2013 (as amended).</p> <p>The Devon Pension Fund Funding Strategy Statement (FSS) is reviewed at least every three years, usually following the conclusion of the latest actuarial valuation. This review has confirmed that the FSS has been reviewed following the 2022 valuation, and was shared with Fund employers, for consultation, through Pensions Line, the electronic newsletter for LGPS employers.</p> <p>The Funding Strategy Statement makes adequate reference to the triennial actuarial valuation process and confirms the role of the Fund Actuary. It also sets out how the costs of the benefits are met through the Fund, the objectives in setting employer contribution rates and the funding strategy adopted to meet those objectives.</p> <p>Financial, demographic and regulatory risks are identified, and mitigating controls are noted in relation to these risks where applicable.</p> <p>We noted that the Funding Strategy Statement was reviewed by the Devon Pension Board in February 2023, who commended it to the Investment and Pension Fund Committee for review and approval at their 3rd March 2023 meeting and was approved at this meeting.</p>	Substantial Assurance
TU		
No.	Observation and Implications	
No.	observations and recommendations recorded	

Scope and Objectives

The objective of this audit is to provide the client with an audit opinion on the control framework concerning the 2022 Actuarial Valuation of the Devon Pension Fund

This will include:

- a) Review of Devon Pension Fund actuarial valuation process, ensuring that
 1. the risks of the effects of the valuation on employers are adequately documented and communicated.
 2. there is an appropriate plan in place, which includes actions and timescales and communication to employers and other stakeholders; and
 3. there is a dedicated resource to manage the actuarial valuation process and the resulting communication to employers and other stakeholders.
- b) Review of the Devon Pension Fund Funding Strategy Statement, ensuring that the strategy has been subject to the necessary review and approval by members.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. 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. 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.

Marking

Official

Definitions

The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL – SENSITIVE'. All documents marked OFFICIAL – SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Assurance Definition

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised, not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of services, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements are manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate 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 conducting 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 tony.d.rose@devon.gov.uk

DF/23/99
Devon Pension Board
13 October 2023

PENINSULA PENSIONS PERFORMANCE REPORT

Report of the Director of Finance and Public Value

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

Recommendation: The Board notes the report.

1) INTRODUCTION

- 1.1 Peninsula Pensions monitors performance against the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#), which set out the statutory requirements regarding the disclosure of pension information.

Peninsula Pensions' will be reviewing the [Pension Administration Strategy](#) and targets included within it in the 2023 year, which includes the internal target for Peninsula Pensions and expected performance requirements from individual Fund employers. The information provided within this report is therefore based around the statutory targets as outlined above.

- 1.2 Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.

2) TEAM PERFORMANCE

- 2.1 Total performance against the Occupational and Personal Pension Schemes (Disclosure of information) Regulations 2013 for the quarter ending 30 June 2023 was 91% (94% for High Priority procedures).
- 2.2 As referred to in the performance reports for previous quarters, the lower-than-expected performance is in part due to delays in responses to member information requested from employers. The team has continued to work with employers to implement improvements in this area.
- 2.3 The team have also continued to concentrate on processing outstanding deferred benefit and amalgamation cases in preparation for the McCloud remedy and future Pension Dashboard, which has impacted performance. Once these cases have been completed, we expect to see an improvement in performance.
- 2.4 The team received a total of 15 compliments between 1 April 2023 and 30 June 2023.

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- 2.5 Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Devon Pension Fund only, for the quarter ending 30 June 2023 against the statutory Disclosure Regulations. It also includes a graph which shows the monthly trend analysis on the percentage of high, medium, and low priority cases completed within timescales since April 2022.

In addition, a further chart, as requested by the Board, has been included to highlight the variants in performance when compared with the previous quarter.

- 2.6 Obj Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Devon Pension Fund only) for this financial year from 1st July 2022 to 30 June 2023. The bottom chart shows how many of the 'remaining' tasks outstanding to be actioned are awaiting information from another third party (member/employer) and therefore are on 'reply due'.

- 2.7 Appendix 3 of the report highlights the amount of work received over the last 12 month rolling period, compared to the same period in the previous year. The chart currently is showing an increase in demand. The last chart breaks down the work into the different work types showing where there has been an increase or decrease over the two periods.

- 2.8 Other updates –

McCloud:

Legislation published in July 2023: [The Public Service Pensions and Judicial Offices Act 2022](#)

Peninsula Pensions have staff resource allocated to work on the McCloud remedy when required and are in a good position with regards to the data preparation that was essential in advance of the remedy. One of the Technical & Training Officers on the team is leading the project and is working with DLUHC as part of the 'Statutory Guidance working group', which will support the drafting of the new guidance for administrators. We are therefore confident that we will be able to have input and interpret the legislation as intended/accordingly.

Recruitment:

For information, following a successful recruitment exercise, Peninsula Pensions are now fully resourced with all new recruits in training currently.

3. CONCLUSION

- 3.1 The Board is asked to note the report.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

Contact for enquiries:

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Appendix 1

Administration Performance – 01/04/2023 to 30/06/2023 (Devon Pension Fund)

	Total Cases	Success Rate
High Priority Procedures	3325	94%
Medium Priority Procedures	5992	89%
Low Priority Procedures	1219	95%
	10536	91%

High Priority

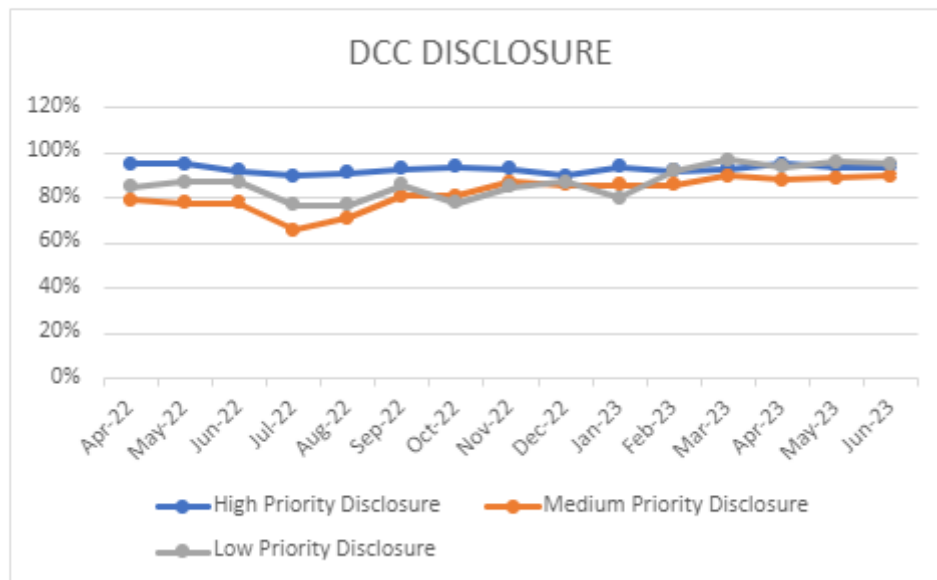
	Total Cases	Success Rate
CHANGES	333	97%
COMPLAINT/IDRPMEM	22	100%
COMPLAINT/IDRPEMP	1	100%
DEATH	390	79%
DEFERRED OVER 55	348	96%
PAYROLL	783	98%
REFUND	236	100%
REACT	390	95%
RETPB	822	93%
TOTAL	3325	94%

Medium Priority

	Total Cases	Success Rate
AMALGAMATIONS	1158	82%
DEFERRED	1410	72%
DIVORCE	29	83%
EMPLOYER QUERIES	257	78%
ESTBULK	0	-
ESTEMP	120	100%
ESTMEMB	61	100%
GEN	1428	100%
HMRC	21	90%
MSS	1508	100%
TOTAL	5992	89%

Low Priority

ESTOTHER	51	100%
GMP ACTIVE/DEFERRED	14	100%
INTERFUND IN	98	95%
INTERFUND OUT	64	77%
PENSION TOP UP	124	97%
REFUNDSFROZ	707	95%
STARTERS	0	-
TVIN	97	96%
TVOUT	64	100%
TOTAL	1219	95%



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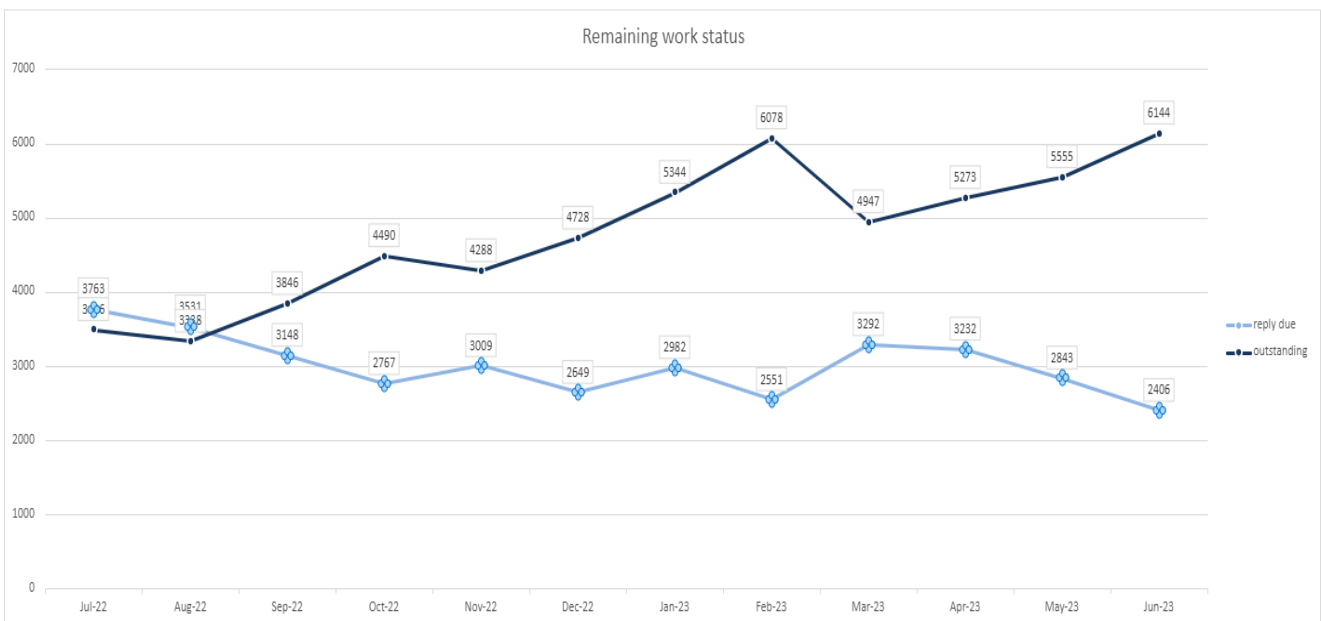
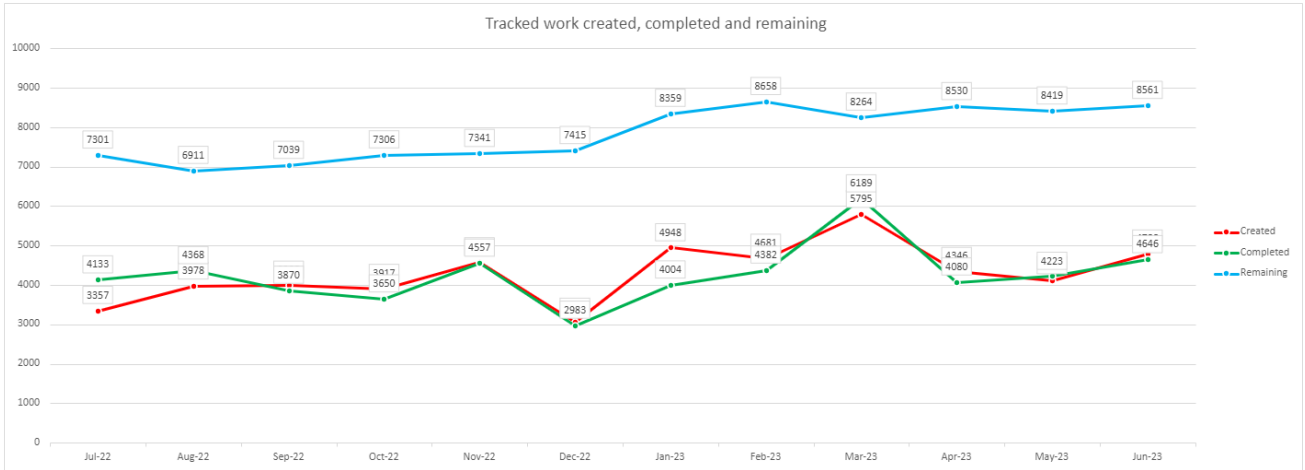
Variance in performance when compared to previous quarter:

Performance report						
Case breakdown		Period 1		Period 2		
PRIORITY case		in target	%	in target	%	DIFFERENCE
high	CHANGES	546	98.9%	324	97.3%	-1.6%
high	COMPLAINT/IDRPMEM	43	100.0%	22	100.0%	0.0%
high	COMPLAINT/IDRPEMP	1	100.0%	1	100.0%	0.0%
high	DEATH	315	78.9%	308	79.0%	0.0%
high	DEFERRED OVER 55	325	86.0%	335	96.3%	10.3%
high	PAYROLL	709	97.3%	769	98.2%	1.0%
high	REFUND	1008	99.9%	236	100.0%	0.1%
high	RETRACT	434	85.3%	372	95.4%	10.1%
high	RETPB	720	92.8%	767	93.3%	0.5%
med	AMALGAMATIONS	500	70.0%	949	82.0%	11.9%
med	DEFERRED	1350	77.5%	1016	72.1%	-5.4%
med	DIVORCE	71	92.2%	24	82.8%	-9.4%
med	EMPLOYER QUERIES	490	81.9%	200	77.8%	-4.1%
med	ESTBULK	0		0		0.0%
med	ESTEMP	34	100.0%	120	100.0%	0.0%
med	ESTMEMB	73	97.3%	61	100.0%	2.7%
med	GEN	1366	99.7%	1423	99.6%	-0.1%
med	HMRC	16	94.1%	19	90.5%	-3.6%
med	MSS	1600	100.0%	1507	99.9%	-0.1%
med	PFINJURY	0		0		0.0%
low	ESTOTHER	53	93.0%	51	100.0%	7.0%
low	GMP ACTIVE/DEFERRED	26	100.0%	14	100.0%	0.0%
low	INTERFUND IN	94	85.5%	93	94.9%	9.4%
low	INTERFUND OUT	102	82.9%	49	76.6%	-6.4%
low	PENSION TOP UP	121	97.6%	120	96.8%	-0.8%
low	REFUNDSFROZ	1184	92.1%	673	95.2%	3.1%
low	STARTERS	0		0		0.0%
low	TVIN	94	95.9%	93	95.9%	0.0%
low	TVOUT	68	88.3%	64	100.0%	11.7%
	Total	11343	90.6%	9610	91.2%	0.6%

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Appendix 2

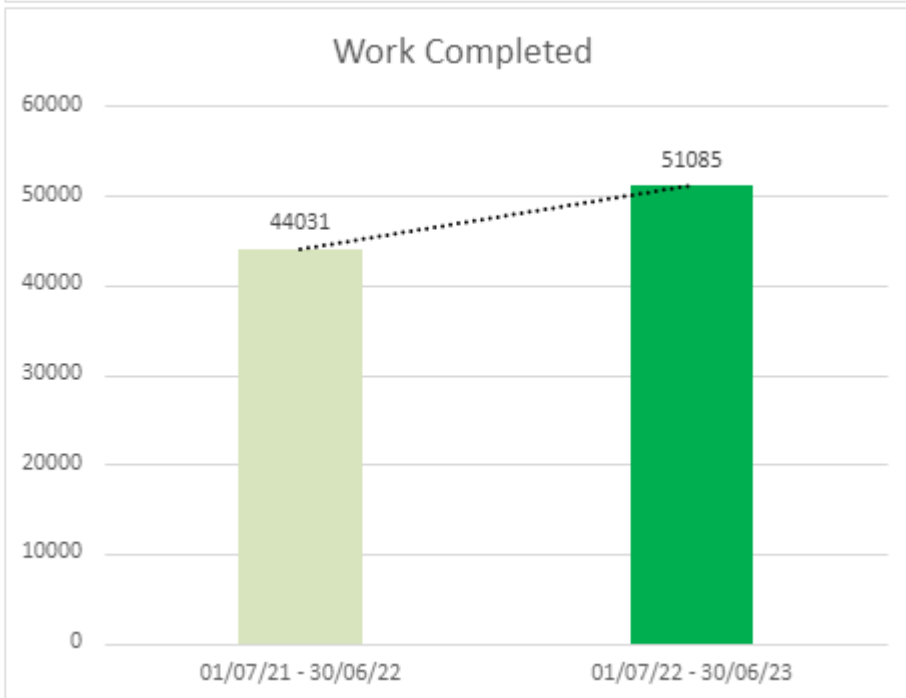
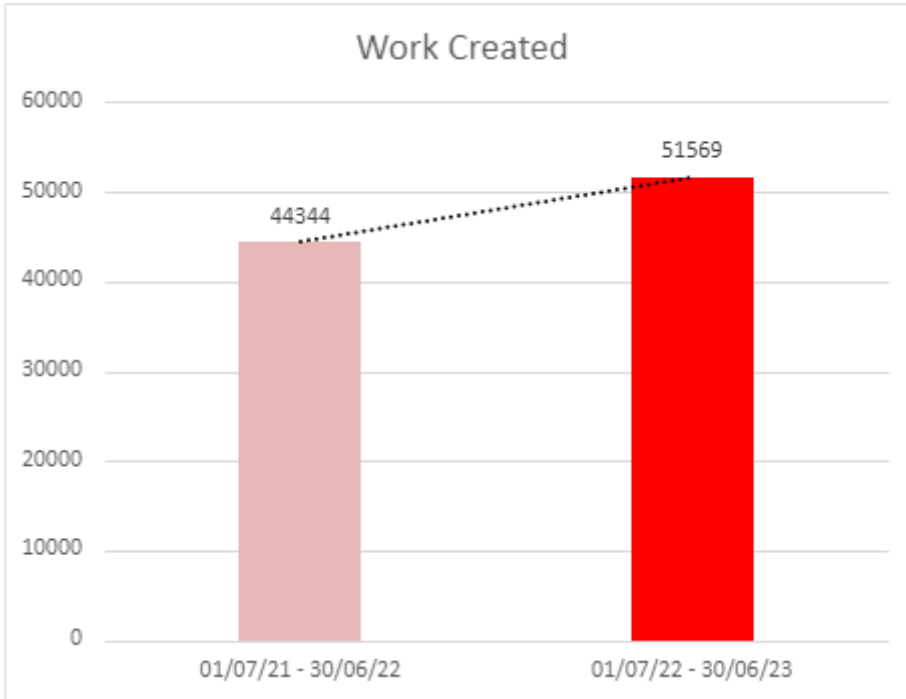
Month	Created	Completed	completion rate	Remaining	reply due	outstanding
Jun-23	4788	4646	97.03%	8561	2406	6144



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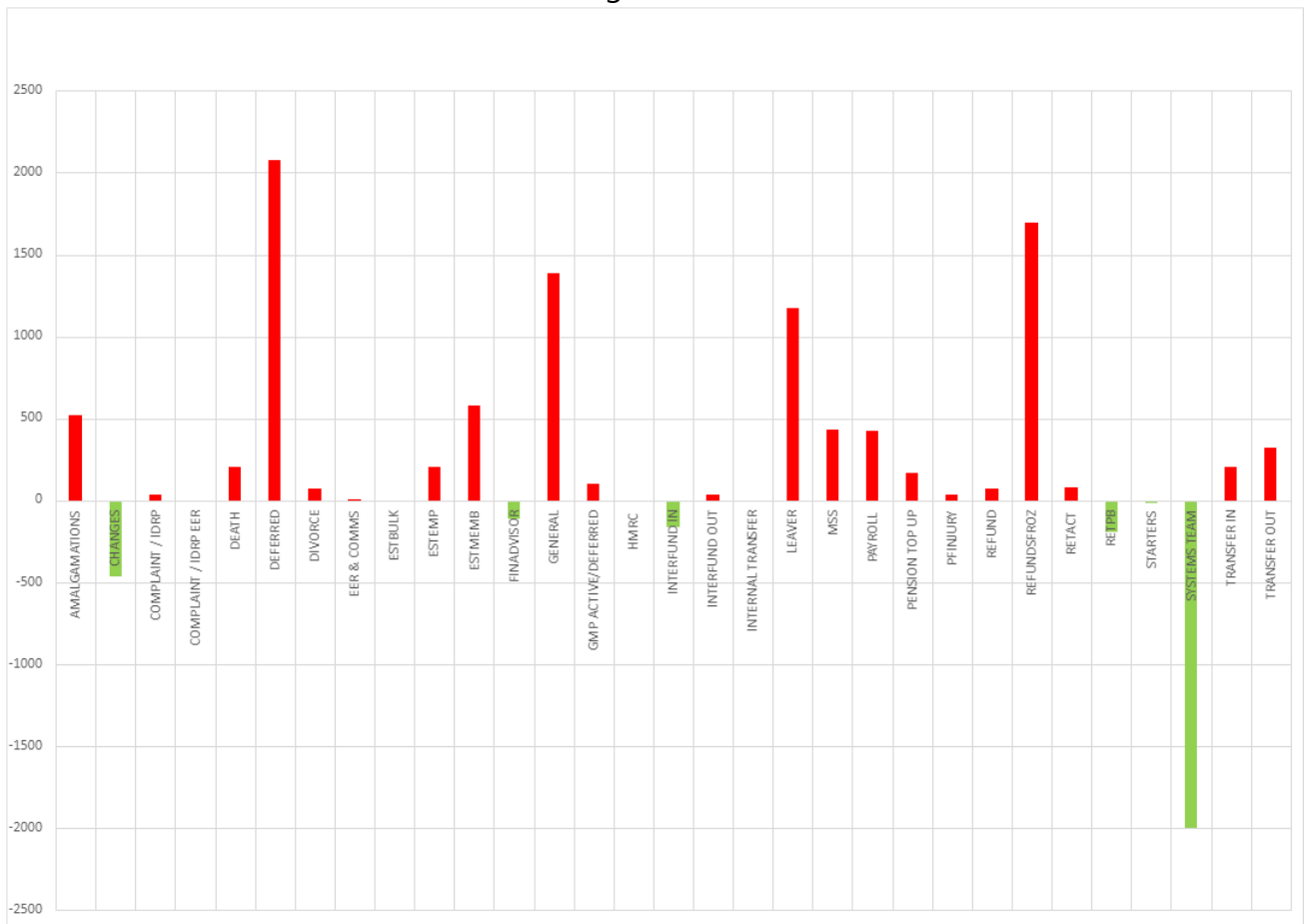
**Work received 12 month rolling period 1 July 2022 to 30 June 2023
(against same period for previous financial year)**

from	to	Work Created	Work Completed
01/07/2021	30/06/2022	44344	44031
01/07/2022	30/06/2023	51569	51085



Increase or decrease of type of work created within period 1st July 2022 to 30 June 2023 against same period for previous financial year.

(Increase shown in red, decrease shown in green)



DF/23/100
Devon Pension Board
13th October 2023

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 Board be asked to:

- (a) Note the developments affecting the LGPS

2) Introduction

- 2.1 This report is brought to the Pension Board to provide an update on the latest developments affecting the LGPS.

3) July 2023 Consultation

- 3.1 On the 10th July 2023, the Chancellor set out his Mansion House speech which included the proposed consultation on investment within the LGPS, the consultation being published the following day (with a closing date of 2 October 2023)
- 3.2 In his Speech, the Chancellor noted the desire to “accelerate the consolidation of pension assets by March 2025”, with proposals to increase transparency, cost savings and the scale of LGPS investment pools while noting that Investment Strategy remained a decision of the individual Funds.
- 3.3 The five areas considered within in the consultation are set out below:
 - Proposals to accelerate and expand investment pooling, with the aim of increasing the pace of transition, in order to achieve further benefits, improved net returns, more effective governance, increased savings and access to more asset classes.
 - A requirement for Funds to have a plan to invest up to 5% of assets to support levelling up in the UK.
 - To increase investment in high growth companies via unlisted equity.

Agenda Item 11

- To propose amendments to the LGPS investment regulations which related to the use of investment consultants and including a requirement to set out strategic objectives for those consultants with a formal review every 3 years.
- To make a technical change to the definition of investments in the LGPS regulations in relation to partnership arrangements so they fall within the definition of investments.

3.4 The consultation was released on 11 July 2023 and contains a number of detailed proposals submitting questions on the proposed amendments and inviting responses. Officers drafted a response which was discussed at the Investment and Pension Fund committee on 15th September. The final response was submitted at the end of September and can be found attached to this report.

4) McCloud Regulations

4.1 On the 8 September, Government issued its response to the consultation 'McCloud remedy in the LGPS – supplementary issues and scheme regulations' which closed on 30 June 2023. This consultation covered proposals around aggregation, club transfers, flexible retirement, divorce, injury allowances, compensation, interest and excess teacher service and has been anticipated by Funds to confirm how the remedy would be implemented across affected members.

4.2 Overall, the response confirms that the proposals in the consultation will be implemented and where it is required, updated Government Actuary's Department guidance will be issued as soon as possible, in addition to an updated Public Sector Transfer Club memorandum. A national working group has been set up to consider the areas where guidance is needed, and the response sets out some of the areas where guidance will be statutory and where it will be non-statutory. Statutory guidance will be issued where it is necessary to have a consistent approach on areas not already achieved through regulations. This will include the prioritisation of McCloud cases and how to identify which members qualify for McCloud protection where there could be earlier service in another LGPS fund or another public service pension scheme. Other areas will have nonstatutory guidance, such as administrative guidance and complex case examples, and how to deal with flexible retirement cases. Where a need for guidance is identified, there will be a technical consultation with selected stakeholders representing those affected. There are still some areas where additional regulations are needed (particularly for dealing with excess teacher service) and a further consultation on these will follow in due course with selected stakeholders.

4.3 The only amendment to the original proposals is in the area of interest, where there is a small change to the way interest will be applied to additional Pension Commencement Lump Sums.

5) Abolition of the Lifetime Allowance

- 5.1 As part of a package of reforms announced in the Chancellor's March 2023 budget, the Pension Lifetime Allowance, designed to cap tax relief on pension saving, was to be abolished. Government is now seeking to clarify the tax treatment of pension savings and how limits will apply to pension and lump sums from April 2024. The proposals are beneficial to members who may be caught by the tax provisions as their payments will now be taxed on their relevant tax rate (as opposed to the higher rate), however has the potential to further increase the workloads for pension funds with the need to apply individual calculations to lump sum payments.

6) Conclusion

- 6.1 The Pension Board is asked to note the issues and developments of the LGPS outlined in the report.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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Agenda Item 11



Director of Finance and Public Value

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25 September 2023

Re: Consultation Document: Local Government Pension Scheme (England and Wales): Next Steps on Investments

Thank you for the opportunity to comment on the consultation document: Local Government Pension Scheme (England and Wales): Next Steps on Investments.

This consultation response is submitted on behalf of Devon County Council in its capacity as the Administering Authority for the Devon Pension Fund and has been approved by the Investment and Pension Fund Committee at its meeting on 15th September 2023.

The Devon Pension Fund is a shareholder and client of the Brunel Pension Partnership (Brunel). Brunel was set up in 2018 following the completion of a thorough business case approved by all ten of the partner funds. The business case set out the forecast savings that could be achieved over the longer term from the pooling proposals, and also the short-term costs that would be incurred in transitioning investment assets to the new arrangements. Brunel is now working well, and the Fund reached the point in 2022 when the cumulative savings achieved exceeded the initial costs of set up and transition. Therefore, we are now in the position of harvesting the savings achieved.

The Devon Fund has now transitioned 95% of its assets to Brunel. The remaining 5% of assets are held in closed ended private markets funds, which will return capital over time which will then be reinvested via Brunel.

Given that it took 4 years to break even, based on savings achieved versus transition costs incurred, and that we are now achieving significant savings each year, our over-arching concern is that the proposals should not result in another round of significant transition costs that negate the savings now being achieved as a result of the implementation of the original pooling proposals.

Answers to the specific questions posed are provided below:

Question 1

The Brunel pool is working well. 90% of client assets have now transitioned to the pool, the Devon Fund has transitioned 95% of our assets. We recognise that other pools have not all made the same level of progress, and our view is that the Government should focus on addressing the barriers that are preventing other pools from working effectively. Those pools, such as Brunel, who are working effectively should be allowed to continue with minimum disruption.

While the pool's assets are currently below £50 billion, there would be disadvantages in expanding the size of the pool:

- Brunel largely serves a defined geographic region, the South West, providing a level of local accountability that would be reduced if the pool covered a wider area.
- The regional basis of Brunel should help with setting up local investment portfolios to promote investment in the South West, in line with the Government's levelling up agenda. An expanded pool would change investment priorities in this regard.
- Brunel was set up as a partnership of like-minded LGPS funds. The involvement of a larger number of funds may reduce the like-mindedness of the partner funds which would result in governance issues, as have been experienced by other pools.
- As stated above, the Brunel pool has largely gone through the pain of transition and is now working effectively and benefiting from the cost savings resulting from pooling. It would be unhelpful to go through another round of transition costs in order to form a larger pool, which would undermine the savings that are now being delivered.

Therefore, we would urge the Government not to be too fixated on a particular number in terms of a pool's assets under management, but to consider a range of criteria in analysing how well the existing pools are performing and what action is required to support the delivery of excellent value for money and outstanding net performance. We would support greater collaboration between pools as an alternative to forced mergers between pools.

Question 2

The Devon Pension Fund has already transitioned all of its listed assets to Brunel, our LGPS pool, well in advance of the proposed March 2025 deadline.

Question 3

We agree with the statement that responsibility for setting the investment strategy should remain with the individual LGPS funds. It is therefore the pool's responsibility to implement the strategy of each of its client funds.

The original pooling proposal aimed to take manager selection away from the individual funds and make it the responsibility of the pool. We support the idea that if an LGPS fund wishes to invest in e.g. a core global equity portfolio, then the pool

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should provide such a portfolio and be responsible for selecting a manager or managers to manage that portfolio (or provide internal management). Where more than one manager is selected for a portfolio, then it should be for the pool to allocate funds between the managers on the same basis for each client, and it should not be permissible for the individual LGPS Fund to decide which of the managers it wishes to allocate funds to. The pool should not provide more than one core global equity portfolio with different managers for different portfolios which would then effectively enable individual LGPS funds to retain the ability to choose a manager.

The pool should, however, provide a range of equity portfolios with different risk and return characteristics, e.g. emerging market equities, smaller company equities, sustainable equities, choice of active/passive, in order to meet the requirements and implement the strategies of each client fund.

We do not believe it is the pool's role to act as investment consultants for client funds in determining their investment strategy.

Question 4

The Devon Fund is committed to ensuring Pension Committee members are adequately trained. We already produce an annual training plan and report on the training undertaken by committee members in the Fund Annual Report. We therefore support this proposal.

Question 5

We support the proposal for each fund to report in a consistent way against a set of broad asset class headings through their annual reports and statistical returns.

We would not support reporting against standard benchmarks. The choice of benchmark reflects the level of risk and target return required from an investment portfolio, which will be different depending on the investment strategy. A standard benchmark across all funds and/or pools would influence the investment strategy in an unhelpful way. If the objective is to compare the investment performance of funds, then that can be done through comparison of net returns, without the need to enforce standard benchmarks.

Question 6

We are happy with the proposals for the Scheme Annual Report.

Question 7

The Devon Fund already has significant investments in UK infrastructure. In addition, the Investment and Pension Fund Committee has recently agreed to allocate 3% of the Fund to a local impact portfolio. We believe that these investments would contribute to the Government's levelling up agenda and would be happy with the requirement to set these out in a plan and report on them through the Fund's Annual Report.

The aim of the local impact portfolio is to invest in Devon and the wider South West, recognising that there is a need locally to level up to more prosperous

areas. Where possible, we will work with Brunel on our objectives, but we would urge that the Government recognise that when funds are looking at local investments there may be a requirement to work with fund managers outside the pool arrangements, as the pools will be focusing on a wider area and larger scale investments that may not allow for a more localised investment. Individual LGPS Funds will need to ensure that conflicts of interest are managed, but adopting an over-prescriptive approach to investing through the pool on such investments may risk undermining local aspirations and the achievement of the Government's agenda on levelling up.

Question 8

We believe that funds should be committed to one pool, but if that pool then decides that the best way to deliver the required investment is to invest in another pool's investment vehicle, then that should be permitted and encouraged.

Question 9

We would support the inclusion of the levelling up plan within each fund's Investment Strategy Statement, rather than as a separate policy.

Question 10

The Devon Fund will be happy to report on levelling up investments within our Annual Report. Pools will need to be able to produce the required data in respect of such investments made through the pool.

Question 11

The Devon Fund is a supporter of investing in private markets. Since February 2022, the Fund has had a medium term target allocation of 10% to infrastructure, 5% to private equity and 5% to private debt. The Investment and Pension Fund Committee has now agreed to reduce each of those allocations by 1% to create the 3% allocation to a local impact portfolio, as described in the answer to question 7, but the local investments would also be in the private markets space.

However, private equity is at the higher risk end of the potential investment solutions available to pension funds. The mandating of a set minimum percentage to be invested in private equity would be in conflict with the fiduciary duty to act in the best interests of fund members. While the Government may want to encourage the LGPS to invest more in private equity it must stop short of mandating such investment.

Previously, the Government has had an ambition for LGPS funds to invest 10% in infrastructure. It is unclear from the consultation document whether the definition of private equity includes unlisted infrastructure. If the 10% proposed allocation to private equity is additional to a 10% ambition for (mostly unlisted) infrastructure investments, that makes a 20% allocation to a high risk area of the market. This may be above the risk appetite for some funds.

Many funds also have an allocation to private debt, which would also support the Government's aspirations to support growing businesses. It would therefore be helpful for the Government to be clearer on whether the 10% objective is across private markets or a much narrower definition of private equity.

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Another aspect that the Government needs to consider is that the requirements on unlisted companies with respect to ESG issues, and specifically on climate reporting, are currently lower than they are for listed companies. Given the Government's intention to require LGPS Funds to increase the extent of their climate related reporting, it may be more difficult to source the data they will need from an increased allocation to private equity.

The question asks about the barriers to investment in growth equity and venture capital. One barrier is the level of risk involved in such investments, which may mean they are not suitable for inclusion in a fund's investment strategy where they are looking to de-risk. As set out above, the Government should not seek to force LGPS funds to invest in an asset class where it does not fit with the fund's risk management approach.

A further barrier is the availability of appropriate investment opportunities. The Government needs to do more to encourage the provision of more transparent investment opportunities if it wants to encourage investment, at the appropriate level of risk and potential return.

Question 12

As set out above, the lack of availability of suitable investment opportunities can be a barrier to the LGPS investing in the UK. If working with the British Business Bank helps to overcome that barrier and results in an increased provision of suitable investment opportunities, with the appropriate level of risk and return expectation, then the Devon Fund would support that.

Fiduciary duty requires that LGPS funds will need to independently assess the suitability of any investment opportunities that come out of any collaborative approach and should only invest where they fit with the fund's risk parameters. The Government should not seek to mandate investment in any particular project.

Question 13

The Devon Fund supports setting strategic objectives for investment consultants.

Question 14

This appears to be a straight-forward tidying up amendment, so we support it.

Question 15

We do not consider that there are any particular groups who would either directly benefit or be disadvantaged by any of the proposals.

Yours Sincerely



Mark Gayler
Head of Investments

DF/23/101
Devon Pension Board
13th October 2023

FUTURE WORK PROGRAMME

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 Board be asked to:

- (a) review the work programme and provide any suggestions for future work items.

2) Introduction

- 2.1 The Devon Pension Board will meet four times per year to review and discuss issues concerning the Devon Pension Fund. In order to ensure that appropriate areas are covered going forwards it was agreed at the first meeting of the Board to implement a Future Work Programme.

3) Future Work Programme

- 3.1 A proposal for the Future Work Programme of the Pension Board is set out below:

Standing items

- Minutes of the Investment and Pension Fund Committee
- Devon Pension Fund Risk Register
- Peninsula Pensions Administration Performance
- Attendance register
- Actions and recommendations Tracker
- Future work programme
- Breaches log
- Contribution monitoring
- LGPS update

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January 2024

- TPR data scores
- Administration Strategy
- Communication policy review
- Audit Plan 2024/25

April 2024

- Budget monitoring
- Annual Pension Board Report
- Internal Audit report for 2023/24
- 2023/24 Training Review and 2024/25 Training plan

July 2024

- Scheme Advisory Board Governance review
- Scheme Advisory Board Knowledge and skills framework
- TPR Code of Practice

4) Conclusion

- 4.1 The Future Work Programme aims to set out a clear agenda for future areas of review and discussion for the Pension Board. This will help to provide assurance that the Devon Pension Fund is managed and administered affectively and efficiently, ensuring that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pensions Regulator.
- 4.2 The Board is asked to review and approve the future work programme and make suggestions for other areas of consideration going forward.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Local Government Act 1972: List of background papers

Nil

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