



Phil Norrey
Chief Executive

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To: The Members of the Devon
Pension Board

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 26 June 2020
Please ask for : Gerry Rufolo 01392382299

Email: gerry.rufolo@devon.gov.uk

DEVON PENSION BOARD

Monday, 6th July, 2020

A meeting of the Devon Pension Board is to be held on the above date, at 10.30 am. This will be a Virtual Meeting to consider the following matters. For the joining instructions please contact the Clerk for further details on attendance.

P NORREY
Chief Executive

A G E N D A

PART 1 - OPEN COMMITTEE

- 1 Apologies
- 2 Election of Chair and Vice Chair
- 3 Minutes

Minutes of the meeting held on 16 January 2020 (previously circulated).

- 4 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

- 5 Review of Attendance and Pension Board Terms of Reference (Pages 1 - 8)

 Report of the County Treasurer (CT/20/49), attached
- 6 Pension Board email address (Pages 9 - 10)

 Report of the County Treasurer (CT/20/50), attached
- 7 Pension Board Budget Outturn 2019/20 and Proposed Budget 2020/21 (Pages 11 - 12)

 Report of the County Treasurer (CT/20/51), attached
- 8 Devon Pension Fund Risk Register (Pages 13 - 50)

 Report of the County Treasurer (CT/20/52), attached

MATTERS FOR INFORMATION

- 9 Investment and Pension Fund Committee (Pages 51 - 56)

 Minutes of the Investment and Pension Fund Committee meeting held on 19th June 2020, attached
- 10 Contribution Monitoring Report (Pages 57 - 58)

 Report of the County Treasurer (CT/20/53), attached
- 11 Peninsula Pensions Administration Update and Performance Statistics (Pages 59 - 62)

 Report of the County Treasurer (CT/20/54), attached
- 12 LGPS Update (Pages 63 - 84)

 Report of the County Treasurer (CT/20/55), attached
- 13 Actions and Recommendations Tracker Reports (Pages 85 - 94)

 Report of the County Treasurer (CT/20/56), attached
- 14 Future Work Programme (Pages 95 - 96)

 Report of the County Treasurer (CT/20/57), attached
- 15 Dates

The Pension Board will meet at 10.30am on the following dates (subject to confirmation):

Monday 19th October 2020
Friday 22nd January 2021
Monday 26th April 2021

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

*Members are reminded that Part II Reports contain confidential information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s).
Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Democratic Services Officer at the conclusion of the meeting for disposal.*

Membership

Devon County Council

Councillors C Slade and S Randall-Johnson

Fund Employer Representatives

Carrie Piper (South Devon College) and Carl Hearn (Tavistock Town Council)

Fund Member Representatives

Julia Bailey, Andy Bowman, Paul Phillips and Colin Shipp

Independent Member (non-voting)

William Nicolls

Declaration of Interests

Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.

Access to Information

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Gerry Rufolo 01392382299

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NOTES FOR VISITORS

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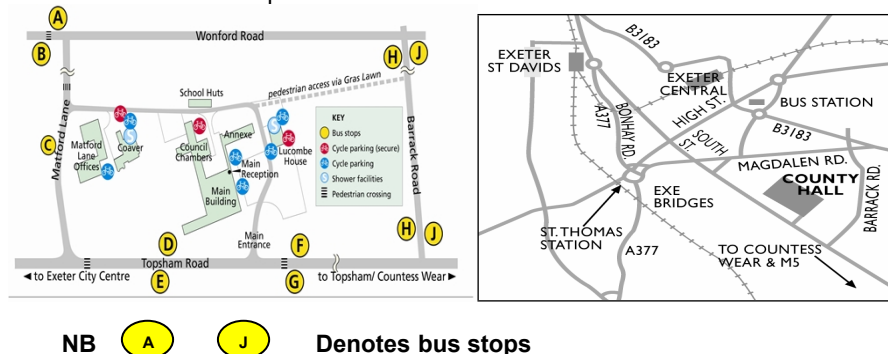
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First Aid

Contact Main Reception (extension 2504) for a trained first aider.

REVIEW OF PENSION BOARD TERMS OF REFERENCE AND ATTENDANCE

Report of the County Treasurer

Please note that the following recommendation is subject to consideration and determination by the Board before taking effect.
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Recommendation: that the Board review the Pension Board's Terms of Reference and consider whether it wishes to make any changes and reviews the board's attendance log.

1. Introduction

- 1.1. 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 meetings and training events is recorded and reported.
- 1.2. It is considered good practice to review the board's Terms of Reference regularly. The last review by the board was July 2019.

2. Attendance log

- 2.1. 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.
- 2.2. A log showing the attendance of both board meeting and training events is attached in appendix 1 and should be reviewed by the board.

3. Pension Board Terms and Reference

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

4. Conclusion

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

Mary Davis

Electoral Divisions: All

Agenda Item 5

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

Board Meeting				Training			
03/04/2019	15/07/2019	21/10/2019	16/01/2020	30/10/2019	12/11/2019	06/03/2020	
Y	Y	Y	Y	Y	N	Y	Y
N	N	Y	Y	Y	N	Y	Y
Y	Y	Y	Y	Y	N	Y	Y
N/A	Y	Y	Y	Y	Y	Y	
Fund Employers							
Slade (DCC)	Y	Y	Y	Y	Y	Y	
Smith (Police)	N	N	Y	Resigned	Resigned	Resigned	
Piper (South Devon Coll)	N/A	N/A	N/A	N/A	N/A	N/A	
Hearn (Tavistock)	N	N	Y	Y	Y	Y	
Randall Johnson (DCC)	Y	Y	Y	Y	Y	Y	
Independent member							
N	Y	Y	Y	Y	Y	Y	

Agenda Item 5

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.

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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.

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.

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.

PENSION BOARD EMAIL ADDRESSES

Report of the County Treasurer

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

Recommendation: that Board members be provided with email addresses on the basis of option 2 as outlined in the report.

1. Introduction

- 1.1. Ever since the board was established in 2015, members of the board have provided and used personal email addresses for pension board business. These email addresses are published on the Peninsula Pensions website for scheme members information and a contact point for them to use.
- 1.2. The pension board asked officers to explore what alternatives were possible.

2. Options available

- 2.1. Officers have been advised of the following options
 - 2.1.1. Option 1 – Provide DCC account to the pension board members. Ongoing costs are estimated to be in the region of £25 per person per month for O365 licences.
 - 2.1.2. Option 2 – Procure a domain name with email extensions such as devonpension.co.uk. Ongoing costs are estimated to be £25 per month for 10 email addresses
 - 2.1.3. Individual board members to set up additional mailboxes (e.g.@gmail.com) with no cost to the service
 - 2.1.4. No change

3. Conclusion

- 3.1. The Board is asked to consider the options above. Officers would recommend option 2 as a cost effective solution to resolving the issue identified.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
Contact for Enquiries: Charlotte Thompson
Tel No: (01392) 381933 Room G99

DEVON PENSION BOARD BUDGET– Outturn for 2019/20 and Budget for 2020/21

Report of the County Treasurer

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

- Recommendations:**
- a) that the Board notes the outturn for the Devon Pension Board budget 2019/20.**
 - b) that the Board approves the Devon Pension Board budget for 2020/21.**

1. Introduction

- 1.1. It is appropriate that the Devon Pension Board is given adequate resources to fulfil its task. As a minimum, the Board will require:
 - allowances and/or expenses for Board members;
 - accommodation and administrative support to conduct its meetings and business;
 - training;
 - legal, technical and other professional advice (where required).
- 1.2. Regulation 106(9) of the Regulations specifies that the expenses of a Local Pension Board shall be regarded as part of the costs of administration of the Fund. These expenses will include, but are not limited to, the cost of secretarial support and any necessary advisory support, overheads attaching to the arranging of meetings and, if the Administering Authority makes provision, payment of allowances and/or expenses to members of the Local Pension Board.
- 1.3. A budget for the direct costs for the Devon Pension Board for 2019/20 was agreed by the Board at its meeting on 3rd April 2019.

2. Devon Pension Board Budget Monitoring Statement – Outturn 2019/20

- 2.1. The budget monitoring statement showing the forecast outturn position for the financial year ending 31st March 2020 is set out below.

Devon Pension Board Budget 2019/20

Budget	Description	Forecast Outturn	Variance
£		£	£
2,000	Training	3,349	1,349
1,000	Travel and Member expenses	1,033	33
7,300	Committee Support	3,500	-3,800
35,000	Officer Support	29,956	-5,044
500	Printing and Postage	0	-500
45,800	Total Expenditure	37,838	-7,962

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3. Devon Pension Board Budget 2020/21

- 3.1. An indicative budget for the direct costs for the Devon Pension Board for 2020/21 is set out below. The budget has been formed by an analysis of the total estimated costs incurred during 2019/20 and potential additional costs to cover the provision of email addresses.

Devon Pension Board Budget 2020/21

Forecast Outturn 2019/20	Description	Proposed Budget 2020/21
£		£
3,349	Training	5,000
1,033	Travel and Member expenses	1,500
3,500	Committee Support	4,000
29,956	Officer Support	33,000
0	Printing/Postage/email	1,500
37,838	Total Expenditure	45,000

4. Conclusion

- 4.1. The Board is asked to note the forecast outturn for the Devon Pension Board Budget 2019/20 and to approve the Devon Pension Board budget for 2020/21.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

PENSION FUND RISK REGISTER

Report of the County Treasurer

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

Recommendation: That the Board notes the Pension Fund Risk Register and the additional actions proposed to mitigate risk.

1. Introduction

- 1.1. 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.
- 1.2. 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 16th January 2020.
- 1.3. 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. The format is slightly different from how it has been presented to the Board previously as it has now been incorporated into the Authority's risk management system. As a result, some of the scoring of the risks is also slightly different. A one-page summary on risk management and the matrix used to assess risks is attached at Appendix 2.
- 1.4. The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and the Risk Register is presented to the Committee on an annual basis. This version was approved by the Committee at its meeting held on 19th June 2020.

2. Assessment of Risk

- 2.1. 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.
- 2.2. 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.

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- 2.3. 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.

3. Revisions to the Risk Register

- 3.1. Several risks have been reviewed in relation to the Covid-19 pandemic. These include F2 and F6 in relation to the volatility of markets as a result of the pandemic. The fact that the Fund is a long term investor provides some mitigation against short term volatility. Risk F13 refers to the increased risk of the impact of Brexit as a result of trade talks being more difficult as a result of the pandemic. Risk F10 refers to the risk of employers not being able to meet their obligation to pay contributions to the Fund, which may be exacerbated by the crisis.
- 3.2. Risk F17 has been added in relation to Climate Change. Risk F4 already referred to the need for adequate risk management policies on Environmental, Social and Governance issues, but following discussion at the January meeting of the Pension Board, a specific risk in relation to climate change has been added, reflecting the Fund's agreed approach to the issue.
- 3.3. Risk B3 has been added to reflect the dependence the Devon Fund now has on the effectiveness of the Brunel Pension Partnership, now that 65% of the Fund's assets are managed by Brunel, and this is likely to grow to more than 95% in the next 12 months. While the risks associated with the transition of assets will have passed, and therefore will be removed from the risk register once all the transitions have been completed, there will still be risk around the governance and performance of Brunel.
- 3.4. Risk PP17 (Pension System Failure) is now classified as a high risk. Strong mitigating controls are in place to reduce the impact of a system failure, including a daily back-up of data, a robust disaster recovery plan and a business continuity plan. However, despite these mitigating controls, the risk score remains high in view of the new risk scoring methodology adopted.
- 3.5. There are now 45 risks recorded in the Risk Register. 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	12	4
Medium	13	6
Low	2	17
Peninsula Pensions		
High	3	1
Medium	6	2
Low	9	15

3.6. Action taken to mitigate risks has reduced the number of high risks from 15 to 5. The remaining high risks are in respect of;

- Market Crash leading to a failure to reduce the deficit
- No deal Brexit
- Investment strategy not providing sufficient returns longer term
- Failure of the Pensions Administration system
- Cost implications of the McCloud judgement

4. Conclusion

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

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

Risks: Devon Pension Fund and Peninsula Pensions

Risk status (score)				
Overdue (0 - 0)	Low (1 - 9)	Medium (10 - 14)	High (15 - 23)	Very high (24 - 30)
Mitigating controls				
Not started	Green	Amber	Red	Completed

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</p> <p>Risk owner: Mark Gayler Accountable officer: Angela Stirling Category: Compliance Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system</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>B1: Brunel Pension Partnership</p> <p>Cause: The Devon Pension Fund has insufficient resources available to deliver the pooling proposal within the required timescale, without impacting the day-to-day management of the fund.</p> <p>Event: The management of the Pension Fund is adversely affected due to existing resources concentrating on the pooling proposal.</p> <p>Impact: Underperformance and failure to meet statutory obligations.</p> <p>Notes 23/08/2019 - Risk wording updated and category added. 20/02/2020 - Now part way through the transition process and progress is on course</p>	<p>Inherent status : 16 High</p> <p>Current status : 12 Medium</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Operational Last review: 20 Feb 2020</p> <p>Latest review details Controls reviewed and note added</p>	<p>Completed The Brunel Pension Partnership is now established as an FCA regulated company, fully staffed to meet the business case as approved by the 10 client LGPS funds.</p> <p>Completed Governance arrangements are in place with an Oversight Board of elected members and a Client Group of fund officers from each of the LGPS client funds to oversee the service provided by Brunel and ensure that Brunel are delivering on their key objectives.</p> <p>Green Regular update meetings are held between the County Treasurer and Assistant County Treasurer, as well as update meetings within the Devon Investment Services team, to review progress, workloads in order to identify and address any areas of concern.</p>

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Appendix 1

Risk details		Status and Risk owner	Mitigating controls
<p>B2: Brunel Pension Partnership</p> <p>Cause: There is a Failure to control operational risks and transaction costs during the transition process</p> <p>Event: Asset transition costs are greater than forecast.</p> <p>Impact: An increase in the initial set-up costs forecast by the pooling proposal.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 16 High</p> <p>Current status : 12 Medium</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Operational Last review: 20 Feb 2020</p> <p>Latest review details Controls reviewed.</p>	<p>Completed Two asset transition management companies have analysed the costs of transitioning our current assets into the pool, under a variety of scenarios. The results of these analyses have been used as a basis for calculating the initial set-up costs of the Brunel Pension Partnership.</p> <p>Amber The transition process includes selling securities from one portfolio and buying securities in another while systematically controlling operational risks and transaction costs. There may also be the opportunity to transfer securities in 'specie', that is to transfer a security directly from an existing portfolio into the new portfolio. The timing of sales and purchases is also critical.</p> <p>Green A transition management service will be used by Brunel to ensure assets are transitioned efficiently, with the objective of preserving asset values, managing risk and project managing the transition process to ensure that costs are monitored and controlled. A transition advisor will also be used to ensure that the transition process for each portfolio has been carried out in an efficient and effective manner</p>	
<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</p> <p>Current status : 12 Medium</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Operational Last review: 5 June 2020</p> <p>Latest review details Risk added to system.</p>	<p>Completed Shareholder agreement in place sets out governance framework.</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 Governance review still to be concluded, with some key issues left unresolved.</p>	

Risk details		Status and Risk owner	Mitigating controls
<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. Uninformed 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</p> <p>Current status : 9 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Daniel Harris Category: Operational Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system</p>	<p>Completed A communications strategy is in place and was last reviewed and updated in November 2018.</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> <p>Green The annual report and accounts are published on the Peninsula Pensions website.</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.</p> <p>Failure to decrease deficit.</p> <p>Adverse media interest/damage to reputation.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.</p>	<p>Cu1: Data Protection</p> <p>Cause: Failure to secure and maintain pension fund systems.</p> <p>Event: Loss of sensitive data.</p> <p>Impact: 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.</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Charlotte Thompson Category: Operational Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system.</p>	<p>Green The custodian contract is subject to regular review and periodic re-tendering by the Brunel Pension Partnership.</p> <p>Completed Following the formation of the Brunel Pension Partnership, State Street were appointed as Third Party Administrator, and will provide a custody service to each of the Brunel client funds. The procurement process included an assessment of their financial standing.</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>Inherent status : 9 Low</p> <p>Current status : 6 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Daniel Harris Category: Operational Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system</p>	<p>Completed 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><u>F 1: Funding and Investments</u></p> <p>Cause: The committee Members and Investment Officers have insufficient knowledge of financial markets and inadequate investment and actuarial advice received.</p> <p>Event: The committee Members and Investment officers make inappropriate decisions.</p> <p>Impact: Poor fund performance/financial loss. Increased employer contribution costs.</p>		<p>Inherent status : 16 High</p> <p>Current status : 12 Medium</p> <p>Risk owner: Mark Gayler Accountable officer: Charlotte Thompson Category: Financial Last review: 25 Feb 2020</p> <p>Latest review details updated delivery date of training book</p>	<p>Green The Investment Strategy is set in accordance with LGPS investment regulations.</p> <p>Green The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee.</p> <p>Green The Investment Strategy takes into account the Fund's liabilities.</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 An Annual Training Plan has been agreed for 2019/20. Training programmes are available for Committee Members and Investment Staff.</p> <p>Green Members and Officers are encouraged to challenge advice and guidance received when necessary.</p> <p>Amber Following discussion at the Pension Board in April 2019, officers will look at the possibility of producing a handbook/manual for Board and Committee members by 31.08.20 to reflect new website</p>
<p>Notes</p> <p>13/08/2019 - Wording of risk updated and category added.</p> <p>05/02/2020 - Wording of mitigation updated to reflect delay in producing handbook due to delay in new website</p>			

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<p><u>F 2: Funding and Investments</u></p> <p>Cause: The Pension Fund's investment strategy and /or Fund Managers fail to produce the required returns.</p> <p>Event: The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>Organisational changes / manager departures at a Fund Manager damage performance.</p> <p>Impact: Financial loss. Insufficient funds available to meet future obligations.</p>	<p>Inherent status : 20 High</p> <p>Current status : 15 High</p> <p>Risk owner: Mark Gayler</p> <p>Accountable officer: Mark Gayler</p> <p>Category: Financial</p> <p>Last review: 01 Jun 2020</p> <p>Latest review details</p> <p>In the short term returns will be impacted by market volatility arising from the Coronavirus COVID-19 pandemic (see risk F6). The mitigations are still relevant and are longer term performance.</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 2016 actuarial valuation includes provision for the fund to achieve full funding over 22 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>Notes 13/08/2019 - Wording of risk updated and category added.</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 Fund-specific benchmarks and targets are set.</p> <p>Green Fund assets are kept under regular review as part of the Fund's performance management framework.</p> <p>Green Fund managers have been thoroughly vetted prior to appointment and performance is reviewed regularly against the benchmark and performance objectives, and this is reported to Committee. Appropriate action may be taken if it is considered that an Investment Manager is underperforming.</p> <p>Completed The depth of expertise in the fund managers' teams have been assessed as part of the appointment process.</p>

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Risk details	Status and Risk owner	Mitigating controls
		<p>Green Performance targets are agreed by the Investment and Pension Fund Committee and are based upon recommendations provided by the DCC in-house Investment Team and our external investment advisor.</p> <p>Green The Investment and Pension Fund Committee have the power to terminate a fund manager's contract if it is deemed that the manager has not performed as expected, or there are concerns about future performance due to organisational change / manager departures.</p> <p>Completed External review of the Fund's investment strategy is commissioned on a regular basis. Mercers undertook an investment strategy review in 2016, which was then refreshed in February 2019. The 2019 report and recommendations were presented to the Investment and Pension Fund Committee in February 2019.</p> <p>Green From April 2018, responsibility for new fund manager appointments and monitoring of the new managers appointed will transfer to the Brunel Pension Partnership. The Devon Fund will still have incumbent managers to monitor for a transition period of around 2 years, and will then need to focus on monitoring of Brunel's performance.</p>

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Risk details	Status and Risk owner	Mitigating controls
<p>F 3: Funding and Investments</p> <p>Cause: Investment arrangements are structured poorly.</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</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Operational Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system.</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 IMA disclosure tables are reviewed to ensure best execution by managers.</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 Banking and custodian arrangements are reviewed and re-tendered when appropriate.</p> <p>Green The Brunel Pension Partnership has been set up as part of the investment pooling requirements of Government. The future investment arrangements under Brunel should provide for improved risk management and better risk adjusted investment returns</p>

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.</p> <p>Event: The fund fails to manage environmental, social and governance risks.</p> <p>Impact: Financial loss. Damage to reputation.</p>		<p>Inherent status : 15 High</p> <p>Current status : 8 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Operational Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system.</p>	<p>Green The Fund expects its fund managers (including the Brunel Pension Partnership) 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.</p> <p>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.</p> <p>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.</p>
<p>Notes</p> <p>13/08/2019 - Risk wording updated and category added.</p> <p>29/08/2019 - Risk wording updated</p>			

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Risk details	Status and Risk owner	Mitigating controls
<p>F 5: Funding and Investments</p> <p>Cause: Collapse of a fund manager. Fraudulent activity (Internal/external).</p> <p>Event: Negligent or wilful loss of pension funds. Impact: Inability to meet financial obligations.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Financial Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system.</p>	<p>Green The Fund has considered the financial stability of managers during the appointment process and the situation is kept under review. In future when Brunel is selecting managers we would expect Brunel to consider financial stability of those managers, and will work with other Brunel clients to ensure that Brunel has in place robust procedures to do so.</p> <p>Completed DCC use a global custodian service to ensure that there exists a separation of investment management arrangements from custody of assets.</p> <p>Completed Legal requirements are in place for fund managers and are set out in the investment management agreements.</p> <p>Green Fund managers are required to be fully compliant with FCA, PRA and other regulatory requirements.</p> <p>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.</p>

Risk details		Status and Risk owner	Mitigating controls
<p>F 6: Funding and Investments</p> <p>Cause: Global financial crisis. Substantial political changes.</p> <p>Event: The market crashes, reducing the value of investments.</p> <p>Impact: The deficit increases, or there is a failure to reduce the deficit. Financial loss. Increased employer contribution costs.</p> <p>Notes 23/08/2019 - Risk wording updated and category added.</p>		<p>Inherent status : 20 High</p> <p>Current status : 16 High</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Financial Last review: 01 Jun 2020</p> <p>Latest review details Markets have incurred significant losses as a result of the Coronavirus COVID-19 pandemic. This has had a significant impact on the value of the Fund. At the present time this will not impact on employer contributions, but there is a risk to future contribution levels if markets and the value of the Fund do not recover before the next Actuarial Valuation as at 31 March 2022.</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 performance from an individual market segment.</p> <p>Amber 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.</p> <p>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>

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Risk details	Status and Risk owner	Mitigating controls
<p>F 7: Funding and Investments</p> <p>Cause: Substantial changes to UK or global economies.</p> <p>Event: Pay and price inflation are higher than anticipated.</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 : 16 High</p> <p>Current status : 12 Medium</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Strategic Last review: 20 Feb 2020</p> <p>Latest review details Controls reviewed and updated</p>	<p>Green The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases.</p> <p>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.</p> <p>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.</p> <p>Green The Committee has received training on understanding liabilities and potential approaches to Liability Driven Investment.</p> <p>Completed Hymans Robertson were commissioned to produce a report which reviewed the strategy for the fixed interest and its role in managing inflation risk. The report was presented to the I&PFC in September 2015, and recommendations partly implemented. This issue was also addressed in the strategic review carried out by Mercer in 2016/17 and the refresh in 2018/19.</p>

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Risk details		Status and Risk owner	Mitigating controls
F 8: Funding and Investments Cause: Public services are cut and ill health increases. Event: There is an increase in the number of early retirements. Impact: There is an increase in liabilities which exceeds the previous valuation estimate. Notes 13/08/2019 - Risk wording changed and category added.		Inherent status : 12 Medium Current status : 6 Low Risk owner: Daniel Harris Accountable officer: Daniel Harris Category: Strategic Last review: 31 Jul 2019 Latest review details Risk added to system.	Green Employers are charged the extra capital cost of non ill health retirements following each individual decision. Green Employer ill health retirement experience is monitored.
F 9: Funding and Investments Cause: The average life expectancy of pensioners is greater than assumed. Event: The actuarial assumptions are incorrect. Impact: There is an increase in liabilities which exceeds the previous valuation estimate. Notes 13/08/2019 - Risk wording updated and category added.		Inherent status : 16 High Current status : 9 Low Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Strategic Last review: 31 Jul 2019 Latest review details Risk added to system.	Green Life expectancy assumptions are reviewed at each triennial valuation. Green Mortality assumptions include an allowance for future increases in life expectancy

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Risk details		Status and Risk owner	Mitigating controls
F10: Funding and Investments		Inherent status : 12 Medium	Completed The team has procedures in place to monitor the receipt of contributions to the fund.
Cause: Inadequate training. Availability of staff. Cashflow issues for employers		Current status : 9 Low	Green The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately.
Event: Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately.		Risk owner: Mark Gayler Accountable officer: Martyn Williams Category: Operational Last review: 31 Mar 2020	Green Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.
Impact: There are increased costs across all remaining scheme employers.		Latest review details Cashflow for some employers might be impacted by the Coronavirus COVID-19 pandemic, increasing the likelihood that they may find it difficult to make contributions payments	
Notes 3/08/2019 - Risk wording updated and category added.			

Risk details		Status and Risk owner	Mitigating controls
<p>F11: 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</p> <p>Risk owner: Mark Gayler Accountable officer: Daniel Harris Category: Financial Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system</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> <p>Completed An Employer Covenant Risk Assessment is undertaken by the Fund Actuary, Barnett Waddingham, in conjunction with the triennial valuations of the Fund.</p>

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Risk details		Status and Risk owner	Mitigating controls
<p>F12: Funding and Investments</p> <p>Cause: The Government's 'Freedom and Choice' legislation. Event: A significant number of LGPS members transfer their pension pots to other pensions providers. Impact: Significant cashflow out of the Fund. Reduction in assets greater than reduction in the Fund's liabilities.</p>	Notes 13/08/2019 - Risk wording updated and category updated.	<p>Inherent status : 9 Low</p> <p>Current status : 6 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Daniel Harris Category: Financial Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system.</p>	<p>Green Effective communication of the benefits of remaining in the LGPS.</p> <p>Green Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability.</p>
	<p>F13: Funding and Investments</p> <p>Cause: Significant economic instability and slowdown as a result of the decision to leave the European Union, Event: Lower investment returns. Impact: Financial loss, and/or failure to meet return expectations. Increased employer contribution costs.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.</p>	<p>Inherent status : 20 High</p> <p>Current status : 16 High</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Financial Last review: 19 May 2020</p> <p>Latest review details Brexit has now happened, but the future relationship between the UK and the EU is still unclear. The Coronavirus pandemic has taken focus away from trade talks adding to the uncertainty.</p>	<p>Amber The long term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time.</p> <p>Green Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller.</p>

Risk details		Status and Risk owner	Mitigating controls
<p>F14: Funding and Investments</p> <p>Cause: UK Leaving the EU.</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</p> <p>Current status : 8 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Daniel Harris Category: Compliance Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system.</p>	<p>Amber The Government is likely to ensure that much of current EU regulation is enshrined in UK law.</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>F15: Funding and Investments</p> <p>Cause: There is a failure to meet the requirements of the Markets in Financial Instruments Directive II.</p> <p>Event: The Devon fund is downgraded to retail client status.</p> <p>Impact: Assets are sold at less than fair value . The Fund is unable to access a range of investment opportunities. Failure to meet return expectations. Reduction in diversification.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>		<p>Inherent status : 12 Medium</p> <p>Current status : 6 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Strategic Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system</p>	<p>Completed 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>Completed Availability of LGA template to enable the Fund to make multiple applications to financial institutions to opt back up to professional client status, should any new applications or amendments be required.</p>

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Risk details		Status and Risk owner	Mitigating controls
<u>F16: Funding and Investments</u> Cause: Remedies resulting from McCloud and Sargeant legal cases. Event: Significant additional pension liabilities for the Fund. Impact: Increased employer contribution costs.		Inherent status : 16 High Current status : 15 High Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Strategic Last review: 01 Jun 2020 Latest review details Allowance made in 2019 Triennial Valuation. It is understood proposals will be made later in the year.	Amber A level of prudence was incorporated into the 2019 Triennial Valuation to take account of the potential consequences of McCloud/Sargeant
<u>F17: Funding and Investments</u> Cause: Climate Change Event: Impact on investee companies of the consequences of climate change and the transition to a low carbon economy Impact: Financial loss and/or failure to meet return expectations Increases employer contribution costs		Inherent status : 16 High Current status : 12 Medium Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Last review: 03 Dec 2019 Latest review details Review mitigations	Completed 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 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. Green The Devon Fund expects its non-Brunel investment managers to take climate change risks into account and to engage with companies over their approach to climate change issues Green The Devon Fund will undertake an annual assessment of the carbon footprint of its investments.

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>Inherent status : 12 Medium</p> <p>Current status : 8 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Charlotte Thompson Category: Strategic Last review: 25 Jul 2019</p> <p>Latest review details Risk added to system.</p>	<p>Completed 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>Completed The Statement is published on the Devon Pensions website: https://www.pensions.gov.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/</p> <p>Green Pension fund stakeholders are made aware of the Statement.</p> <p>Completed 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> <p>Completed 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>Notes 3/08/2019 - Wording of risk updated.</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>Inherent status : 12 Medium</p> <p>Current status : 9 Low</p> <p>Risk owner: Mark Gayler Accountable officer: Charlotte Thompson Category: Operational Last review: 25 Feb 2020</p> <p>Latest review details Updated delivery date of member handbook to reflect delays in new website</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.</p> <p>Green A training and induction programme is available for new Committee and Pension Board Members.</p> <p>Amber Committee and Pension Board members are asked to complete the Pension Regulator Trustee 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 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>Amber Following discussion at the Pension Board in April 2019, officers will look at the possibility of producing a handbook/manual for Board and Committee members 31/08/20 when new website is available</p>

Notes
13/08/2019 - Wording of risk updated and category added.

Risk details		Status and Risk owner	Mitigating controls
<p><u>11: Internal</u></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>Inherent status : 16 High</p> <p>Current status : 12 Medium</p> <p>Risk owner: Mark Gayler Accountable officer: Charlotte Thompson Category: Strategic Last review: 20 Feb 2020</p> <p>Latest review details Controls reviewed and updated</p>	<p>Green The Investment Manager is able to cover in the absence of the Assistant County Treasurer.</p> <p>Completed In 2018 the Head of Peninsula Pensions and the Investment Manager swapped roles to improve the sharing of knowledge and the resilience of the Fund. The change of roles has now been made permanent, but the shared knowledge will continue to provide resilience.</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> <p>Green Ensure the review of CIPFA's knowledge and skills framework relating to officers results in key outcomes being delivered.</p>	
Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.			

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Risk details		Status and Risk owner	Mitigating controls
<p>12: 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</p> <p>Risk owner: Mark Gayler Accountable officer: Mark Gayler Category: Operational Last review: 31 Jul 2019</p> <p>Latest review details Risk added to system.</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 - a weekly planner is produced in order to review cover requirements.</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>Inherent status : 8 Low</p> <p>Current status : 6 Low</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</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 31/7/18 to allow time for distribution to staff prior to 31/8/18</p> <p>Ambet We are looking to increase employer take up of monthly interfaces and are exploring options to improve software processes.</p>

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><u>Basic information about the LGPS</u></p>	<p>Inherent status : 10 Medium</p> <p>Current status : 8 Low</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green Reviews of documentation/letters</p> <p>Green Website regularly updated</p> <p>Green Links to Pension Funds investment information and LGPS included on website</p> <p>Completed A revised New Starter pack has been designed and is now provided to members</p> <p>Amber Our methods and content of communication will be reviewed to ensure that members and employers are provided with accurate and relevant information.</p>
	<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</p> <p>Current status : 6 Low</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green LGA/External training</p> <p>Green Project work approach to implementation of legislative changes.</p> <p>Green In house training for all staff. • Use of Perspective and Bulletins</p> <p>Amber 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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Appendix 1

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. Event Delays in the provision of pensions member data. Impact Inaccuracies in the pension member data. 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 Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green Administration Strategy in place since April 2015, employer duties clearly identified. Ability to fine employers is provided for in strategy 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>Amber 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 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</p> <p>Current status : 9 Low</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</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 The Peninsula Pensions Senior Management team are in the process of reviewing our communication strategy and requirements to take the service forward.</p>

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Appendix 1

Risk details		Status and Risk owner	Mitigating controls
PP 7 - Non Payment of Pension Benefits		Inherent status : 12 Medium Current status : 8 Low Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.	 Green The payroll system is set up to pay pensioners monthly. Green Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure Green The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems. Amber Fully updated Pensioner Payroll Manual is now in place. An online training resource outlining the key payroll processes will follow in 2018
PP 8 - Payment to deceased pensioners		Inherent status : 8 Low Current status : 6 Low Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.	 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.

Risk details		Status and Risk owner	Mitigating controls
<p>PP 9 - Pensions transferred to other providers</p> <p>Cause Take up of Freedom of Choice Legislation.</p> <p>Event LGPS members transfer their pension pots to other pensions providers.</p> <p>Impact Significant cashflow out of the Fund. Reduction in assets greater than reduction in the Fund's liabilities.</p>	<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</p> <p>Current status : 6 Low</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green Effective communication of the benefits of remaining in the LGPS.</p> <p>Green Actuarial calculation of transfer value should ensure current fair value and not be detrimental to the fund.</p> <p>Green CLG monitoring CETVs nationwide and reviewing accordingly (may introduce regulations amendments to prohibit if thought necessary)</p>
		<p>Inherent status : 9 Low</p> <p>Current status : 6 Low</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green Access and security controls exist and the system is tested regularly by Heywoods and PP.</p> <p>Green The system is subject to regular checks by internal audit.</p> <p>Green GDPR training was delivered to all team members throughout April and May 2018 to ensure that staff are fully aware of requirements under the new data protection legislation. All new staff also undertake GDPR training. A GDPR refresher will be rolled out to all staff during 2020.</p>

Agenda Item 8

Appendix 1

Risk details	Status and Risk owner	Mitigating controls
<p>PP11 - Personal Member Data</p> <p>Cause Error when printing/sorting/compiling data. Poor internal processes. Event Information issued to the wrong person/organisation. Impact Financial Costs from legal action. Fines from ICO.</p>	<p>Inherent status : 9 Low Current status : 6 Low</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green It is a mandatory requirement for all DCC employees every 2 years to undertake Data Protection training and to adhere to DCC's data protection policy.</p> <p>Completed GDPR training was delivered to all team members throughout April and May 2018 to ensure that staff are fully aware of requirements under the new data protection legislation</p> <p>Completed Internal E-Learning training 'Sharing personal data' was also undertaken by whole office during March 2018</p> <p>Amber Staff are fully aware of requirements under GDPR legislation. New Data Protection ELearning to be undertaken when available.</p>
<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</p> <p>Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Strategic Last review: 16 Jan 2020</p> <p>Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green Knowledge of all tasks are 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.</p> <p>Amber The Training and Technical are in the process of creating procedure notes for the team. These will help to ensure consistency across the teams and will assist with the training of new recruits.</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PP13 - Scheme Membership Data</p> <p>Cause</p> <p>Incorrect information from employers.</p> <p>Fraudulent provision of data.</p> <p>System errors</p> <p>Poor internal processes.</p> <p>Event</p> <p>Unauthorised or invalid payments.</p> <p>Impact</p> <p>Financial loss</p> <p>Reputational Damage</p>	<p>Inherent status : 9 Low</p> <p>Current status : 6 Low</p> <p>Risk owner: Daniel Harris</p> <p>Accountable officer: Martin Oram</p> <p>Category: Operational</p> <p>Last review: 16 Jan 2020</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.</p>	<p>Green Information and instructions are only accepted from authorised sources.</p> <p>Green Employers and scheme members are required to review and confirm membership records annually</p> <p>Green Benefit calculations are checked by senior colleagues and are subject to independent authorisation</p> <p>Green All transactions comply with DCC financial regulations and are subject to independent authorisation</p> <p>Green All staff are covered by fidelity insurance up to £15 million</p> <p>Green Members approaching 75 are separately identified monthly</p> <p>Green Data accuracy checks undertaken by the systems team including address / NINO checks</p> <p>Ambet Employer Self Service being introduced to including a reporting element to assist Employers with checking their data annually and signing off as correct</p>

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Appendix 1

Risk details		Status and Risk owner	Mitigating controls
<u>PP14 - Compliance with Disclosure Regulations</u>		Inherent status : 9 Low	Green Robust workflow management system in place.
Cause Requirement to issue information within a certain timescale after a request/event.		Current status : 6 Low	Green Payroll deadline procedures in place
Event Failure to comply with disclosure regulations and to process accurate pension benefit payments in a timely manner.		Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020	Green Item in Business Continuity/Disaster Recovery Plan
Impact Complaints which take up time to resolve. Additional Time spent chasing data Regulator Fines Compensation costs for members		Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.	Green Life Certificates exercise carried out /mortality checks
<u>PP15 - Fraud, Corruption & Error</u>		Inherent status : 12 Medium	Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies
Cause Poorly designed or implemented management practices/processes.		Current status : 9 Low	Green Transactions are authorised by senior staff
Staff deliberately updating or providing fraudulent data.		Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020	Green All staff are covered by fidelity insurance up to £15 million
Event Fraud, corruption or error.		Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.	Green Sufficient members in the team to cover absence and leave
Impact Financial Loss Reputational Damage			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

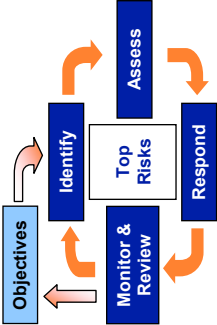
Risk details		Status and Risk owner	Mitigating controls
PP16 - Loss of Shared Service Partner		Inherent status : 9 Low	Green Constant assessment of Performance
Cause Shared service partner choosing to use a different pensions administrator.		Current status : 9 Low	Green Quarterly Shared Service meetings with key Fund colleagues
Event Peninsula pensions no longer operates on the same scale.		Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Strategic Last review: 16 Jan 2020	Green Regular meetings between Peninsula Pensions and Employers
Impact Reputational Damage. Loss of staff / redundancies.		Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.	Green Employer Newsletters Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies
PP17 - Pensions System Failure		Inherent status : 15 High	Green The system is backed-up daily. System is hosted by Heywoods
Cause Connection issues. Supplier fault Cyber Attack.		Current status : 15 High	Green A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually.
Event The hosted Altair pensions system fails.		Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 06 Apr 2020	
Impact • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action		Latest review details Risks and mitigating controls remain appropriate. Risks are reviewed quarterly by the Devon Pension Board and updated as necessary. Reviewed by DH, pending review by DPB which has been delayed.	

Agenda Item 8

Appendix 1

Risk details		Status and Risk owner	Mitigating controls
PP18 - Cyber Attack 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.		Inherent status : 15 High Current status : 10 Medium Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.	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.
PP19 - Member Self Service 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.		Inherent status : 9 Low Current status : 6 Low Risk owner: Daniel Harris Accountable officer: Martin Oram Category: Operational Last review: 16 Jan 2020 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 16/01/2020.	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)

Appendix 2

<p>Risk Management – is a modern management discipline and is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other.</p>																																				
<p>1. Identify your risks</p> <p>Risk: an event or action that will have affect our ability to achieve our objectives</p> <p>Opportunities <u>and</u> Threats</p> <p>Event leads to Impact</p> <p>Identify in groups - by those responsible for delivery of the objectives</p> <p>When:</p> <p>Setting strategic aims</p> <p>Setting business objectives</p> <p>Early stages of project planning & key stages</p> <p>Entering partnerships</p> <p>Categories can help:</p> <p>Political, Economic/Financial, Social, Technological, Legislative/Legal, Environmental, Community, Professional/Managerial, Physical, Partnership/Contractual.</p>	<p>2. Assess your risks</p> <p>Combination of the probability of an event and its consequences; Impact x Likelihood::</p> <table><tr><th colspan="2">LIKELIHOOD</th><th>6</th><th>12</th><th>18</th><th>24</th><th>30</th></tr><tr><td>6</td><td>5</td><td>10</td><td>15</td><td>20</td><td>25</td><td>30</td></tr><tr><td>4</td><td>3</td><td>6</td><td>9</td><td>12</td><td>16</td><td>20</td></tr><tr><td>3</td><td>2</td><td>4</td><td>6</td><td>8</td><td>12</td><td>15</td></tr><tr><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td>10</td><td>10</td></tr></table> <p>IMPACT</p> <p>24 - 30 VERY HIGH (VIOLET)</p> <ul style="list-style-type: none">Immediate actionRegular review to seek better control10 - 12 MEDIUM (AMBER)Review current controls / incorporate into action plan1 - 9 LOW (YELLOW)Limited action - long term plans <p>4. Monitor & Review</p> <p>Risk Registers:</p> <p>Baseline data to be prepared and monitored regularly; these should clearly indicate impacts, responses and contingencies as well as the risk owner.</p> <p>Use early warning indicators.</p> <p>Review Top Risks regularly as agenda item.</p> <p>Report progress to senior management.</p> 	LIKELIHOOD		6	12	18	24	30	6	5	10	15	20	25	30	4	3	6	9	12	16	20	3	2	4	6	8	12	15	2	2	4	6	8	10	10
LIKELIHOOD		6	12	18	24	30																														
6	5	10	15	20	25	30																														
4	3	6	9	12	16	20																														
3	2	4	6	8	12	15																														
2	2	4	6	8	10	10																														
<p>3. Respond to risks</p> <p>Concentrate on Top Risks:</p> <p>Set risk appetite</p> <p>Proportionate and cost-effective response</p> <p>Can we reduce likelihood?</p> <p>Can we reduce impact?</p> <p>Can we change the consequences?</p> <p>Treat</p> <p>Transfer</p> <p>Tolerate</p> <p>Terminate</p> <p>Devise Contingencies</p> <p>Business Continuity Planning</p>																																				

INVESTMENT AND PENSION FUND COMMITTEE

19 June 2020

Present:-

Devon County Council

Councillors R Bloxham (Chair), Y Atkinson, R Edgell, R Hosking and A Saywell

Unitary and District Councils

Councillors J Pearce, L Parker-Delaz-Ajete and J O'Dwyer

Other Employers

D Healy

Unison and Retired Members: Non-Voting Observers

R Franceschini and J Rimron

Apologies:-

Councillor A Connett and S Teague

* **172** **Minutes**

RESOLVED that the Minutes of the meeting held on 23 February 2020 be signed as a correct record.

* **173** **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* **174** **Brunel Oversight Board**

The Committee noted the Minutes of the Meeting of the Board held on 19 March 2020.

* **175** **Annual Internal Audit Report 2019/20 and the proposed Internal Audit Plan 2020/21**

The Committee considered the Report of the County Treasurer (CT/20/39) on the Annual Internal Audit Report – 2019/20 drafted by the Head of Devon Audit Partnership with an assurance opinion on the system of internal control of the Fund. This was set out in the Annual Report at Appendix 1. The Report also detailed the Internal Audit Plan for 2020/21 and the proposed Service Level Agreements.

Overall, and based on work performed during 2019/20, Internal Audit provided significant assurance on the adequacy and effectiveness of the Fund's internal control environment.

The County Treasurer confirmed that the recommended actions arising from 2019/20 Audit detailed in Appendix A of the Report would be addressed.

The Head of the Partnership outlined the details of the Audit Plan for 2020/21.

Members commended the positive assurance opinions in respect of the seven areas covered by the 2019/20 Audit which were all deemed to be of a 'Good Standard'.

It was **MOVED** by Councillor A Saywell, **SECONDED** by Councillor R Hosking and

RESOLVED

Agenda Item 9

INVESTMENT AND PENSION FUND COMMITTEE
19/06/20

- (a) that the Annual Internal Audit Report for 2019/20 be accepted;
- (b) that the Internal Audit Plan for 2020/21 be approved; and
- (c) that the Assistant County Treasurer (Investments) be authorised to execute the Service Level Agreement relating to the Internal Audit Plan.

* 176 Devon Pension Fund Risk Register

The Committee considered the Report of the County Treasurer (CT/20/40) on risks that had been identified and incorporated into the Fund's Risk Register (Risk Register attached at Appendix 1 of the Report). The Pension Board had previously considered the Risk Register at its meeting on 16th January 2020 as part of its Scrutiny role, and comments made at that meeting had been taken on board in updating the Register.

The Report highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. It incorporated the Risk Register of both the Investments Team and Peninsula Pensions.

This Committee was the ultimate risk owner for the Pension Fund and it had last reviewed the Risk Register in June 2019.

The County Treasurer responded to Members' questions and comments relating to:

- a planned review by officers of the risks relating to Peninsula Pensions and confirmed all measures were in place to mitigate the high risk areas identified; and
- consideration to a possible review of the named Owner and Accountable Officers identified in the Register (whether the Owner should be different to that of the Accountable Officer for any individual risk).

It was **MOVED** by Councillor R Bloxham, **SECONDED** by Councillor R Hosking and

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

* 177 Investment Management Report

The Committee considered the Report of the County Treasurer (CT/20/41) on the Fund value and asset allocation, performance against the benchmark, funding level, budget outturn 2020/21, cash management and engagement activity. During the last quarter 2020 global markets had been hit by the COVID-19 pandemic and as a result the value of the Fund as at 31 March 2020 stood at £4,011.1 m, a decrease of £682 (-14%) over the quarter and £291 over a year (-8%). However, markets were now recovering and the Value of the fund had increased back to £4.4 bn as at 31 May 2020.

Members referred to comparisons with the LGPS Universe, particularly over the last quarter and over 2019/20. The County Treasurer outlined the factors involved for the poor relative performance over the short term relating to the pandemic, including the Fund's exposure to UK equities, the fact that some funds had equity protection schemes and the currency hedging strategy in place, and noted that the figures were still subject to verification.

It was **MOVED** by Councillor R Bloxham, **SECONDED** by Councillor R Hosking and

RESOLVED

- (a) that the Investment Management Report be noted;

(b) that compliance with the 2019/20 Treasury Management Strategy be noted.

* 178

Carbon Footprint

The Committee considered the Report of the County Treasurer (CT/20/42) on an analysis of the Fund's carbon footprint as at 31 March 2019 which had been commissioned by the Committee in September 2019 and thereafter on an annual basis.

The Report outlined the position as at 31 March 2019, and then the updated position as at 31 December 2019. Future analyses will be undertaken as at 31 December each year. The carbon footprint analysis has been undertaken by the Brunel Pension Partnership working with an industry leader in carbon and environmental data and risk analysis.

The Report outlined how a company's emissions were calculated, greenhouse gases-scopes and other environmental metrics. This showed that the Devon Aggregate Portfolio was 21.5% less carbon intense in December 2019 than in March 2019, a significant improvement. Other positive metrics were outlined in section 5 of the Report.

Officers responded to Members' questions/comments relating to:

- the strategy of engagement by Brunel Managers with company boards to achieve the goal of sustained annual 7% reductions;
- re-allocation to the sustainable equities' portfolio (from World Developed Passive);
- an undertaking by the County Treasurer to provide further analysis of comparable investment; and
- the general decreasing exposure to coal power generation.

It was **MOVED** by Councillor R Bloxham; **SECONDED** by Councillor A Saywell and

RESOLVED

(a) that the reduction in the Fund's carbon footprint between March 2019 and December 2019 be welcomed;

(b) that the Devon Fund continues to work with Brunel to further reduce the Fund's carbon footprint by at least 7% per year.

* 179

Exit Credits Policy

The Committee considered the Report of the County Treasurer (CT/20/43) on Exit Credits first introduced into the Local Government Pension Scheme (LGPS) in 2018 which brought about the ability of LGPS funds to pay money to an employer exiting the LGPS where a surplus was revealed on cessation. Following a consultation new government regulations came into force on 20 March 2020. As a result, a revised Devon County Council Pension Fund Funding Strategy Statement had been drafted (attached to the Report). This took account of any risk sharing arrangements when calculating any potential exit credit to avoid exiting employers receiving a windfall whilst all or some of the pension risk and costs were borne by the original scheme employer.

It was **MOVED** by Councillor R Bloxham, **SECONDED** by Councillor L Parker Delaz-Ajete and

RESOLVED that the Exit Credit Policy included in the revised Funding Strategy Statement set out in Appendix 1 to the Report be approved.

Agenda Item 9

INVESTMENT AND PENSION FUND COMMITTEE
19/06/20

* **180** **Voting Rights for Local Government Pension Scheme Member Representatives**

The Committee considered the Report of the County Solicitor on voting rights for the Committee's LGPS scheme representatives. With recent changes to the Scheme Member Representatives the Report outlined a formal proposal for limited voting rights. One named Scheme Member would be authorised to exercise the vote and in their absence a nominated substitute was also requested. The Scheme Member representatives present expressed their support for the proposal.

A Member referred to the potential for public perception that this could lead to a possible conflict of interest.

It was **MOVED** by Councillor A Saywell and **SECONDED** by Councillor R Bloxham and

RESOLVED

(a) that one Group vote be granted to the 3 Scheme Members and R Franceschini be nominated as the Group member authorised to exercise the vote and in his absence J Cook be the nominated substitute to exercise that vote; and

(b) that the Pension Fund's Governance Policy and Compliance Statement be amended to reflect the change.

* **181** **Training Review and 2020/21 Training Plan**

The Committee considered the Report of the County Treasurer (CT/20/44) on a review of the training provided to both the Investment and Pension Fund Committee and the Devon Pension Board during 2019/20, and set out the Training Plan for 2020/21.

Members suggested that consideration could be given to virtual training events and that completion of the on-line Pension Regulatory Training should be recorded. The County Treasurer confirmed that the reference to on-line training could be included in the Training Log.

It was **MOVED** by Councillor A Saywell, **SECONDED** by Councillor R Bloxham and

RESOLVED that the Training Plan for 2020/21 be adopted.

* **182** **Employer Changes**

The Committee noted the new admitted bodies as follows approved since the last meeting of the Committee:

- First Federation outsourced their Out of School staff from Blackpool Primary School to Fish4kids, closed agreement, with effect from 24 February 2020. (b) New academy conversions and changes.

- St Luke's Science & Sports College joined The Ted Wragg Trust with effect from 1 February 2020.

- South Dartmoor Multi Academy Trust has been re-brokered with effect from 1 February 2020. Atrium School, South Dartmoor College, Ashburton Primary School and Buckfastleigh Primary School moved to West Country Schools Trust. Moretonhampstead Primary School, Islington Primary School and Widecombe Primary School joined Link Academy Trust.

- Plymouth School of Creatives Art joined Reach South West with effect from 1 March 2020. • Marine Academy Plymouth became part of the Ted Wragg Trust with effect from 1 April 2020.

* 183 **Dates of Meetings**

18 September 2020; 27 November 2020; and 26 February 2021

* 184 **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded from the meeting for the following items of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that they involve 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, 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.

* 185 **Brunel Update and Transition of Assets**

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

The Committee received the Report of the County Treasurer (CT/20/45) on the current position with the transition of the Fund's assets to the Brunel Pension Partnership and the impact of COVID-19. The Report also provided an update on the progress of the Brunel governance review and new issues with regard to Brunel's governance arrangements which would be subject to review by the Officers from Brunel and the local authority partners.

* 186 **Independent Investment Advisor**

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

(Mr A Fletcher declared a pecuniary interest and left the Meeting)

The Committee considered the Report of the County Treasurer (CT/20/46) on the role of the Independent Investment Advisor and proposed extension of the contract.

It was **MOVED** by Councillor R Hosking, **SECONDED** by Councillor R Edgell and

RESOLVED

(a) that an exemption from tendering be sought in order to extend the current contract with MJ Hudson for provision of the services of Anthony Fletcher as the Devon Fund's Independent Investment Advisor for a further year from 1 October 2020; and

(b) that a revised specification be drawn up with a view to undertaking a competitive procurement process for the role of Independent Investment Advisor during the first six months of 2021.

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

The Meeting started at 10.30 am and finished at 12:00

Agenda Item 9

MONITORING OF CONTRIBUTIONS

Report of the County Treasurer

Please note that the following recommendation is subject to consideration and determination by the Board before taking effect.
--

Recommendation: that the Board note the actions taken to monitor contribution payments.

1. Introduction

- 1.1. This report is to update the Pension Board on the current procedures for monitoring of timely payment of contributions from employers
- 1.2. Employers are required to make their monthly 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 month where payment is made by cheque or 21st of the month where payment is made electronically.
- 1.3. 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.

2. Monitoring process

- 2.1. 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.
- 2.2. The date that the contribution was received is also recorded in order to monitor compliance with the legal requirements.
- 2.3. Table below shows a summary of the monthly contributions received in 2019/20. For each scheme employer, 12 contributions would be recorded and included in the table below.
- 2.4. Of the contributions received late, these were one off events for a number of employers rather than repeat offenders and often received just after the deadline. No action was taken to report these to the Pensions Regulator.

Agenda Item 10

Employer by monthly contribution size	Paid on or before 7 th of the month	Paid after 7 th but on or before 19 th	Paid after 19 th	Not paid
£1 - £1000 (43)	357	146	13	0
£1001 - £10k (94)	880	230	18	0
£10k - £50k (71)	709	131	12	0
£50k+ (20)	214	25	1	0
<u>TOTAL</u>	<u>2,160</u>	<u>532</u>	<u>44</u>	<u>0</u>

3. 2020/21 Contributions

3.1. Concerns were raised by the board on whether the fund employers were affected by the COVID pandemic and unable to pay their contributions. Below is a summary of the contributions received for the month of April 2020.

3.2. Officers are in communication with the employer involved in the outstanding contribution.

Employer by monthly contribution size	Paid on or before 7 th of the month	Paid after 7 th but on or before 19 th	Paid after 19 th	Not paid
£1 - £1000 (43)	19	20	3	0
£1001 - £10k (94)	74	16	4	0
£10k - £50k (71)	62	5	4	0
£50k+ (20)	24	5	0	1
<u>TOTAL</u>	<u>179</u>	<u>46</u>	<u>11</u>	<u>1</u>

Conclusion

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

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933 Room G99

PENINSULA PENSIONS PERFORMANCE REPORT

Report of the County Treasurer

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' internal service standard target is to complete 90% of work within 10 working days from the date that all necessary information has been received.
- 1.2. In addition to the internal targets, Peninsula Pensions also monitors performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information. This additional reporting element was introduced in 1st January 2019.
- 1.3. 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. Overall performance against internal targets for the quarter ending 31st March 2020 was 91%, outperforming our internal target by 1%. This brings the total performance for the 2019/20 financial year to 90% (compared with 77% for 2017/18 and 78% for 2018/19).
- 2.2. Performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for the financial year 2019/20 was 95%.
- 2.3. Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Devon Pension Fund only for the quarter ending 31st March 2020 and includes the total performance for the financial year 2019/20 against Peninsula Pensions' internal targets and against the Disclosure Regulations.
- 2.4. Appendix 2 of the report presents the longer-term performance of Peninsula Pensions (Devon Pension Fund only) from 1st January 2018 to 31st March 2020.

3. Conclusion

- 3.1. The Board is asked to note the performance report.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers - Nil
Contact for Enquiries: Dan Harris
Tel No: (01392) 383000

Administration Performance – 01/04/2019 to 31/03/2020 (Devon Pension Fund)

Performance Summary

	Total Cases	Q4 2019/20		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
High Priority Procedures	12,975	93%	93%	92%	93%
Medium Priority Procedures	19,992	91%	95%	90%	96%
Low Priority Procedures	4,646	88%	91%	86%	94%
TOTAL	37,613	91%	94%	90%	95%

High Priority Cases

	Total Cases	Q4 2019/20		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Changes	3,328	100%	100%	100%	100%
Complaints (Member)	40	100%	100%	100%	100%
Complaints (Employer)	0	-	-	-	-
Deaths	1,039	90%	92%	80%	85%
Payroll	3,143	99%	99%	99%	99%
Refunds	849	98%	98%	99%	100%
Retirements (Active)	1,887	77%	77%	75%	76%
Retirements (Deferred)	2,689	89%	89%	89%	90%
TOTAL	12,975	93%	93%	92%	93%

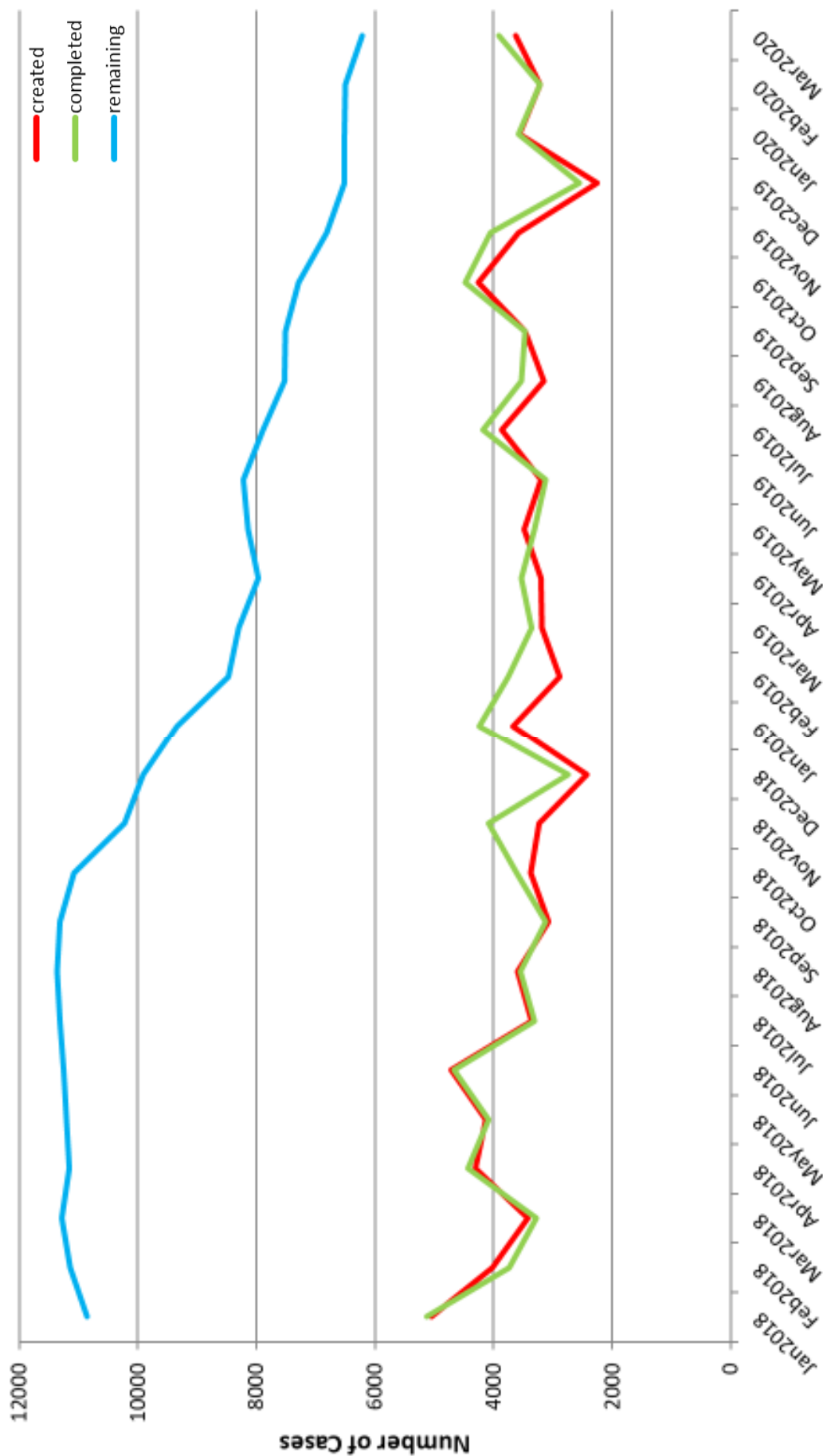
Medium Priority Cases

	Total Cases	Q4 2019/20		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Amalgamation of Records	2,805	65%	91%	65%	94%
Deferred Benefit Calculations	3,221	80%	82%	89%	93%
Divorce Calculations	306	96%	96%	98%	98%
Employer Queries	2,229	69%	84%	72%	88%
Estimates (Bulk)	295	-	-	100%	100%
Estimates (Employer)	220	100%	100%	100%	100%
Estimates (Member)	923	97%	97%	98%	98%
General	3,357	100%	100%	100%	100%
HMRC	77	93%	93%	94%	97%
Member Self-Service	6,559	100%	100%	100%	100%
TOTAL	19,992	91%	95%	90%	96%

Low Priority Cases

	Total Cases	Q4 2019/20		Year to date	
		Performance (Internal)	Performance (Disc Regs)	Performance (Internal)	Performance (Disc Regs)
Estimates (Other)	248	80%	82%	84%	87%
GMP Queries	1	-	-	100%	100%
Interfund Transfers In	312	64%	79%	48%	86%
Interfund Transfers Out	270	55%	74%	49%	83%
Pension Top Ups	459	99%	99%	98%	99%
Frozen Refunds	2,028	96%	96%	97%	97%
New Starters	90	-	-	94%	94%
Pension Transfers In	769	97%	99%	78%	94%
Pension Transfers Out	469	80%	80%	87%	92%
TOTAL	4,646	88%	91%	86%	94%

Administration Performance – 01/01/2018 to 31/03/2020 (Devon Pension Fund)



LGPS UPDATE

Report of the County Treasurer

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

Recommendation: The Board notes the latest LGPS Update

1. Introduction

- 1.1. This report is brought to the Pension Board to provide an update on some of the latest issues affecting the LGPS.

2. The LGPS (Amendment) Regulations 2020 - Exit Credits

- 2.1. Exit credits were first introduced into the Local Government Pension Scheme (LGPS) in 2018 and brought about the ability of LGPS funds to pay money to an employer exiting the LGPS where a surplus was revealed on cessation.
- 2.2. Although these changes allowed funds more flexibility in dealing with employers in the fund, it also gave rise to a host of unintentional consequences with the potential for exiting employers to receive an exit credit without having taken on any pension risk. A consultation was held last summer on a range of LGPS topics including revising the exit credit provisions.
- 2.3. On 27th February 2020 the Government published a partial response to the consultation. The response covers the proposals on exit credits only whilst we still await further responses to the other proposals covered in the consultation.
- 2.4. The Amending regulations came into force on 20th March 2020 though they take effect from 14th May 2018. The changes include;
 - Administering Authorities may determine the amount of any exit credit payment due, having regard to any relevant considerations.
 - The period within which an exit credit must be paid is increased from three months to six months.
 - Administering authorities will not be obliged to enquire into the precise risk sharing arrangement adopted.
 - The Pension Ombudsman has the jurisdiction to hear complaints not resolved through the Internal Dispute Resolution Process.
 - Administering Authorities should set out their policy in their Funding Strategy Statement.

Agenda Item 12

- 2.5. The Funding Strategy Statement has been updated to include a new section 12, Exit Credit Policy. The Exit Credit Policy was approved by the Investment and Pension Fund Committee at its June meeting. The Funding Strategy Statement is attached in appendix 1 for information

3. McCloud update

- 3.1. On 26th March 2020, a ministerial statement was released confirming that the Government is developing proposals to address the unlawful age discrimination identified by the Court of Appeal in the 2015 reforms to the judicial and firefighters' pensions schemes.
- 3.2. Since February 2020 relevant pension schemes have been conducting technical discussions with member and employer representatives to seek initial views on the Government's high-level proposals from removing the discrimination.
- 3.3. The proposals the Government are considering would allow relevant members to make a choice as to whether they accrued service in the legacy or reformed schemes for periods of relevant service, depending on what is better for them. The Government will provide more detail later in the year.
- 3.4. This could have tax implications for members as changes to pension accrual would affect Annual Allowance and Lifetime Allowance as well as PAYE implications for members who have retired since the reforms. The statement stated that the Government will provide more detail later in the year but if an individual's pension circumstances change as a result, the Government may also need to consider whether previous tax years going back to 2015/16 should be re-opened in relation to their pensions.
- 3.5. In January 2019 the Government announced a pause to the cost control mechanism in public service pension schemes due to the uncertainty around benefit entitlements arising from the McCloud judgement. In the forthcoming consultation the Government will provide an update on the cost control mechanism alongside its proposals for addressing the discrimination and removing discrimination from future service.

4. Supreme Court decision on LGPS Investment Guidance

- 4.1. In a judgment handed down on 29 April 2020, the Supreme Court has ruled by a narrow majority that the Secretary of State for Housing, Communities and Local Government exceeded his powers when issuing guidance in 2016 to Local Government Pension Scheme administering authorities which purported to prohibit the adoption of investment policies that are contrary to UK foreign policy or UK defence policy.
- 4.2. In November 2016, statutory "Guidance on Preparing and Maintaining an Investment Strategy Statement" was issued by the ten Department for Communities and Local Government. The guidance permitted ethical and social objections to a particular investment to be taken into account. However, it expressly stated that it was "inappropriate" for administering authorities to use pension policies "*to pursue boycotts, disinvestment and sanctions against foreign nations and UK defence industries ...other than where formal legal sanctions, embargoes and restrictions have been put in place by the UK Government*" and that the LGPS funds "*should not pursue policies that are contrary to the UK foreign policy or UK defence policy*".
- 4.3. In June 2017 a judicial challenge was brought by Palestine Solidarity Campaign Ltd and an LGPS member, alleging that the Secretary of State had gone beyond the scope of the powers granted to him under the 2016 Regulations by including these passages in the guidance. The High Court agreed, finding that the powers provided by the legislation

could only be exercised for pension purposes and that the Secretary of State had not acted for such a purpose when issuing the guidance.

- 4.4. In July 2017 the Department reissued the guidance with the passages removed. In June 2018 the Secretary of State appealed the decision and the Court of Appeal disagreed with the High Court decision though a leave of appeal was granted.
- 4.5. In April 2020 the Supreme Court decision on the appeal by the Palestine Solidarity Campaign Ltd and an LGPS member against the Court of Appeal decision was published.
- 4.6. Following the Supreme Court's decision, it is now clear that current legislation does not permit the Secretary of State to impose the Government's view on foreign and defence policy on LGPS Administering authorities.

5. Conclusion

- 5.1. There remain several outstanding issues and projects within the LGPS such as the cap on Exit Payments, the Good Governance Project, a response to the consultation on higher education establishments and many more. Further updates to the board will be provided as these progress over time.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson

Tel No: (01392) 381933

Devon County Council Pension Fund Funding Strategy Statement

**Draft – to be approved by the Investment and Pension Fund
Committee
June 2020**

1. Introduction

This is the Funding Strategy Statement for the Devon County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and describes Devon County Council's strategy, in its capacity as administering authority, for the funding of the Devon County Council Pension Fund (the Fund).

The Fund Actuary, Barnett Waddingham LLP, has been consulted on the contents of this Statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the 2016 guidance issued by CIPFA.

2. Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate (as defined in Regulation 62(5) of the Regulations) as possible;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

3. Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purposes of the Fund are to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

4. Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension fund. The review also looks at compliance and consistency of the actuarial valuations.

5. Key parties

The key parties involved in the funding process and their responsibilities are as follows:

The administering authority

The administering authority for the Fund is Devon County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement (ISS);
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme Employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers, including admission bodies, participate in the Fund.

The responsibilities of each Scheme employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation on the Fund.

Scheme members

Active scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

6. Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. A summary of the methods and assumptions adopted is set out in the sections below.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as primary rate as defined in Regulation 62(5) of the Regulations) which is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given further below.

The approach to the primary rate will depend on specific employer circumstances and in particular, may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

7. Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. The RPI assumption adopted as at 31 March 2019 was 3.6% p.a.

Future pay inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay inflation exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2019 was 2.6% p.a.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate. The discount rate adopted for the 31 March 2019 valuation was 5.1% p.a.

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64.

Agenda Item 12

Devon County Council Pension Fund Funding Strategy Statement



The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for closed employers may be set to a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis if the Fund does not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

Asset valuation

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic (Statistical) assumptions

The demographic assumptions incorporated into the valuation, such as future mortality rates, are based on Fund-specific experience and national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

2019 valuation results

As at 31 March 2019, as calculated at the 2019 valuation, the Fund was 91% funded, corresponding to a deficit of £399m.

The primary rate required to cover the employer cost of future benefit accrual was 16.9% of payroll p.a.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how the McCloud/Sargeant judgements will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance included in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with any certainty, however, the Fund Actuary expects it is likely to be less than the impact of reducing the discount rate assumption by 0.05%.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found at: <https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes>.

On 22 January 2018, the government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found at: <https://www.gov.uk/government/publications/indexation-of-public-service-pensions>.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

8. Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the actuarial valuation for an employer discloses a significant surplus or deficit then the level of required employer contribution will include an adjustment to either amortise the surplus or fund the deficit over a period of years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate, or one-off contributions, to reduce their deficit. Employers should discuss with the Administering Authority and gain agreement

from the Administering Authority before making one-off payments. The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The employers must pay contributions in line with the Rates and Adjustment Certificate but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the Administering Authority. The Administering Authority has agreed to allow a discount to employers who pay their deficit contributions up front, as long as the payment is received by the end of April in a particular Scheme year (i.e. the discount for the 2020/21 contributions would only apply if the lump sum payment was made by 30 April 2020). The discounts are 1.5% for an annual payment in advance or 4.5% for paying three years of contributions in advance. Employers should discuss with and gain agreement from the Administering Authority before making up front payments at the discounted rate.

The maximum recovery period across the Fund at the 2019 valuation was 21 years. This represents a reduction of three years from the maximum 24 year recovery period set at the 2016 valuation. The ultimate aim is to reach 100% funding, and a reduction of three years in the recovery period since the 2016 valuation demonstrates that the Fund is progressing towards that goal. Please note that recovery periods varied between individual employers.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus over a period to be agreed with the Administering Authority and the Fund Actuary.

The period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

9. Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice will be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a

dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice will be sought from the Fund Actuary.

Funding pools will be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

The funding pools adopted for the Fund at the 2019 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Police	Past and future service pooling	Devon and Cornwall Police and the Police and Crime Commissioner pay the same primary contribution rate (Devon and Cornwall Police pays an additional secondary rate) and both have the same funding level
North Devon	Past and future service pooling	North Devon District Council and North Devon Joint Crematorium pay the same same total contribution rate and have the same funding level
Small scheduled bodies	Past and future service pooling	All town and parish councils in the pool pay the same total contribution rate and have the same funding level
Academies	Past and future service pooling	All academies in the pool pay the same total contribution rate and have the same funding level
ISS contracts	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level
Compass contracts	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2019 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

10. New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2019 valuation.

Where an academy joins an existing multi-academy trust in the Fund, additional contributions will be certified for the multi-academy trust in respect of the academy.

11. Cessation valuations

When an employer leaves the Scheme and becomes an exiting employer, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

In certain circumstances the Fund may agree with an exiting employer that it will continue to be treated as an active employer with deficit contributions being set on an ongoing basis. This will only be permitted where the employer organisation is assessed as having a long term stable financial position, and where security is put in place to cover the full cessation deficit.

A Town or Parish Council may defer their exit if the last member leaves the scheme but the Town or Parish Council is intending to offer the scheme to a new employee. This will be in agreement with the Devon Pension Fund and any deficit payments due by the Town or Parish Council must continue to be paid during the suspension period. Any suspension period will be time-limited and at the discretion of the Fund.

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made using the Fund's policy in section 12.

In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

12. Exit Credits

Where the termination assessment discloses that there is a surplus in the Fund in respect of the exiting employer who left the fund after 14th May 2018, this surplus or part thereof may be payable to the exiting employer subject to the following;

- An exit credit may be payable providing that the exiting employer can demonstrate that they have been exposed to underfunding risk during their participation in the Fund. This will not be the case for the majority of “pass-through” arrangements on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has/has not been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer’s cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

13. Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

14. Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

15. Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the Brunel Pension Partnership Ltd. and other fund managers, who are employed to implement the chosen investment strategy, failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by Brunel and the other fund managers and receives advice from the independent advisers and officers on investment strategy. The Fund's strategic asset allocation is reviewed on a regular basis.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments. The Fund regularly monitors its cashflow forecasts, and will at least once every three years commission the Fund Actuary to provide a forward looking cashflow forecast for the next 20-25 years to inform its investment strategy.

The government has published a consultation (Local government pension scheme: changes to the local valuation cycle and management of employer risk) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process concerning proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement

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may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Managing employer exits from the Fund

Proposals for further policy changes to exit credits. MHCLG issued a partial response to this part of the consultation on 27 February 2020 and an amendment to the Regulations comes into force on 20 March 2020, although have effect from 14 May 2018. The amendment requires Funds to consider the exiting employer's exposure to risk in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations) and to have a policy to exit credits in their FSS which has been included earlier in this version

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Governance

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, as part of each actuarial valuation as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

16. Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least as part of each actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's Local government pension scheme: changes to the local valuation cycle and management of

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employer risk consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

ACTIONS AND RECOMMENDATION TRACKERS

Report of the County Treasurer

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

Recommendation: that the Board notes funds progress on completing actions arising from internal audits and Pension Board member recommendations or requests.

1. Introduction

- 1.1. 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.

2. Trackers

- 2.1. The Audit Actions tracker allows Board Members to monitor responses, actions and progress against audit findings from internal audit reports. The programme of internal audits is agreed with fund officers on an annual basis and undertaken throughout the year. Trackers relating to previous years are attached where actions remain outstanding.
- 2.2. The Actions and Recommendations tracker compiles a list of actions, recommendations and requests raised by the Devon Pension Board. Previously completed actions have been removed.

3. Audit programme 20/21

- 3.1. Progress against this year's audit plan is noted below for audits due on the Pension Fund. Due to the nature of the audits required for Peninsula Pensions and the team currently working at home, it was agreed to delay these audits until later in the year. Focus has therefore been on completing the Pension Fund audits.

Audit Risk Areas	Progress
Investment Strategy Statement	Draft report due shortly
Performance Management	In work
Risk Management and Reporting (including review of Peninsula Pensions risks applicable to Devon Pension Fund)	Due to commence w/c 6 th July 2020

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4. Conclusion

4.1. The Board is asked to note the attached action trackers.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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Recommendations 2019/20	Priority	Management response and action plan including responsible officer	Follow up response	ACTIONED?
Peninsula Pensions (total days 45)				
Audit	Days	Proposed Quarter		
Admission and Departure of Employers to the Fund		Q1		
Annual Reporting Compliance		Q2		
Pensions Regulator Code of Practice 14 compliance		Q2		
Interfacing and submission of employer data with the Pensions administration system, and use of Employer Self-Service		Q3		
Actuarial Valuation		Q4		
Employer Contributions				
Management to consider implementing an annual review and testing of the Pensions Contributions Database. It is suggested that this should include a review of the standing data input for each financial year i.e. employer contribution rates and deficit values, to ensure that all Devon Pension employers and rates/values are accurately recorded on the database. A review of the use of Finest reporting, to ensure that all codes are included within the reports used. A review of the spreadsheets used for upload to the database are comprehensive, including the accurate use of formulas where applicable, that information uploaded to the database is fully and accurately uploaded and that database settings are accurately used in relation to reconciliation of contribution and deficit values received and values outstanding. Whilst the agreed audit days for the 2019-20 Employer Contributions audit review have now been fully utilised, Database integrity testing could be requested for inclusion in the 2020-21 internal audit plan, and/or in future years, if required.	Opportunity	Management may consider use of internal audit days to incorporate annual review and testing of the Pensions Contributions Database, whilst the database remains in its current form. However, this requirement would be considered by the Service alongside other risk areas and may not be a priority. Assistant County Treasurer – Investment and Treasury Management. DAP management post meeting note. It is anticipated that annual review and testing of the Pensions Contributions Database would require in the region of 5 internal audit days (being the suggested minimum number of days for individual internal audit reviews, given QA and reporting requirements). We will make a note of the above to discuss with management as part of the Devon Pension Fund annual internal audit planning process. If internal audit days are not utilised for this purpose, it is suggested that annual testing could be undertaken 'in-house' by an independent officer, for example another member of the Investments Team.		
Management to again consider automation of manual input processes.		Automation of processes has previously been considered and will be re-visited by management. There is work on-going within the authority in relation to 'change' programmes and implementation of new technologies and applications, for example including in relation to the use of Power BI reporting. This may have implications for the Employer Contributions work stream and management would not wish to duplicate effort by considering alternatives to current processes where this is already being considered, for example by DCC programme teams. Any changes to current processes are likely to be longer-term in nature. And there would still be the need for internal checks and balances, for example to identify incorrect data input by employers contained within EAS5 return forms. It may be useful for a project approach to be taken in relation to consideration to any changes to Employer Contributions work streams, and for this to involve consultation with relevant colleagues, including the Devon Pension Fund Accountant, Assistant County Treasurer – Investment and Treasury Management. DAP management post meeting note. Further to the question raised by the Head of Peninsula Pensions, DAP ICT auditors could provide advisory suggestions in relation to automation of current processes. This could be considered within the 2020-21 internal audit planning process, should management require internal audit days to be utilised for this purpose. However, it is noted that this suggestion may be superseded in the event of DCC 'change' programme consideration of Employer Contributions processes. DAP will make a note of this accordingly.		

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<p>It is recommended that management review the approach taken to the monitoring and reporting of employer deficit funding contributions, to ensure that a consistent approach is being taken and that any reporting requirements (such as to the Pensions Regulator) are being appropriately met; and for this to include liaison with the Devon Pension Fund Accountant, as required. This review could include a standard approach for all deficit payments where being paid outside of the monthly standing order e.g. via debtor invoice and regular review of the Outstanding Shortfall invoices log to provide accurate overview of amounts outstanding for payment for pension reporting purposes with resulting changes to current processes communicated to DPF employers where applicable</p>	<p>processes. A flexible approach has been taken by Devon Pension Fund, and it understood by other Pension Funds likewise in relation to this and in respect of arrangements for employers who have an outsourced payroll provider (whereby the outsourced payroll provider will have no involvement in employer deficit payments). As to whether a separate EAS5 form should be completed by employers who use an outsourced payroll provider, in relation to employer deficit payments, this could be considered. Alternatively, management could review whether monitoring by Investments Team colleagues provides sufficient information for Peninsula Pensions finance team colleagues to preclude the need for additional EAS5 forms to be completed. The management response at recommendation 1.1.2 also refers and applies here, in relation to the possibility of a project approach being taken, in relation to consideration to any changes to Employer Contributions processes, and for this to involve consultation with relevant colleagues, including the Devon Pension Fund Accountant.</p> <p>Devon Pension Fund Treasurer Assistant County Treasurer Investment and Treasury Management (By 31 May 2020)</p>	<p>Medium</p>	
<p>Whilst the processes relating to the monitoring and collection of employer contributions (refer to Risk 1) and deficit funding contributions are well known and carried out by experienced Devon Pension Fund Investment Team officers, it is recommended for continuity purposes that these be documented within maintained internal process note documents.</p>	<p>Accepted. Assistant County Treasurer – Investment and Treasury Management (By 31 August 2020)</p>	<p>Low</p>	
<p>It is recommended that management consider the potential streamlining of processes, as indicated above, where this may be of benefit to the services involved (Devon Pension Fund Investment Team and Peninsula Pensions Finance team).</p>	<p>Communications have improved within and between the teams, including in relation to the use of SharePoint and team channels. Thought may be given to further streamlining of processes, however this will be done in conjunction with any DCC change programme review of Employer Contributions processes, and in consideration of the recent Peninsula Pension Finance team processes review, so as not to duplicate effort within the organisation and to ensure a joined-up approach is taken. In the interim, the Investment Manager will investigate whether the Pensions Contributions Database could be made available to Peninsula Pensions Finance colleagues to view on SharePoint. Assistant County Treasurer – Investment and Treasury Management; and Head of Peninsula Pensions.</p>	<p>Opportunity</p>	
<p>Annual Reporting Compliance</p>			
<p>It is recommended that management ensure that comprehensive procedure notes are put in place covering all these processes.</p>			
<p>These should include adequate reference to internal sign-off requirements and confirmation of the timescales for the completion and submission of returns, and make reference to related processes and information that is required for completion of the task, including where the responsibility for interdependent processes or provision of information sits within other teams.</p>	<p>Agreed. Technical & Compliance Manager by 31 March 2020</p>	<p>Medium</p>	<p>In progress</p>

It is recommended that management consider implementing a requirement for checklists, which could be held electronically possibly using the service internal SharePoint site, to be completed by officers for annual reporting tasks; given that these tasks fall outside of Altair (Pensions Administration system) taskflows. The completion and retention of checklists, to include internal sign-off where applicable, would provide an audit trail for management that the required tasks have been completed as required.	Opportunity	Consideration will be given to this recommendation. Technical & Compliance Manager 31 March 2020.	In progress
As detailed above, consideration should be given to the use of exception and other system reporting where now or in the future accuracy of data submitted is not subject to verification at the time of processing. Thought should also be given to how corrections will be made in the event of inaccuracies being identified retrospectively, including where this has an implication for annual reporting returns.	Medium	Consideration will be given to this recommendation. Technical & Compliance Manager 31 March 2020.	In progress
Pensions Regulator Code of Practice 14 compliance			
Management should consider further populating the Data Improvement Plan and the Employers' Development Plan to include how progress can be regularly recorded and monitored. Monitoring results should be subsequently reported to management and the Devon Pension Board/Investment & Pension Committee, to ensure progress against the Plan remains on track.	Medium	Thought will be given to whether this will be possible and in conjunction with the new data scores reports when received. Technical & Compliance Manager; and Head of Peninsula Pensions. (By 31 May 2020).	In progress
The Service should consider promoting wider use of the in-house tool, including in relation to possible income generation opportunities, should this be a tool that could be 'marketed' for other client (e.g. Police Constabulary and Fire & Rescue Service) use.	Opportunity	This will be considered, however, Fire and Police authorities retain responsibility for compliance as scheme managers. The self-assessment tool may be more applicable for other LGPS fund use. Technical & Compliance Manager; and Head of Peninsula Pensions.	Management have considered this option but will not be taking any action at this stage in view of pending
Management should consider incorporating a narrative describing the Service's approach to compliance with the Code to be read in conjunction with the self-assessment document, explaining how the Service meets the required elements in addition to listing related evidence. This could be useful for continuity purposes, should another member of the team take forward the self-assessment process, and also in support of reporting compliance with the Code to management and the Devon Pension Board/Investment & Pension Committee.	Medium	Agreed. Production of a supporting narrative will be explored. Technical & Compliance Manager; and Head of Peninsula Pensions. (By 31 May 2020).	In progress, but has been put on hold pending changes to the Code of Practice.
An update should be taken to the Devon Pension Board / Investment & Pension Fund Committee in relation to overall TPR compliance, and high-level self-assessment outcomes and action plan.	Medium	Accepted. This is already planned and noted in the Devon Pension Board future work programme for January 2020. Head of Peninsula Pensions; and Investment Manager.	to members of the Board and Committee at the March 2020 training event.

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<p>It is noted that the Devon Pension Fund member training plan includes reference to members having, or being in the process of completing, the Pension Regulator Trustee Toolkit (on-line training). The above recommended update to the Board could potentially include reference to link to further information for members on the requirements of the Code, this may be of particular benefit to any new Board members.</p>	Opportunity	Confirmation of the TPR Code of Practice 14 requirements is already in-hand. A member handbook and training manual is currently being drafted, which includes reference to the Code of Practice 14, and the knowledge and understanding requirements of Pension Board members. Investment Manager.	
Interfacing and submission of employer data with the Pensions administration system, and use of Employer Self-Service			
It is recommended that the Service progress arrangements for the roll out of ESS and for the automated / direct upload to Altair relating to DCC and SCC payroll data (such as individual pensionable pay calculations for 'leavers').	Medium	We have informed all LGPS employers, including via Pensions Line, that ESS should be used to notify the Service of leavers, with the exception of the larger LGPS employers. Arrangements for direct upload of data for the larger LGPS employers will be progressed, subject to resource being made available for this and this forms part of a longer term plan. We have started engagement with LGPS employers in relation to the further roll out / use of ESS and this is being progressed. Employer & Communications Manager – commenced and part of a longer term project plan to be further progressed in 2020/21.	Completed
To consider developing the contact ESS key contacts record to make it more 'user friendly', possibly using office 365 tools, as detailed above. It is recommended that the Service maintains a record of employers using ESS.	Opportunity	We intend to make improvements to the key contacts document, when time allows, and this may involve incorporating ESS contacts into a wider Employer & Communications team employer contact document. Employer & Communications Manager.	Completed
It is recommended that a central log is made within the Interface Progress Chart of the queries raised with LGPS employers, resulting from the interface upload process. This should also be used to record the outcome of queries. Consideration should be given to inclusion of another field in the Progress Chart to record that the reconciliation report was produced, outcome of reconciliation e.g. reconciled, or errors notified (and where errors are notified, for these to be recorded in a central error log).	Medium	This will be progressed with Systems team colleagues and may involve consideration of the inclusion of a R.A.G. rating column. Technical & Compliance Manager – by 30 September 2020.	Completed
It is recommended that a high level quality control process for the use of ESS by LGPS employers is implemented by the Service to confirm that the amendment / entry is adequately evidenced and that correct information has been recorded on the system. This should only be a small annual retrospective sample to provide assurance to Peninsula Pensions regarding the quality of data submitted.	High	We are looking to introduce an on-line ESS training module, for which it will be possible to maintain a record of which employers have completed the training. We do not accept the recommendation regarding the introduction of a QC process to ensure that employers retain, and can provide evidence for any entries made. With over 400 employers in the fund this would be a resource heavy task and defeats the object of ESS. In addition to this, the potential backlash from employers if we ask them to evidence any entries could be significant. The revised administration strategy makes employers aware of their roles and responsibilities regarding the provision of timely and accurate data, and the implications of not doing so. Before the introduction of ESS, we have not conducted QC checks on data submissions and have instead queried potential data errors with employers when entries are either missing or appear to be incorrect. We will continue with this approach. However, we will consider the recommendation made below in 1.1.5 which will help to alleviate some of the risks and concerns that have been identified. Employer & Communications Manager – to be progressed in 2020/21.	No action required

Consideration could be given to using annual Employer Data Quality declaration forms as a way of promoting and enforcing data quality expectations by Employers.	Opportunity	The historic data quality review is underway with employers. There is a field, for signature, on the employer monthly data return in respect of data quality. We will add a similar field to the annual data return form. Technical & Compliance Manager and Employer & Communications Manager.	Completed
It is recommended that the ongoing need for generic user accounts be considered, and accounts disabled accordingly.	Medium	Agreed. This will be reviewed. Technical & Compliance Manager –by 30 September 2020.	Partially completed - in progress
Prior to roll out of the formula driven 'alert' to CARE pensionable pay figures provided for interface upload, the Service may wish to 'trial' the proposed 'alert' with an employer to provide assurance that it operates as expected. Furthermore, the Service may wish to consider whether it would be beneficial to include other such formula/parameter driven alerts within other interface templates for data quality improvement purposes.	Opportunity	The in-house developed 'alert' was not rolled out in January as further testing is required. These suggestions will be considered. Technical & Compliance Manager.	In progress
Actuarial Valuation			
The current Actuarial Valuation Communications (Project) Plan should be updated, in advance of the next valuation process, with one further column to provide details of the status of the task as at a recorded date, and this be updated regularly.	Medium	This will be considered, and it may be that a shared document for use by Investments Team and Peninsula Pensions colleagues will be appropriate. (Recommendation 1.2.3 also refers) - Assistant County Treasurer – Investments (By 31 October 2020)	
Similarly, we recommend that Peninsula Pensions Project Brief be enhanced, in advance of the next valuation process, with a further document to monitor progress against the Project Brief, and that this should also cover their detailed input into the process. The status from this could be regularly fed into the DCC Pensions Management Group.	Medium	This will be taken forward and in conjunction with the management response at recommendation 1.2.3. Technical & Compliance Manager (By 31 October 2020)	Completed
It is recommended that an internal post-project review is completed by Peninsula Pensions to capture lessons learnt from the 2019 valuation process. This could include Investments Team colleagues, and might involve consideration of shared project documentation, where applicable (and possibly utilising Office 365 applications), and information sharing could also involve, as appropriate, DCC Finance (Fund Accountant).	Opportunity	A post project review will be arranged and involving Investments Team colleagues. As part of this thought will be given to shared documentation and information sharing (possibly making use of O365 SharePoint), and including the Devon Pension Fund Accountant, as appropriate. Technical & Compliance Manager and Employer & Communications Manager, in conjunction with the Investment Manager and Employer & Communications Project Officer. (By 31 October 2020)	
As previously recommended in the 2016 audit, changes to project management requirements / documentation implemented by Peninsula Pensions should be included in procedure documents. These should be updated, as required, in advance of the next valuation process.	Medium	Agreed. This has been communicated to the relevant team. Technical & Compliance Manager (By 31 October 2020).	This will be actioned prior to the next valuation

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PENSION FUND AUDIT LOG										
Recommendations 2019/20					Priority	Management response and action plan including responsible officer			Follow up response	ACTIONED?
Pension Fund 40 days										
Audit					Days	Proposed Quarter				
Admission and Departure of Employers to the Fund (joint audit, 10 days in total)					5	Q1				
Employer Contributions					8	Q2				
Effectiveness of the Devon Pension Board (2018/19 audit follow-up) and Effectiveness of the Investment & Pension Fund Committee					10	Q3				
Pensions Regulator Code of Practice 14 Compliance, including validation					6	Q3				
Actuarial Valuation (joint audit, 10 days in total)					5	Q4				
Audit Planning, Advice and Reporting, to include internal audit recommendations					6	Q4				
Admission and Departure of Employers										
It is recommended, for completeness, that all new employers joining the Devon Pension Fund should be reported to the Devon Pension Board and Investment and Pension Fund Committee. It is noted that at present that details of new Academies are not reported										
Pension Fund are reported to the Devon Pension Board and Investment and Pension Fund Committee and given that there may be payments due to be paid from the Fund					Low	Exiting employers are now reported to the Investment & Pension Fund Committee and Pension Board with effect from Autumn 2019. Due to expected regulation changes regarding exit payments we will not be providing the actuary reports - review once regulations are provided.				Completed - now included on the agenda at Committee meetings
Employer Contributions					Low					Completed - now included on the agenda at Committee meetings
Management to consider implementing an annual review and testing of the Pension Contribution database						Management may consider using internal audit days to incorporate annual review of database whilst it is in its current form. Audit estimate 5 days required. To be taken into consideration against other risks when compiling audit plan				
Management to again consider automation of manual input processing					Opportunity	Automation of processes has previously been considered and will be revisited by management. There is work ongoing in the authority in relation to the change programme and implementation of new technologies/applications such as Power BI			Project launched December 2019 looking at alternatives to the database	
Management review the approach taken to the monitoring and reporting of deficit contributions, to ensure that there is consistency of approach and that any reporting requirements are subsequently met.					Opportunity	There are reasons why deficit payments are collected outside of the EAS5 process so a flexible process needs to be taken. Management response above also applies here with the possibility of a project approach being taken with a view to any changes in the Employer contribution process			Project launched December 2019 looking at alternatives to the database	
It is recommended that the processes of monitoring and collecting pension contributions is documented					Medium				Project launched December 2019 looking at alternatives to the database	
Code of practice 14					Low	Accepted			Project launched December 2019 looking at alternatives to the database	
Update should be taken to the Pension board/Investment committee in relation to the overall TPR compliance						In the Pension Board work program for the January 2020 meeting				Completed, reports taken and dedicated slot at a training day held March 2020
The above recommendation could include further information on the requirements of the code					Medium	Detailed information will be included in the member training manual				
Effectiveness of Devon Pension Board and effectiveness of the Investment and Pension Fund Committee					Opportunity					
Management continue to monitor and support board and committee members completion to the Pensions Regulator training tool kit.										
Once the member training and handbook is complete, it is recommended that member feedback is requested					Medium	Agreed, this can be actioned and possibly alongside the scheduled annual training needs analysis to be undertaken			Committee request to list those who have completed TPR toolkit on training log. Officers to hold specific training day to cover the topic covered.	
					Opportunity	agreed				

Fund Management should raise with democratic services whether investment and pension fund committee membership should be listed, for non DCC Councillors, on Councillor register of interest forms held on other Councils website or whether declaration of interest forms for non DCC Councillors should be published on the investment and Pension Fund Committee Democracy in Devon webpage. All register of interest forms should be completed or confirmed annually	Medium	Democratic services view is that register of interest forms for other local authority resps on the Committee should not be published by DCC, as they should be covered by the register of interest forms published on their host authorities website. However forms for the non DCC non local authority members should be published by DCC. Democratic services will pursue this issue.		
The responses to the survey as shown in appendix C should be reviewed and taken forward as appropriate by management	Medium	Agreed. It is noted that action is being taken by DCC and also by Brunel Pension Partnership in relation to actions being taken to tackle climate change. Furthermore the constitution of the Committee with regard to voting rights has been discussed in the past with the committee		
Actuarial Valuation (joint audit) The current Actuarial Valuation Communications (Project) Plan should be updated in advance of the next valuation process, with one further column to provide details of the status of the task as at a recorded date, and this be updated regularly.		This will be considered and it may be that a shared document for use by Investments Team and Peninsula Pensions colleagues will be appropriate (recommendation in PP audit refers)		

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DEVON PENSION BOARD ACTIONS AND RECOMMENDATIONS 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
03/04/2019	114 - Board members requested online/paper manual containing key documents and glossary of terms	In work - to be delivered as part of the autumn training event	In work though keeping an eye on developments with Good Governance Project as this now includes a focus on member development and knowledge. Online in development to comply with new accessibility regulations.
15/07/2019	125 - Investment Strategy statement - future revisions to expand on ESG and climate change issues	Document updated and approved at the February 2020 committee meeting	Completed
15/07/2019	125 - Improved communication to members on ESG and climate change issues on website		In work - target for completion end of 2020
21/10/2019	139- Fund Risk Register. Members discussed: Need for officers to reference climate change and associated risks, need for further mitigating info on three red risks identified and inclusion of mitigating controls re McCloud case		Completed
21/10/2019	142- Peninsula Pensions admin report = if possible report the breakdown of priority tasks		Currently looking to review performance reports and will take this into consideration during this review.
21/10/2019	143- Members questioned allocation of travel and members expenses should be reviewed at end of month 6.		Completed
21/10/2019	144- Members discussed the need for Members' (non-councillor members) contact details (email addresses only) on the County Council's website. Officers to investigate alternative email address/secure email		Completed
16/01/2020	154 - more information about external managers managed by Brunel to be included within annex 2 of the Investment Strategy Statement	Document updated and approved at the February 2020 committee meeting	Completed
16/01/2020	155 - development of the online risk register to consider use of colour, indicators to signal direction of travel and access to the wider public		
16/01/2020	158 - PP Performance reporting, consideration of including a reason why targets not met		Currently looking to review performance reports and will take this into consideration during this review.

FUTURE WORK PROGRAMME

Report of the County Treasurer

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

Recommendation: that the Board review and approve the future work programme and make suggestions for other areas of consideration going forward.

1. Introduction

- 1.1. 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.

2. Future Work Programme

- 2.1. 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 Statistics;
- Attendance Register
- Actions and recommendations Tracker
- Future Work Programme.

October 2020

- Governance Policy and Compliance Statement
- Budget Monitoring Report
- External Audit Findings
- Breaches report

January 2021

- Code of Practice Compliance
- Governance Review Project
- Communications Policy review

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April 2021

- Budget monitoring
- Annual Pension Board Report
- Internal Audit report and 2021/22 Plan
- 2020/21 Training Review and 2021/22 Training plan

3. Conclusion

- 3.1. 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 effectively and efficiently, ensuring that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 3.2. The Board is asked to review and approve the future work programme and make suggestions for other areas of consideration going forward.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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