

DEVON PENSION BOARD

7 February 2023

Present:-

A Bowman (Chair), J Bailey, C Hearn, P Phillips, R Jeanes, Councillor
S Randall Johnson, C Shipp and D Walshe

Apologies:-

Councillor C Slade

* 81

Minutes

RESOLVED that the Minutes of the Meeting held on 18 October 2022 be signed as a correct record.

* 82

Items Requiring Urgent Attention

No item was raised as a matter of urgency.

* 83

Pension Board Membership

The Board noted that Carl Hearn had been successfully reappointed at the employer meeting in November and that this was Colin Shipp's last Board.

Members thanked Colin for his valued contribution to the work of the Board.

The Board had 2 member representative positions vacant and applications had closed at the end of January with interviews planned later in February.

* 84

Review of Attendance

The Board noted the Report of the Director of Finance and Public Value (DF/23/07) on a review of the attendance and training records of Board Members as attached as an Appendix to the Report (attendance and training logs).

* 85

Devon Pension Fund Risk Register

The Board considered the Report of the Director of Finance and Public Value (DF/23/08) on the identified risks incorporated into the Fund's Risk Register (at Appendix 1 to the Report). The Board had previously considered the Risk Register at its meeting on 19th July 2022, and comments made were taken on board in updating the register. The Register highlighted the key risks in relation to the Pension Fund, the current processes in place to mitigate the

risk, and the planned improvements in place to provide further assurance. It incorporated the risk register of both the Investments Team and Peninsula Pensions.

The Investment and Pension Fund Committee was the ultimate risk owner for the Pension Fund and last reviewed the Risk Register in October 2022.

In addition to the current mitigations in place, further actions were planned to provide a greater level of assurance, and these were detailed together with the planned timescale for the action to take place. The level of risk would be reviewed once the additional actions had been implemented.

Revisions to the Register included a new risk, F14 cyber security and other risks had been recently reviewed and minor updates to the mitigating actions had been made and detailed in the Report.

There were now 41 risks recorded in the Risk Register, 23 of which related to Devon Pension Fund management and 18 to Peninsula Pensions. The Report summarised the number of risks assigned to low, medium and high-risk scores, before and after mitigation.

Members' discussion points with the Officers included:

- F11: in relation to Officers' sufficient knowledge, succession planning was being addressed and referenced in the audit plans;
- F2: in the mitigations, Officers would update the date of the latest actuarial valuation (from 2019 to 2023; and 19 years to 15 years to achieve full funding);
- F8: in regard to life expectancy, the risk identified was lessened by mortality rates showing a slowdown in the increase in life expectancy and any increase in the State's retirement age would also be positive in terms of the Fund's solvency;
- F13: consideration by Officers to a suggestion from the Board that figures (% and actual number) details be included against the strategic target figures; and
- PP5: in regard to the withdrawal of support for Employer Self Service, confirmation that a new internal solution was being developed with Employers to ensure continued service delivery;

The Board noted the Report, subject to the observations and suggestions outlined above.

* **86** **Devon Pension Funding Strategy Statement**

The Board considered the Report of the Director of Finance and Public Value (DF/23/09) on a revised Funding Strategy Statement (FSS) drafted in consultation with participating employers.

Following completion of the 2022 Actuarial Valuation, a revised FSS had been drafted in conjunction with the Fund Actuary (Barnett Waddingham) (set out at Appendix 1 of the Report). The document had been revised in order to reflect updated regulations, practice and actuarial assumptions.

The main changes in the revised FSS were detailed in the Report.

The Board was asked to review the draft Funding Strategy Statement and consider whether it complied with the regulations, and provided an effective and efficient strategy to meet the Fund's liabilities and achieve full funding.

The draft FSS had also been sent out for consultation to Fund employers and any comments from the Pension Board or Fund employers will be brought to the attention of the Investment and Pension Fund Committee and would be taken into consideration in the final version to be approved by the Committee

Members' discussion points with the Officers included:

- the main changes related to the assumed inflation rate, the discount rate used, demographic assumptions and the maximum recovery period down to 15 years, which was welcomed by the Board;
- the change in approach to cessation valuations for orphaned assets from using a discount rate based on gilts to using the same approach used for the ongoing valuations but with a higher level of prudence in order to minimise risk in the fund; and
- the reference within the FSS to Climate Risk and the need for further explanation if appropriate to the added duty for Board/Committee members to be fully cognisant of the additional risks and whether this was on a par, subordinate or additional to their fiduciary duty; and noting that this would also be an important element within the Actuarial Valuation and high on the 'agenda' for strategic and policy development.

The Committee noted the revised Funding Strategy Statement set out in Appendix 1 to the Report, subject to comments outlined above, for consideration by the Investment and Pension Fund Committee.

* **87** **Devon Pension Audit Plan 2023/4**

The Board considered Report of the Director of Finance and Public Value (DF/23/10) on the Internal Audit Plan 2023/24 and the Service Level Agreement in regard to the Devon Pension Fund and for Peninsula Pensions delivered by the Devon Audit Partnership (DAP).

Members' questions and discussion points with the Deputy Head of the Devon Audit Partnership included:

- the audit plans for the financial year 2023/24 allowed for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit

support for Peninsula Pensions, providing 85 days of internal audit provision overall and the detailed plans were set out in Appendix 1 of this Report along with the daily charge (a small uplift from last year's charge) by the DAP;

- the plans had been drafted ready for this meeting ready for commencement in the new financial year and remained flexible and subject to change according to any new priorities;
- the planned audits in regard to Cyber Security were as a follow up to the detailed audit included within the current year's plans;
- the FINEST replacement was planned to be operational from 2025; and
- in relation to the Quality Control and Assurance audit in Peninsula Pensions, scoping meetings would be held (as was the case for all the proposed audits) with the client when key performance KPIs would be discussed.

The Board noted the proposed Internal Audit plan for 2023/24, subject to comments outlined above which would be relayed to the Investment and Pension Fund Committee.

* **88** **Administering Authority Discretions**

The Board considered Report of the Director of Finance and Public Value (DF/23/11 2) on administering authority discretions which had been last reviewed in October 2014 following the introduction of new discretions.

Following a review by officers, it was proposed to amend the current discretions as set out in this report in Annex A of the Report which detailed all the current discretions and proposed changes.

Members' discussion points with the Officers included:

- the implementation of discretion 43 which proposed only to allow members to transfer in pension benefits where they were being transferred in from other public sector schemes, to allow current members still within their 12 month window to complete private sector transfers.

The Board noted the Report, subject to the above comment.

* **89** **Devon Pension Contribution Monitoring**

The Board noted the Report of the Director of Finance and Public Value (DF/23/12) on an update on the current procedures for monitoring of timely payment of contributions from employers.

Where contributions were received after the legal deadline and the Authority considered that late payment was of material significance, the Administering Authority had a legal duty to notify the Pensions Regulator of the employer's failure to meet the legal deadline.

The Report summarised the monthly contributions received in Q2 2022/23. A total of 15 contributions had been received late during this quarter. 7 of these related to Town and Parish councils who were getting themselves up to date following reminders of the legal timescales. Timeliness of contributions for these employers had since improved and improvements would be reflected in the next monitoring report. The other 8 cases were one off events.

* **90** **Investment and Pension Fund Committee**

The Board noted the Minutes of the Investment and Pension Fund Committee meeting held on 25 November 2022.

* **91** **Peninsula Pensions Administration Update and Performance Statistics**

The Board noted the Report of the Director of Finance and Public Value (DF/23/13) on the performance of the administration of the pensions by Peninsula Pensions.

Appendix 1 of the Report provided a detailed breakdown of administration performance relating for the quarter ending 30th September 2022 against the statutory Disclosure Regulations. It also included a new graph which showed the monthly trend analysis on the percentage of high, medium, and low priority cases completed within timescales for the current financial year.

Appendix 2 highlighted the longer-term performance of Peninsula Pensions (Devon Pension Fund only) from 1st April to 30th September 2022.

Appendix 3 highlighted the amount of work received in the previous 12 month rolling period, compared to the same periods in the previous year. Both charts currently showed an increase in workloads.

The lower-than-expected performance in part was due to delays in responses to member information requested from employers. The Team continued to work with employers to implement improvements in this area. It was noted that employers were undertaking a historic data sign off exercise over the period in preparation for the McCloud remedy, which would explain some of the delays.

The Team also continued to concentrate on processing outstanding deferred benefit and amalgamation cases in preparation for the McCloud remedy and future Pension Dashboard, (minute refers *92 refers), which had also impacted performance. Once these cases were completed, an improvement in performance was expected.

The Team received a total of 20 compliments between 1st July 2022 and 30th September 2022.

Members' discussion points with the Head of Peninsula Pensions included:

- whilst the performance for High Priority cases was positive (93%) more analysis of the reasons for the outstanding cases would be reported to future meetings with the use of a new reporting tool;
- recruitment difficulties within the Team also impacted on performance in addition to the additional workloads; and
- non-statutory requests for information would be covered in the low priority statistics.

* **92** **Pensions Dashboard**

The Board noted the Report of the Director of Finance and Public Value (DF/23/14) on a Government initiative to facilitate a Pensions Dashboards. The Board also viewed a short video produced by the Money and Pensions Service summarising the aims and operation of the proposed Dashboard.

The Dashboard would enable individuals to access their pensions information online, securely, and all in one place, thereby supporting better planning for retirement and growing financial wellbeing. Dashboards would provide clear and simple information about an individual's multiple pension savings, including their State Pension. The Government's Money and Pension Services' vision was for everyone to make the most of their money and pensions. Part of this was individuals knowing what pensions they have and how much is saved in them.

There were specific roles and legal duties Scheme Managers/Administrators:

- Connect to dashboards by a specific deadline – the connection deadline for Public Sector Pension Schemes (including the Local government Pension Scheme) is 30th September 2024
- Securely receive personal information on members, and search and match members via identity checks to their pensions ('find requests')
- Securely provide members with information about their pension through the dashboard of their choosing upon request ('view requests')
- Co-operate with The Money and Pension Services' when preparing to connect, maintain records and report certain information to The Pension Regulator and The Money and Pension Services'

The Report outlined the actions prior to connection and the current position. Peninsula Pensions had already been undertaking data quality exercises with all employers and would be prioritising Deferred Benefit which would help to ensure readiness ahead of the September 2024 deadline.

There was a Team leading on this project and in regular conversations with software suppliers, with regards to their module and experience being made available on both the 'data readiness' element of the project, and the key element, the provision of a secure interface, with them acting as the integrated service provider (ISP) between Peninsula's Pension administration database and the Pension Dashboards.

Discussion Points with the Head of peninsula Pensions included:

- the additional cost implication for Peninsula Pensions in connecting to the new Dashboard;
- the Peninsula Pensions software provider was involved with the development of the Dashboard and would be in a good position to facilitate the connection to it, subject to the usual procurement processes; and
- consideration by Officers to referencing connection to the Dashboard in the Risk Register in recognition of the cost implications and additional workloads involved.

* **93** **Employer Performance**

The Board noted the Report of the Director of Finance and Public Value (DF/23/115) on reports to assess both performance of Employers and Peninsula Pensions around the provision of data and calculation of pension benefits relating to the Local Government Pension Scheme, initially relating to members that had ceased membership.

Peninsula Pensions wished to encourage employers to produce the information relating to members that had left the scheme, prior to the date they leave the scheme, in line with the Pension Administration Strategy. This would enable Peninsula Pensions to calculate pension benefits and arrange payments due in a timelier manner to ease transition of members from employment to retirement without delay.

Peninsula Pensions would be reviewing the Pension Administration Strategy and targets in the new 2023 year, which would include the internal targets for Peninsula Pensions and expected performance requirements from individual Fund employers.

The progression of the Employer Performance Reports had therefore been temporarily delayed pending both the review of the Strategy; and also, in order for the impact of the new process following the decommission of the Employer Self Service portal from 1 March 2023 to take effect. A new internal solution had been produced to replace the Employer's portal and focus sessions had been held with employers as the development occurred.

Peninsula Pensions were working with Audit to strengthen the new process and provide assurance around both the quality and timeliness of data provision from individual employers. The aim would be to have a database in place which stored the data that Employers provided, highlighting performance within the prescribed parameters. When completed, the summary dashboard from the database, and reports relating to the new internal administration targets agreed, would form part of the reports delivered to the Pension Board in future.

The Board discussion points with Officers included the different time scales for notification of benefits and payments relating to deferred and standard retirements.

* **94** **Actions and Recommendations Tracker**

The Board noted the Report of the Director of Finance and Public Value (DF/23/16) on the progress made on actions arising from internal audits and Pension Board recommendations and requests.

The Report outlined a list of actions, recommendations and requests which had been raised by the Devon Pension Board (previously completed actions had been removed) and a summary of outstanding audit actions and progress against this year's audit plan. A further update would be provided at the meeting in October 2023.

Members' discussion points with Officers included the Bond obligation for transferee Bodies and that the risk for the Fund was minimal.

* **95** **Future Work Programme**

The Board received the Report of the Director of Finance and Public Value (DF/23/27) on the work programme over the next three meetings. A new item would be added to the July meeting in relation to the Pensions Regulator Data Score for Peninsula Pensions.

* **96** **Future Meeting Dates**

18 April 2023, 6 July 2023 (in-person), 13 October 2023, 30 January 2024 and 19 April 2024.

Confirmation of dates and other details available at: [Browse meetings - Devon Pension Board - Democracy in Devon](#)

NOTES:

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

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

The Meeting started at 10.30 am and finished at 12.05 pm