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To: The Chair and Members
of the Devon Pension
Board

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 16 April 2021

Contact: Gerry Rufolo 01392382299

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DEVON PENSION BOARD

Monday, 26th April, 2021

A meeting of the Devon Pension Board is to be held on the above date at 10.30 am to consider the following matters. This will be a Virtual meeting. To view the meeting, please contact the Clerk.

Phil Norrey
Chief Executive

A G E N D A

PART 1 - OPEN COMMITTEE

1 Apologies

2 Minutes

Minutes of the meeting held on 22nd January 2021 (previously circulated)

3 Items Requiring Urgent Attention

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

MATTERS FOR CONSIDERATION OR REVIEW

4 Membership

Two representative board member positions expire in 2021. The Independent Board member term is also subject to renewal.

5 Internal Audit Report and 2021/22 Audit Plan (Pages 1 - 18)

Report of the County Treasurer (CT/21/36), attached

6 Review of Attendance (Pages 19 - 20)

Report of the County Treasurer (CT/21/37), attached

7 Devon Pension Fund Risk Register (Pages 21 - 58)

Report of the County Treasurer (CT/21/38), attached

8 Pension Board Annual Report (Pages 59 - 62)

Report of the County Treasurer (CT/21/39), attached

9 Training Review and 2021/22 Training Plan (Pages 63 - 72)

Report of the County Treasurer (CT/21/46), attached

10 Funding Strategy Statement and Support Policies (Pages 73 - 124)

Report of the County Treasurer (CT/21/40), attached

11 Pension Board Budget Report (Pages 125 - 126)

Report of the County Treasurer (CT/21/41), attached

MATTERS FOR INFORMATION

12 Investment and Pension Fund Committee (Pages 127 - 132)

Minutes of the Investment and Pension Fund Committee meeting held on 26th February 2021, attached

13 Peninsula Pensions Administration - Performance Statistics (Pages 133 - 138)

Report of the County Treasurer (CT/21/42), attached

14 LGPS Update Report (Pages 139 - 142)

Report of the County Treasurer (CT/21/43), attached

15 Actions and Recommendations Trackers (Pages 143 - 146)

Report of the County Treasurer (CT/21/44), attached

16 Future Work Programme (Pages 147 - 148)

Report of the County Treasurer (CT/21/45), attached

17 Dates of Future Meetings

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

Tuesday, 13th July 2021

Monday 11th October 2021

Wednesday 2nd February 2022

Wednesday 4th May 2022

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

Nil.

Members are reminded that Part II Reports contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). They need to be disposed of carefully and should be returned to the Democratic Services Officer at the conclusion of the meeting for disposal.

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Induction Loop available



CT/21/36
Devon Pension Board
26 April 2021

Annual Internal Audit Report 2020/21 and the proposed Internal Audit Plan 2021/22

Report of the County Treasurer

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

Recommendation:

- i. The Board note the Internal Audit Report for 2020/21
- ii. Consider the proposed internal Audit Plan for 2021/22 and
- iii. Consider whether it wishes to make any comments to the Investment and Pension Fund Committee

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### **1. Annual Internal Report – 2020/21**

- 1.1. The Head of Devon Audit Partnership is required to provide the Authority with an assurance opinion on the system of internal control of the Fund, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been considered:
  - all audits undertaken during 2020/21, and prior years;
  - any significant recommendations not accepted by management and the consequent risks;
  - internal audit's performance;
  - any limitations that may have been placed on the scope of internal audit.
- 1.2. In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.
- 1.3. The final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.
- 1.4. Management are provided with details of Internal Audit's opinion on each audit review carried out in 2020/21 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in

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preparing its Annual Governance Statement which will be included with its published Statement of Accounts for 2020/21.

- 1.5. Overall, and based on work performed during 2020/21 and prior years, Internal Audit can provide **reasonable assurance\*** (previously substantial assurance) on the adequacy and effectiveness of the Fund's internal control environment.

*\* Internal Audit is governed by PSIAS, and in April 2020 the CIPFA Special Interest Group (SIG) for Internal Audit considered and proposed a common practice of using four standard internal audit assurance opinions, which DAP has adopted. This replaces the previous High Standard, Good Standard, Improvements Required and Fundamental Weaknesses ratings that we have used when reporting on each audit assignment in previous years. Corresponding updated organisational assurance ratings related to the overall organisational opinions have also been adopted (refer to Appendix B of the following report).*

## **Wider Assurance Received**

- 1.6 The Devon Audit Partnership 2019/20 Internal Audit Report to Devon County Council, provided an overall assurance opinion of 'Substantial Assurance' (now 'Reasonable Assurance') on the adequacy and effectiveness of the Authority's internal control framework based on work performed during 2019/20 at that time and audit experience from previous years. This included review of Corporate key financial systems and controls, including areas of Finance, HR, Digital Transformation and Business Support.
- 1.7 External Audit (Grant Thornton UK LLP) annual audit letter to Devon County Council for the year ending 31 March 2020, stated that Grant Thornton gave an unqualified opinion on the pension fund accounts of Devon Pension Fund on 3 March 2021. Grant Thornton reported the key issues from audit of the Pension Fund accounts to the Audit Committee in February 2021.
- 1.8 Brunel Pension Partnership Limited (BPP), Annual Report and Financial Statements for the year ended 30 September 2020, includes the independent Auditor's (Grant Thornton UK LLP) report to member of the BPP, for which no areas of concern are identified, and the Report from the Chair of the Audit, Risk & Compliance Committee, which makes reference to internal audit reviews of Compliance, Governance and Oversight; IT Governance; Investment Management; and Client and Relationship Management where useful areas for improvement were highlighted but the overall standard of control was found to be good; and review of Brunel's response to Covid-19, which provided assurance that virtual working arrangements had been implemented without jeopardising the risk management framework.



## 2. Internal Audit Plan 2021/22 and the Service Level Agreement

- 2.1. Under the Local Government Act 1972 the Authority, and specifically the Chief Financial Officer (the County Treasurer), has a statutory duty to “make arrangements for the proper administration of their financial affairs”. Assurance that this is the case is given through the reporting of Internal Audit. The audits have been carried out under the terms of Accountancy and Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards.
- 2.2. The Internal Auditors for the Pension Fund are responsible for ensuring that key systems, both financial and non-financial, are operating effectively and in line with the Authority’s financial regulations. This is achieved through the two audit plans: one for the Devon Pension Fund and one for Peninsula Pensions.

### The Aim of the Plans

- 2.3. The plans are reviewed and agreed on an annual basis, incorporating the key risks identified through the risk registers, discussions with senior managers and areas identified by Internal Audit. Our plan will be shared with external audit colleagues to prevent duplication in work, and to maximise audit coverage across systems, including financial systems.
- 2.4. The main objectives of the plan are to provide assurance to the County Treasurer, Members and the external auditors that systems are:
  - Secure
  - Effective
  - Efficient
  - Accurate
  - Complete
  - Compliant
- 2.5. In order to confirm this risk-based reviews, system reviews and compliance testing are completed at the Fund’s administrative offices and at Peninsula Pensions’ offices.

### The Plan

- 2.6. The audit plans for the financial year 2021/22 allows for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions, giving 85 days internal audit provision overall.
- 2.7. We note the on-going situation with Covid-19 and its potential impact to resources within the Devon Pension Fund, Peninsula Pensions and the Devon Audit Partnership. We will liaise directly with management regarding audit prioritisation and any impacts on the audit timetable as the situation unfolds.
- 2.8. We have reviewed the risk registers and worked with senior management to determine the key risks to the Fund and from this have developed a plan for the coming year. The plan considers both financial and non-finance-based systems,

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and our work will provide assurance to the County Treasurer and Members on the effectiveness of arrangements.

- 2.9. Our working papers and audit reports are available to external audit colleagues for their consideration in planning their work.
- 2.10. Any major findings (if applicable) from the previous year's audit plan will be reviewed to ensure that agreed recommendations have been implemented and are effective

## **Timetable**

- 2.11. The audits will be completed at specified times of the year through consultation and prior agreement of the Assistant County Treasurer (Investment & Treasury Management) and the Peninsula Pensions management.
- 2.12. All findings will be reviewed with senior management at the end of each audit programme and prior to the issue of reports.
- 2.13. A copy of all final reports will be forwarded to our External Auditors, Grant Thornton, for their information.

## **Service Level Agreement**

- 2.14. The audit plan for 2021/22 is attached, at Appendix 1, for consideration and will be forwarded for approval of the Pensions and Investment Fund Committee.

## **3. Internal Audit Charter and Strategy**

- 3.1 Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of Internal Audit activity to be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 3.2 The Internal Audit Charter and Strategy 2021/22 for Devon County Council was approved by the Audit Committee on 25<sup>th</sup> February 2021. The Internal Audit Charter and Strategy which underpins all of our internal audit work for the Authority can be viewed at [Internal Audit Charter and Strategy](#).
- 3.3. The Internal Audit Charter and Strategy 2021/22 will be applied in relation to Devon Pension Fund and Peninsula Pensions Internal Audit activity, with associated reporting provided to the Devon Pension Board and Investment & Pension Fund Committee.

## 4. Conclusion

- 4.1. The Board is asked to note the Internal Audit Report for 2020/21 and consider the proposed Internal Audit plan for 2021/22 and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972  
Accounts and Audit Regulations 2011

List of Background Papers - Nil  
Contact for Enquiries: Robert Hutchins  
Tel No: (01392) 383000 - Dart Suite, Larkbeare House

## **DEVON PENSION FUND**

### **ANNUAL INTERNAL AUDIT REPORT 2020/21**

**and**

### **PROPOSED INTERNAL AUDIT PLAN 2021/22**

#### **Section 1 - ANNUAL INTERNAL AUDIT REPORT 2020/21**

##### **1 INTRODUCTION**

- 1.1 The following report sets out the background to audit service provision, review work undertaken in 2020/21, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.
- 1.2 This supports the organisation in complying with the Accounts and Audit Regulations 2015 which requires all Authorities to carry out a review at least once in a year of the effectiveness of its system of internal control, and to incorporate the results of that review into their Annual Governance Statement (AGS). The AGS must then be published with the Annual Statement of Accounts

##### **2 BACKGROUND**

###### **2.1 Service Provision**

- 2.1.1 The Internal Audit (IA) Service for the Devon Pension Fund (the Fund) is delivered by the Devon Audit Partnership. This is a shared service arrangement between Devon, Plymouth, Torbay, Mid-Devon, South Hams & West Devon, Torridge and North Devon councils constituted under section 20 of the Local Government Act 2000

###### **2.2 Regulatory Role**

- 2.2.1 There are two principal pieces of legislation that impact upon internal audit in local authorities:
  - **Section 6 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control ....."
  - ".....a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit ....."
  - **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

- 2.2.2 There are also professional guidelines which govern the scope, standards and conduct of Internal Audit, including the Public Sector Internal Audit Standards (PSIAS).
- 2.2.3 In addition, Internal Audit is governed by policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.

### **3 OBJECTIVES AND SCOPE**

- 3.1 This report presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Fund's internal control environment. The report outlines the level of assurance that we can provide, based on the internal audit work completed during the year.
- 3.2. The Head of Devon Audit Partnership is required to provide the Authority with an assurance on the system of internal control of the Fund, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:
- all audits undertaken during 2020/21, and prior years
  - any significant recommendations not accepted by management and the consequent risks
  - internal audit's performance
  - any limitations that may have been placed on the scope of internal audit.
- 3.3 Definitions of annual assurance opinions are shown in **Appendix B**.

### **4 INTERNAL AUDIT COVERAGE 2020/21**

- 4.1 Financial management arrangements within the Authority are well established and staff have many years of experience giving them a good understanding and knowledge of the financial controls and requirements of regulations and policies.
- 4.2 Our work in 2020/21 has included completion of 9 audits relating to Devon Pension Fund and Peninsula Pensions. The individual assurance opinions issued in respect of our assignment work and, where applicable, the status of the audits is set out in the following table.

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Key – DPF = Devon Pension Fund PP = Peninsula Pensions

| Areas Covered |                                                                           | Stage | DPF or PP | Level of Assurance    |
|---------------|---------------------------------------------------------------------------|-------|-----------|-----------------------|
| 1             | Investment Strategy Statement                                             | Final | DPF       | Substantial Assurance |
| 2             | Performance Management                                                    | Final | DPF       | Reasonable Assurance  |
| 3             | Risk Management and Reporting                                             | Final | DPF       | Substantial Assurance |
| 4             | Employer Self-Service – including follow-up of Interfacing and use of ESS | Final | PP        | Reasonable Assurance  |
| 5             | New Website                                                               | Final | PP        | Reasonable Assurance  |
| 6             | Covid Response and Changed Practices – Member Services                    | Final | PP        | Substantial Assurance |
| 7             | Covid Response and Changed Practices – Employer Communications            | Final | PP        | Substantial Assurance |
| 8             | Covid Response and Changed Practices – Technical & Compliance             | Final | PP        | Substantial Assurance |
| 9             | Covid Response and Changed Practices – Overall Adaption                   | Final | PP        | Substantial Assurance |

- 4.3 Our reviews this year and in prior years provide enough evidence that the Devon Pension Fund and Peninsula Pensions have suitable governance arrangements in place to mitigate exposure to identified risks. Good working practices are in place to meet statutory requirements. The Investment and Pension Fund Committee are kept well informed, concerning the Fund's value and the allocation of assets, and are updated regarding the LGPS Governance scheme.
- 4.4 We identified some areas where controls could be improved, and actions were agreed with management. Executive summaries from our work are shown in **Appendix A**.
- 4.5 We note that Devon Pension Fund management take regular Actions and Recommendation Tracker reports to the Board, with reference to an Audit Action Log created to track progress and completion of audit actions including a log of actions requested by the Board.
- 4.6 Devon Audit Partnership also maintain records of progress against agreed actions.

## 5 INTERNAL AUDIT OPINION

- 5.1 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.
- 5.2 Our final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.
- 5.3 Management are provided with details of Internal Audit's opinion on each audit review carried out in 2020/21 to assist them with compilation of their individual annual governance assurance statements. No significant weaknesses were identified in these reviews, however if any significant weaknesses had been identified in specific areas, these would have been considered by the Authority in preparing its Annual Governance Statement which is included with its published Statement of Accounts for 2020/21.
- 5.4 Overall, and based on work performed during 2020/21, Internal Audit can provide **'reasonable assurance'** on the adequacy and effectiveness of the Fund's internal control environment

## **Section 2 - INTERNAL AUDIT PLANS 2021/22**

### **1 INTRODUCTION**

- 1.1 Under the Local Government Act 1972, the Chief Financial Officer has a statutory duty to make arrangements for the proper administration of the Authority's financial affairs. Assurance that this is the case is given through the reporting of Internal Audit. Audits will be carried out under the terms of Accountancy and Audit Regulations 2015.
- 1.2 As the Internal Auditors for the Pension Fund it is our responsibility to ensure that systems are operating effectively and in line with the Authority's financial regulations, and for Peninsula Pensions it is our responsibility to ensure that we provide an independent, objective assurance service, designed to add value and improve the organisations operations. We help the Pension Fund accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. We achieve this through the two audit plans: one for the Devon Pension Fund and one for Peninsula Pensions.

### **2 THE AIM OF THE PLANS**

- 2.1 The audit plans are reviewed and agreed on an annual basis, incorporating the key risks identified through the Fund's risk register and areas identified by Internal Audit in consultation with management. However good practice also recognises that it is advisable for plans to remain flexible, to enable them to be amended according to prevailing risks and changes to the control environment in the organisation, so whilst the annual plan should be approved at an appropriate level, it should also be capable of being flexed as necessary. Our plan will be shared with external audit colleagues to prevent duplication of work, and to minimise audit coverage across systems, including financial systems.
- 2.2 The main objectives of the plan are to provide assurance to the Chief Financial Officer and the external auditors that all financial systems are: -
  - Secure
  - Effective
  - Efficient
  - Accurate
  - Complete
  - Compliant
- 2.3 In order to confirm this risk-based reviews; system reviews and compliance testing are completed at the Fund's administrative office and at Peninsula Pensions offices.



## **3 THE PLANS**

- 3.1 The audit plans for the financial year 2021/22 allows for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions.
- 3.2 We have worked with senior management to determine the key risks to the Fund and from this have developed a plan for the coming year. The plan considers both financial and non-finance-based systems, and our work will provide assurance to the County Treasurer and Members on the effectiveness of arrangements. Our working papers are available to external audit colleagues for their consideration in planning their work.
- 3.3 We liaise with the Fund's external auditors to discuss the testing planned to ensure this supports their requirements. The remainder of the planned days incorporates reviews of specific systems as identified through an audit risk assessment process, the Authority's risk register and discussion with management.
- 3.4 Any significant findings from the previous year's audit plan will be reviewed to ensure that agreed recommendations have been implemented and are effective.
- 3.5 As part of the audit plan we will also provide assistance and advice, and be a central contact point for senior management.

## **4 TIMETABLE**

- 4.1 The audits will be completed at specified times of the year through consultation and prior agreement with senior management. This will also take into account the timetable of external audit where applicable.
- 4.2 All findings will be reviewed with senior management at the end of each audit programme and prior to the issue of any draft reports.
- 4.3 A copy of all final reports will be forwarded to your External Auditors for their information.

## **5 2021/22 PLANS**

- 5.1 The following table sets out the planned internal audit work for 2021/22. Other issues and systems are sometimes identified during the audits and if found will be discussed with senior management. These issues may be incorporated into future audit plans dependent upon priority and risk assessment.

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## Devon Pension Fund Plan 2021/22

| <b>Audit risk areas</b>                                                                                                                       | <b>Days</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1. Investment Team changed working practices resulting from Covid-19                                                                          | 6           |
| 2. Communications Policy review                                                                                                               | 7           |
| 3. Funding Strategy Statement review                                                                                                          | 7           |
| 4. Member Training and Induction (including review of changed practices resulting from Covid-19, member on-line handbook and SharePoint site) | 10          |
| 5. The Pensions Regulator Code of Practice 14 / consolidated Codes of Practice compliance (joint audit)                                       | 5           |
| 6. Audit Planning, Advice and Reporting                                                                                                       | 5           |
| <b>Total days</b>                                                                                                                             | <b>40</b>   |

- 5.2 The cost of these days will be £12,040. Additional support will be provided as and when required. Our standard daily rate for this work will be £301, although specialist support may be at a different rate.

## Peninsula Pensions Plan 2020/21

| <b>Audit risk areas</b>                                                                                 | <b>Days</b> |
|---------------------------------------------------------------------------------------------------------|-------------|
| 1. Member Self-Service                                                                                  | 10          |
| 2. First Response Team                                                                                  | 10          |
| 3. Payroll and Immediate Payroll System                                                                 | 10          |
| 4. The Pensions Regulator Code of Practice 14 / consolidated Codes of Practice compliance (joint audit) | 5           |
| 5. Training and Internal Quality Check processes, post-implementation review                            | 5           |
| 6. Audit Planning, Advice and Reporting                                                                 | 5           |
| <b>Total days</b>                                                                                       | <b>45</b>   |

- 5.3 The cost of these days will be £13,545. Additional support will be provided as and when required. Our standard daily rate for this work will be £301, although specialist support may be at a different rate.

Robert Hutchins  
Head of Devon Audit Partnership  
March 2021

## Executive Summaries for audits undertaken in 2020/21

### **DPF: Investment Strategy Statement** (Substantial Assurance)

We found that the revised Devon Pension Fund Investment Strategy Statement (ISS) was prepared in accordance with regulations and guidance. The development of the ISS also had regard to the advice of the Fund's independent advisor and referenced the review completed by Mercer LLC of the Fund's Investment Strategy and asset allocation.

The revised ISS was subject to appropriate consultation with stakeholders including with the Devon Pension Board and following its approval at the Investment & Pension Fund Committee in February 2020, it was published on the Devon Pension Fund Website.

Future iterations of the ISS should include reference to and consideration of the Financial Reporting Council UK Stewardship Code 2020 that took effect on 1<sup>st</sup> January 2020.

Subsequent to the approval of Devon Pension Fund – Funding Strategy Statement, also in February 2020, the Government issued a partial consultation response on changes to the local valuation cycle and management of employer risk relating to exit payment proposals. Accordingly, we understand that an Exit Credits Policy will be developed for consideration and approval.

### **DPF: Performance Management** (Reasonable Assurance)

Overall, there are robust procedures in place in relation to performance management and monitoring of the Brunel Pension Partnership including their appointed Fund Managers and the Fund Custodian.

Performance information is regularly reported to the Devon Pension Board and Investment and Pension Fund Committee. Related risks are captured in the Devon Pension Fund Risk Register which is also regularly reviewed, updated and reported.

Currently there is no performance monitoring relating to the Fund's Independent Financial Advisor, although we understand this will be established during the forthcoming re-tendering process.

The Office for National Statistics quarterly Financial Survey of Pension Schemes returns are completed, but we have made recommendations regarding creating a procedure document, retaining supporting documents and approval prior to submission.

## **DPF: Risk Management and Reporting** (Substantial Assurance)

There is a comprehensive Risk Register in place which is clearly set out and 'RAG' rated. It provides clear descriptions of risks and potential impacts, with appropriate mitigating controls. Risk owners are identified, and risk management and monitoring are in place.

The Risk Register is regularly reported to the Investment and Pension Fund Committee and to the Devon Pension Board, allowing members to assess the risks and to have awareness of current risks to inform decision making.

The Devon County Council risk management framework and risk recording system is utilised, which provides for a consistent approach to risk management and reporting. This includes the use of system generated reminders for any risks overdue for review.

An in-house tool has been developed for the purpose of undertaking self-assessment against The Pensions Regulator Code of Practice 14 'Governance and administration of public service pension schemes.' The self-assessment tool was last reviewed in January 2020, and we found the area 'Managing Risks' to be complete with links to supporting evidence in line with self-assessment outcomes. There were no areas of non-compliance, and for all partially compliant areas there is reference to actions planned or undertaken.

## **PP: Employer Self-Service – including follow-up of Interfacing and use of ESS** (Reasonable Assurance)

The use of Employer Self-Service has increased in the period since the last audit review. However, completion of the management action plan relating to the previous audit recommendations in 2019/20 remains ongoing.

The provider is no longer supporting or developing Employer Self-Service, but the risks related to this position are yet to be recorded in the Peninsula Pensions Risk Register. We have made recommendations regarding contingency arrangements and alternative solutions, which may offer further developments in the use of Employer Self-Service by employers and an improved control framework.

Although the leaver process through Employer Self-Service has been recently changed, it may not be achieving the intended benefits and we note that incomplete leaver information from employers continues to cause delays in processing.

## **PP: New Website** (Reasonable Assurance)

The Peninsula Pensions website was significantly updated in December 2020 to meet accessibility requirements and respond to feedback from stakeholders. The site is now 93% compliant with the AA standard (Web Content Accessibility Guidelines version 2.1 AA), which is a marked improvement on the previous compliance level. We have recommended that an action plan be developed to address non-compliance and achieve 100% compliance with the standard.

Our review of the website found it to be effective and appropriately controlled, although we have recommended access to an employer form that sits outside of Employer Self-Service be reviewed. We have also recommended that Peninsula Pensions develop a Communications Strategy in respect of communication to its various stakeholders.

## **PP: Covid-19 Response and Changed Practices – Service Areas**

Following an in-year change to the audit plan due to the pandemic, we examined the Covid-19 Response by service areas.

We found that Service wide pre-lockdown planning, the timely identification of required working practice changes, the preparation of 'preparedness for pandemic assessment' analysis alongside consideration of the Service's Business Continuity Plan ensured that the Service was well prepared. The Senior Management Team has worked collectively to maintain Peninsula Pensions services during the pandemic.

Remote access to IT systems has worked as planned, including the Pension Administration System (Altair), and Member Self-Service invaluable in these circumstances. Contingency arrangements were found to be sufficient but are yet to be reviewed in light of Covid-19, including documenting 'lessons learnt'.

Contingency arrangements are yet to be reviewed in light of Covid-19 including documenting 'lessons learnt', similarly the changed practices have not yet been subject to review, or reconsideration of risks and mitigating controls post implementation. Nor have related process documents been amended for all the changed practices or the Service Risk register updated although we acknowledge the latter is planned for during 2021.

We understand that formal review of changed practices and lessons learnt will take place at March 2021 (or post March lockdown).

Individual service area executive summaries are as follows

## **PP: Covid-19 Response and Changed Practices – Member Services (Substantial Assurance)**

Within the Member Services team, a requirement to use Member Self Service (MSS) or email where possible and to accept electronic evidence was implemented and for safe office working where MSS / email was not possible. Changes were effectively disseminated internally, and we note that Peninsula Pensions followed DCC corporate guidance in dealing with Covid-19 and took steps to ensure the safety of its staff. Appropriate and timely communications were made to Members.

We understand that internal and external deadlines are being met, and this is reflected in the reported performance data. In addition, we noted that there has been a reported increase in compliments received since lockdown and changed work practices.

## **PP: Covid-19 Response and Changed Practices – Employer Communications (Substantial Assurance)**

Within the Employer & Communications team, training was provided remotely, and a decision made to accept electronic signatures in line with LGPS and The Pensions Regulator guidance. Appropriate and timely communications were made to Employers throughout the pandemic to date. Changes were also effectively disseminated internally.

We understand that internal and external deadlines are being met, except for employer query tasks, and this is reflected in the reported performance data. We note that the Devon Pension Board has commended the Service on its performance during this period

**PP: Covid-19 Response and Changed Practices – Technical & Compliance** (Substantial Assurance)

Within the Technical & Compliance teams, the provision of remote in-house support and training, training of team members to provide additional support and cover to other Peninsula Services areas, review and amendment of the death process and ensuring continued compliance with guidance from the LGPS and the Pensions Regulator were all found to be effectively implemented. Changes were also effectively disseminated internally.

We understand that internal and external deadlines are being met and we note that the Devon Pension Board has commended the excellent performance of Peninsula Pensions staff during the difficult circumstances of the pandemic.

**PP: Covid-19 Response and Changed Practices – Overall Adaption** (Substantial Assurance)

Effective governance and strategic decision-making processes are in place in relation to the Peninsula Pensions response to the Covid-19 pandemic.

Risks and mitigating actions were identified at the outset. Business Continuity arrangements were effectively put in place in March 2020 and were found to be sufficient. We note that the Peninsula Pensions Business Continuity Plan and Peninsula Pensions Risk Register are due to be updated in 2021; the risk register review should include consideration of the wider economic and social impact of the pandemic

Requirements to adapt the Service were identified at a senior level, and associated decisions and actions are recorded and subject to ongoing monitoring. Formal review of these changes has not taken place yet, but we understand is planned for March 2021 (or post March lockdown) and should incorporate wider learning from Covid-19 that could in turn inform the review of the Business Continuity Plan.

We note that the Devon Pension Board has commended the excellent performance of Peninsula Pensions during the difficult circumstances of the pandemic

## Organisation Assurance Opinion definitions

| <b>Opinion</b>        | <b>Definitions</b>                                                                                                                                                                                                                                                                                       |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Substantial Assurance | A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.                                                                 |
| Reasonable Assurance  | There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.                           |
| Limited Assurance     | Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.                               |
| No Assurance          | Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives. |

## Individual Assignment Assurance Opinions definitions

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





## REVIEW OF ATTENDANCE

Report of the County Treasurer

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

Recommendation: that the Board be asked to review the attendance record in accordance with the Terms of Reference

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### 1. Summary

- 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.

### 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. Conclusion

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

Mary Davis  
County Treasurer

Electoral Divisions: All

**Local Government Act 1972:**

**List of Background Papers - Nil**

Contact for Enquiries: Charlotte Thompson

Tel No: 01392 381933 Room: G99

# Agenda Item 6

## Board Member Attendance 2020/21

| Board Meeting             |            |            |            |
|---------------------------|------------|------------|------------|
|                           | 06/07/2020 | 19/10/2020 | 22/01/2021 |
| <b>Fund Members</b>       |            |            |            |
| Bowman                    | Y          | Y          | Y          |
| Shipp                     | N          | Y          | Y          |
| Phillips                  | Y          | Y          | Y          |
| Bailey                    | Y          | Y          | Y          |
| <b>Fund Employers</b>     |            |            |            |
| Slade (DCC)               | Y          | Y          | Y          |
| Piper (South Devon Co)    | Y          | Y          | Y          |
| Hearn (Tavistock)         | Y          | Y          | Y          |
| Randall Johnson (DCC)     | Y          | Y          | Y          |
| <b>Independent member</b> |            |            |            |
| Nicholls                  | Y          | Y          | Y          |

## **PENSION FUND RISK REGISTER**

Mary Davis County Treasurer

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

The board is recommended to note the Pension Fund Register and the additional actions proposed to mitigate risk.

---

### **1. Summary**

- 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 22<sup>nd</sup> January 2021
- 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. 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. The register was last approved by the Committee at its meeting held on 19<sup>th</sup> June 2020.

### **2. Introduction**

- 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.

# Agenda Item 7

- 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.
- 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. Current Position

- 3.1. Risks B1 and B2 have been updated to reflect that the transition of investments to Brunel is almost complete. These risks have now been rated as low following the mitigations in place.
- 3.2. Market performance and recovery in 2020/21 has been strong following the lows experienced in March 2020. Risks F2 and F6 have been updated to note this performance.
- 3.3. Risk F1 has been updated to reflect the development of a dedicated sharepoint site to provide a training and knowledge base for Committee and pension board members.
- 3.4. There are now 48 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 |
|---------------------------|-------------------------------------|---------------------------------------------|
| <b>Devon Pension Fund</b> |                                     |                                             |
| High                      | 12                                  | 3                                           |
| Medium                    | 15                                  | 4                                           |
| Low                       | 3                                   | 23                                          |
| <b>Peninsula Pensions</b> |                                     |                                             |
| High                      | 3                                   | 1                                           |
| Medium                    | 6                                   | 2                                           |
| Low                       | 9                                   | 15                                          |

- 3.5. Action taken to mitigate risks has reduced the number of high risks from 15 to 4. The remaining high risks are in respect of;
- Market Crash leading to a failure to reduce the deficit (F6)
  - Investment strategy not providing sufficient returns longer term (F2)
  - Failure of the Pensions Administration system (PP17)
  - Cost implications of the McCloud judgement (F16).

## **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  
County Treasurer

Electoral Divisions: All

### **Local Government Act 1972:**

#### **List of Background Papers - Nil**

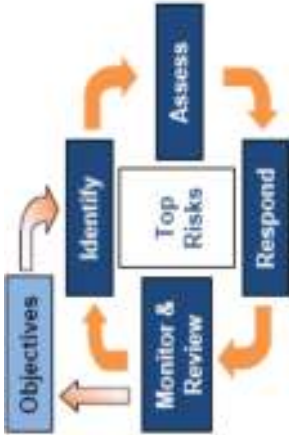
Contact for Enquiries: Charlotte Thompson

Tel No: 01392 381933      Room: G99



## Devon Pension Fund Risk Register

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.



| 1. Identify your risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2. Assess your risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 3. Respond to risks | 4. Monitor and Review |    |    |    |    |   |   |    |    |    |    |   |   |    |    |    |    |   |   |   |    |    |    |   |   |   |   |    |    |   |   |   |   |   |    |            |   |    |    |    |    |  |        |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|----|----|----|----|---|---|----|----|----|----|---|---|----|----|----|----|---|---|---|----|----|----|---|---|---|---|----|----|---|---|---|---|---|----|------------|---|----|----|----|----|--|--------|--|--|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Risk:</b> an event or action that will have affect our ability to achieve our <b>objectives</b></p> <p>Opportunities <b>and</b> Threats</p> <p>Event leads to Impact</p> <p>Identify in groups - by those responsible for delivery of the objectives</p> <p><b>When:</b></p> <p>Setting strategic aims</p> <p>Setting business objectives</p> <p>Early stages of project planning &amp; key stages</p> <p>Entering partnerships</p> <p><b>Categories can help:</b></p> <p>Political, Economic/Financial, Social, Technological, Legislative/Legal, Environmental, Community, Professional/Managerial, Physical, Partnership/Contractual.</p> | <p>Combination of the probability of an event and its consequences; Impact x Likelihood:</p> <table><tr><td></td><td>6</td><td>12</td><td>18</td><td>24</td><td>30</td></tr><tr><td>6</td><td>6</td><td>12</td><td>18</td><td>24</td><td>30</td></tr><tr><td>5</td><td>5</td><td>10</td><td>15</td><td>20</td><td>25</td></tr><tr><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td><td>20</td></tr><tr><td>3</td><td>3</td><td>6</td><td>9</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></tr><tr><td>LIKELIHOOD</td><td>6</td><td>12</td><td>18</td><td>24</td><td>30</td></tr><tr><td></td><td colspan="5">IMPACT</td></tr></table> <p><b>24 - 30 VERY HIGH (VIOLET)</b></p> <ul style="list-style-type: none"><li>• Immediate action</li></ul> <p><b>15 - 20 HIGH (RED)</b></p> <ul style="list-style-type: none"><li>• Regular review to seek better control</li></ul> <p><b>10 - 12 MEDIUM (AMBER)</b></p> <ul style="list-style-type: none"><li>• Review current controls / incorporate into action plan</li></ul> <p><b>1 - 9 LOW (YELLOW)</b></p> <ul style="list-style-type: none"><li>• Limited action - long term plans</li></ul> |                     | 6                     | 12 | 18 | 24 | 30 | 6 | 6 | 12 | 18 | 24 | 30 | 5 | 5 | 10 | 15 | 20 | 25 | 4 | 4 | 8 | 12 | 16 | 20 | 3 | 3 | 6 | 9 | 12 | 15 | 2 | 2 | 4 | 6 | 8 | 10 | LIKELIHOOD | 6 | 12 | 18 | 24 | 30 |  | IMPACT |  |  |  |  | <p>Concentrate on Top Risks:</p> <ul style="list-style-type: none"><li>• Set risk appetite</li><li>• Proportionate and cost-effective response</li></ul> <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> | <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>  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 12                  | 18                    | 24 | 30 |    |    |   |   |    |    |    |    |   |   |    |    |    |    |   |   |   |    |    |    |   |   |   |   |    |    |   |   |   |   |   |    |            |   |    |    |    |    |  |        |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                           |
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| LIKELIHOOD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 12                  | 18                    | 24 | 30 |    |    |   |   |    |    |    |    |   |   |    |    |    |    |   |   |   |    |    |    |   |   |   |   |    |    |   |   |   |   |   |    |            |   |    |    |    |    |  |        |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | IMPACT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                     |                       |    |    |    |    |   |   |    |    |    |    |   |   |    |    |    |    |   |   |   |    |    |    |   |   |   |   |    |    |   |   |   |   |   |    |            |   |    |    |    |    |  |        |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                           |

## Risks: Devon Pension Services


|                     |                 |             |                  |                |                     |
|---------------------|-----------------|-------------|------------------|----------------|---------------------|
| 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><b>A1: Accounting</b></p> <p>Cause:<br/>Lack of training/awareness around pension fund accounting regulations.</p> <p>Event:<br/>Non compliance with accounting regulations and fin regs.</p> <p>Impact:<br/>Reputational damage.<br/>Qualified accounts.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.<br/>29/08/2019 - Risk wording updated</p> | <p>Inherent status : 12 Medium</p> <p>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <a href="#">Mark Gayler</a></p> <p>Accountable officer: <a href="#">Angela Stirland</a></p> <p>Category: Compliance</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p> | <p><b>Green</b> Staff are kept up to date with changes to legislative requirements via network meetings, professional press, training and internal communication procedures.</p> <p><b>Green</b> 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><b>Green</b> Regular reconciliations are carried out between in-house records and those maintained by the custodian and investment managers.</p> <p><b>Green</b> Internal Audits are carried out on an annual basis.</p> <p><b>Green</b> External Audit review the Pension Fund's accounts annually.</p> |


| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>B1: Brunel Pension Partnership</b></p> <p>Cause:<br/>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:<br/>The management of the Pension Fund is adversely affected due to existing resources concentrating on the pooling proposal.</p> <p>Impact:<br/>Underperformance and failure to meet statutory obligations.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.<br/>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 : 9 Low (  3 )</p> <p>Risk owner: <a href="#">Mark Gayler</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category: Operational</p> <p>Last review: 05 Mar 2021</p> <p>Latest review details</p> <p>The Fund's fixed interest mandates are due to transition in April/May 2021, at which point the transition will be complete. The Fund's remaining non-Brunel holdings, comprising infrastructure and private debt investments will not transition, but will continue to be held until the end of the various fund lives. Brunel will move from the transition phase to a business as usual phase and the transition risk can be removed</p> | <p><b>Completed</b> 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><b>Completed</b> 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><b>Green</b> 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> |
| <p><b>B2: Brunel Pension Partnership</b></p> <p>Cause:<br/>There is a Failure to control operational risks and transaction costs during the transition process</p> <p>Event:<br/>Asset transition costs are greater than</p>                                                                                                                                                                                                                                                                                                                                                                                                                | <p>Inherent status : 16 High</p> <p>Current status : 9 Low (  3 )</p> <p>Risk owner: <a href="#">Mark Gayler</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category: Operational</p> <p>Last review: 05 Mar 2021</p> <p>Latest review details</p> <p>The Fund's fixed interest mandates are</p>                                                                                                                                                                                                                                                                                                                                                                                               | <p><b>Completed</b> 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>                                                                                                                                                                                                                                                                                                                                                                                                                                               |




| Risk details                                                                                                                                                                                                                                                                                                           | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| <p>forecast.<br/>Impact:<br/>An increase in the initial set-up costs forecast by the pooling proposal.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.</p>                                                                                                                                      | <p>due to transition in April/May 2021, at which point the transition will be complete. The Fund's remaining non-Brunel holdings, comprising infrastructure and private debt investments will not transition, but will continue to be held until the end of the various fund lives. Brunel will move from the transition phase to a business as usual phase and the transition risk can be removed. Impact assessment reduced to moderate as most transitions now complete.</p> | <p><b>Amber</b> 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><b>Green</b> 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><b>B3: Brunel Pension Partnership</b></p> <p>Cause:<br/>Ineffective governance of Brunel or departure of key people from Brunel<br/>Event:<br/>Ineffective management of the Fund's investments or at the extreme breakup of the partnership.<br/>Impact:<br/>Significant costs to the Fund and financial loss.</p> | <p><b>Inherent status : 16 High</b><br/><b>Current status : 12 Medium (  Unchanged)</b><br/>Risk owner: <b>Mark Gayler</b><br/>Accountable officer: <b>Mark Gayler</b><br/>Category: Operational<br/>Last review: 11 Jan 2021<br/>Latest review details<br/>Governance review remains amber, as still to be concluded.</p>                                                                  | <p><b>Completed</b> Shareholder agreement in place sets out governance framework.</p> <p><b>Green</b> Strong team now in place at Brunel, so not dependent on one or two key individuals.</p> <p><b>Green</b> Brunel have their own risk register which is regularly monitored both by the Brunel Board and the Oversight Board and Client Group.</p> <p><b>Amber</b> Governance review still to be concluded, with some key issues left unresolved.</p>                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                         | Status and Risk owner                                                                                                                                                                                                                                                                                                                           | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <p>Reputational damage.</p> <p><b>Cm1: Communication</b></p> <p>Cause:<br/>Inadequate communications plan and/or insufficient resource to action.</p> <p>Event:<br/>Insufficient communication and engagement with pension fund stakeholders.</p> <p>Impact:<br/>Damage to reputation.<br/>Uniformed policy decisions.<br/>Non compliance with legislation/best practice.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.</p> | <p>Inherent status : 12 Medium</p> <p>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Charlotte. Thompson</b></p> <p>Category: Operational</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p> | <p><b>Completed</b> A communications strategy is in place and was last reviewed and updated in November 2018.</p> <p><b>Green</b> The Devon Investment Services and Peninsula Pensions websites are kept up to date.</p> <p><b>Green</b> Fund Performance is reported to the Investment &amp; Pension Fund Committee on a regular basis.</p> <p><b>Green</b> Meetings are held regularly with the Fund's Employing Authorities.</p> <p><b>Green</b> Benefit illustrations are sent annually to contributing and deferred Fund members.</p> <p><b>Green</b> The contact list for employers is updated regularly.</p> <p><b>Green</b> Annual forums are held for employers and scheme members.</p> <p><b>Green</b> The annual report and accounts are published on the Peninsula Pensions website.</p> |
| <p><b>Cu1: Custody</b></p> <p>Cause:<br/>Changing economic climate, fraud or changing financial position of the Custodian.</p> <p>Event:<br/>Failure of Pensions custodian.</p> <p>Impact:</p>                                                                                                                                                                                                                                                       | <p>Inherent status : 12 Medium</p> <p>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Charlotte. Thompson</b></p> <p>Category: Operational</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p> | <p><b>Green</b> The custodian contract is subject to regular review and periodic re-tendering by the Brunel Pension Partnership.</p> <p><b>Completed</b> 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>                                                                                                                                                                                                                                                                                                                                                                 |

| Risk details                                                                                                                                                                                                                                                                                                                             | Status and Risk owner                                                                                                                                                                                                                                                                                                                                        | Mitigating controls                                                                                                                                                                                                                                                                      |
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| <p>Financial loss.<br/>Failure to decrease deficit.<br/>Adverse media interest/damage to reputation.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.<br/>29/08/2019 - Risk wording updated.</p>                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                              | <p><b>Green</b> The custodian must adhere to FCA and PRA financial regulations.</p> <p><b>Green</b> Fund assets are protected in the event of insolvency of the custodian</p>                                                                                                            |
| <p><b>D1: Data Protection</b></p> <p>Cause:<br/>Failure to secure and maintain pension fund systems.<br/>Event:<br/>Loss of sensitive data.<br/>Impact:<br/>Reputation risk. Financial loss arising from legal action.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.<br/>29/08/2019 - Risk wording updated.</p> | <p>Inherent status : 9 Low<br/>Current status : 6 Low (  Unchanged)</p> <p>Risk owner: <b>Charlotte. Thompson</b><br/>Accountable officer: <b>Mark Gayler</b><br/>Category: Operational<br/>Last review: 04 Dec 2020<br/>Latest review details<br/>Review of controls</p> | <p><b>Completed</b> It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's data protection policy.</p>                                                                                                                         |
| <p><b>F 1: Funding and Investments</b></p> <p>Cause:<br/>The committee Members and Investment Officers have insufficient knowledge of financial markets and inadequate investment and actuarial advice received.</p>                                                                                                                     | <p>Inherent status : 16 High<br/>Current status : 12 Medium (  Unchanged)</p> <p>Risk owner: <b>Mark Gayler</b><br/>Accountable officer: <b>Charlotte. Thompson</b><br/>Category: Financial<br/>Last review: 14 April 2021</p>                                          | <p><b>Green</b> The Investment Strategy is set in accordance with LGPS investment regulations.</p> <p><b>Green</b> The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee.</p> <p><b>Green</b> The Investment Strategy takes into</p> |


| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| <p>Event:<br/>The committee Members and Investment officers make inappropriate decisions.<br/>Impact:<br/>Poor fund performance/financial loss.<br/>Increased employer contribution costs.</p> <p>Notes<br/>13/08/2019 - Wording of risk updated and category added.<br/>25/02/2020 - Wording of mitigation updated to reflect delay in producing handbook due to delay in new website<br/>14/04/2021 – Wording of mitigation updated to note development of dedicated sharepoint site for training and knowledge base.</p> | <p>Latest review details<br/>Controls reviewed. Training can be delivered virtually where required</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>account the Fund's liabilities.<br/><b>Green</b> DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy.<br/><b>Green</b> An Annual Training Plan has been agreed for 2020/21. Training programmes are available for Committee Members and Investment Staff. This can be delivered virtually where required<br/><b>Green</b> Members and Officers are encouraged to challenge advice and guidance received when necessary.<br/><b>Amber</b> Sharepoint site dedicated to training and knowledge in development and will be used for new members to the board and committee in 2021.</p> |
| <p><b>F 2: Funding and Investments</b></p> <p>Cause:<br/>The Pension Fund's investment strategy and /or Fund Managers fail to produce the required returns.<br/>Event:<br/>The Pension Fund has insufficient assets to meet its long term liabilities.<br/>Organisational changes / manager departures at a Fund Manager damage performance.<br/>Impact:</p>                                                                                                                                                                | <p>Inherent status : 20 High<br/>Current status : 15 High (  Unchanged)<br/>Risk owner: <b>Mark Gayler</b><br/>Accountable officer: <b>Mark Gayler</b><br/>Category: Financial<br/>Last review: 16 Mar 2021<br/>Latest review details<br/>Returns during 2019/20 were severely impacted as a result of the Coronavirus COVID-19 pandemic. Markets have subsequently recovered with a return of over 20% in the nine months to December 2020, and the roll out of the vaccination</p> | <p><b>Green</b> Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2019 actuarial valuation includes provision for the fund to achieve full funding over 19 years.<br/><b>Green</b> 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.<br/><b>Green</b> The investment strategy is reviewed annually by the Pension Fund Committee with</p>                                                                           |

| Risk details                                                                | Status and Risk owner                                                                                                                                                                                    | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| Financial loss.<br>Insufficient funds available to meet future obligations. | programme has provided more hope to investors. It is still likely that there will be a long lasting impact on the global economy, however the mitigations are still relevant re longer term performance. | advice from the External Investment Advisor to determine whether any action needs to be taken to amend the fund's asset allocation strategy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Notes<br>13/08/2019 - Wording of risk updated and category added.           |                                                                                                                                                                                                          | <p><b>Green</b> 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><b>Green</b> Fund-specific benchmarks and targets are set.</p> <p><b>Green</b> Fund assets are kept under regular review as part of the Fund's performance management framework.</p> <p><b>Green</b> 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><b>Completed</b> The depth of expertise in the fund managers' teams have been assessed as part of the appointment process.</p> <p><b>Green</b> 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><b>Green</b> The Investment and Pension Fund Committee have the power to terminate a fund</p> |


| Risk details                                                                                                                                                                                                             | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                  | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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|                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>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><b>Completed</b> 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><b>Green</b> From April 2018, responsibility for new fund manager appointments and monitoring of the new managers appointed transferred to the Brunel Pension Partnership. The Devon Fund still has incumbent managers to monitor, but will primarily need to focus on monitoring of Brunel's performance.</p> |
| <p><b>F 3: Funding and Investments</b></p> <p>Cause:<br/>Investment arrangements are structured poorly.<br/>Event:<br/>The fund is exposed to unnecessary risks and avoidable costs.<br/>Impact:<br/>Financial loss.</p> | <p><b>Inherent status : 10 Medium</b><br/> <b>Current status : 8 Low (  Unchanged)</b><br/>           Risk owner: <b>Mark Gayler</b><br/>           Accountable officer: <b>Mark Gayler</b><br/>           Category: Operational<br/>           Last review: 24 Aug 2020<br/>           Latest review details<br/>           Controls reviewed and confirmed.</p> | <p><b>Green</b> 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><b>Green</b> IMA disclosure tables are reviewed to ensure best execution by managers.</p> <p><b>Green</b> The new cost transparency initiative should ensure full transparency of costs</p> <p><b>Green</b> Specialist services (e.g. transitions, currency transfers) are considered where</p>                                                                                                                                                                                                                                                                                                                                                                                 |

| Risk details                                                                                                                                                                                                                                                                                                                                        | Status and Risk owner                                                                                                                                                                                                                                                                                                                             | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <p>Notes</p> <p>13/08/2019 - Risk wording updated and category added.</p>                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                   | <p>appropriate in order to reduce costs.</p> <p><b>Green</b> Banking and custodian arrangements are reviewed and re-tendered when appropriate.</p> <p><b>Green</b> The Brunel Pension Partnership has been set up as part of the investment pooling requirements of Government. The investment arrangements under Brunel should provide for improved risk management and better risk adjusted investment returns</p>                                                                                                                                                                                                                                                                                                                                               |
| <p><b>F 4: Funding and Investments</b></p> <p>Cause:</p> <p>Inadequate risk management policies on Environmental, Social and Governance Issues.</p> <p>Lack of awareness/training.</p> <p>Event:</p> <p>The fund fails to manage environmental, social and governance risks.</p> <p>Impact:</p> <p>Financial loss.</p> <p>Damage to reputation.</p> | <p><b>Inherent status : 15 High</b></p> <p><b>Current status : 8 Low</b> ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Operational</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and updated</p> | <p><b>Green</b> The Fund requires the Brunel Pension Partnership, and its other fund managers, to monitor and manage the risks associated with ESG issues, and will review with managers on a regular basis how they are managing those risks. Brunel has a leading reputation for responsible investment.</p> <p><b>Green</b> 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><b>Green</b> 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>                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p><b>F 5: Funding and Investments</b></p> <p>Cause:</p>                                                                                                                                                                                                                                                                                            | <p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 9 Low</b> ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <b>Mark Gayler</b></p>                                                                                                                                                                             | <p><b>Green</b> The Fund has considered the financial stability of managers during past appointment processes and the situation is kept under review.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |




| Risk details                                                                                                                                                                                                                                                              | Status and Risk owner                                                                                                                                                                                                                                                                                                                            | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <p>Collapse of a fund manager.<br/>Fraudulent activity (Internal/external).<br/>Event:<br/>Negligent or wilful loss of pension funds.<br/>Impact:<br/>Inability to meet financial obligations.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.</p> | <p>Accountable officer: <a href="#">Mark Gayler</a><br/>Category: Financial<br/>Last review: 24 Aug 2020<br/>Latest review details<br/>Controls reviewed and updated</p>                                                                                                                                                                         | <p>Future selection processes will be the responsibility of the Brunel Pension Partnership. When Brunel is selecting managers we would expect them 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><b>Completed</b> DCC use a global custodian service to ensure that there exists a separation of investment management arrangements from custody of assets.</p> <p><b>Completed</b> Legal requirements are in place for fund managers and are set out in the investment management agreements.</p> <p><b>Green</b> Fund managers are required to be fully compliant with FCA, PRA and other regulatory requirements.</p> <p><b>Green</b> 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> |
| <p><b>F 6: Funding and Investments</b></p> <p>Cause:<br/>Global financial crisis.<br/>Substantial political changes.<br/>Event:<br/>The market crashes, reducing the value</p>                                                                                            | <p>Inherent status : 20 High<br/>Current status : 16 High (  Unchanged)<br/>Risk owner: <a href="#">Mark Gayler</a><br/>Accountable officer: <a href="#">Mark Gayler</a><br/>Category: Financial<br/>Last review: 16 Mar 2021<br/>Latest review details</p> | <p><b>Green</b> 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><b>Amber</b> Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |





| Risk details                                                                                                                                                                                                                                                                                                                                              | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                               | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <p>of investments.<br/>Impact:<br/>The deficit increases, or there is a failure to reduce the deficit.<br/>Financial loss.<br/>Increased employer contribution costs.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.</p>                                                                                                          | <p>Markets incurred significant losses as a result of the Coronavirus COVID-19 pandemic. This had a significant impact on the value of the Fund as at 31 March 2020. Markets have subsequently recovered and the roll out of the vaccination programme has provided hope to investors. However, it is likely that there will be a long lasting impact on the global economy, hence uncertainty remains.</p>                                         | <p>flexibility to rebalance the portfolio in a timely manner.</p> <p><b>Green</b> The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p><b>F 7: Funding and Investments</b></p> <p>Cause:<br/>Substantial changes to UK or global economies.<br/>Event:<br/>Pay and price inflation are higher than anticipated.<br/>Impact:<br/>There is an increase in liabilities which exceeds the previous valuation estimate.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.</p> | <p><b>Inherent status : 12 Medium</b><br/><b>Current status : 9 Low (  +3 )</b><br/>Risk owner: <b>Mark Gayler</b><br/>Accountable officer: <b>Mark Gayler</b><br/>Category: Strategic<br/>Last review: 24 Aug 2020<br/>Latest review details<br/>Controls reviewed and updated. High global inflation not seen as likely in the current economic conditions</p> | <p><b>Green</b> The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases.</p> <p><b>Green</b> 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><b>Green</b> 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><b>Green</b> The Committee has received training on understanding liabilities and potential approaches to Liability Driven Investment.</p> <p><b>Completed</b> 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&amp;PFC in September 2015, and</p> |



| Risk details                                                                                                                                                                                                                                                                                                                                                           | Status and Risk owner                                                                                                                                                                                                                                                                                                                                       | Mitigating controls                                                                                                                                                                                                                                                                        |
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|                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                             | 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><b>F 8: Funding and Investments</b></p> <p>Cause:<br/>Public services are cut and ill health increases.</p> <p>Event:<br/>There is an increase in the number of early retirements.</p> <p>Impact:<br/>There is an increase in liabilities which exceeds the previous valuation estimate.</p> <p>Notes<br/>13/08/2019 - Risk wording changed and category added.</p> | <p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 6 Low ( <input checked="" type="checkbox"/> Unchanged)</b></p> <p>Risk owner: <b>Charlotte. Thompson</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Strategic</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p> | <p><b>Green</b> Employers are charged the extra capital cost of non ill health retirements following each individual decision.</p> <p><b>Green</b> Employer ill health retirement experience is monitored.</p>                                                                             |
| <p><b>F 9: Funding and Investments</b></p> <p>Cause:<br/>The average life expectancy of pensioners is greater than assumed.</p> <p>Event:<br/>The actuarial assumptions are incorrect.</p> <p>Impact:<br/>There is an increase in liabilities which exceeds the previous valuation estimate.</p>                                                                       | <p><b>Inherent status : 16 High</b></p> <p><b>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</b></p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Strategic</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and updated</p>             | <p><b>Green</b> Life expectancy assumptions are reviewed at each triennial valuation. For the 2022 Valuation this will include a review of the impact of COVID19 on mortality.</p> <p><b>Green</b> Mortality assumptions include an allowance for future increases in life expectancy.</p> |

| Risk details                                                                                                                                                                                                                                                                                                                                     | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                            | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| Notes<br>13/08/2019 - Risk wording updated and category added.                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>F10: Funding and Investments</b><br><br>Cause:<br>Inadequate training.<br>Availability of staff.<br>Cashflow issues for employers<br>Event:<br>Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately.<br>Impact:<br>There are increased costs across all remaining scheme employers. | <b>Inherent status : 12 Medium</b><br><b>Current status : (9 – Low Unchanged)</b><br>Risk owner: <b>Mark Gayler</b><br>Accountable officer: <b>Martyn Williams</b><br>Category: Operational<br>Last review: 31 Mar 2020<br>Latest review details<br>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 | <b>Completed</b> The team has procedures in place to monitor the receipt of contributions to the fund.<br><b>Green</b> The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately.<br><b>Green</b> Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.                                         |
| Notes<br>13/08/2019 - Risk wording updated and category added.                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>F11: Funding and Investments</b><br><br>Cause:<br>An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.<br>Event:<br>Departing employer does not fully meet their liabilities.<br>Impact:                                                                   | <b>Inherent status : 12 Medium</b><br><b>Current status : 6 Low ( <input checked="" type="checkbox"/> Unchanged)</b><br>Risk owner: <b>Charlotte. Thompson</b><br>Accountable officer: <b>Mark Gayler</b><br>Category: Financial<br>Last review: 24 Aug 2020<br>Latest review details<br>Controls reviewed and updated                                                                                                           | <b>Green</b> 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.<br><b>Green</b> The Actuary has an objective of keeping contributions as stable as possible whilst ensuring the long term solvency of the Fund.<br><b>Green</b> Outstanding liabilities will be assessed and |

| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                            | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                     | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| <p>Increased costs across the remaining scheme employers.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.</p>                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                           | <p>recovered from any successor bodies or spread amongst remaining employers.</p> <p><b>Green</b> The actuarial valuation attempts to balance recovery period with risk of withdrawal.</p> <p><b>Green</b> If necessary, appropriate legal action will be taken.</p> <p><b>Completed</b> An Employer Covenant Risk Assessment was undertaken by the Fund Actuary, Barnett Waddingham, in conjunction with the 2019 Triennial Valuation of the Fund.</p> <p><b>Green</b> Bond levels for each relevant employer are re-assessed following each triennial actuarial valuation.</p> |
| <p><b>F12: Funding and Investments</b></p> <p>Cause:<br/>The Government's 'Freedom and Choice' legislation.</p> <p>Event: A significant number of LGPS members transfer their pension pots to other pensions providers.</p> <p>Impact:<br/>Significant cashflow out of the Fund.<br/>Reduction in assets greater than reduction in the Fund's liabilities.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category updated.</p> | <p>Inherent status : 9 Low</p> <p>Current status : 6 Low (  Unchanged)</p> <p>Risk owner: <b>Charlotte. Thompson</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Financial</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p> | <p><b>Green</b> Effective communication of the benefits of remaining in the LGPS.</p> <p><b>Green</b> Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability.</p>                                                                                                                                                                                                                                                                                                                                                           |

| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                      | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mitigating controls                                                                                                                                                                                                                                                                                                                             |
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| <p><b>F13: Funding and Investments</b></p> <p>Cause:<br/>Significant economic instability and slowdown as a result of the decision to leave the European Union,<br/>Event:<br/>Lower investment returns.<br/>Impact:<br/>Financial loss, and/or failure to meet return expectations.<br/>Increased employer contribution costs.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.<br/>29/08/2019 - Risk wording updated.</p> | <p>Inherent status : 12 Medium<br/>Current status : 8 Low (  8 )<br/>Risk owner: <a href="#">Mark Gayler</a><br/>Accountable officer: <a href="#">Mark Gayler</a><br/>Category: Financial<br/>Last review: 14 Jan 2021<br/>Latest review details<br/>A deal was agreed at the end of December, which has significantly reduced the level of uncertainty. However, there is still likely to be some economic disruption as arrangements settle down, and areas not covered by the deal are addressed.<br/>However, the level of risk is now reduced.</p> | <p><b>Amber</b> The long term nature of the Fund's liabilities provides some mitigation, as the impact of "Brexit" will reduce over time.<br/><b>Green</b> Diversification of the Fund's investments across the world, including economies where the impact of "Brexit" is likely to be smaller.</p>                                            |
| <p><b>F14: Funding and Investments</b></p> <p>Cause:<br/>UK Leaving the EU.<br/>Event:<br/>Updated Legislative and regulatory requirements.<br/>Impact:<br/>Additional work to ensure compliance.<br/>Fines for noncompliance.<br/>Damage to reputation.<br/>Loss of members.</p> <p>Notes</p>                                                                                                                                                    | <p>Inherent status : 12 Medium<br/>Current status : 8 Low (  Unchanged )<br/>Risk owner: <a href="#">Mark Gayler</a><br/>Accountable officer: <a href="#">Charlotte. Thompson</a><br/>Category: Compliance<br/>Last review: 24 Aug 2020<br/>Latest review details<br/>Controls reviewed and confirmed</p>                                                                                                                                                                                                                                               | <p><b>Amber</b> The Government is likely to ensure that much of current EU regulation is enshrined in UK law.<br/><b>Green</b> 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> |

| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                         | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                      | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| 13/08/2019 - Risk wording updated and category added.                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>F15: Funding and Investments</b></p> <p>Cause:<br/>There is a failure to meet the requirements of the Markets in Financial Instruments Directive II.</p> <p>Event:<br/>The Devon fund is downgraded to retail client status.</p> <p>Impact:<br/>Assets are sold at less than fair value .<br/>The Fund is unable to access a range of investment opportunities.<br/>Failure to meet return expectations.<br/>Reduction in diversification.</p> | <p>Inherent status : 12 Medium</p> <p>Current status : 6 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <a href="#">Mark Gayler</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category: Strategic</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p>                                                    | <p><b>Completed</b> All the Fund's current fund managers and financial counterparties have accepted Devon's application for elective professional client status.</p> <p><b>Green</b> Robust training plan to ensure committee and officers have required knowledge and experience to meet the qualitative criteria to opt up.</p> <p><b>Completed</b> 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> |
| <p>Notes</p> <p>13/08/2019 - Risk wording updated and category added.</p>                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>F16: Funding and Investments</b></p> <p>Cause:<br/>Remedies resulting from McCloud and Sargeant legal cases.</p> <p>Event:<br/>Significant additional pension liabilities for the Fund.</p> <p>Impact:<br/>Increased employer contribution costs.</p>                                                                                                                                                                                          | <p>Inherent status : 16 High</p> <p>Current status : 15 High ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <a href="#">Mark Gayler</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category: Strategic</p> <p>Last review: 17 Feb 2021</p> <p>Latest review details</p> <p>The consultation on proposals to remedy the discrimination has now closed, but the</p> | <p><b>Amber</b> A level of prudence was incorporated into the 2019 Triennial Valuation to take account of the potential consequences of McCloud/Sargeant</p>                                                                                                                                                                                                                                                                                                                                                                                                           |

| Risk details                                                                                                                                                                                                                                                                                                                       | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <p>Notes</p> <p>13/08/2019 - Risk wording updated and category added.</p> <p>29/08/2019 - Risk wording updated.</p>                                                                                                                                                                                                                | <p>Government response is awaited.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p><b>F17: Funding and Investments</b></p> <p>Cause:<br/>Climate Change</p> <p>Event:<br/>Impact on investee companies of the consequences of climate change and the transition to a low carbon economy</p> <p>Impact:<br/>Financial loss and/or failure to meet return expectations<br/>Increases employer contribution costs</p> | <p>Inherent status : 16 High</p> <p>Current status : 12 Medium (  Unchanged)</p> <p>Risk owner: <a href="#">Mark Gayler</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category:</p> <p>Last review: 11 Jan 2021</p> <p>Latest review details</p> <p>Carbon footprint assessed as at 31 March 2019 and 31 December 2019, showing a 21% reduction in Weighted Average Carbon Intensity. The Fund is targeting a 7% per annum reduction in its carbon footprint on an ongoing basis.</p> | <p><b>Completed</b> 100% of Brunel's portfolios, across all asset classes, are carbon and climate aware. Consideration of climate change impacts is fully embedded into their manager selection process</p> <p><b>Green</b> Brunel integrates climate change into their risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, and seek to reduce unrewarded climate and carbon risk.</p> <p><b>Green</b> The Devon Fund requires its non-Brunel investment managers to take climate change risks into account, engage with companies over their approach to climate change issues and report back regularly.</p> <p><b>Green</b> The Devon Fund will undertake an annual assessment of the carbon footprint of its investments. The assessment as at 31 December 2019 showed a 21% reduction in the Weighted Average Carbon Intensity of the Fund's equity investments compared with 31 March 2019</p> |
| <p><b>F18: Funding and Investments</b></p> <p>Cause:<br/>Bank of England move to negative</p>                                                                                                                                                                                                                                      | <p>Inherent status : 8 Low</p> <p>Current status : 8 Low (  Unchanged)</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p>                                                                                                                                                                                                                                                                                                                | <p><b>Green</b> Cash balances to remain low</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Status and Risk owner                                                                                                                                                                                                                                                                                                                                       | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <p>interest rates</p> <p>Event:</p> <p>Money Market funds go negative</p> <p>Impact:</p> <p>No or negative return on cash balances held</p> <p>which could impact on investment returns</p>                                                                                                                                                                                                                                                                                                                                                                                       | <p>Category: Financial</p> <p>Last review: 01 Jan 2021</p> <p>Latest review details</p>                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p><b>G1: Governance Arrangements</b></p> <p>Cause:</p> <p>The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board.</p> <p>Event:</p> <p>The administering authority is non compliant with legislation and/or best practice.</p> <p>Impact:</p> <p>There is an inability to determine policy.</p> <p>There is an inability to make effective decisions.</p> <p>There is an inability to deliver service.</p> <p>Negative impact on reputation.</p> <p>Notes</p> <p>13/08/2019 - Wording of risk updated.</p> | <p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 8 Low ( <input checked="" type="checkbox"/> Unchanged)</b></p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Charlotte. Thompson</b></p> <p>Category: Strategic</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p> | <p><b>Completed</b> DCC has produced a Governance Policy and Compliance Statement, as required by regulation 31 of the LGPS Regulations 2008.</p> <p><b>Green</b> 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><b>Completed</b> The Statement is published on the Devon Pensions website:<br/> <a href="https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/">https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/</a></p> <p><b>Green</b> Pension fund stakeholders are made aware of the Statement.</p> <p><b>Completed</b> 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><b>Green</b> The Committee review and approve the annual statement of accounts of the Devon Pension Fund, consider whether appropriate accounting policies have been followed and</p> |



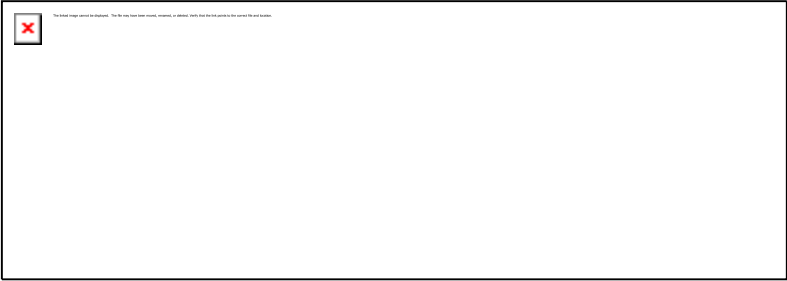
| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>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><b>Completed</b> A Pension Board has been established as required by the Public Service Pension Act 2013.</p> <p><b>Green</b> Support and training are being provided to ensure that the Board is equipped to undertake its role.</p>                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>G2: Governance Arrangements</b></p> <p>Cause:<br/>Poor governance arrangements.</p> <p>Event:<br/>The Investment and Pension Fund Committee and Pension Board are unable to fulfil their responsibilities effectively.</p> <p>Impact:<br/>Non-compliance with legislation and/or best practice.<br/>There is an inability to determine policy, make effective decisions and/or deliver service.<br/>There is a risk to reputation.<br/>Possibility of fines/sanctions.</p> <p>Notes<br/>13/08/2019 - Wording of risk updated and category added.</p> | <p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</b></p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Charlotte. Thompson</b></p> <p>Category: Operational</p> <p>Last review: 05 Mar 2021</p> <p>Latest review details</p> <p>Updated re Provision of on-line alternative means of delivering on-line training due to Coronavirus pandemic, and current position re provision of web-based member handbook</p> | <p><b>Green</b> 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><b>Green</b> An Annual Training Plan is agreed by the Committee and Pension Board on an annual basis. The plan has been adapted to ensure provision of on-line sessions given the Coronavirus pandemic</p> <p><b>Green</b> A training and induction programme is available for new Committee and Pension Board Members.</p> <p><b>Amber</b> Committee and Pension Board members are asked to complete the Pension Regulator Trustee Toolkit.</p> <p><b>Green</b> The Fund subscribes to relevant bodies (e.g. CIPFA, LAPFF, PLSA) and sends representatives to major conferences.</p> |

| Risk details                                                                                                                                                                                                                                                                                                                                                                             | Status and Risk owner                                                                                                                                                                                                                                                                                                    | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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|                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                          | <p><b>Green</b> 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><b>Green</b> 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><b>Amber</b> Following discussion at the Pension Board in April 2019, officers are working on the compilation of a web-based handbook/manual for Board and Committee members.</p>                                                                                                                                                  |
| <p><b>I1: Internal</b></p> <p>Cause:<br/>Concentration of knowledge in a small number of staff.</p> <p>Event:<br/>Loss of staff leading to a breakdown in internal processes and service delivery.</p> <p>Impact:<br/>Financial loss and potential risk to reputation.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.<br/>29/08/2019 - Risk wording updated.</p> | <p><b>Inherent status : 16 High</b></p> <p><b>Current status : 12 Medium (Unchanged)</b></p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Charlotte. Thompson</b></p> <p>Category: Strategic</p> <p>Last review: 05 Mar 2021</p> <p>Latest review details</p> <p>Controls reviewed and confirmed</p> | <p><b>Green</b> The Investment Manager is able to cover in the absence of the Assistant County Treasurer.</p> <p><b>Completed</b> 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><b>Green</b> Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff.</p> <p><b>Green</b> Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process.</p> <p><b>Green</b> A formal training record for officers is</p> |

| Risk details                                                                                                                                                                                                                                                              | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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|                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>maintained centrally.</p> <p><b>Green</b> A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken.</p> <p><b>Green</b> The Devon Investment Services procedure manual will continue to be refined and updated on an ongoing basis.</p> <p><b>Green</b> Ensure the review of CIPFA's knowledge and skills framework relating to officers results in key outcomes being delivered.</p>                                                                                                                                                                                                                                                                                          |
| <p>I2: Internal</p> <p>Cause:<br/>Inadequate treasury management practices.</p> <p>Event:<br/>Fraud, corruption or error.</p> <p>Impact:<br/>Risk of financial loss.<br/>Damage to reputation.</p> <p>Notes<br/>13/08/2019 - Risk wording updated and category added.</p> | <p>Inherent status : 12 Medium</p> <p>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: <a href="#">Mark Gayler</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category: Operational</p> <p>Last review: 24 Aug 2020</p> <p>Latest review details</p> <p>Controls reviewed and updated. Enforced working at home as a result of the Coronavirus pandemic has demonstrated the effectiveness of the processes in place working remotely</p> | <p><b>Green</b> Counterparty transactions are authorised by senior staff outside of the investment team.</p> <p><b>Green</b> All staff are covered by fidelity insurance up to £15 million</p> <p><b>Green</b> Sufficient members in the team to cover absence and leave - a weekly planner is produced in order to review cover requirements.</p> <p><b>Green</b> Appropriate separation of duties exists.</p> <p><b>Green</b> Treasury Management Practices are reviewed and updated regularly.</p> <p><b>Green</b> Up to date financial regulations and practices.</p> <p><b>Green</b> Processes in place ensure that all elements of the daily treasury management activity can be carried out remotely away from the office.</p> |



14 Apr 2021




## Risks: 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                                                                                                                                                                                                                                                                                                                                                                        |
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| <b>PP1 Annual Benefit Statements</b><br><br>Cause/s<br>Staffing Absences<br>ICT Failures<br>Poor data quality<br>Event<br>Annual Benefit statements are not sent to active and deferred members by 31st August.<br>Impact<br>Fines from the regulator<br>Damage to reputation<br>Increased complaints from Members<br>Increased demand on resources to rectify the situation<br>Creation of a backlog of other tasks due to diverted resource. | Inherent status : 8 Low<br>Current status : 6 Low ( <input type="checkbox"/> Unchanged)<br>Risk owner: <a href="#">Daniel Harris</a><br>Accountable officer: <a href="#">Martin Oram</a><br>Category: Operational<br>Last review: 22 Jan 2021<br>Latest review details<br>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021. | <b>Green</b> • Project management approach • Regular contact with employers to obtain data. • Monthly interfacing to reduce workload at year end • Statements to employers for 31/07 to allow time for distribution to staff prior to 31/08<br><br><b>Amber</b> We are looking to increase employer take up of monthly interfaces and are exploring options to improve software processes. |



| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                    | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <p>PP2 Failure to provide Basic information about the LGPS</p> <p>Cause/s<br/>Inability to access basic LGPS information via the website due to IT issues or non publication.<br/>Starter Packs not being sent and/or received by members.<br/>General scheme literature not being made available to members.<br/>LGPS Administration team not informed of new members.<br/>Event<br/>Failure to make available provide Basic information about the LGPS including: how benefits are worked out; how member and employer contributions are calculated.<br/>Impact<br/>Negative reporting by or fines from the Pension's regulator.<br/>Damage to reputation.</p> | <p>Inherent status : 10 Medium</p> <p>Current status : 8 Low ( <input type="checkbox"/> Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</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>PP3 - Non-compliance with legislation and failure to correctly implement new legislation and regulations</p> <p>Cause<br/>Lack of structure/process to identify new legislation as it is released.<br/>Event</p>                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>Inherent status : 12 Medium</p> <p>Current status : 6 Low ( <input type="checkbox"/> Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain</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</p>                                                                                                                                                         |



| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                         | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| <p>Non-compliance with legislation/regulations.<br/>Impact<br/>Incorrect benefit payments.<br/>Damage to reputation.<br/>Fines from Regulators.</p>                                                                                                                                                                                                                                                                                                                                             | <p>appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p>                                                                                                                                                                                                                                                                                                                                                      | <p>Review. The team has commenced delivering training across the teams.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>PP4 - Failure of employing authority to provide timely and accurate member data</p> <p>Cause<br/>Employing authorities not fulfilling their responsibilities.<br/>Event<br/>Delays in the provision of pensions member data.<br/>Inaccuracies in the pension member data.<br/>Impact<br/>Incorrect benefit calculations.<br/>Financial Loss due to compensation to members.<br/>Incorrect benefit payments<br/>Delays to payments<br/>Additional work to request and correct information</p> | <p>Inherent status : 12 Medium<br/>Current status : 9 Low (  Unchanged)<br/>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p> | <p><b>Green</b> Pension Administration Strategy in place since April 2015 and was revised in 2020. Employer duties are clearly identified in the PAS. Ability to fine employers is provided for in PAS and LGPS regulations.</p> <p><b>Green</b> Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors.</p> <p><b>Green</b> Outstanding data queries are passed to Employer and Communications Team to monitor</p> <p><b>Completed</b> Guidance available on website</p> <p><b>Green</b> Individual employer meetings include review of employer performance</p> <p><b>Amber</b> 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <p>PP6 - Communication of Entitlements</p> <p>Cause<br/>Insufficient communication and engagement with LGPS scheme members/employers.</p> <p>Event<br/>Employers and or Members are not made aware of their entitlements within LGPS resulting in<br/>Non-compliance with legislation and/or best practice.</p> <p>Impact<br/>Inability to determine policy<br/>Employees not joining the scheme.<br/>Inability to make effective decisions and/or deliver service</p> | <p>Inherent status : 12 Medium</p> <p>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: Daniel Harris</p> <p>Accountable officer: Martin Oram</p> <p>Category: Operational</p> <p>Last review: 22 Jan 2021</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</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> |




| Risk details                                                                                                                                                                                                                                                                                                                                              | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                            | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>PP7 - Non Payment of Pension Benefits</p> <p>Cause<br/>Systems Failures<br/>Lack of information from employers<br/>Poor internal processes<br/>Event<br/>Pension benefits are not paid.<br/>Impact<br/>Damage to Reputation.<br/>Financial loss arising from compensation claims.</p>                                                                  | <p>Inherent status : 12 Medium<br/>Current status : 8 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p> | <p>Green The payroll system is set up to pay pensioners monthly.</p> <p>Green Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure</p> <p>Green The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems.</p> <p>Amber Fully updated Pensioner Payroll Manual is now in place. An online training resource is being developed.</p> |
| <p>PP8 - Payment to deceased pensioners</p> <p>Cause<br/>LGPS Information is not updated as circumstances change.<br/>Poor internal processes.<br/>Event<br/>Pension benefits continue to be paid to deceased pensioners.<br/>Impact<br/>Damage to Reputation.<br/>Financial loss arising from overpayments.<br/>Additional resource to recover funds</p> | <p>Inherent status : 8 Low<br/>Current status : 6 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p>     | <p>Green All pensioners are contacted annually.</p> <p>Green Pension suspended if post is returned</p> <p>Green Pensioners are incorporated into National Fraud Initiative</p> <p>Green Further targeted checks are conducted with credit reference agencies as appropriate</p> <p>Green Monthly mortality screening is undertaken and any positive matches</p>                                                                                                                  |



| Risk details                                                                                                                                                                                                                                                                                                                                    | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                        | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>are ceased immediately</p> <p><b>Green</b> Western Union overseas existence service undertaken bi annually</p> <p><b>Green</b> Tell us once service has been rolled out to LGPS. All relevant staff now have access and we are using fully utilising the service.</p>                                                                                                                                     |
| <p><b>PP9 - Pensions transferred to other providers</b></p> <p>Cause<br/>Take up of Freedom of Choice Legislation.</p> <p>Event<br/>LGPS members transfer their pension pots to other pensions providers.</p> <p>Impact<br/>Significant cashflow out of the Fund.<br/>Reduction in assets greater than reduction in the Fund's liabilities.</p> | <p>Inherent status : 9 Low<br/>Current status : 6 Low (  Unchanged)</p> <p>Risk owner: <b>Daniel Harris</b><br/>Accountable officer: <b>Martin Oram</b><br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p>   | <p><b>Green</b> Effective communication of the benefits of remaining in the LGPS.</p> <p><b>Green</b> Actuarial calculation of transfer value should ensure current fair value and not be detrimental to the fund.</p> <p><b>Green</b> CLG monitoring CETVs nationwide and reviewing accordingly (may introduce regulations amendments to prohibit if thought necessary)</p>                                 |
| <p><b>PP10 - Data and System Security</b></p> <p>Cause<br/>Insecure pensions and administration data.</p> <p>Event<br/>Loss/disclosure of Sensitive Data/Information.</p> <p>Impact<br/>Financial costs from legal action.<br/>Fines from ICO.</p>                                                                                              | <p>Inherent status : 9 Low<br/>Current status : 6 Low (  Unchanged)</p> <p>Risk owner: <b>Daniel Harris</b><br/>Accountable officer: <b>Martin Oram</b><br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p> | <p><b>Green</b> Access and security controls exist and the system is tested regularly by Heywoods and PP.</p> <p><b>Green</b> The system is subject to regular checks by internal audit.</p> <p><b>Green</b> 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</p> |

| Risk details                                                                                                                                                                                                                                                                | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                        | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                              | also undertake GDPR training. A GDPR refresher will be rolled out to all staff during 2020/21.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>PP11 - Personal Member Data</p> <p>Cause<br/>Error when printing/sorting/compiling data.<br/>Poor internal processes.</p> <p>Event<br/>Information issued to the wrong person/organisation.</p> <p>Impact<br/>Financial Costs from legal action.<br/>Fines from ICO.</p> | <p>Inherent status : 9 Low<br/>Current status : 6 Low (  Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p> | <p><b>Green</b> 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><b>Completed</b> 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><b>Completed</b> Internal E-Learning training 'Sharing personal data' was also undertaken by whole office during March 2018</p> <p><b>Amber</b> 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<br/>Departure or non-availability of staff who hold key knowledge.</p> <p>Event<br/>Breakdown in internal processes and service delivery.</p>                                                                                   | <p>Inherent status : 16 High<br/>Current status : 12 Medium (  Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Strategic<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain</p>                                                             | <p><b>Green</b> Knowledge of all tasks are shared by at least two team members and can in addition be covered by senior staff</p> <p><b>Green</b> Training requirements are set out in job descriptions.</p> <p><b>Amber</b> The Training and Technical are in the process of creating procedure</p>                                                                                                                                                                                                                                                                                                                                                                |

| Risk details                                                                                                                                                                                                                                                                                                  | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                          | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Impact</p> <p>Financial Loss due to costs of obtaining resource, or delays/inefficiencies in existing processes.</p> <p>Reputation Damage.</p>                                                                                                                                                             | <p>appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p>                                                                                                                                                                                                                                                                                                                                                                       | <p>notes for the team. These will help to ensure consistency across the teams and will assist with the training of new recruits.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <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 (  Unchanged)</p> <p>Risk owner: Daniel Harris</p> <p>Accountable officer: Martin Oram</p> <p>Category: Operational</p> <p>Last review: 22 Jan 2021</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p> | <p><b>Green</b> Information and instructions are only accepted from authorised sources.</p> <p><b>Green</b> Employers and scheme members are required to review and confirm membership records annually</p> <p><b>Green</b> Benefit calculations are checked by senior colleagues and are subject to independent authorisation</p> <p><b>Green</b> All transactions comply with DCC financial regulations and are subject to independent authorisation</p> <p><b>Green</b> All staff are covered by fidelity insurance up to £15 million</p> <p><b>Green</b> Members approaching 75 are separately identified monthly</p> <p><b>Green</b> Data accuracy checks undertaken by the systems team including address / NINO checks</p> <p><b>Amber</b> Employer Self Service being introduced to including a reporting element to assist Employers with checking their data annually and signing off as correct</p> |

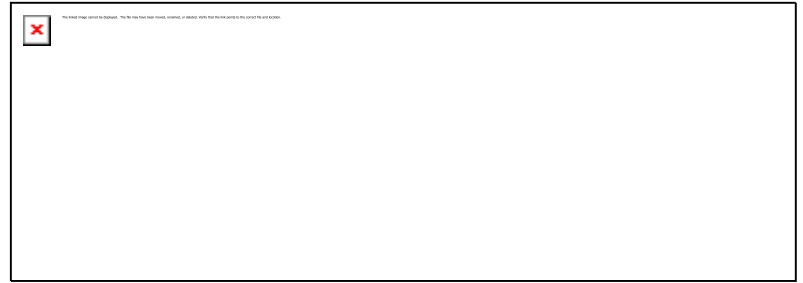
| Risk details                                                                                                                                                                                                                                                                                                                                                                                                                                     | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                            | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>PP14 - Compliance with Disclosure Regulations</p> <p>Cause<br/>Requirement to issue information within a certain timescale after a request/event.<br/>Event<br/>Failure to comply with disclosure regulations and to process accurate pension benefit payments in a timely manner.<br/>Impact<br/>Complaints which take up time to resolve.<br/>Additional Time spent chasing data<br/>Regulator Fines<br/>Compensation costs for members</p> | <p>Inherent status : 9 Low<br/>Current status : 6 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p>     | <p>Green Robust workflow management system in place.<br/>Green Payroll deadline procedures in place<br/>Green Item in Business Continuity/Disaster Recovery Plan<br/>Green Participate in National Fraud Initiative (NFI)<br/>Green Life Certificates exercise carried out /mortality checks<br/>Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies</p> |
| <p>PP15 - Fraud, Corruption &amp; Error</p> <p>Cause<br/>Poorly designed or implemented management practices/processes.<br/>Staff deliberately updating or providing fraudulent data.<br/>Event<br/>Fraud, corruption or error.<br/>Impact</p>                                                                                                                                                                                                   | <p>Inherent status : 12 Medium<br/>Current status : 9 Low ( <input checked="" type="checkbox"/> Unchanged)</p> <p>Risk owner: Daniel Harris<br/>Accountable officer: Martin Oram<br/>Category: Operational<br/>Last review: 22 Jan 2021<br/>Latest review details<br/>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p> | <p>Green Transactions are authorised by senior staff<br/>Green All staff are covered by fidelity insurance up to £15 million<br/>Green Sufficient members in the team to cover absence and leave<br/>Green Heywoods Audit trace report<br/>Green Appropriate separation of duties</p>                                                                                                                                    |

| Risk details                                                                                                                                                                                                                                                                    | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                 | Mitigating controls                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial Loss<br>Reputational Damage                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                       | exists<br><b>Green</b> Up to date regulations and practices<br><b>Green</b> Internal and external audit checks performed to ensure that appropriate and effective controls are in place                                                                                                                                                                                 |
| <b>PP16 - Loss of Shared Service Partner</b><br><br>Cause<br>Shared service partner choosing to use a different pensions administrator.<br>Event<br>Peninsula pensions no longer operates on the same scale.<br>Impact<br>Reputational Damage.<br>Loss of staff / redundancies. | <b>Inherent status : 9 Low</b><br><b>Current status : 9 Low (  Unchanged)</b><br>Risk owner: <b>Daniel Harris</b><br>Accountable officer: <b>Martin Oram</b><br>Category: Strategic<br>Last review: 22 Jan 2021<br>Latest review details<br>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021. | <b>Green</b> Constant assessment of Performance<br><b>Green</b> Quarterly Shared Service meetings with key Fund colleagues<br><b>Green</b> Regular meetings between Peninsula Pensions and Employers<br><b>Green</b> Employer Newsletters<br><b>Amber</b> Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies |
| <b>PP17 - Pensions System Failure</b><br><br>Cause<br>Connection issues.<br>Supplier fault<br>Cyber Attack.<br>Event<br>The hosted Altair pensions system fails.<br>Impact<br>• Loss of sensitive data.<br>• Reputation risk.                                                   | <b>Inherent status : 15 High</b><br><b>Current status : Overdue (15 - High)</b><br>Risk owner: <b>Daniel Harris</b><br>Accountable officer: <b>Martin Oram</b><br>Category: Operational<br>Last review: 22 Jan 2021<br>Latest review details<br>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.                                                                                | <b>Green</b> The system is backed-up daily. System is hosted by Heywoods<br><b>Green</b> A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually.                                                                                                                                                                            |

| Risk details                                                                                                                                                                                                                                                                                                                                                                                                            | Status and Risk owner                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mitigating controls                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Financial loss arising from legal action</p> <p><b>PP18 - Cyber Attack</b></p> <p>Cause<br/>Cyber-attack on the Pensions ICT systems and or host systems.</p> <p>Event<br/>Loss of system access.<br/>Theft of confidential/personal data.</p> <p>Impact<br/>Inability to make payments to members.<br/>Fines from the ICO.<br/>Financial loss.<br/>Loss of membership data.<br/>Disclosure of sensitive data.</p> | <p>Inherent status : 15 High</p> <p>Current status : 10 Medium (  Unchanged)</p> <p>Risk owner: <b>Daniel Harris</b></p> <p>Accountable officer: <b>Martin Oram</b></p> <p>Category: Operational</p> <p>Last review: 22 Jan 2021</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p> | <p><b>Green</b> Ensure that the relevant people are suitably vetted and trained, that administrators and service providers have measures in place to avoid security breaches</p> <p><b>Green</b> A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually</p> <p><b>Green</b> Information from The Pensions Regulator: You can assess how secure your scheme is and find out more about protecting yourself on the government's Cyber Essentials website. And for more information about protecting against cyber threats, visit the National Cyber Security Centre's website.</p> |
| <p><b>PP19 - Member Self Service</b></p> <p>Cause<br/>Member Self Service access is compromised due to insecurity or lack of maintenance.</p> <p>Event<br/>Data is accessed and or obtained inappropriately.</p> <p>Impact<br/>Damage to reputation<br/>Loss of data<br/>Fines from ICO.</p>                                                                                                                            | <p>Inherent status : 9 Low</p> <p>Current status : 6 Low (  Unchanged)</p> <p>Risk owner: <b>Daniel Harris</b></p> <p>Accountable officer: <b>Martin Oram</b></p> <p>Category: Operational</p> <p>Last review: 22 Jan 2021</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 22/01/2021.</p>       | <p><b>Green</b> Information and Instructions are only accepted from authorised sources</p> <p><b>Green</b> It is a mandatory requirement for all DCC employees to undertake Data Protection training and to adhere to DCC's Data Protection Policy</p> <p><b>Green</b> Regular penetration testing</p> <p><b>Green</b> Secure website (annual license renewal)</p>                                                                                                                                                                                                                                                           |



14 Apr 2021





CT/21/39  
Cabinet/ Committee  
26<sup>th</sup> April 2021

## **DEVON PENSION BOARD ANNUAL REPORT 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.

Recommendation: **that the Board consider the Devon Pension Board Annual Report for 2020/21**

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1. Introduction

- 1.1. The Devon Pension Fund Annual Report 2020/21 will be considered for approval by the Investment and Pension Fund Committee later this year. The report will contain the statement of accounts together with other information about the Fund's performance during the year, including the Devon Pension Board Annual Report.

2. Devon Pension Board Annual Report 2020/21

- 2.1. The Devon Pension Board Annual Report details the work undertaken by the Board during 2020/21. The report highlights the areas reviewed by the Board, and the key recommendations that have been reported to and acted upon by the Investment and Pension Fund Committee.
- 2.2. Officers have constructed an initial draft of the report for consideration and review by the Board, which is attached at Appendix 1.

3. Conclusion

- 3.1. The Board is asked to consider the Devon Pension Board Annual Report 2020/21.

Mary Davis
County Treasurer

Electoral Divisions: All

Local Government Act 1972:

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson
Tel No: 01392 381933 Room: G99

Agenda Item 8

DEVON PENSION BOARD ANNUAL REPORT 2020/21

The Devon Pension Board was established in 2015, following the introduction of new governance arrangements by the Public Sector Pensions Act 2013. This act sets out the requirements for the establishment of a local pensions board with the responsibility for assisting the LGPS local scheme managers (Devon County Council) in relation to the following:

- compliance with LGPS regulations and any other relevant legislation;
- compliance with requirements imposed by the Pensions Regulator in relation to the LGPS;
- the effective and efficient governance and administration of the LGPS.

The Board makes recommendations to the County Council principally through its Investment and Pension Fund Committee and to Officers to improve governance standards. The Board may also, in exceptional circumstances and where relevant, also refer matters to the Scheme Advisory Board.

The Board is composed of four representatives of scheme members, four representatives of scheme employers and one non-voting independent member and meets four times a year.

Devon Pension Board as at 31 March 2021

Role	Member	Date of Appointment	Date left	Number of meetings attended (max 3)
Employer Representatives	Colin Slade	September 2018		3
	Carrie Piper	February 2020		3
	Carl Hearn	May 2015		3
	Sara Randall Johnson	May 2016		3
Scheme Member representatives	Andy Bowman	May 2015		3
	Colin Shipp	April 2016		2
	Paul Phillips	August 2017		3
	Julie Bailey	April 2019		3
Independent	William Nicholls	October 2015		3

Some of the key areas of work undertaken by the Board during 2020/21 are detailed below:

- **Review of the internal audit reports for 2020/21 and the Internal Audit Plan.** As requested by the Board previously, the board was provided with an audit action log at each meeting to enable the board to monitor the progress of recommendations arising from internal audits. The Board considered a report from officers regarding amending the planned audit programme in order to audit changed working practices due to the pandemic.

- **Devon Pension Fund Risk Register.** During 2020/21, the Pension Board have reviewed the Risk Register and made a number of suggestions which were adopted by the Investment and Pension Fund Committee. These included the risk of negative interest rates and the effect on the pension fund and the issues around the McCloud judgement. The risk register was subsequently updated to include the board's recommendations.
- **Pension fund governance.** The Board considered reports covering contribution monitoring that is undertaken by officers throughout the year. The board also reviewed the fund's breaches report and was satisfied that the low level of breaches were all non-material.
- **Statutory Statements.** The Board conducted a review of the fund's Statutory Statements and made suggestions for improvements where necessary. This review included The Investment Strategy Statement which was updated following the revision to the Stewardship Code. The Governance Policy was also reviewed by the board following a revision to the voting rights of union representatives sitting on the Pension and Investment Committee.
- **Minutes from Investment & Pension Fund Committee meetings.** The Board reviewed each set of minutes from the Investment & Pension Fund Committee meetings held during 2020/21 to ensure that decisions have been made in accordance with the terms of reference.
- **Administration Performance.** The Board regularly review the performance statistics of Peninsula Pensions against local performance and the Disclosure Regulations.
- **Training and Attendance.** The Board gave consideration to the Annual Training Plan and conducted a review of the attendance of Board members at meetings and training events. At the board's request, the attendance log is now included as a standard agenda item at all board meetings.

It is a legislative requirement that Pension Board members have the capacity to take on the role, and it is expected that members should receive relevant training. Pension Board members are expected to complete The Pension Regulator's Public Sector Toolkit to ensure that Board members have sufficient knowledge and skills to carry out their role effectively. To date six members of the board have successfully completed the online training programme.

More information on the work of the Devon Pension Board can be found on the Peninsula Pensions website, including links to minutes, agendas and reports from meetings of the Board and the contact details of Board members:

<https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/>

TRAINING REVIEW 2020/21 AND TRAINING PLAN 2021/22

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 Pension Board is inviting to comment on the draft Training Plan for further consideration by the Pension and Investment Committee.

~~~~~

### **1. Introduction**

- 1.1. In accordance with Section 248 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;
  - 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.
- 1.2. 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.
- 1.3. The Good Governance project is nearing its conclusion and we anticipate that the knowledge requirements that currently apply to the pension board will be extended to members of the Pension and Investment Committee.

### **2. Training 2020/21**

- 1.1. The usual training days provided by officers with the support of subject experts were unable to proceed as normal due to the COVID pandemic. Instead pension board members were encouraged to attend various online events hosted by a range of companies. Officers hosted online sessions covering the Pension Regulators public sector toolkit modules.

# Agenda Item 9

- 1.2. Events attended during the year by each board member is noted in the Training register attached to this report.

## 3. Proposal

- 1.1. The 2021-22 Training Plan is attached at Appendix 1 and sets out a proposal for training to be provided over the year in order to ensure that both the Investment and Pension Fund Committee and the Pension Board have the knowledge and skills required in accordance with the CIPFA Code.
- 1.2. In anticipation of new Pension and Investment Committee members plus a requirement for committee members to have completed the Pension Regulators Public Sector toolkit, officers will focus on providing this training to ensure compliance.
- 1.3. A training needs analysis will be undertaken in the autumn after the toolkit has been completed in order to identify areas of training for future events.
- 1.4. Officers have reviewed the Training plan to ensure that it reflects current best practise.

## 2. Training Register

- 2.1. A register of attendance at each of the training events is maintained by officers.
- 2.2. The attendance register for 2020-21 is shown at Appendix 2

## 3. Conclusion

- 3.1. The Board is asked to consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Mary Davis  
County Treasurer

Electoral Divisions: All

**Local Government Act 1972:**

**List of Background Papers - Nil**

Contact for Enquiries: Charlotte Thompson  
Tel No: 01392 381933 Room: G99

| Name                             | Training session attended                                        | TPR Toolkit completed |
|----------------------------------|------------------------------------------------------------------|-----------------------|
| Cllr Ray Bloxham                 | LGA Fundamentals – 3 day course                                  | Y                     |
|                                  | Barnet Waddingham LGPS Overview Training                         |                       |
|                                  | Brunel Investment seminar                                        |                       |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Cllr Yvonne Atkinson             | Brunel Investment seminar                                        | N                     |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Cllr Richard Hosking             | BMO Investment conference                                        | Y                     |
|                                  | Brunel Investment seminar                                        |                       |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Cllr Richard Edgell              | Brunel Investment seminar                                        | N                     |
| Cllr Andrew Saywell              | LGA Fundamentals – 3 day course                                  | N                     |
|                                  | Brunel Investment seminar                                        |                       |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Cllr Judy Pearce                 | Brunel Investment seminar                                        | N                     |
| Cllr Lorraine Parker Delaz Ajete | Brunel Investment seminar                                        | Y                     |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Cllr James O'Dwyer               |                                                                  | Y                     |
| Donna Healy                      | LGA Fundamentals – 3 day course                                  | Y                     |
|                                  | BMO Investment conference                                        |                       |
|                                  | Brunel Investment seminar                                        |                       |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Cllr Mark Lowry                  | Brunel Investment seminar                                        | N                     |
| Stephanie Tague (observer)       | Brunel Investment seminar                                        | N                     |
| Roberto Franceschini (observer)  | Barnet Waddingham LGPS Overview Training                         | N                     |
|                                  | Brunel Investment seminar                                        |                       |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Jo Rimron                        |                                                                  | N                     |
| Cllr Colin Slade                 | Brunel Responsible Investment seminar                            | Y                     |
| Cllr Sara Randall Johnson        | Barnett Waddingham/CIPFA Local Pension Board annual event        | Y                     |
|                                  | Brunel Investment seminar                                        |                       |
|                                  | Brunel Responsible Investment seminar                            |                       |
| Carrie Piper                     | Barnett Waddingham/CIPFA Local Pension Board annual event        | Y                     |
|                                  | Barnet Waddingham LGPS Overview Training                         |                       |
| Carl Hearn                       | Brunel Investment seminar                                        | Y                     |
|                                  | Brunel Responsible Investment seminar                            |                       |
|                                  | Barnett Waddingham/CIPFA Local Pension Board spring seminar 2021 |                       |
|                                  | Barnet Waddingham LGPS Overview Training                         |                       |
| Andy Bowman                      | Barnett Waddingham/CIPFA Local Pension Board annual event        | Y                     |
|                                  | Mallowfield – Quantifying sustainability                         |                       |
|                                  | Mallowfield – Environmental investing                            |                       |
|                                  | Mallowfield LGPS Indalba                                         |                       |
|                                  | LGA Fundamentals – 3 day course                                  |                       |
|                                  | Unison LGPS special forum                                        |                       |
|                                  | Unison LGPS Conference                                           |                       |
|                                  | Barnet Waddingham LGPS Overview Training                         |                       |
|                                  | BMO Investment conference                                        |                       |
|                                  | Barnett Waddingham/CIPFA Local Pension Board spring seminar 2021 |                       |
|                                  | Brunel Investment seminar                                        |                       |
|                                  | Brunel Responsible Investment seminar                            |                       |

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|               |                                          |   |
|---------------|------------------------------------------|---|
| Julie Bailey  | Brunel Investment seminar                | Y |
|               | Brunel Responsible Investment seminar    |   |
| Paul Phillips | Barnet Waddingham LGPS Overview Training | Y |
| Colin Shipp   |                                          | Y |



## Devon Pension Fund Training Plan 2021/22



### 1 Introduction

The Devon Pension Fund has had a longstanding commitment to training for those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This has included regular events to cover the latest developments in the LGPS, investment strategy and performance monitoring. In February 2014, the Investment and Pension Fund Committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Investment and Pension Fund Committee and the Devon Pension Board receive appropriate training in order to carry out their roles effectively.

Following completion of the Good Governance Project undertaken by the Scheme Advisory Board, it is anticipated that it will become mandatory for both committee and pension board members to have completed the Pension Regulator's Public Sector Toolkit modules within six months of appointment.

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next year.

### 2 Knowledge and Skills Framework

There are six areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for LGPS funds. They are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practices.

Members of the Investment and Pension Fund Committee and the Pension Board are expected to have a collective understanding and senior officers are expected to have expertise of these areas of knowledge and skills.

## 3 Pension Board Specific Requirements

Under the regulations the members of the Pension Board are required to have the capacity to take on the role. In addition, in accordance with Section 248A of the Pensions Act 2004, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- 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.

## 4 Committee and Pension Board Training

Training for the Investment and Pension Fund Committee and the Pension Board during the year will focus on the following areas:

1. **The six areas of the Knowledge and Skills framework** – These will continue to be a major area of focus, with training focused on gaps in knowledge identified through the annual training needs analysis exercise. In addition, the Pensions Regulator Public Sector toolkit and introduction to investment module will provide good foundation knowledge and all members of the committee and pension board are required to complete this training and achieve full accreditation in anticipation that this will soon be a statutory requirement. Officers will continue to work with the Devon County Council Member Development Officer and individual Committee and Board members to ensure that they have the skills and knowledge required.
2. **Brunel Pension Partnership** – Training and briefings will continue to be provided regarding the progress of the Brunel Pension Partnership. Now that the governance structures have been implemented the training is likely to focus on the services and portfolios that Brunel will be providing, the transition arrangements, and ensuring that the Committee and Board are able to effectively monitor the ongoing operation of the company to ensure it is providing the required level of service in a cost-effective manner.
3. **Potential new investment opportunities** – Training will be provided on new areas of investment that may be considered by the Committee. Sessions will be provided to keep Committee and Pension Board members up-to-date with the latest market developments, and look at the Fund's long-term performance.

4. **Regulatory / Legislative Changes** – Training will be provided on the implications of any legislative and regulatory changes.
5. **Training manual** – Online resource covering a base level of knowledge required of pensions and the Devon Fund and covers topics included in The Pension Regulator toolkit.

Training will be delivered through the following events to be held during the year. Whilst we aim to hold these events in a small conference type setting, due to COVID-19, officers may have to look at alternative formats.

## **New members introduction to the Devon Pension Fund and the LGPS – Summer 2021**

Introduction to the LGPS and the Devon Pension fund including an overview of current issues affecting the LGPS

## **Brunel Investor Days– Autumn 2021**

A further joint event is planned to be held with other LGPS funds within the Brunel pool to provide a further update on the Brunel Pension Partnership. This will focus on the portfolios and services being provided by Brunel and the transition arrangements.

## **The Pension Regulator Toolkit Training and investments module - Autumn 2021**

An opportunity for those new to the investment committee or pension board, those who have not yet completed the online toolkit or for those simply wanting a refresher to review the contents of the toolkit with officers. One session will be dedicated to the TPR trustee toolkit – investments module.

## **Devon Pension Fund Training Day – Spring 2021**

Further training will be provided to include pension administration and the latest regulatory changes, an update on financial markets and products, long term investment performance and asset allocation and responsible investment.

## **Other Training**

Training needs analysis will be undertaken annually to help identify training gaps in individual members' knowledge. Any gaps will be addressed in future training plans. Any areas identified that will not be met by the core training described above, then additional training can be accessed to meet those needs.

Specific training can be identified for the Chairman of the Investment and Pension Fund Committee and the Pension Board to support them in their role if required. In addition, induction training will be provided for all new members of the Committee and Pension Board.

Resources are available to meet all the training requirements outlined above.

The ongoing pandemic has impacted on members physically attending events though many online events have proved useful. The fund's actuaries Barnett Waddingham has held joint training events with CIPFA in 2020 and we expect these events to continue in 2021/22. Committee and board members are particularly encouraged to sign up for these events as advised by officers when events become available

## 5 Officer Training

It is important that officers have the required training to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Senior Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have expert knowledge of the six areas of the framework.

Senior officers will attend relevant conferences and seminars during the year to ensure that they remain up-to-date with the latest requirements. In addition, they will be expected to keep up to date through use of the internet, and conduct research on relevant issues where required. All staff will have specific training identified to meet assessed requirements. Individual training plans will be put in place and these will be recorded and reviewed as part of the annual appraisal process.

A central training record will be maintained by each of the Investment Team and Peninsula Pensions of the events attended and training received by all members of staff.

For senior officers, there will be a particular focus on the following areas:

1. **Governance** – Understanding the guidance and regulations in relation to local pension boards, and keeping up to date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.
2. **New Investment Arrangements** – Keeping up to date with progress in developing the Brunel pooling arrangements, and the contract management skills that will be required to manage the relationship with the Brunel company.
3. **New Investment Products** – Keeping up-to-date with what the market is offering, in order to assess the validity of new products for investment by the Devon Fund.
4. **Accounting Issues** – Keeping up to date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report, including new requirements resulting from investment pooling.
5. **Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
6. **Pensions Admin Systems** - Keeping up to date with updates/new releases to our software system Altair, passing down training to all staff.
7. **Wider Pensions Issues** – Understanding the impact of wider Government reforms to pensions, such as the cost cap mechanism for Public sector schemes and Guaranteed Minimum Pension equalisation.

## 6 Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

Officers will monitor and implement the requirements arising from MHCLG guidance following the conclusion of the Good Governance project to ensure compliance and best practice is maintained.

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## FUNDING STRATEGY STATEMENT AND SUPPORTING POLICIES

Report of the County Treasurer

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

Recommendation: (1) that the Pension Board endorses the revised Funding Strategy Statement set out at Appendix 1 to this report.  
(2) that the Pension Board endorses the Contributions Review Policy set out at Appendix 2 to this report.  
(3) that the Pension Board endorses the Deferred Debt and Debt Spreading Agreement Policies set out at Appendix 3 to this report.  
(4) that the Pension Board considers whether it wishes to bring any issues to the attention of employers and the Investment and Pension Fund Committee in relation to the proposed policies.

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1. Introduction

- 1.1 The Local Government Pension Scheme (LGPS) Regulations 2013 require all LGPS Administering Authorities to prepare a Funding Strategy Statement (FSS) in consultation with all employers participating in their respective Fund. The purpose of the FSS is to explain the funding objectives of the Fund and how the cost of the benefits provided under the Local Government Pension Scheme are met through the Fund. It also defines the objectives in setting employer contribution rates and the funding strategy that is adopted to meet these objectives.
- 1.2 In September 2020, the Government amended the Local Government Pension Scheme (LGPS) Regulations 2013, introducing new powers for administering authorities to review employer contributions, spread exit payments and set up Deferred Debt Agreements (DDA). In March 2021 statutory guidance was issued to assist administering authorities who wish to use the new powers. The guidance sets out high level principles and points which the government believes should be considered by administering authorities.
- 1.3 As a result of the new regulations and guidance, revisions are proposed to the Funding Strategy Statement, and a revised version is attached at Appendix 1 to this report. The revised FSS makes reference to two new policies, one in relation to contribution reviews and one in relation to DDAs

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and Debt Spreading Agreements (DSAs). These are also attached as appendices 2 and 3 to this report.

- 1.4 The Pension Board is asked to consider and comment on the revised FSS, the Contribution Review Policy and the Deferred Debt and Debt Spreading Agreement Policy, before they are issued to fund employers for consultation. They will then be taken to the Investment and Pension Fund for approval at their meeting in June, along with any comments from the Board and employers.

2. Contribution Review Policy

- 2.1 The contribution rates of fund employers are normally assessed and set at fund valuations, every three years. Administering authorities, working with their actuary, will consider a variety of factors in setting an employer's contribution rate during valuations. But there may be significant changes between fund valuations, for example due to a change in covenant strength or workforce composition following a reorganisation.
- 2.2 The September 2020 Regulations broaden the circumstances in which an administering authority may amend an employer's contribution rate between valuations to cover the following situations:
 - (a) where it appears likely to the administering authority that the fund employer's liabilities have changed significantly since the previous valuation,
 - (b) where it appears likely to the administering authority that there has been a significant change in a fund employer's ability to meet their statutory obligations (e.g. payment of employer contributions), or
 - (c) where a fund employer has requested a review and undertaken to meet the costs of that review.
- 2.3 The introduction of the new powers is intended to help administering authorities manage their liabilities, ensuring that employer contribution rates are set at an appropriate level, with steps taken to mitigate risks, where appropriate.
- 2.4 The policy set out has been drafted based on discussion between fund officers and the Fund Actuary, Barnett Waddingham. Our view is that we would only want to undertake contribution reviews between triennial valuations on a very exceptional basis. For planning purposes, we believe that employers should be able to rely upon the certainty of the rates set for the three-year period unless there is a very significant change in their covenant position. The contributions policy sets out when a review might be appropriate.
- 2.5 In addition, a paragraph has been added to the FSS to cover where an employer may wish to pay an additional one-off contribution in order to reduce their deficit and reduce their ongoing deficit contributions. In these circumstances the Fund will need full assurance that the employer has the means to make the payment within the regulations.

3. DDA/DSA Policy

- 3.1 For some employers, a significant issue has been the cost of exiting the Scheme, which can be prohibitive. Prior to September 2020, the LGPS Regulations 2013 required the payment of an exit payment when the last active member of a fund employer left the Scheme, or an employer otherwise ceased to be an employer in the fund, and the employer was in deficit at the time of their exit.
- 3.2 The introduction of deferred employer status allows an administering authority to defer the triggering of an exit payment for a fund employer where the authority deems this appropriate, has had regard to actuarial advice and has set out its policy in its funding strategy statement. While this arrangement is in place, deferred employers will continue to pay contributions to the fund as required by the administering authority, as revised from time to time following actuarial valuations.
- 3.3 Additionally, a new alternative power of spreading an exit payment allows an administering authority to recover an employer's exit payment over a period of time. This may be of use where an administering authority does not consider that granting deferred employer status is in the interests of the fund and other employers.
- 3.4 The proposed policy again sets out when a deferred debt or debt spreading arrangement would be appropriate. Where there is an issue with the employer's ability to pay, the Fund must be assured that the balance of risk for the Fund is no worse under a DDA/DSA than in trying to obtain immediate payment of the full cessation valuation. In circumstances where an employer requests deferred employer status because they believe it is in their financial interests to do so, the Fund will require them to provide surety for their full deficit via a bond or cash held in a protected account.

4. Other Changes to the Funding Strategy Statement

- 4.1 The opportunity has been taken to update the FSS in relation to three other issues:
 - (a) Updating of inflation assumptions – this follows the Chancellor's November 2020 announcement on the reform of RPI, and the potential impact on Fund liabilities.
 - (b) McCloud/Sargent – updated wording has been included to reflect the latest position following the consultation that took place in 2020, although the situation will remain unresolved until remedial regulations are published.
 - (c) Academies – We were recently approached by a Multi-Academy Trust (MAT) who have schools across the country who were looking to transfer the LGPS pension arrangement for all their individual schools to be managed by a single LGPS fund. Such a move would require a direction by the Secretary of State. The FSS revision sets out the Fund's approach to the transfer of an academy school to another LGPS fund and the transfer in of assets and liabilities should a MAT request the Devon Fund to be the host fund for all its schools.

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5. Conclusion

- 5.1 The revised FSS and the proposed Contributions Review and DDA/DSA policies will be sent out to Fund employers for consultation over the next couple of months before being taken to the Investment and Pension Fund Committee for approval.
- 5.2 The Pension Board is asked to endorse these policies for consultation. Any comments will be considered by officers and brought to the attention of employers through the consultation process and reported to the Investment and Pension Fund Committee.

Mary Davis
County Treasurer

Electoral Divisions: All

Local Government Act 1972:

List of Background Papers: Nil

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Devon County Council Pension Fund Funding Strategy Statement

**Draft Revision presented to the Devon Pension Board
26 April 2021**

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.

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Devon County Council Pension Fund Funding Strategy Statement



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.

This assumption was reviewed following the Chancellor's November 2020 announcement on the reform of RPI. From 31 December 2020 RPI inflation is assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

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. At the 31 March 2019 actuarial valuation, a deduction of 1.0% p.a. was made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2019 was 2.6% p.a.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change the RPI calculation method in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

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.

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. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

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). 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 23 March 2021, the government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: <https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation>.

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. This is consistent with the government's 23 March 2021 outcome noted above.

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 Rates and Adjustments Certificate sets out the minimum amounts to be paid by an employer to the Fund. Additional contributions towards deficit over the amounts certified in the Rates and Adjustment Certificate are permissible subject to the agreement of the Administering Authority. The employer must set out in writing to the Administering Authority a request to pay in additional deficit contributions. The employer should demonstrate its ability to fund any significant additional deficit contribution in accordance with accounting regulations. The Administering Authority will consider this request and will notify the Fund Actuary in order to consider the potential impact, including consideration of tracking of the amount paid for any employers participating in a funding pool. The Administering Authority will aim to approve or reject a request to pay additional contribution within 28 days, but this may vary on a case by case basis. A revised Rates and Adjustments Certificate will be required where appropriate.

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 following table:

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

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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. Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy which can be accessed [here](#). This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

12. 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, or if an alternative arrangement is agreed.

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.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document here. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Town and Parish Councils

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.

Exit credits

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. Considerations will be based on any previous agreements made and discussions between the Administering Authority, the Exiting Employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of “pass-through” arrangements. This is on the basis that these employers would not have not 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 as certified in the Fund’s rates and adjustments certificates, 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.

Consolidation of Multi Academy Trusts (MATs)

Where an academy is transferring into or out of the Devon Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.

Where the academy is transferring out of the Devon Fund, the Fund requires a Direction Order to be sought such that all associated deferred and pensioner liabilities are also transferred out of the Fund.

Where the academy is transferring into the Devon Fund, where appropriate, the academy will become part of the Fund's Academy pool. If the funding level of the transfer in to the Devon Fund is substantially lower than the funding level of the academy pool then the Fund may require additional contributions to be paid by the academy to protect the other academies in the pool from an increased funding cost as a result of the transfer terms. There may be some instances where it is not deemed appropriate for the academy to join the Academy pool, or at least not immediately. For example if a large number of academies from a MAT transfer into the Devon Fund at one time, then it may be more appropriate to initiate a separate funding pool for these academies until their funding position is in line with the main Academy pool, at which point it can then be merged into the Academy pool.

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 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.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. 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.

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So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

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.

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 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.

Devon County Council Pension Fund Contribution Review policy

**Draft presented to the Devon Pension Board
26 April 2021**

1. Introduction

This document sets out the Devon County Council Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Devon County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, Devon County Council, as the administering authority for the Fund, is required to obtain a formal actuarial valuation of the Fund and a rate and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority. This policy document sets out the administering authority's approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

Where an employer wishes to pay an additional amount into the Fund in order to reduce their funding deficit, this will be permissible subject to the Fund's policy as set out in the Fund's Funding Strategy Statement. These cases do not fall under his contribution review policy.

2. Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the administering authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform the administering authority of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, the administering authority may identify events that merit a review of contributions.

In addition, the administering authority may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the administering authority due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the administering authority over a significant period of time.

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority commissions an employer risk review report from the Fund Actuary on a regular basis and as a minimum as part of each actuarial valuation. Through this analysis, the administering authority can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This may be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

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Requests by a Scheme employer are limited to one per inter-valuation period. The inter-valuation period captures the period from the starting 1 April of the most recent triennial rates and adjustments certificate to the effective date of the following triennial valuation.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the administering authority will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored in to the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
 - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
 - The most recent annual report and accounts for the Scheme employer
 - The most recent management accounts
 - Financial forecasts for a minimum of three years
 - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities
- Where a review is sought for any other reason, the information required will be set by the administering authority on a case by case basis.

The administering authority may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis.

3. Assessing the appropriateness of a review

The following general considerations will be taken into account by the administering authority, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, the administering authority will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required, and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The administering authority will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

Whether any changes require the administering authority to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the administering authority after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the administering authority, then details of the 6. Appeals **process** is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the administering authority's assessment of the ability of the Scheme employer to meet its obligations.

The administering authority will consider a review where an event has triggered a substantial change in an employer's liabilities.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

In assessing whether or not an administering authority will exercise its powers to review a Scheme employer's contribution rates under this condition, the administering authority will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the administering authority, relative to the size of the Scheme employer's liabilities

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Further considerations to that set out above may be relevant and will be taken into account by the administering authority as required.

4. The review process

The events that may trigger a review are set out in the Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance but the timeline below provides a rough guide of the administering authority's general expectation.

Following completion of the review process, the administering authority may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the administering authority in order to allow effective monitoring.

Timeline where initiation is made by the administering authority

Where the review is initiated by the administering authority (i.e. under conditions (i) and (ii) in the Triggering a contribution review section), the first stage after the administering authority has conducted its analysis is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 28 days from the later of the date of receipt of the evidence provided by the administering authority and the date of receipt of the results of the formal contribution review to respond to the administering authority on the proposal. Should no challenge be accepted within this period then the administering authority will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge the administering authority's proposal, then the administering authority will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then the administering authority may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the 6. Appeals **process** section.

Although the ultimate decision for review belongs to the administering authority, the administering authority is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

The administering authority will aim to provide a response to the Scheme employer within 28 days from the date of receipt. This will depend on the quality of the documents provided and

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any need from the administering authority to request further information from the Scheme employer. The administering authority will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the administering authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the administering authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

5. Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the administering authority will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	<p>In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point.</p> <p>In most cases, given the review is due to an anticipated change in membership, the administering authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment.</p> <p>Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.</p>
Approach to setting assumptions	<p>This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.</p>

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Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the administering authority and the Fund Actuary.

6. Appeals process

Whether a review of contributions is agreed or not is ultimately the decision of the administering authority. In the event of any dispute from the employer, the Fund will allow an additional 21 days for further discussion with the employer to seek to resolve the issues raised. Employers are also entitled to raise any concerns direct to the Pension Board, via one of the Board's employer representatives.

As part of its appeal, the employer is required to evidence one of the following:

- A deviation from the published policy or process by the administering authority; and/or
- Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the administering authority.

The administering authority will consider an appeal within 28 days of receipt of all required information from the employer. A review of the decision will be considered independently from those directly involved in the original decision.

Devon County Council Pension Fund Deferred debt and debt spreading agreement policies

**Draft presented to the Devon Pension Board
26 April 2021**

1. Introduction

This document sets out the Devon County Council Pension Fund's policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers.

Devon County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, there are two alternatives potentially available to the employer: Regulation 64(7A) enables the administering authority to enter into a deferred debt agreement with the employer while Regulation 64B enables the administering authority to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying any existing or future secondary rate of contributions to fund any current or future deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the administering authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

2. Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the administering authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the administering authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 21 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund, as per the Fund's Pension Administration Strategy.

Where possible, the administering authority encourages employers who are approaching exit and suspect they will have a deficit to engage with the administering authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then perhaps a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the administering authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions. The administering authority must be satisfied that the risk for the Fund is lower than demanding an immediate full exit payment; and/or

- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The administering authority may agree that doing so over an appropriate long period is a lower risk for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the administering authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The administering authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer the administering authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request the administering authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the administering authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the administering authority will keep the exiting employer up-to-date with any increases. The administering authority will provide information on how and when payments should be made.

Decisions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. In the event of any dispute from the employer, the Fund will allow an additional 21 days for further discussion with the employer to seek to resolve the issues raised.

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Employers are also entitled to raise any concerns direct to the Pension Board, via one of the Board's employer representatives.

3. Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should provide any relevant information to support their request including information in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis, and where relevant, information to evidence that they are unable to settle their exit payment immediately. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within 21 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and

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- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the administering authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the administering authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DDA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the administering authority and the exiting employer and will be set out in a formal legal agreement.

The administering authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the administering authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the administering authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not

known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as those arising from an employer discretion;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the administering authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the administering authority and provided to the deferred employer;
- promptly provide all such information that the administering authority may reasonably request in order to administer and manage the agreement; and
- give notice to the administering authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the administering authority. The administering authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the administering authority and employer may agree to amend the terms of the agreement.

The administering authority will monitor a DDA in the following ways:

Change in funding position

The deferred employer's funding position will be reassessed at each triennial actuarial valuation in order to review the progress of the DDA. A requirement for more frequent updates may be included within the DDA where the administering authority considers the level of risk to the Fund merits them. The costs of such reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review then the administering authority may engage with the deferred employer to discuss a possible review of the DDA.

Change in employer covenant

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority commissions an employer risk review report from the Fund Actuary on a regular basis and as a minimum at each actuarial valuation. This includes obtaining credit ratings from credit rating agencies.

Once an employer enters into a DDA, the administering authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the administering authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The administering authority will monitor if contributions are paid on time. Payments are expected to be made on a monthly basis unless agreed otherwise with the administering authority. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the administering authority will check there has been no change to the security at agreed regular intervals and as a minimum at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrolls new active members;
- the duration of the agreement has elapsed;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the administering authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an

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Devon County Council Pension Fund Deferred Debt and Debt Spreading Agreement Policies



immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the administering authority and in line with cessation policy set out in the Fund's FSS.

4. Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer provide any relevant information to support their request including information in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis, and where relevant, information to evidence that they are unable to settle their exit payment immediately. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DSA within 21 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and

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- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the administering authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the administering authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the administering authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the ongoing discount rate;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the administering authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DSA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The administering authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 14 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the administering authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the administering authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The administering authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the administering authority then the DSA may be reviewed and/or terminated.

Change in employer covenant

The administering authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the administering authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the administering authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The administering authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the administering authority believes that the exiting employer may not be able to make any of their remaining payments, the administering authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the administering authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the administering authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the administering authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a deferred debt agreement.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

DEVON PENSION BOARD BUDGET– Outturn for 2020/21 and Budget for 2021/22

Report of the County Treasurer

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

Recommendation:

- a) that the Board notes the outturn for the Devon Pension Board budget 2020/21
- b) that the Board approves the Devon Pension Board budget for 2021/22

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 2020/21 was agreed by the Board at its meeting on 6th July 2020.

2. Devon Pension Board Budget Monitoring Statement – Outturn 2020/21

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

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Devon Pension Board Budget 2020/21

Budget	Description	Forecast	Variance
£		Outturn	
		£	£
5,000	Training	1,878	-3,122
1,500	Travel and Member expenses	658	-842
4,000	Committee Support	3,500	-500
33,000	Officer Support	34,449	1,449
1,500	Printing and Postage	0	-1,500
45,000	Total Expenditure	40,485	-4,515

3. Devon Pension Board Budget 2021/22

- 3.1. An indicative budget for the direct costs for the Devon Pension Board for 2021/22 is set out below. The budget has been formed by an analysis of the total estimated costs incurred during 2020/21

Devon Pension Board Budget 2021/22

Forecast	Description	Proposed
Outturn		Budget
2020/21		2021/22
£		£
1,563	Training	5,000
158	Travel and Member expenses	1,500
3,500	Committee Support	3,500
34,449	Officer Support	34,500
0	Printing/Postage/email	1,500
39,670	Total Expenditure	46,000

4. Conclusion

- 4.1. The Board is asked to note the forecast outturn for the Devon Pension Board Budget 2020/19 and to approve the Devon Pension Board budget for 2021/22.

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

INVESTMENT AND PENSION FUND COMMITTEE

26 February 2021

Present:-

Devon County Council

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

Unitary and District Councils

Councillors J Pearce and L Parker-Delaz-Ajete

Unison and Retired Members: Non Voting Observers

R Franceschini and S Teague

Attending in Accordance with Standing Order 25

Councillor C Slade

Apologies:-

Councillor A Connett, D Healy, J Cook and Councillor J O'Dwyer

* 213 **Minutes**

RESOLVED that the Minutes of the Meeting held on 27 November 2020 be signed as a correct record.

* 214 **Items Requiring Urgent Attention**

There was no item raised as a matter of urgency.

* 215 **Pension Board**

(Councillor C Slade attended in accordance with Standing Order 25 and spoke to this item and referred to the Members' Handbook which would be published on-line in due course)

The Committee noted the Minutes of the Meeting of the Board held on 22 January 2021.

* 216 **Brunel Oversight Board**

The Committee noted the Minutes of the Meeting of the Board held on 3 December 2020.

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INVESTMENT AND PENSION FUND COMMITTEE
26/02/21

* **217** **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/21/21) on the Fund value and asset allocation, performance against the benchmark, funding level, budget forecast 2020/21, cash management, and engagement activity. The value of the Fund as at 31 December 2020 stood at £4,923m, an increase of around £330m over the last quarter. The Committee also noted compliance with the 2020/21 Treasury Management Strategy. Members also referred to the geographical split of equity allocations and issues relating to Ethical, Social and Governance issues and the positive engagement strategy which would be discussed further with Brunel Officers and at the Consultation meeting.

* **218** **Treasury Management Strategy 2021/22**

The Committee considered the Report of the County Treasurer (CT/21/22) on draft Treasury Management and Investment Strategy (as shown in draft at Appendix 1 of the Report). It set out the current treasury position, cash investments, prospects for interest rates and the investment strategy.

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

RESOLVED that the Treasury Management Strategy for 2021/22 as set out in Appendix 1 to the Report be noted.

* **219** **Investment Strategy Statement**

The Committee considered the Report of the County Treasurer (CT/21/23) on a draft revised Investment Strategy Statement (attached at Appendix 1 of the Report). The Strategy Statement required by the regulations must include:-

- (a) A requirement to invest money in a wide variety of investments;
- (b) The authority's assessment of the suitability of particular investments and types of investments;
- (c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- (d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- (e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- (f) The authority's policy on the exercise of rights (including voting rights)

attaching to investments.

The main change were an update of the stewardship section to reflect the updated UK Stewardship Code and new policy documents published by the Brunel Pension Partnership. The draft revised ISS had been endorsed by the Pension Board at its meeting on 22 January 2021, subject to comments on the carbon reduction target.

Members discussed the 7% per annum carbon reduction and the challenge this would present particularly in regard to the passively managed equities. Members were supportive of the commitment to achieve net zero portfolios by 2050.

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

RESOLVED

(a) that the revised Investment Strategy Statement set out at Appendix 1 to this Report be approved; and

(b) that the commitment to achieve net zero portfolios by 2050 be agreed.

* 220

Private Markets Investments

The Committee considered the Report of the County Treasurer (CT/21/24) on private market investments not traded on a public exchange or Market.

The Fund's Investment Strategy Statement showed a medium term target allocation to private markets of 26%. However, the nature of private markets meant that it could take time to build up investments to the desired level, as commitments needed to be made to suitable funds, which were then drawn down as the funds identified suitable assets to purchase. The current progress towards achieving the target allocations was summarised in the in the Report.

The Report also outlined the ongoing work with Brunel to bring the allocation to Property back up to the 10% target. The Report also requested approval of an additional £60 million top up commitment in the Infrastructure Portfolio.

Members discussed the merits of further investments in renewables rather the more generalist funds within the Infrastructure portfolio and noted that a balanced approach would provide better diversification of risk.

It was **MOVED** by Councillor R Hosking and **SECONDED** by Councillor J Pearce and

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INVESTMENT AND PENSION FUND COMMITTEE
26/02/21

RESOLVED

(a) that the progress made to date by the Brunel Pension Partnership in investing the Devon Fund's private markets commitments be noted;

(b) that the ongoing work with the Brunel Pension Partnership to bring the Fund's allocation to Property back up to the 10% target be noted; and

(c) that an additional £60 million top up commitment to the Infrastructure Portfolio (Cycle 2) be approved.

* 221 **Employer Changes**

The Committee noted the following applications for new for admitted body status approved since the last meeting of the Committee:

- Direct Cleaning Services began a contract for cleaning services at Exmouth Community College on 07/08/2020 - closed agreement. (b) New Academy conversions and changes.

- St Peters CofE Primary School, Plymouth joined St Christopher's Academy Trust – 01/04/2020 (late notification). • South Devon UTC joined to Education South West – 01/01/2021.

- Inspiring School Partnership joined Greenshaw Learning Trust – 01/01/2021.

- All Saints Academy Plymouth joined Ted Wragg Academy Trust – 01/01/2021

* 222 **Annual Consultative Meeting with Staff and Retired Members**

The Committee noted that the Annual Consultative Meeting was to be held in the afternoon following the Investment and Pension Fund Committee meeting, commencing at 2.15pm. Presentations would be made by Faith Ward, Chief Responsible Investment Officer at the Brunel Pension Partnership, Mark Gayler, Assistant County Treasurer, Daniel Harris, Head of Peninsula Pensions, and Cllr Colin Slade, Chair of the Devon Pension Board. Members of the Committee were invited to attend.

* 223 **Dates of Future Meetings**

18 June 2021, 17 September 2021, 26 November 2021 and 25 February 2022 all at 10.30 am

* 224 **Exclusion of the Press and Public**

RESOLVED that the press and public be excluded from the meeting for the following item of business under Section 100(A)(4) of the Local Government

Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, information relating to the financial or business affairs of an individual other than the County Council and, in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

* 225 **Brunel Update: Business Plan and Reserved Matters Requests**

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

The Committee considered the Report of the County Treasurer (CT/21/25) on Brunel's Business Plan for 2021/22, proposed changes to the governance review, Brunel Company Board changes, and a special reserved matter request to approve the first phase of changes to the shareholder agreement.

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

RESOLVED

(a) that the Brunel Pension Partnership's Business Plan for 2021/22 be endorsed for approval by the County Treasurer under her delegated powers as the shareholder representative for Devon;

(b) that the progress with the governance review and the special reserved matter request in relation to changes to the shareholder agreement be noted.

* 226 **Brunel Pension Partnership - 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 considered the Report of the County Treasurer (CT/21/26) on the current position with the transition of assets to the Brunel Pension Partnership, and sought approval for the transition of the fixed income assets.

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

RESOLVED

(a) that the County Treasurer be authorised to terminate the investment in the Wellington Multi-Sector Credit Fund at the appropriate time and liaise with the Brunel Pension Partnership to arrange the transition of assets to the Brunel Multi-Asset Credit Portfolio; and

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INVESTMENT AND PENSION FUND COMMITTEE
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.
(b) that the County Treasurer be authorised to terminate the contract of the Devon Pension Fund's currently appointed global bonds manager at the appropriate time and liaise with the Brunel Pension Partnership to arrange the transition of assets to the Brunel Sterling Corporate Bonds Portfolio.

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

The Meeting started at 10.30 am and finished at 11.55 am

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.

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### **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 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.
- 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 Total performance against internal targets for the quarter ending 31<sup>st</sup> December 2020 was 94%, despite the continued impact of COVID19, bringing the total performance for the financial year to date to 92%.
- 2.2 Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for the quarter ending 31<sup>st</sup> December 2020 was also 94%.
- 2.3 The team received a total of 18 compliments over the quarter.
- 2.4 Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Devon Pension Fund only for the quarter ending 31<sup>st</sup> December 2020 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 2019 to 31<sup>st</sup> December 2020.

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## 3. CONCLUSION

3.1 The Board is asked to note the report.

Mary Davis  
County Treasurer

[Electoral Divisions: All]

**LOCAL GOVERNMENT ACT 1972:**  
**LIST OF BACKGROUND PAPERS: NIL**  
Contact for Enquiries: [Dan Harris](#)  
Tel No: **01392 383000**

## Administration Performance – 01/04/2020 to 31/12/2020 (Devon Pension Fund)

### Performance Summary

|                            |               | 01/04/2020 – 31/12/2020 |                         | Q3 2020/21             |                         |
|----------------------------|---------------|-------------------------|-------------------------|------------------------|-------------------------|
|                            | Total Cases   | Performance (Internal)  | Performance (Disc Regs) | Performance (Internal) | Performance (Disc Regs) |
| High Priority Procedures   | 7,836         | 93%                     | 93%                     | 91%                    | 91%                     |
| Medium Priority Procedures | 20,036        | 92%                     | 94%                     | 94%                    | 95%                     |
| Low Priority Procedures    | 2,776         | 92%                     | 94%                     | 96%                    | 96%                     |
| <b>TOTAL</b>               | <b>30,648</b> | <b>92%</b>              | <b>94%</b>              | <b>94%</b>             | <b>94%</b>              |

### High Priority

|                        |              | 01/04/2020 – 30/09/2020 |                         | Q3 2020/21             |                         |
|------------------------|--------------|-------------------------|-------------------------|------------------------|-------------------------|
|                        | Total Cases  | Performance (Internal)  | Performance (Disc Regs) | Performance (Internal) | Performance (Disc Regs) |
| Changes                | 1,022        | 99%                     | 100%                    | 99%                    | 100%                    |
| Complaints (Member)    | 56           | 100%                    | 100%                    | 100%                   | 100%                    |
| Complaints (Employer)  | 0            | -                       | -                       | -                      | -                       |
| Deaths                 | 920          | 83%                     | 84%                     | 80%                    | 81%                     |
| Payroll                | 2,328        | 99%                     | 99%                     | 98%                    | 98%                     |
| Refunds                | 467          | 99%                     | 99%                     | 100%                   | 100%                    |
| Retirements (Active)   | 1,094        | 87%                     | 88%                     | 92%                    | 93%                     |
| Retirements (Deferred) | 1,949        | 87%                     | 88%                     | 82%                    | 82%                     |
| <b>TOTAL</b>           | <b>7,836</b> | <b>93%</b>              | <b>93%</b>              | <b>91%</b>             | <b>91%</b>              |

### Medium Priority

|                      |               | 01/04/2020 – 30/09/2020 |                         | Q3 2020/21             |                         |
|----------------------|---------------|-------------------------|-------------------------|------------------------|-------------------------|
|                      | Total Cases   | Performance (Internal)  | Performance (Disc Regs) | Performance (Internal) | Performance (Disc Regs) |
| Amalgamations        | 2,178         | 81%                     | 89%                     | 80%                    | 83%                     |
| Deferred Benefits    | 3,104         | 80%                     | 82%                     | 80%                    | 82%                     |
| Divorce Calculations | 174           | 85%                     | 85%                     | 98%                    | 98%                     |
| Employer Queries     | 1,702         | 71%                     | 79%                     | 86%                    | 90%                     |
| Estimates (Bulk)     | 0             | -                       | -                       | -                      | -                       |
| Estimates (Employer) | 71            | 100%                    | 100%                    | 100%                   | 100%                    |
| Estimates (Member)   | 364           | 98%                     | 98%                     | 97%                    | 97%                     |
| General              | 8,916         | 100%                    | 100%                    | 100%                   | 100%                    |
| HMRC                 | 122           | 97%                     | 97%                     | 100%                   | 100%                    |
| Member Self-Service  | 3,405         | 100%                    | 100%                    | 100%                   | 100%                    |
| <b>TOTAL</b>         | <b>20,036</b> | <b>92%</b>              | <b>94%</b>              | <b>94%</b>             | <b>95%</b>              |

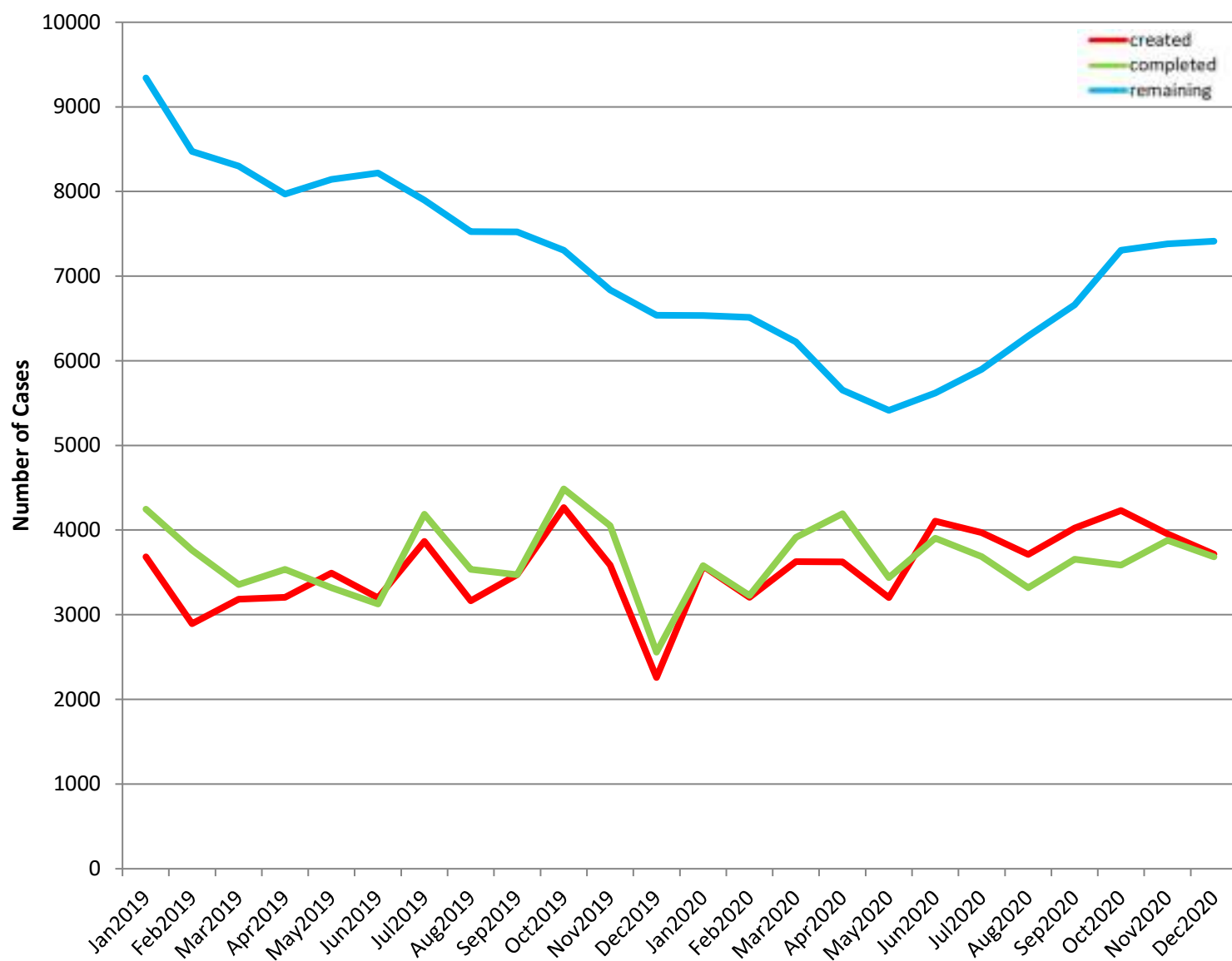
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Appendix 1

## Low Priority

|                         |              | 01/04/2020 – 30/09/2020 |                         | Q3 2020/21             |                         |
|-------------------------|--------------|-------------------------|-------------------------|------------------------|-------------------------|
|                         | Total Cases  | Performance (Internal)  | Performance (Disc Regs) | Performance (Internal) | Performance (Disc Regs) |
| Estimates (Other)       | 126          | 90%                     | 90%                     | 92%                    | 92%                     |
| GMP Queries             | 0            | -                       | -                       | -                      | -                       |
| Interfund Transfers In  | 319          | 76%                     | 83%                     | 82%                    | 84%                     |
| Interfund Transfers Out | 204          | 79%                     | 86%                     | 88%                    | 90%                     |
| Pension Top Ups         | 262          | 96%                     | 96%                     | 99%                    | 99%                     |
| Frozen Refunds          | 1,394        | 99%                     | 99%                     | 99%                    | 99%                     |
| New Starters            | 2            | 100%                    | 100%                    | 100%                   | 100%                    |
| Pension Transfers In    | 199          | 95%                     | 96%                     | 98%                    | 98%                     |
| Pension Transfers Out   | 270          | 80%                     | 80%                     | 90%                    | 90%                     |
| <b>TOTAL</b>            | <b>2,776</b> | <b>92%</b>              | <b>94%</b>              | <b>96%</b>             | <b>96%</b>              |

## Administration Performance – 01/01/2019 to 31/12/2020 (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: that the Board be asked to note the developments in the LGPS

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1. Summary

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

2. £95k Exit cap removed

- 2.1 Legislation implementing the £95K exit cap was put in place and effective from 4th November 2020 despite consultations on making changes to the LGPS regulations still being active. This resulted in the impossible position of the LGPS regulations being in conflict with the new legislation.
- 2.2 On 12th February 2021 the Government revoked parts of the new legislation citing that 'after extensive review of the application of the cap, the government has concluded that the cap may have had unintended consequences.' The exit cap was effectively removed and unreduced pension benefits should now be paid and full strain costs requested from employers for retirements from 4th November 2020.
- 2.3 The Government has stated that it plans to legislate again to tackle unjustified exit payments. We expect that next time legislation implementing the cap and amended LGPS regulations will be effective from the same date.

3. Guaranteed Minimum Pension Indexation

- 3.1 The old state pension scheme that ran between 1978 and 2016 was made up of a basic pension plus an additional pension which was based on your earnings.
- 3.2 Employers which offered defined benefit occupational pension schemes could "contract-out" their employees from the Additional Pension (AP), as long as the scheme provided a Guaranteed Minimum Pension (GMP). In doing this, the employees effectively gave up their right to most elements of the AP. In

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return, both the employee and employer paid reduced National Insurance contributions. However, a contracted-out member still had an entitlement to receive indexation of their AP as part of their State Pension, to the extent that the indexed AP was equal to or greater than their GMP (allowing for indexation up to 3% payable by the scheme on any GMP earned between 1988-1997).

- 3.3 Pensions accrued in respect of pensionable service rendered after 16 May 1990 have to be equal regardless of sex. However, GMPs give rise to inequalities between men and women for a number of reasons, including different GMP ages and accrual rates for men and women. Under the old State Pension system, public service pensions and the AP operated together to provide a mechanism that equalised public service pension payments.
- 3.4 In April 2016 the new state pension scheme came into effect in an attempt to simplify the state pension system. The new scheme has done away with any earnings related additional pensions and is now based on just a basic state pension allowance. The mechanism for paying any indexation of GMP through the state pension system was lost. An interim solution was put in place for members of public sector schemes reaching state pension age between 1st April 2016 and 31st March 2021 that the public sector schemes would pay the full indexation on any GMP elements.
- 3.4 Following a consultation on GMP indexation held last year, the government has now decided to make the full indexation arrangement permanent. This will negate the need for the public sector funds to undertake a GMP equalisation/conversion project.

4. Increase to the minimum retirement age

- 4.1 On 11th February 2021 the HM Treasury published a consultation on increasing the minimum retirement age from 55 to 57 in April 2028. The government consulted on this back in 2014 as part of the Freedom and Choice changes and stated their intention to link the minimum retirement age to 10 years lower than the state pension age which will rise to 67 in April 2028.
- 4.2 The consultation therefore re affirms the government intention, though there appears to be some protection for those members who already have a right to retire at 55. We will await the developments with this and how it is implemented in the LGPS regulations but potentially we could see differing minimum retirement ages for members depending on when they joined the LGPS.

5. Conclusion

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

Mary Davis
County Treasurer

Electoral Divisions: All

Local Government Act 1972:
List of Background Papers: Nil
Contact for Enquiries: **Charlotte Thompson**
Tel No: **01392 381933** Room: **G99**

ACTIONS AND RECOMMENDATIONS TRACKERS

Report of the County Treasurer

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

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

1. Summary

- 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. Internal Audit Programme

- 3.1. Progress against last year's audit plan is noted below with all audits undertaken and concluded.

Audit Risk Areas	Progress
Investment Strategy Statement	Completed, final report issued
Performance Management	Completed, final report issued
Risk Management and Reporting (including review of Peninsula Pensions risks applicable to Devon Pension Fund	Completed, final report issued

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Covid-19 response and changed practices – member services	Completed, final report issued
Covid-19 response and changed practices – Technical & Training	Completed, final report issued
Covid-19 response and changed practices – Employer & Comms	Completed, final report issued
Covid-19 Overall adaption	Completed, final report issued
Employer self service	Completed, final report issued
New website	Completed, final report issued

4. Conclusion

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

Mary Davis
County Treasurer

Electoral Divisions: All

Local Government Act 1972:

List of Background Papers - Nil

Contact for Enquiries: Charlotte Thompson
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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		Following January 2021 board meeting this is now being designed as an online tool. A sharepoint site is in development aimed as being a training and knowledge base hub for committee and board members. Will be in place for new committee and board member introductions in June.
15/07/2019	125 - Improved communication to members on ESG and climate change issues on website		A new Pension Fund website has been developed and includes information on ESG and climate change which can be further developed over time.
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.
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.
06/07/2020	168 - To procure a domain name with email address extensions for use by members		In work
22/01/2020	195 - Distinguish between mandatory and discretionary training events	Tried to incorporate this into the 2021/22 training plan to detail the online events all board members should attend	
22/01/2020	196 - Clarification of the 7% carbon reduction target contained in the Investment Strategy Statement		Investment Strategy Statement updated
Date	Recommendations / Actions	Response	Progress

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PENSION FUND AUDIT ACTIONS					APPENDIX 3	
	Priority	Management response and action plan including responsible officer	Follow up response	ACTIONED?		
Recommendations 2020/21						
Pension Fund 40 days						
Audit						
Investment Strategy Statement	Days	Proposed Quarter				
Performance Management	8	Q1 *				
Risk Management and Reporting (including PP)	10	Late Q1/early Q2				
Planning, reporting and advice	8	Q3				
	5	Q1-4				
Investment Strategy Statement						
Later iterations of the Investment Strategy Statement should refer to the Stewardship code 2020	Medium	Agreed, we intent to actively pursue our renewal of our tier one status under the new version of the code. We will take reports to the investment and pension fund committee as appropriate. Given the timescales involved in the production of the annual report, it maybe that we are unable to make a submission until after the production of the 20/21 annual report.				
Performance Management						
Performance monitoring and related performance expectations should be incorporated into the new contract for the Financial Advisor	Medium	Agreed.				
Management should ensure that continued performance management takes place in relation to legacy private market assets, until such time that these assets transition to Brunel	Medium	Agreed.				
Risk Management						
Management should consider providing more frequent updates to the published Devon Pension Fund risk register and following investment and Pension Fund Committee periodic review.	Medium	Agreed. This was planned, pending the Peninsula Pensions website re-launch, and will be actioned.				

CT/21/45
Devon Pension Board
26th April 2021

FUTURE WORK PROGRAMME

Report of the County Treasurer

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

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

1. Summary

- 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
- Breaches log
- Actions and recommendations Tracker
- Future Work Programme.

July 2021

- Contribution Monitoring annual report
- Pension Board Terms of Reference
- Communications Policy review
- Governance review project

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October 2021

- Budget monitoring
- External audit findings
- Governance policy review

February 2022

- Good Governance Project
- TPR New Code of Practice compliance

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
County Treasurer

Electoral Divisions: All

Local Government Act 1972:

List of Background Papers - Nil

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