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To: The Chair and Members  
of the Devon Pension  
Board

County Hall  
Topsham Road  
Exeter  
Devon  
EX2 4QD

Date: 10 April 2023

Contact: Gerry Rufolo 01392382299

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### **DEVON PENSION BOARD**

Tuesday, 18th April, 2023

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

Donna Manson  
Chief Executive

## **A G E N D A**

### **PART 1 - OPEN COMMITTEE**

1 Apologies

2 Minutes

Minutes of the meeting held on 2<sup>nd</sup> February 2022, 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

Director of Finance and Public Value to report.

- 5 Annual Internal Audit report 2022/23 (Pages 1 - 12)

Report of the Director of Finance and Public Value (DF/23/40), attached

- 6 Review of Attendance (Pages 13 - 16)

Report of the Director of Finance and Public Value (DF/23/41), attached

- 7 Contribution monitoring (Pages 17 - 20)

Report of the Director of Finance and Public Value (DF/23/42), attached

- 8 Devon Pension Fund Risk Register (Pages 21 - 54)

Report of the Director of Finance and Public Value (DF/23/43), attached

- 9 Pension Board Annual Report (Pages 55 - 58)

Report of the Director of Finance and Public Value (DF/23/44), attached

- 10 Training Review and 2023/24 Training Plan (Pages 59 - 66)

Report of the Director of Finance and Public Value (DF/23/45), attached

- 11 Pension board Budget Report (Pages 67 - 70)

Report of the Director of Finance and Public Value (DF/23/46), attached

### **MATTERS FOR INFORMATION**

- 12 Investment and Pension Fund Committee (Pages 71 - 80)

Minutes of the Investment and Pension Fund Committee meeting held on 3rd March 2023, attached

- 13 Peninsula Pensions Administration Update and Performance Statistics (Pages 81 - 88)

Report of the Director of Finance and Public Value (DF/23/47), attached

- 14 LGPS Update Report (Pages 89 - 92)

Report of the Director of Finance and Public Value (DF/23/48), attached

15 Future Work Programme (Pages 93 - 94)

Report of the Director of Finance and Public Value (DF/23/49), attached

16 Dates of Future Meetings

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

Tuesday 18th April 2023; Thursday 6th July 2023, Friday 13th October 2023; and Tuesday 30th January 2024

Up to date information at: [Browse meetings - Devon Pension Board - Democracy in Devon](#)

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**Induction Loop available**





DF/23/40  
Devon Pension Board  
18<sup>th</sup> April 2023

## ANNUAL INTERNAL AUDIT REPORT 2022/23

### Report of the Director of Finance and Public Value

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

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#### 1) Recommendation

That the Board be asked to:

- (a) Note the internal Audit Report for 2022/23

#### 2) Introduction

- 2.1 The Internal Audit Service for the Pension Fund is delivered by the Devon Audit Partnership. This is a shared service arrangement between Devon, Plymouth, Torbay, Mid Devon, North Devon, South Hams and West Devon and Torridge councils constituted under section 20 of the Local Government Act 2000.
- 2.2 The Internal Auditors for the Pension Fund are responsible for providing assurance that financial and other systems are operating effectively and in line with legislation and the Authority's financial regulations. This is achieved through two audit plans: one for the Devon Pension Fund and one for Peninsula Pensions

#### 3) Review of 2022/23

- 3.1 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. This is set out in the Annual Report at Appendix 1.
- 3.2 Overall, and based on work performed during 2022/23, Internal Audit can provide **reasonable assurance** on the adequacy and effectiveness of the Fund's internal control environment. This was based on a total of 8 audit (6 completed and 2 still in progress). Further explanation of this is provided in the Annual Report.

# Agenda Item 5

## **4) Conclusion**

4.1 The Board is asked to note the Internal Audit Report for 2022/23.

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

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## DEVON PENSION FUND

### ANNUAL INTERNAL AUDIT REPORT 2022/23

#### Section 1 - ANNUAL INTERNAL AUDIT REPORT 2022/23

##### 1 INTRODUCTION

- 1.1 The following report sets out the background to the internal audit service provision, reviews work undertaken in 2022/23 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.
- 1.2 This report will support 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 Service for the Devon Pension Fund (the Fund) is delivered by the Devon Audit Partnership.

###### 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 and provides 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 this 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 2022/23, 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 2022/23

- 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 2022/23 has included completion of six audits for Devon Pension Fund and Peninsula Pensions, with two audits where the review has commenced in 22/23 and are in progress. 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.

Key – DPF = Devon Pension Fund PP = Peninsula Pensions

Areas Covered		Stage	DPF or PP	Level of Assurance
1	Employer Covenant and Bond Requirements	Final	DPF	Reasonable Assurance
2	Stewardship Code	Final	DPF	Substantial Assurance
3	Brunel Performance Reporting	Ongoing	DPF	n/a
4	Actuarial Valuation 2022	Draft	PP/DPF	Substantial Assurance
5	Cyber Security	Final	PP/DPF	Limited Assurance

6	Transfers Out – Fraud Risk	Final	PP/DPF	Substantial Assurance
7	Escrow Bank Account	Final	PP	Substantial Assurance
8	Employer Interface Data Quality	Ongoing and throughout 23/24	PP	n/a

- 4.3 Our reviews this year and in prior years provide sufficient evidence that overall, 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 in particular around cyber security where only limited assurance has been given. 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 reports to the Devon Pension Board with 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.
- 4.7 Definitions of assignment assurance opinions are shown in Appendix B.

## 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 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 2022/23 to assist them with compilation of their individual annual governance assurance statements. No significant weaknesses were identified in these reviews.
- 5.4 Overall, and based on work performed during 2022/23, Internal Audit can provide **'reasonable assurance'** on the adequacy and effectiveness of the Fund's internal control framework.

# Agenda Item 5



## **Wider Assurance Received**

- 5.5 The Devon Audit Partnership 2021/22 Internal Audit Report to Devon County Council, provided an overall assurance opinion of 'Reasonable Assurance' on the adequacy and effectiveness of the Authority's internal control framework based on work performed during 2021/22 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. The Devon Audit Partnership 2022/23 Internal Audit Report to Devon County Council will be presented to Audit Committee on 20<sup>th</sup> June 2023.
- 5.6 External Audit (Grant Thornton UK LLP) annual audit letter to Devon County Council for the year ending 31 March 2022, stated that Grant Thornton gave an unqualified opinion on the pension fund accounts of Devon Pension Fund on 16 November 2022. Grant Thornton reported the key issues from audit of the Pension Fund accounts to the Audit Committee in November 2022.
- 5.7 Brunel Pension Partnership Limited (BPP), Annual Report and Financial Statements for the year ended 30 September 2022, includes the independent Auditor's (Grant Thornton UK LLP) report to member of the BPP, for which no areas of concern were identified.

### Executive Summaries for audits undertaken in 2022/23

#### **DPF - Employer Covenant and Bond Requirements** (Reasonable Assurance)

The Fund's approach to monitoring and managing financial risks of employers in the Fund were found to be sound and well demonstrated. The outcomes and suggested action to manage employer risk from of the 2019 actuarial valuation, and subsequent bond review and Employer Risk Analysis carried out in 2020 and 2022 respectively have been used to inform the latest revisions to the Fund's Investment and Funding Strategies.

In relation to the application of the actions and management of employer risk, in particular in relation to recovery of secondary contributions, setting up of bonds and guarantors for the admitted bodies, and those higher risk employers, the DPF was found to be following these. The level of assurance given has been reduced overall however due to two factors:

1. Key employer documents not being held centrally, to enable both Peninsula Pensions and DPF to be able to access the records. There were gaps in the documentation provided by DPF as a result, where admission agreements were missing or incomplete for 9 of the 20 employers.
2. For transferred admitted bodies in which Devon County Council, who hold the deficit liability, require the employers to hold bonds, evidence of bonds being in place were not held.

It should be noted, however that the overall risk to the fund of non-payment of any cessation employer deficit is considered low due to the recent change in Pension Regulations around debt spreading and deferred employer status, which provides a greater level of protection and provides better mechanism to recover the deficit

#### **DPF: Stewardship Code** (Substantial Assurance)

Devon Pension Fund (DPF) has an up to date Stewardship Policy which is included within the DPF Investment Strategy Statement, which was found to be aligned with both Brunel's Stewardship Policy and consistent with the Stewardship Statement in the DPF Annual Report and Accounts 2021/22 and there was good evidence of policy compliance.

Of the 12 principles (57 sub principles), the FRC report within the outcome letter dated March 2022 identified that improvements were needed in 15 areas in order to remain a signatory for 2022/23. The additional information included in the updated Stewardship Statement in the DPF Annual Report and Accounts 2021/22 would suggest that all but two of the sub-principles have been addressed (see recommendation in Appendix A below).

We would not however, be in a position to provide any judgement as to the quality or effectiveness of the information provided or whether this meets the expectations of the Code requirements. This would need to be confirmed by the FRC when they review the 2021/22 Annual Report and Accounts.

## **DPF / PP: Actuarial Valuation 2022 (Substantial Assurance) – Draft Report**

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

As reported to the Investment and Pension Fund Committee in November 2022, the Fund Actuary, Barnett Waddingham, determined that the Devon Fund has a funding level of 98%, up from 91% at the 2019 Valuation. The Fund's assets were valued at £5,316 million against future pension liabilities assessed at £5,405 million, giving a deficit for this valuation of £89 million. The indicative results had been communicated to most Employers at the time of the audit, and final Employer contributions were confirmed by the end of March 2023 although employers were in the process of being notified whilst the audit was taking place. The Devon Pension Fund Funding Strategy Statement (FSS) has been revised and takes account of the assumptions and recommended contribution and secondary contribution rates. The FFS was formally approved by the Investment and Pension Fund Committee on 3rd March 2023.

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

## **DPF / PP: Cyber Security (Limited Assurance)**

We have identified a number of areas where we consider there to be significant gaps in the control framework.

The overall cyber security risk is recognised on the Devon County Council's (DCC) corporate risk register, and it is also recorded within the Peninsula Pension's (PP) risk register. However, cyber security risks are not recorded within the DPF risk register which weakens governance and decision making regarding the risks identified and their potential mitigations.

The risk owners in place are experienced, but they have not received specific training in relation to cyber security nor risk management, yet there is evidence of the use of reputable external resources to support the mitigation and control of risks. Risk registers are a standing item on the agendas of the DPF Board meetings to discuss and scrutinise risks, including cyber security risks.

While the Peninsula Pensions risk register included the risk of supplier failure, it did not include a mitigating control for the management of suppliers. The DPF risk register does not currently include any risks in relation to the failure of suppliers.

Regarding Heywood's (Altair), there is adequate supplier management in place. Annual meetings take place to discuss security requirements and emerging risks. Heywood's supply communication on current topical areas of concern (the war in Ukraine for example), alongside having security review reports and accreditations, are available upon request.

Regarding Logotech, supplier management is limited. Ongoing assurance is not routinely obtained to confirm that their cyber security risks are being managed effectively, and there are currently no established processes in place to determine the cyber security posture of Logotech. These weaknesses are detailed in our observations below.

There is a contract in place, as well as supporting license terms and conditions, which state the responsibilities of both Heywood's and Peninsula Pensions (DCC) for the use and maintenance of the system. However, the contract does not state the roles and responsibilities of both parties in the event of an incident. We were not able to obtain a copy of a contract with Logotech.

As part of this audit, we arranged for a cyber security questionnaire to be sent to each of the suppliers/partners. We identified no significant immediate concerns regarding the responses received from Heywood's regarding Altair. At the time of reporting there had been no response from Logotech or Brunel. We have made observations to obtain further information/assurance from the suppliers.

Neither DPF nor PP maintain an Information Asset Register. This is an expectation of the ICO to meet UK data protection legislation requirements and it can assist in the understanding and management of supplier risk.

Mandatory cyber security training is available to all DCC staff and Members, however, not all PP, Investments Team staff or DCC Members on the Pension Board have completed the training or signed the relevant policy. The table below shows the percentage of those that have not completed the mandatory requirements.

<b>DPF Operational Teams (No. of Staff)</b>	<b>Cyber Security Awareness Training</b>	<b>Personal Information Security Policy</b>
DCC Investments Team (6)	33%	17%
Peninsula Pensions (72)	17%	29%
Members (8)	75%	88%

There are Business Continuity Plans (BCP) for Devon Pension Fund (DPF) and Peninsula Pensions (PP), which use approved templates from Devon Emergency Planning Service. Both outline a cyber-attack/IT disruption as a reason to invoke the plan. The template requires confirmation of critical systems that need to be restored, alongside the priority of restore and "Recovery Time Objective" in the event of an incident. However, we have identified a number of areas for improvement regarding the content and management of the BCP plans in our observations below including conducting a specific Cyber BC exercise.

Although reasonable, Altair and Logotech system access controls should be further strengthened by management controls to provide greater assurance in this area and our observations have been detailed below. Our observations focus on the management controls in place, and there were no concerns found with the services that Heywood / Altair provide.

It is noted from the DCC Main Accounting System audit from October 2022, there were weaknesses identified in the administration of the user accounts for the online banking system. However, there are compensating controls in place with further actions being undertaken by the responsible officer to improve the controls in this area.



# Agenda Item 5



Positively, in line with external guidance from Pensions and Lifetime Savings Association, PP have recently developed a Cyber Security Policy, which references the DCC framework of IT security policies and procedures that are in place.

## **PP: Transfers Out – Fraud Risk** (Substantial Assurance)

The mitigating controls in place for processing pension benefit transfer requests and minimising the risk of fraud and members falling victim to pension scams was found to be robust and there was a clear audit trail in place to support the due diligence process. This is much to the credit of the management and staff within Peninsula Pensions who have worked hard to tighten controls in this area, to ensure that, they are fully compliant with their statutory obligations in this area.

The key fraud and pension scam due diligence checks carried out to detect "red" and / or "amber" flags, were found to be well evidenced, and where any flags / concerns were identified during the process, there was clear evidence of these being followed up. Furthermore, the "Transfer Out Training Notes" produced for pension staff who administer the transfer process were found to be comprehensive and adhered to both The Pension Regulator and the Pension Scam Industry Guidance Good Practice Codes.

During my review, there was no evidence of any incidents of fraud or where any members had fallen victim to pension scams.

## **PP: Escrow Bank Account** (Substantial Assurance)

There are effective and efficient controls in place to ensure that unclaimed refunds of contributions and death grants are moved out of the Fund prior to reaching an age that they attract unauthorised payment charges and sanctions, the account is monitored and reviewed regularly, and payments made are accurate and not duplicate or fraudulent.

The Finance Manager maintains a spreadsheet detailing all payments that have been moved across into the account, and all payments that have been made from the account. The bank statements for the account are reviewed and authorised by both the Finance Manager and the Pensions Technical Manager.

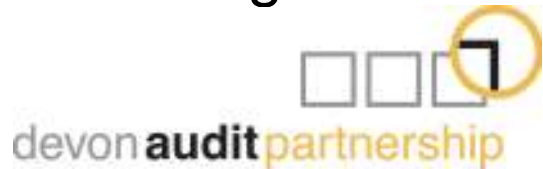
We reviewed a sample containing both refunds and death benefits paid out, and refunds and death benefits still held in the account. We found that all payments made were accurate, timely and that records had been maintained to ensure there could be no duplication. All payments still in the account were found to be accurate with adequate supporting documentation.

## **PP – Employer Interface Data Quality** (Ongoing)

### **Audit Scope**

Paragraphs 121 - 130 of the Pensions Regulator's Code of Practice provides guidance on scheme record keeping which aligns the legal requirements set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').





It states: "Scheme managers must establish and operate adequate internal controls, which should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.

Schemes should require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that processes are established by employers which enable the transmission of complete and accurate data from the outset".

Devon Audit Partnership have been commissioned to support Peninsula Pensions with:

1. providing assurance on the accuracy of the monthly care pay information submitted through the interfaces by the scheme employers, to ensure it looks reasonable, tracking of trends, and comparing FTE data provided against set parameters.
2. Production of Performance Management Information for both Devon and Somerset Pension Boards relating to the performance of employers, through the creation of a dashboard viewable at both Fund and Employer level from which Fund / Employer report card summary sheets can be produced as PDFs.

### **Progress as at March 2023**

This work is underway. The Power BI pension dashboard for reviewing the quality of the CARE pay information and monitoring of trends, is being designed. The data for one of the employer's selected has been cleansed and made usable for Power BI. The wider issue of information / data governance is also being reviewed as part of this. The Power BI dashboard for performance management reporting is also in the process of being developed.

This review commenced in March 2023 and will be ongoing throughout 2023/24 as this is rolled out for all employers across both the Devon and Somerset Pension Funds.

## **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.

DF/23/41  
Devon Pension Board  
18<sup>th</sup> April 2023

## REVIEW OF ATTENDANCE

### Report of the Director of Finance and Public Value

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

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#### **1) Recommendation**

That the Board be asked to:

- (a) Review the attendance and training record of the board.

#### **2) Introduction**

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

#### **3) Attendance log**

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

#### **4) Conclusion**

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

# Agenda Item 6

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

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Address: Room 180 County Hall

	Board Meeting				Training			
		19/07/2022	18/10/2022	07/02/2023	In House event	Brunel Investor day	In House event	
04/05/2022					27/05/2022	28/09/2022	03/11/2022	
<b>Fund Members</b>								
Bowman	Y	Y	Y	Y	Y	Y	Y	
Shipp	Y	Y	Y	Y	N	Y	Y	
Phillips	Y	Y	Y	Y	Y	N	N	
Bailey	Y	Y	Y	Y	N	Y	N	
<b>Fund Employers</b>								
Slade (DCC)	Y	Y	Y	N	Y	N	Y	
Walshe	n/a	Y	Y	Y	n/a	Y	Y	
Hearn (Tavistock)	Y	Y	Y	Y	Y	Y	Y	
Randall Johnson (DCC)	Y	Y	Y	Y	Y	N	N	
<b>Independent member</b>								
Jeanes	Y	Y	Y	Y	N	Y	Y	

**Other training attended during the year**

A Bowman      Barnet waddingham CIFPA LGPS local pension board members annual event

Jun-22



DF/23/42  
Devon Pension Board  
18<sup>th</sup> April 2023

## MONITORING OF CONTRIBUTIONS

### Report of the Director of Finance and Public Value

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

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#### **1) Recommendation**

That the Board be asked to:

- (a) Note the actions taken to monitor the contributions

#### **2) Introduction**

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

#### **3) Monitoring process**

- 3.1 Employers are required to submit a remittance advice with their contributions. The Finance team within Peninsula Pensions record the payments received onto the Fund's finance system. Staff in the investment team update a database which records the contributions and also checks that they are in line with the rate certified by the actuary.
- 3.2 The date that the contribution was received is also recorded in order to monitor compliance with the legal requirements.
- 3.3 The table below shows a summary of the monthly contributions received in Q3 2022/23. For each scheme employer, 3 contributions would be recorded and

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included in the table below except for those employers who joined or left during the period.

- 3.4 A total of 16 contributions were received late during this quarter. Six of these related to Paris councils who had informed the fund of their meeting dates and corresponding submission of contributions not aligning with our deadlines. There has however been an improvement on timeliness overall for the Town and Parish Councils.

Officers have written to one employer, as contributions were starting to get paid later and later in the month, to remind them of the legal deadlines. Officers will continue to monitor this employer closely and will consider raising a report to the Regulator if no improvement is forthcoming.

<b>Employer by monthly contribution size</b>	<b>Paid on or before 7<sup>th</sup> of the month</b>	<b>Paid after 7<sup>th</sup> but on or before 19th</b>	<b>Paid after 19th</b>	<b>Not paid</b>
£1 - £1000 (61)	139	23	2	0
£1001 - £10k (144)	380	32	10	0
£10k - £50k (72)	178	18	4	0
£50k+ (23)	64	11	0	0
<b><u>TOTAL</u></b>	<b><u>761</u></b>	<b><u>103</u></b>	<b><u>16</u></b>	<b><u>0</u></b>

## 4) Conclusion

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

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All



## **Local Government Act 1972: List of background papers**

Nil

### **Contact for enquiries:**

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall



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Devon Pension Board  
18<sup>th</sup> April 2023

## PENSION FUND RISK REGISTER

### Report of the Director of Finance and Public Value

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

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#### **1) Recommendation**

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

#### **2) Introduction**

- 2.1 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For a pension fund, those risks will come from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks. The risks that have been identified are incorporated into the Fund's Risk Register.
- 2.2 The Pension Board monitors the Risk Register as part of its scrutiny role in relation to risk and compliance and will raise any specific concerns to the Investment and Pension Fund Committee, as necessary. The Board previously considered the Risk Register at its meeting on 19<sup>th</sup> July 2022, and comments made at board meetings have been taken on board in updating the register.
- 2.3 The Risk Register is attached at Appendix 1 to this report. It highlights the key risks in relation to the Pension Fund, the current processes in place to mitigate the risk, and the planned improvements in place to provide further assurance. It incorporates the risk register of both the Investments Team and Peninsula Pensions.
- 2.4 The Investment and Pension Fund Committee is the ultimate risk owner for the Pension Fund and last reviewed the Risk Register in October 2022.

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## 3) Assessment of Risk

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

## 4) Revisions to the Risk Register

- 4.1 The risk register remains unchanged in relation to the Peninsula Pensions risks since the last board meeting in February. Officers are currently working with audit colleagues on updating the register in time for the next board meeting.
- 4.2 At the February meeting, the board picked up that a control under F2 required updating to reflect the 2022 valuation. This has now been actioned. F12 has also been updated to reflect the completion of the 2022 valuation. There were also minor amendments to controls under risks CM1, F14 and G2.
- 4.3 There are now 41 risks recorded in the Risk Register, 23 of which relate to Devon Pension Fund management and 18 to Peninsula Pensions. The following table summarises the number of risks assigned to low, medium and high-risk scores, before and after mitigation.

Risk Category	Number of Inherent Risks Identified	Number of Risks following mitigating action
<b>Devon Pension Fund</b>		
High	9	2
Medium	11	6
Low	3	14
<b>Peninsula Pensions</b>		
High	3	0
Medium	7	4
Low	8	14

4.4 Across Devon Pension Fund management and Peninsula Pensions, action taken to mitigate risks has reduced the number of high risks from 11 to 2. The remaining high risks are in respect of:

- F5- Global Financial Crisis leading to a failure to reduce the deficit.
- F2 -Investment strategy not providing sufficient returns longer term.
- F14 – Cyber Security

## 5) Conclusion

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

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall



## Risks: Devon Pension Fund

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

Risk details	Status and Risk owner	Mitigating controls
<p><b>A1: Accounting</b></p> <p>Cause: Lack of training/awareness around pension fund accounting regulations.</p> <p>Event: Non compliance with accounting regulations and fin regs.</p> <p>Impact: Reputational damage. Qualified accounts.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated 10/11/2021 - Advice sought from Charlotte Thompson re update required to account for Angela Stirland having left DCC. Risk record to be updated accordingly and Angela Stirland to be removed as a system user. DAP risk management team.</p>	<p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 9 Low ( Unchanged)</b></p> <p>Risk owner: <b>Mark Gayler</b></p> <p>Accountable officer: <b>Philip Edwards</b></p> <p>Category: Compliance</p> <p>Last review: 5<sup>th</sup> April 2023</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>B3: Brunel Pension Partnership</b></p> <p>Cause: Ineffective governance of Brunel or departure of key people from Brunel</p> <p>Event: Ineffective management of the Fund's investments or at the extreme breakup of the partnership.</p> <p>Impact: Significant costs to the Fund and financial loss. Reputational damage.</p>	<p>Inherent status : 16 High</p> <p>Current status : 12 Medium ( Unchanged)</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category: Operational</p> <p>Last review: 12 Jan 2023</p> <p>Latest review details</p> <p>Review of mitigating actions and updated</p>	<p><b>Green</b> Shareholder agreement in place sets out governance framework and is regularly reviewed</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> Brunel are proposing to put in place a revised People Strategy to support recruitment and retention of key staff</p>
<p><b>Cm1: Communication</b></p> <p>Cause: Inadequate communications plan and/or insufficient resource to action.</p> <p>Event: Insufficient communication and engagement with pension fund stakeholders.</p> <p>Impact: Damage to reputation. Uniformed policy decisions. Non compliance with legislation/best practice.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low ( Unchanged)</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a></p> <p>Accountable officer: <a href="#">Mark Gayler</a></p> <p>Category: Operational</p> <p>Last review: 5<sup>th</sup> April 2023</p> <p>Latest review details</p> <p>Controls reviewed and updated. Risk score reviewed</p>	<p><b>Amber</b> A communications strategy is in place and is due to be reviewed during 2022.</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>



Risk details	Status and Risk owner	Mitigating controls
		<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 Devon Pension Fund website.</p>
<p><b>Cu1: Custody</b></p> <p>Cause: Changing economic climate, fraud or changing financial position of the Custodian.</p> <p>Event: Failure of Pensions custodian.</p> <p>Impact: Financial loss. Failure to decrease deficit. Adverse media interest/damage to reputation.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.</p>	<p><b>Inherent status : 9 Low</b> <b>Current status : 6 Low</b></p> <p>Risk owner: <b>Charlotte. Thompson</b> Accountable officer: <b>Mark Gayler</b> Category: Operational Last review: 5<sup>th</sup> April 2023 Latest review details 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>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: Failure to secure and maintain pension</p>	<p><b>Inherent status : 9 Low</b> <b>Current status : 6 Low ( Unchanged)</b></p> <p>Risk owner: <b>Charlotte. Thompson</b> Accountable officer: <b>Mark Gayler</b></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>fund systems. Event: Loss of sensitive data. Impact: Reputation risk. Financial loss arising from legal action.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated. 17/09/2021 - Devon Audit Partnership risk management team note Gov.UK press release 28.06.21 which may be of relevance <a href="https://www.gov.uk/government/news/eu-adopts-adequacy-decisions-allowing-data-to-continue-flowing-freely-to-the-uk">https://www.gov.uk/government/news/eu-adopts-adequacy-decisions-allowing-data-to-continue-flowing-freely-to-the-uk</a></p>	<p>Category: Operational Last review: 5<sup>th</sup> April 2023 Latest review details Review of controls and risk score</p>	
<p><b>F 1: Funding and Investments</b></p> <p>Cause: The committee Members and Investment Officers have insufficient knowledge of financial markets and inadequate investment and actuarial advice received. Event: The committee Members and Investment officers make inappropriate decisions. Impact: Poor fund performance/financial loss. Increased employer contribution costs.</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged)</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Financial Last review: 12 Jan 2023 Latest review details Review of controls</p>	<p><b>Green</b> The Investment Strategy is set in accordance with LGPS investment regulations and takes into account the Fund's Liabilities <b>Green</b> The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee. <b>Green</b> DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy. <b>Green</b> An Annual Training Plan has been agreed for 2022/23. Training programmes are available for Committee Members and</p>

<p>Notes 13/08/2019 - Wording of risk updated and category added. 25/02/2020 - Wording of mitigation updated to reflect delay in producing handbook due to delay in new website</p>		<p>Investment Staff. This can be delivered virtually where required</p> <p><b>Green</b> Members and Officers are encouraged to challenge advice and guidance received when necessary.</p> <p><b>Green</b> Sharepoint site dedicated to training and knowledge in development is in place</p> <p><b>Green</b> An induction session and pack will be provided for new members of the Committee and Board.</p>
<p><b>F 2: Funding and Investments</b></p> <p>Cause: The Pension Fund's investment strategy / strategic asset allocation fails to produce the required returns.</p> <p>Event: Volatility in the global and/or UK economy due to e.g. geo-political instability, changes to interest rates, Brexit, etc.</p> <p>Impact: Financial loss. Insufficient funds available to meet future obligations.</p> <p>Notes 13/08/2019 - Wording of risk updated and category added.</p>	<p>Inherent status : 20 High</p> <p>Current status : 15 High ( <b>Unchanged</b>)</p> <p>Risk owner: <b>Charlotte. Thompson</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Financial</p> <p>Last review: 5<sup>th</sup> April 2023</p> <p>Latest review details</p> <p>Mitigations remain in place</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 2022 actuarial valuation includes provision for the fund to achieve full funding over 15 years.</p> <p><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.</p> <p><b>Green</b> The investment strategy is reviewed annually by the Pension Fund Committee with advice from the External Investment Advisor to determine whether any action needs to be taken to amend the fund's asset allocation strategy.</p> <p><b>Green</b> The Fund's investments are diversified across a range of different types of assets and</p>

		<p>globally to minimise the impact of losses in individual markets.</p> <p><b>Green</b> Fund-specific benchmarks and targets are set. Assets are under regular review as part of the fund's performance management framework</p> <p><b>Green</b> Long term nature of the Fund provides some mitigation as the volatility caused by issues such as Brexit will reduce over time.</p> <p><b>Green</b> External review of the Fund's investment strategy is commissioned at minimum every three years. The last review was undertaken by Mercers who presented their review to the Investment and Pension Fund committee in February 2022.</p>
<p><b>F 3: Funding and Investments</b></p> <p>Cause: Collapse of Fund manager, investment arrangements are structured poorly, fraud.</p> <p>Event: The fund is exposed to unnecessary risks and avoidable costs.</p> <p>Impact: Financial loss.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p><b>Inherent status : 10 Medium</b></p> <p><b>Current status : 8 Low ( Unchanged)</b></p> <p>Risk owner: <b>Charlotte. Thompson</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Operational</p> <p>Last review: 5<sup>th</sup> April 2023</p> <p>Latest review details</p> <p>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> 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 appropriate in order to reduce costs.</p> <p><b>Green</b> The Investment and Pension Fund Committee will monitor investment arrangements under Brunel to ensure they provide for effective risk management and risk adjusted returns across the portfolios.</p>

		<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 4: Funding and Investments</b></p> <p>Cause: Inadequate risk management policies on Environmental, Social and Governance Issues. Lack of awareness/training. Event: The fund fails to manage environmental, social and governance risks. Impact: Financial loss. Damage to reputation.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated</p>	<p><b>Inherent status : 15 High</b></p> <p><b>Current status : 8 Low ( Unchanged)</b></p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Operational Last review: 5<sup>th</sup> April 2023 Latest review details Controls reviewed and confirmed</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><b>F 5: Funding and Investments</b></p> <p>Cause: Global financial crisis.</p>	<p><b>Inherent status : 20 High</b></p> <p><b>Current status : 16 High ( Unchanged)</b></p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a></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</p>

<p>Substantial political changes. Event: The market crashes, reducing the value of investments. Impact: The deficit increases, or there is a failure to reduce the deficit. Financial loss. Increased employer contribution costs.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Category: Financial Last review: 5<sup>th</sup> April 2023 Latest review details (F6) Controls reviewed and confirmed</p>	<p>performance from an individual market segment. <b>Green</b> Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. <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 6: Funding and Investments</b></p> <p>Cause: Substantial changes to UK or global economies. Event: Pay and price inflation are higher than anticipated. Impact: There is an increase in liabilities which exceeds the previous valuation estimate.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p><b>Inherent status : 16 High</b> <b>Current status : 12 Medium (Unchanged)</b> Risk owner: <b>Charlotte. Thompson</b> Accountable officer: <b>Mark Gayler</b> Category: Strategic Last review: 5<sup>th</sup> April 2023 Latest review details (F7) Controls reviewed and updated</p>	<p><b>Green</b> The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. <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. <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. <b>Green</b> Inflation risk was addressed in the strategic reviewed undertaken by Mercer which was presented to the Investment and Pension Fund committee in February 2022.</p>

<p><b>F 7: Funding and Investments</b></p> <p>Cause: Public services are cut and ill health increases.</p> <p>Event: There is an increase in the number of early retirements.</p> <p>Impact: There is an increase in liabilities which exceeds the previous valuation estimate.</p> <p>Notes 13/08/2019 - Risk wording changed and category added.</p>	<p>Inherent status : 9 Low Current status : 6 Low</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Strategic Last review: 5<sup>th</sup> April 2023</p> <p>Latest review details (F8) Controls reviewed and confirmed. Risk score reviewed and revised</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 8: Funding and Investments</b></p> <p>Cause: The average life expectancy of pensioners is greater than assumed.</p> <p>Event: The actuarial assumptions are incorrect.</p> <p>Impact: There is an increase in liabilities which exceeds the previous valuation estimate.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p>Inherent status : 12 Medium Current status : 9 Low ( <b>Unchanged</b>)</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Strategic Last review: 12 Jan 2023</p> <p>Latest review details (F9) Controls reviewed and confirmed.</p>	<p><b>Green</b> Life expectancy assumptions are reviewed at each triennial valuation. For the 2022 Valuation this included a review of the impact of COVID19 on mortality.</p> <p><b>Green</b> Mortality assumptions include an allowance for future increases in life expectancy.</p> <p><b>Green</b> Data used for the 2022 valuation suggest that life expectancy improvements are slowing down</p>



<p><b>F9: Funding and Investments</b></p> <p>Cause: Inadequate training. Availability of staff. Cashflow issues for employers</p> <p>Event: Scheme employers' contributions to the Fund are not received, processed and recorded completely and accurately.</p> <p>Impact: There are increased costs across all remaining scheme employers.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 9 Low ( Unchanged)</b></p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Operational Last review: 5<sup>th</sup> April 2023 Latest review details (F10) Review of controls</p>	<p><b>Green</b> The team has procedures in place to monitor the receipt of contributions to the fund.</p> <p><b>Green</b> The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately.</p> <p><b>Green</b> Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.</p> <p><b>Green</b> Contribution monitoring report is presented to the Pensions Board at each meeting for review</p>
<p><b>F10: Funding and Investments</b></p> <p>Cause: An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.</p> <p>Event: Departing employer does not fully meet their liabilities.</p> <p>Impact: Increased costs across the remaining scheme employers.</p>	<p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 6 Low ( Unchanged)</b></p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Financial Last review: 5<sup>th</sup> April 2023 Latest review details (F11) Controls reviewed</p>	<p><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.</p> <p><b>Green</b> The Actuary has an objective of keeping contributions as stable as possible whilst ensuring the long term solvency of the Fund.</p> <p><b>Green</b> Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers.</p>



<p>Notes 13/08/2019 - Risk wording updated and category added.</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>Green</b> Bond levels for each relevant employer and Employer covenant risks are re-assessed following each triennial actuarial valuation.</p> <p><b>Green</b> Following changes to regulations, new policies have been put into place with regard to Deferred Debt and Debt Spreading Agreements. These will assist in managing exiting employer deficits.</p>
<p><b>F11: Funding and Investments</b></p> <p>Cause: Failure to meet regulatory requirements</p> <p>Event: Updated Legislative and regulatory requirements.</p> <p>Impact: Additional work to ensure compliance. Fines for noncompliance. Damage to reputation. Loss of members.</p> <p>Notes 13/08/2019 - Risk wording updated and category added.</p>	<p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 8 Low ( Unchanged)</b></p> <p>Risk owner: <b>Charlotte. Thompson</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Compliance</p> <p>Last review: 5<sup>th</sup> April 2023</p> <p>Latest review details (F14) Controls reviewed</p>	<p><b>Amber</b> Currently much of the EU regulation has been retained in UK law following Brexit although this could change</p> <p><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> <p><b>Green</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>F12: Funding and Investments</b></p> <p>Cause: Remedies resulting from McCloud and Sargeant legal cases.</p> <p>Event: Significant additional pension liabilities for the Fund.</p> <p>Impact: Increased employer contribution costs.</p> <p>Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.</p>	<p>Inherent status : 10 Medium Current status : 10 Medium</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Strategic Last review: 5<sup>th</sup> April 2023 Latest review details (F16) Controls updated now valuation finalised and annual pension increase confirmed</p>	<p><b>Green</b> Employer costs from the 2022 valuation has included estimated impact of McCloud</p> <p><b>Green</b> CPI revaluation on CARE benefits currently high which will result in the McCloud guarantee applying to less members though actual impact unknown until the member leaves</p>
<p><b>F13: Funding and Investments</b></p> <p>Cause: Climate Change</p> <p>Event: Impact on investee companies of the consequences of climate change and the transition to a low carbon economy</p> <p>Impact: Financial loss and/or failure to meet return expectations Increases employer contribution costs</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged)</p> <p>Risk owner: <a href="#">Charlotte. Thompson</a> Accountable officer: <a href="#">Mark Gayler</a> Category: Last review: 26 Jan 2023 (F17) Controls reviewed and updated</p>	<p><b>Green</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 (Infrastructure and Private Debt) to take climate change risks into account 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 2021 showed a 44% reduction in the Weighted Average Carbon Intensity of the Fund's equity investments compared with 31 March 2019</p> <p><b>Completed</b> The Fund has moved its UK and Smart Beta passive allocations to new UK Climate Transition and Global Paris Aligned funds to significantly reduce exposure to fossil fuel reserves.</p>
<p><b>F14: Cyber Security</b>  Cause:  Cyber Attack  Event:  Loss of access to key systems  Impact:  The fund cannot continue to operate and deliver its propriety services following a disaster, IT incident or data loss scenario</p>	<p><b>Inherent status : 20 High</b>  Current Status:  Risk owner: <b>Charlotte. Thompson</b>  Accountable officer: <b>Mark Gayler</b>  Category:  Last review: 20 Jan 2023</p>	<p><b>Completed</b> - Logotech system for recording fund cash balances will be available to access on non DCC computers and via updated web browser.</p> <p><b>Not Started</b> - Contract management of the Logotech system to incorporate the roles and responsibilities of both parties in the event of a cyber attack</p> <p><b>Completed</b> - All staff have completed mandatory cyber security training</p> <p><b>Amber</b> - All pensions and investment committee members and pension board members have received cyber security training</p> <p><b>Not Started</b> - Business Continuity Plans include supplier contact details and plan to be tested every 12 months. The plan is reviewed by the Pensions Board.</p>

<p><b>G1: Governance Arrangements</b></p> <p><b>Cause:</b> The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board.</p> <p><b>Event:</b> The administering authority is non compliant with legislation and/or best practice.</p> <p><b>Impact:</b> There is an inability to determine policy. There is an inability to make effective decisions. There is an inability to deliver service. Negative impact on reputation.</p> <p><b>Notes</b> 13/08/2019 - Wording of risk updated.</p>	<p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 8 Low ( 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: 5<sup>th</sup> April 2023</p> <p>Latest review details</p> <p>Controls and risk score reviewed</p>	<p><b>Green</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>Green</b> The Statement is published on the Devon Pensions website: <a href="https://www.devonpensionfund.org.uk/fund-policies/important-documents/">https://www.devonpensionfund.org.uk/fund-policies/important-documents/</a></p> <p><b>Green</b> Pension fund stakeholders are made aware of the Statement.</p> <p><b>Green</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 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>Green</b> A Pension Board has been established as required by the Public Service Pension Act 2013.</p>
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		<b>Green</b> Support and training are being provided to ensure that the Board is equipped to undertake its role.
<p><b>G2: Governance Arrangements</b></p> <p>Cause: Poor governance arrangements.</p> <p>Event: The Investment and Pension Fund Committee and Pension Board are unable to fulfil their responsibilities effectively.</p> <p>Impact: Non-compliance with legislation and/or best practice. There is an inability to determine policy, make effective decisions and/or deliver service. There is a risk to reputation. Possibility of fines/sanctions.</p> <p>Notes 13/08/2019 - Wording of risk updated and category added.</p>	<p><b>Inherent status : 12 Medium</b></p> <p><b>Current status : 9 Low ( Unchanged)</b></p> <p>Risk owner: <b>Charlotte. Thompson</b></p> <p>Accountable officer: <b>Mark Gayler</b></p> <p>Category: Operational</p> <p>Last review: 5<sup>th</sup> April 2023</p> <p>Latest review details</p> <p>Controls and risk score reviewed</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> Some Committee members have yet to complete the Pension Regulator Public Sector Pensions Toolkit</p> <p><b>Green</b> The Fund subscribes to relevant bodies (e.g. CIPFA, LAPFF, PLSA) and sends representatives to major conferences.</p> <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</p>

		the Governance Compliance Statement, and are encouraged to identify training requirements. <b>Green</b> Following a request by the Pension Board, officers have produced a web based handbook to act as a knowledge hub
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<b>I1: Internal</b>  Cause: Concentration of knowledge in a small number of staff. Event: Loss of staff leading to a breakdown in internal processes and service delivery. Impact: Financial loss and potential risk to reputation.	<b>Inherent status : 16 High</b> <b>Current status : 12 Medium ( Unchanged)</b> Risk owner: <b>Charlotte. Thompson</b> Accountable officer: <b>Mark Gayler</b> Category: Strategic Last review: 12 Jan 2023 Latest review details Controls and risk score reviewed	<b>Green</b> The Investment Manager is able to cover in the absence of the Head of Investments <b>Green</b> Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. <b>Green</b> Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. <b>Green</b> A formal training record for officers is maintained centrally. <b>Green</b> A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken. <b>Green</b> The Devon Investment Services procedure manual will continue to be refined and updated on an ongoing basis.	
Notes 13/08/2019 - Risk wording updated and category added. 29/08/2019 - Risk wording updated.			

		<b>Green</b> The review of CIPFA's knowledge and skills framework relating to officers should result in key outcomes being delivered.	
<b>I2: Internal</b>  Cause: Inadequate treasury management practices. Event: Fraud, corruption or error. Impact: Risk of financial loss. Damage to reputation.	<b>Inherent status : 12 Medium</b> <b>Current status : 9 Low ( Unchanged)</b> Risk owner: <b>Charlotte. Thompson</b> Accountable officer: <b>Mark Gayler</b> Category: Operational Last review: 5 <sup>th</sup> April 2023 Latest review details Controls reviewed and remain appropriate	<b>Green</b> Counterparty transactions are authorised by senior staff outside of the investment team. <b>Green</b> All staff are covered by fidelity insurance up to £15 million <b>Green</b> Sufficient members in the team to cover absence and leave <b>Green</b> Appropriate separation of duties exists. <b>Green</b> Treasury Management Practices are reviewed and updated regularly. <b>Green</b> Up to date financial regulations and practices. <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.	
Notes 13/08/2019 - Risk wording updated and category added.			

<p>PP 1 - Annual Benefit Statements</p> <p>Cause/s Staffing Absences ICT Failures Poor data quality Event Annual Benefit statements are not sent to active and deferred members by 31st August. Impact Fines from the regulator Damage to reputation Increased complaints from Members Increased demand on resources to rectify the situation Creation of a backlog of other tasks due to diverted resource.</p>	<p>Inherent status : 8 Low Current status : 6 Low (Unchanged) Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Operational Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green • Project management approach • Regular contact with employers to obtain data. • Monthly interfacing to reduce workload at year end • Statements to employers for 31/07 to allow time for distribution to staff prior to 31/08 Amber Following the completion of the historic data sign off exercise, employers will move to monthly interfacing which will reduce the number of queries at year-end. Target date for completion is 31st March 2023.</p>
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<p>PP 2 - Failure to provide basic information about the LGPS</p> <p>Cause/s Inability to access basic LGPS information via the website due to IT issues or non publication. Starter Packs not being sent and/or received by members. General scheme literature not being made available to members. LGPS Administration team not informed of new members.</p> <p>Event Failure to make available provide Basic information about the LGPS including: how benefits are worked out; how member and employer contributions are calculated.</p> <p>Impact Negative reporting by or fines from the Pension's regulator. Damage to reputation.</p>	<p>Inherent status : 10 Medium</p> <p>Current status : 8 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb</p> <p>Accountable officer: Martin Oram</p> <p>Category: Operational</p> <p>Last review: 7<sup>th</sup> Feb 2023</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green Reviews of documentation/letters</p> <p>Green Website regularly updated</p> <p>Completed 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>Completed Our methods and content of communication will be reviewed to ensure that members and employers are provided with accurate and relevant information.</p>
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<p>PP 3 - Non-compliance with legislation and failure to correctly implement new legislation and regulations</p> <p>Cause Lack of structure/process to identify new legislation as it is released.</p> <p>Event Non-compliance with legislation/regulations.</p> <p>Impact Incorrect benefit payments. Damage to reputation. Fines from Regulators.</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 6 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb</p> <p>Accountable officer: Martin Oram</p> <p>Category: Operational</p> <p>Last review: 7<sup>th</sup> Feb 2023</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</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>Completed A Training and Technical team is now in place, following the Pension Review. The team has commenced delivering training across the teams.</p>
<p>PP 4 - Failure of employing authority to provide timely and accurate member data</p> <p>Cause Employing authorities not fulfilling their responsibilities.</p> <p>Event Delays in the provision of pensions member data. Inaccuracies in the pension member data.</p> <p>Impact Incorrect benefit calculations. Financial Loss due to compensation to members. Incorrect benefit payments Delays to payments Additional work to request and correct information</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb</p> <p>Accountable officer: Martin Oram</p> <p>Category: Operational</p> <p>Last review: 7<sup>th</sup> Feb 2023</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green Pension Administration Strategy in place since April 2015 and was revised in 2020. Employer duties are clearly identified in the PAS. Ability to fine employers is provided for in PAS and LGPS regulations.</p> <p>Green Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors.</p> <p>Green Outstanding data queries are passed to Employer and Communications Team to monitor</p> <p>Completed Guidance available on website</p> <p>Green Individual employer meetings include review of employer performance</p> <p>Completed An Employer and Communications team is now in place. The team will consider employer performance and take action to address any issues, as required.</p>

<p>PP 5 - Withdrawal of support for Employer Self Service</p> <p>Cause Pensions software provider withdrawing support for ESS</p> <p>Event Employers will no longer be able to access member records, run estimates or submit and receive information via ESS.</p> <p>Impact Increased workloads and reduced efficiency for PP which may result in delays in information being provided to employers, possible breaches and an increase in complaints.</p>	<p>Inherent status : 12 Medium Current status : 12 Medium</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Operational Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green Software provider is required to give 12 months' notice before any change to the contract</p> <p>Amber Consideration is being given to a number of options. The development of an internal solution is being prioritised to ensure continued service delivery. The E&amp;C team have commenced work on this project and are aiming to have a solution in place by 31/12/2022</p>
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<p>PP 6 - Communication of Entitlements</p> <p>Cause Insufficient communication and engagement with LGPS scheme members/employers.</p> <p>Event Employers and or Members are not made aware of their entitlements within LGPS resulting in Non-compliance with legislation and/or best practice.</p> <p>Impact Inability to determine policy Employees not joining the scheme. Inability to make effective decisions and/or deliver service</p>	<p>Inherent status : 12 Medium</p> <p>Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb</p> <p>Accountable officer: Martin Oram</p> <p>Category: Operational</p> <p>Last review: 7<sup>th</sup> Feb 2023</p> <p>Latest review details</p> <p>Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green The Peninsula Pensions website is kept up to date</p> <p>Green Meetings between PP managers and Communications team on a regular basis, with a communications plan and strategy for the year ahead</p> <p>Green Meetings are held with the Funds Employing Authorities and on request for training</p> <p>Green Benefit illustrations are sent annually to contributing and deferred Fund members</p> <p>Green The contact list for employers is updated regularly.</p> <p>Green Annual forums are held for employers and Trade Unions</p> <p>Green The annual report and accounts are published on the Peninsula Pensions website</p> <p>Amber A Communication Policy exists for the Devon Pension Fund, which includes Peninsula Pensions. The Peninsula Pensions Senior Management team are considering creating a separate communication policy for Peninsula Pensions which will be brought to the Board for consideration during 2023</p>
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<p>PP 7 - Non Payment of Pension Benefits</p> <p>Cause Systems Failures Lack of information from employers Poor internal processes</p> <p>Event Pension benefits are not paid.</p> <p>Impact Damage to Reputation. Financial loss arising from compensation claims.</p>	<p>Inherent status : 12 Medium Current status : 8 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Operational Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green The payroll system is set up to pay pensioners monthly.</p> <p>Green Disaster recovery plan in place with Heywoods which will restore data within 7 days in the event of system failure</p> <p>Green The payroll manual has been revised and updated following the introduction of RTI (Real Time Information) and new administration systems.</p> <p>Amber Fully updated Pensioner Payroll Manual is now in place. An online training resource is being developed and will be completed during 2022.</p>
<p>PP 8 - Payment to deceased pensioners</p> <p>Cause LGPS Information is not updated as circumstances change. Poor internal processes.</p> <p>Event Pension benefits continue to be paid to deceased pensioners.</p> <p>Impact Damage to Reputation. Financial loss arising from overpayments. Additional resource to recover funds</p>	<p>Inherent status : 8 Low Current status : 6 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Operational Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</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 are ceased immediately</p> <p>Green Western Union overseas existence service undertaken bi annually</p> <p>Green Tell us once service has been rolled out to LGPS. All relevant staff now have access and we are using fully utilising the service.</p>

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

<p>PP12 - Knowledge Management</p> <p>Cause Departure or non-availability of staff who hold key knowledge.</p> <p>Event Breakdown in internal processes and service delivery.</p> <p>Impact Financial Loss due to costs of obtaining resource, or delays/inefficiencies in existing processes. Reputation Damage.</p>	<p>Inherent status : 16 High Current status : 12 Medium (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Strategic Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by Devon Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green Knowledge of all tasks are shared by at least two team members and can in addition be covered by senior staff</p> <p>Green Training requirements are set out in job descriptions.</p> <p>Amber The Training and Technical team have created training and procedure notes for the team covering all major processes. These will help to ensure consistency across the teams and will assist with the training of new recruits. Training notes are kept under review and updated as and when regulations come into effect.</p>
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<p>PP13 - Scheme Membership Data</p> <p>Cause  Incorrect information from employers.  Fraudulent provision of data.  System errors  Poor internal processes.</p> <p>Event  Unauthorised or invalid payments.</p> <p>Impact  Financial loss  Reputational Damage</p>	<p>Inherent status : 9 Low  Current status : 6 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb  Accountable officer: Martin Oram  Category: Operational  Last review: 7<sup>th</sup> Feb 2023  Latest review details  Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</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>Completed</b> Employer Self Service introduced.</p> <p><b>Amber</b> Employers are currently in the process of undertaking a historic data sign off exercise. Once an employer has been signed off, they will move to monthly data submissions. Target date for completion is 31st March 2023.</p>
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<p><b>PP14 - Compliance with Disclosure Regulations</b></p> <p>Cause Requirement to issue information within a certain timescale after a request/event.</p> <p>Event Failure to comply with disclosure regulations and to process accurate pension benefit payments in a timely manner.</p> <p>Impact Complaints which take up time to resolve. Additional Time spent chasing data Regulator Fines Compensation costs for members</p>	<p>Inherent status : 9 Low Current status : 6 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Operational Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green Robust workflow management system in place. Green Payroll deadline procedures in place Green Item in Business Continuity/Disaster Recovery Plan Green Participate in National Fraud Initiative (NFI) Green Life Certificates exercise carried out /mortality checks Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies. Target date for completion 31/12/22 (with ongoing reviews and development after this date).</p>
<p><b>PP15 - Fraud, Corruption and Error</b></p> <p>Cause Poorly designed or implemented management practices/processes. Staff deliberately updating or providing fraudulent data.</p> <p>Event Fraud, corruption or error.</p> <p>Impact Financial Loss Reputational Damage</p>	<p>Inherent status : 12 Medium Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Operational Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Pension Board on 7<sup>th</sup> Feb 2023</p>	<p>Green Transactions are authorised by senior staff Green All staff are covered by fidelity insurance up to £15 million Green Sufficient members in the team to cover absence and leave Green Heywoods Audit trace report Green Appropriate separation of duties exists Green Up to date regulations and practices Green Internal and external audit checks performed to ensure that appropriate and effective controls are in place</p>

<p>PP16 - Loss of Shared Service Partner</p> <p>Cause Shared service partner choosing to use a different pensions administrator.</p> <p>Event Peninsula pensions no longer operates on the same scale.</p> <p>Impact Reputational Damage. Loss of staff / redundancies.</p>	<p>Inherent status : 9 Low Current status : 9 Low (Unchanged)</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Strategic Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by Devon Pensions Board on 7<sup>th</sup> Feb 2023</p>	<p>Green Constant assessment of Performance Green Quarterly Shared Service meetings with key Fund colleagues Green Regular meetings between Peninsula Pensions and Employers Green Employer Newsletters Amber Full review of performance within PP being conducted to incorporate Employer performance and Admin strategies. Target date for completion 31/12/22 (with ongoing reviews and development after this date).</p>
<p>PP17 - Pensions System Failure</p> <p>Cause Connection issues. Supplier fault Cyber Attack.</p> <p>Event The hosted Altair pensions system fails.</p> <p>Impact • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action</p>	<p>Inherent status : 15 High Current status : 10 Medium (-5)</p> <p>Risk owner: Rachel Lamb Accountable officer: Martin Oram Category: Operational Last review: 7<sup>th</sup> Feb 2023 Latest review details Risks and mitigating controls remain appropriate. Risk reviewed by the Devon Pension Board 7<sup>th</sup> Feb 2023</p>	<p>Green The system is backed-up daily. System is hosted by Heywoods Green A full disaster recovery plan and Business Continuity Plan is in place and tested/updated annually.</p>

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



DF/23/44  
Devon Pension Board  
18<sup>th</sup> April 2023

## DEVON PENSION BOARD ANNUAL REPORT 2022/23

### Report of the Director of Finance and Public Value

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

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#### **1) Recommendation**

That the Board be asked to:

- (a) Review and consider the Devon Pension Board Annual Report

#### **2) Introduction**

- 2.1 The Devon Pension Fund Annual Report 2022/23 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.

#### **3) Devon Pension Board Annual Report 2022/23**

- 3.1 The Devon Pension Board Annual Report details the work undertaken by the Board during 2022/23. 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.
- 3.2 Officers have constructed an initial draft of the report for consideration and review by the Board, which is attached at Appendix 1.

#### **4) Conclusion**

- 4.1 The Board is asked to consider the Devon Pension Board Annual Report 2022/23.

# Agenda Item 9

## **Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

## **Local Government Act 1972: List of background papers**

Nil

## **Contact for enquiries:**

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall

## DEVON PENSION BOARD ANNUAL REPORT 2022/23

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 2023

Role	Member	Date of Appointment	Date left	Number of meetings attended (max 4)
Employer Representatives	Colin Slade	September 2018		3
	Dom Walshe	May 2022		3 (of 3)
	Carl Hearn	May 2021		4
	Sara Randall Johnson	May 2016		4
Scheme Member representatives	Andy Bowman	May 2021		4
	Colin Shipp	April 2016		4
	Paul Phillips	August 2017		4
	Julie Bailey	April 2019		4
Independent	Rob Jeanes	August 2021		4

Some of the key areas of work undertaken by the Board during 2022/23 are detailed below:

- **Review of the internal audit reports for 2022/23 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 to accommodate government/regulator delays.
- **Devon Pension Fund Risk Register.** During 2022/23, the Pension Board have reviewed the Risk Register at every board meeting and made a number

# Agenda Item 9

of suggestions which were adopted by the Investment and Pension Fund Committee. These included issues surround the McCloud judgement and implementation of back dating changes to 2014 and the administration risks of implementing an in house solution to work with employers. 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. The Funding Strategy required updating to reflect the 2022 valuation approach. The board also reviewed the Administering Authority discretions.
- **Minutes from Investment & Pension Fund Committee meetings.** The Board reviewed each set of minutes from the Investment & Pension Fund Committee meetings held during 2022/23 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 have completed The Pension Regulator's Public Sector Toolkit to ensure that Board members have sufficient knowledge and skills to carry out their role effectively.

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

<https://www.devonpensionfund.org.uk/governance/pension-board/>



DF/23/45  
Devon Pension Board  
18<sup>th</sup> April 2023

## TRAINING REVIEW 2022/23 AND TRAINING PLAN 2023/24

### Report of the Director of Finance and Public Value

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

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#### 1) Recommendation

That the Board:

- (a) Is invited to comment on the draft Training Plan for further consideration by the Pension and Investment Committee.

#### 2) Introduction

- 2.1 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.
- 2.2 The Pension Board will comply with the requirements of the Pensions Act 2004, including compliance with the Scheme Advisory Board Knowledge and Skills framework, the agreement of an Annual Training Plan and shall report on members' attendance at training events.
- 2.3 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.

#### 3) Training 2022/23

- 3.1 Several training sessions were held during 2022/23 for members of the Investment and Pension Fund Committee and Devon Pension Board.

# Agenda Item 10

Dates and a summary of items covered are detailed below:

## Pension Fund Training Event – 27<sup>th</sup> May 2022

- LGPS update
- Climate Scenario Analysis
- Actuarial Valuation
- Global Economy overview
- Climate Change Policy stocktake

## Brunel Investor Day – 28<sup>th</sup> September 2022

- Macro outlook
- Emerging Markets
- Long termism and sustainability
- Investing with Profit and Purpose
- Stewardship

## Pension Fund Training Event – 3<sup>rd</sup> November 2022

- Actuarial Valuation results
- LGPS update
- Global economic outlook
- Administering Authority Discretions
- Impact investing and levelling up
- Devon Fund long term performance

## **4) Proposal**

- 4.1 The 2023/24 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.
- 4.2 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.
- 4.3 A training needs analysis will be undertaken in due course in order to identify areas of training for future events.
- 4.4 Officers have reviewed the Training plan to ensure that it reflects current best practise.

## **5) Conclusion**

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

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall

## Devon Pension Fund Training Plan 2023/24



### 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 pooling and the service provided by the Brunel Pension Partnership. The training will focus on performance on investment and how Brunel manage Environmental, Social and Governance (ESG) issues. The training will aim to ensure 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. This will include anticipated new regulations and guidance on climate reporting, governance and any new initiatives related to investment pooling.
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.

#### **Devon Pension Fund Training - July 2023**

In person training event which will include pension administration and the latest regulatory changes and an update on financial markets and economic outlook.

#### **The Pension Regulator Toolkit Training and investments module – as required**

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.

#### **Brunel Investor Days– Autumn 2023**

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 including market analysis and stewardship and climate change policies.

#### **Devon Pension Fund Training Day – Autumn 2023**

Further training will be provided to include an update on financial markets and economic outlook, administration and the latest regulatory changes and areas of training highlighted as a result of a training needs analysis.

#### **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.

Following the Covid pandemic, many courses and events are now made available online. 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 new governance requirements resulting from the Good Governance Project when they are issued for consultation and ultimately enacted in revised regulations.
2. **Investment Arrangements** – the latest pooling guidance and its impact on the relationship with the Brunel Pension Partnership. Further developing the contract management skills required to manage the relationship with the Brunel company.
3. **Climate Change and ESG** – Understanding the new requirements under Taskforce for Climate-related Financial Disclosures (TCFD). It is anticipated that new regulations and guidance will be issued during 2023/24 following the consultation in Autumn 2022.
4. **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.
5. **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.
6. **Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
7. **Pensions Admin Systems** - Keeping up to date with updates/new releases to our software system Altair, passing down training to all staff.
8. **Wider Pensions Issues** – Understanding the impact of wider Government reforms to pensions, such as the dashboard project, the 95k redundancy cap and the McCloud remedy.

## 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 DLUHC guidance following the conclusion of the Good Governance project to ensure compliance and best practice is maintained.



DF/23/46  
Devon Pension Board  
18<sup>th</sup> April 2023

## DEVON PENSION BOARD BUDGET –

### Outturn for 2022/23 and Budget for 2023/24

#### Report of the Director of Finance and Public Value

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

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### 1) Recommendation

That the Board be asked to:

- (a) Note the outturn for the Devon Pension Board budget 2022/23
- (b) That the board approves the Devon Pension Board budget for 2023/24

### 2) Introduction

- 2.1 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).
- 2.2 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.
- 2.3 A budget for the direct costs for the Devon Pension Board for 2022/23 was agreed by the Board at its meeting on 4<sup>th</sup> May 2022.

# Agenda Item 11

## 3) Devon Pension Board Budget Monitoring Statement – Outturn 2022/23

- 3.1 The budget monitoring statement showing the forecast outturn position for the financial year ending 31<sup>st</sup> March 2022 is set out below.

### Devon Pension Board Budget 2022/23

<b>Budget</b>	<b>Description</b>	<b>Forecast Outturn</b>	<b>Variance</b>
<b>£</b>		<b>£</b>	<b>£</b>
3,000	Training	1,142	-1,858
1,500	Travel and Member expenses	471	-1,029
3,500	Committee Support	3,500	0
35,500	Officer Support	36,083	583
500	Printing and Postage	0	-500
<b>44,000</b>	<b>Total Expenditure</b>	<b>41,196</b>	<b>-2,804</b>

## 4) Devon Pension Board Budget 2023/24

- 4.1 An indicative budget for the direct costs for the Devon Pension Board for 2023/24 is set out below. The budget has been formed by an analysis of the total estimated costs incurred during 2022/23

### Devon Pension Board Budget 2023/24

<b>Forecast Outturn 2022/23</b>	<b>Description</b>	<b>Proposed Budget 2023/24</b>
<b>£</b>		<b>£</b>
1,142	Training	3,000
471	Travel and Member expenses	1,000
3,500	Committee Support	3,500
36,083	Officer Support	38,000
0	Printing/Postage/email	0
<b>41,196</b>	<b>Total Expenditure</b>	<b>45,500</b>

## 5) Conclusion

- 5.1 The Board is asked to note the forecast outturn for the Devon Pension Board Budget 2022/23 and to approve the Devon Pension Board budget for 2023/24.

### **Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

### **Local Government Act 1972: List of background papers**

Nil

### **Contact for enquiries:**

Name: Charlotte Thompson

Telephone: 01392 381933

Address: Room 180 County Hall



## INVESTMENT AND PENSION FUND COMMITTEE

3 March 2023

### Present:-

#### Devon County Council

Councillors J Morrish (Chair), P Bullivant (Vice-Chair), Y Atkinson, M Hartnell and H Gent (remote)

#### Other Employers, Unitary and District Councils

Councillors R Bloxham, J O'Dwyer and A Lugger

#### Union and Retired Members

R Franceschini and M Daniell

#### Attending in Accordance with Standing Order 25 (1)

Councillor J Hodgson and C Slade (both remote)

### Apologies:-

Councillor G Gribble, Cllr J Pearce and L Parker-Delaz-Ajete

### \* 97 Minutes

**RESOLVED** that the Minutes of the Meeting held on 25 November 2022 be signed as a correct record.

### \* 98 Items Requiring Urgent Attention

There was no item raised as a matter of urgency.

### \* 99 Devon Pension Board

The Committee noted the Minutes of the Meeting of the Board held on 7 February 2023.

### \* 100 Brunel Oversight Board

The Committee noted the Minutes of the Meetings of the Board held on 15 December 2022 and 26 January 2023.

Arising on Member questions the Head of Investments agreed to circulate to the Committee:

- in regard to Brunel Strategic objectives (Minute 6, 15 December 2022), the paper referred to explaining the terms '*responsible investment and sustainability*' in terms of Brunel's strategic objectives; and

# Agenda Item 12

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INVESTMENT AND PENSION FUND COMMITTEE

3/03/23

- in regard to Green Revenues (Minute 8, 15 December 2022) the slide presentation referred to on sustainable investment analysis.

## \* 101 Internal Audit Plan 2023/24

The Committee considered the Report of the Director of Finance and Public Value (DF/23/27) on the proposed Internal Audit Plan 2023/24 and the Service Level Agreement for the two audit plans for the Devon Pension Fund and Peninsula Pensions, which would be delivered by the Devon Audit Partnership. The proposed Audit Plans allowed for up to 40 days of internal audit support for the Pension Fund and 45 days for Peninsula Pensions, providing 85 days of internal audit provision overall. The detail was in Appendix 1 of the Report. The Plan had been considered by the Pension Board at its last meeting on the 7 February with no further comment.

At the next meeting the Partnership would report on the completion and outcomes of the current year's audit plans.

Member discussion points with the Head of the Partnership included:

- the cost quoted in the report should be amended to reflect the cost of 85 days (and not 45 days) and the use of specialist support (at additional costs) was not normally needed;
- the audits would be subject to further scoping meetings with senior service management which would include evaluation of compliance with requirements, as appropriate;
- the Climate Risk and Environmental Social Governance reporting audit would be subject to new regulations expected from Government effective from 2023/24; and
- the audit process and arrangements in regard to the Brunel Partnership was reported via the Brunel Oversight Board of which the Chair was a Member.

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

**RESOLVED** that the proposed Internal Audit plan for 2023/24 be approved.

## \* 102 Investment Management Report

(Councillor J Hodgson attended in accordance with Standing Order 25 (1) and spoke to this item in regard to voting and engagement delegated to the Brunel Pension Partnership, the LAPFF and LGIM; and the number of votes against management recommendations).

The Committee considered the Report of the Director of Finance and Public Value (DF/23/28) on the Fund value and asset allocation, performance

against the benchmark, funding level (which was subject to completion of the triennial valuation), budget forecast 2022/23, cash management, and voting and engagement activity.

The Fund value at 31 December 2022 stood at £5,126.5 million, an increase of around £100 million over the quarter but a decrease of £285m since 31st March 2022.

Members' discussion points with Officers included:

- the number of votes against management recommendation exercised by Brunel Pension Partnership and their views in terms of positive shareholder value and links to company objectives and the positive progress being made in regard to the issues raised;
- other issues on which LAPFF reported in relation to environment human rights and their positive influences; and the Funds' reduced exposure following transition to UK Climate Transition Benchmark Tracker Fund in regard the passive funds; and
- the impact of the current inflation rates and impact on cash flow projections, off-set by long term strategies (and contribution rates).

It was **MOVED** by Councillor J Morrish, **SECONDED** by R Franceschini and

## **RESOLVED**

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

(b) that the compliance with the 2022-23 Treasury Management Strategy, be noted.

### \* 103 **Treasury Management Strategy 2023/24**

(Councillor J Hodgson attended in accordance with Standing Order 25 (1) and spoke to this item in regard to the replacement of the FINEST finance system)

The Committee considered the Report of the Director of Finance and Public Value Please (DF/23/29) on the management of the Fund's cash allocation, setting out the strategy and plans to be followed in the coming year (draft Strategy at Appendix 2 of the Report).

It set out the current treasury position, cash investments, prospects for interest rates and the investment strategy. The strategy was broadly consistent to that agreed for 2022/23 and was in relation to the management of cash, not the rest of the Fund's investments. Pension Fund cash balances were kept at a low level with the main purpose being to provide the required level of liquidity. The Bank of England's raised base rates impacted on the rates available for investment, which have gradually increased over the period since December 2021.

# Agenda Item 12

4

INVESTMENT AND PENSION FUND COMMITTEE

3/03/23

Members' discussion points with Officers included:

- the cash represented 1% of the Fund;
- the replacement of the FINEST finance system would not impact on cash management but it would change how cash balances were recorded; and
- no borrowing was normally required by the Fund and only permitted in limited circumstances and any would be very short-term only.

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

**RESOLVED** that the Treasury Management Strategy for 2023/24 as set out in Appendix 1.2) be adopted.

## \* 104 Funding Strategy Statement

(Councillor J Hodgson attended in accordance with Standing Order 25 (1) and spoke to this item and referred to the Employer response outlined in the Report and also asked questions about the consultation exercise with fund members carried out last year and production of a quarterly news-letter).

The Committee considered the Report of the Director of Finance and Public Value (DF/23/30) on a revised Funding Strategy Statement (FSS) drafted in conjunction with the Fund Actuary (Barnett Waddingham) (draft set out at Appendix 1).

The FSS document had been revised in order to reflect updated regulations, practice and actuarial assumptions and its purpose was to explain the funding objectives of the Fund and how the cost of the benefits provided under the Local Government Pension Scheme were met through the Fund. It also defined the objectives in setting employer contribution rates and the funding strategy adopted to meet the objectives. It also analysed the risks to the funding strategy and how those risks were managed and it should be read in conjunction with the Investment Strategy Statement. The assumptions had been updated to reflect the 2022 Actuarial Valuation. This included updating the assumed inflation rates, the discount rate used, the demographic assumptions and the maximum recovery period. The other main changes in the revised FSS were set out in the Report which related to

- A revised policy in relation to cessation valuations;
- Further clarification around the approach to town and parish councils;
- Updated wording around the impact of the McCloud age discrimination case and the proposed remedies to be applied; and
- A new section setting out the potential climate change risks that may impact on the funding strategy.



The draft of the revised Funding Strategy Statement had been sent out to employers for consultation on 26th January with a deadline for responses of 17th February and one detailed response from the University of Plymouth had been received. The key issues raised by the University of Plymouth were outlined in the report with officer comment. Officers would have further dialogue with the University of Plymouth regarding their concerns. The Pension Board had considered the draft Statement at meeting on 7 February 2023 (Minute \*6 refers).

Following the 2022 Actuarial Valuation, the Fund was required to publish the Valuation Report and Rates and Adjustments Certificate that set out employer contributions for the next 3 years by 31 March 2023.

Approval of the revised Funding Strategy Statement would ensure that the Valuation Report and Rates and Adjustments Certificate were consistent with the funding policy.

Members' discussion points with Officers included:

- the projected increase in employer contributions and in exceptional circumstances the rates could be changed prior to the next triennial valuation; and
- there had been no update from Government on any proposed change from 3 years to four years for the re-valuation period.

The Head of Investments also confirmed that the member survey (referred to by Councillor Hodgson) had been sent to all self-service users or emailed to them and had been available on the website and also promoted through employers; and that the quarterly newsletter was available; and further feedback would be provided at the consultation meeting that afternoon.

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

## **RESOLVED**

(a) that the responses to the consultation with employers and the comments from the Pension Board be noted; and

(b) that the revised Funding Strategy Statement set out at Appendix 1 to this Report be approved.

\* 105

## **Administering Authority Discretions**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/31) on discretions available to Devon County Council as the fund Administering Authority in the administration of the Scheme.

# Agenda Item 12

6

INVESTMENT AND PENSION FUND COMMITTEE

3/03/23

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

Since the discretions were last reviewed, Councillors were no longer eligible to become or remain active members of the LGPS and therefore a total of five discretions would be deleted. The discretions numbered 1 – 29 remained exactly as the current discretions log, whilst discretions 30 – 39 were only minor wording changes and not deemed by officers to be a change in the underlying policy. Discretions 44-56 related to the Administering Authority's role in employer decisions where the employer no longer existed. Wording has been updated to reflect the current leadership structure reporting to the Director of Finance and Public Value.

Discretions 40 – 43 detailed the proposed changes to current policy.

The proposed discretions had been presented to the Pension Board at their 7th February meeting for comments and the Board had raised a number of questions (Minute \*88 refers).

To address the concerns raised by the Pension Board, Officers proposed to delay the proposed restriction on the ability to transfer in non-public sector pension benefits to apply to new members joining on/after 1 st July 2023. Where members had joined before 1st July 2023, they would still have a 12 month window from their joining date to decide whether they wished to transfer in non-public sector pension benefits.

Members' discussion points with Officers included:

- detailed discussion in regard to discretion 43 which proposed to '*Accept transfers from public sector pension schemes only (including LGPS) for employees who are new to public sector employment (subject to transferring obligations for staff subject to TUPE regulations)*' as this would minimise ongoing liability risk to the pension fund;
- the discussions in relation to discretion 43 related to the need for further clarification (for example deletion of 'new' as former public sector employees could be included); and noting that the proposal was unlikely to act as a disincentive to join the LGPS in Devon, as former private sector pensions could be retained; and the risk to the Fund of transfer values being insufficient to cover the pension costs on a transferring member's retirement due to the current basis for calculating transfer values set by the Government Actuary's Department; and
- confirmation by Officers that any decision on discretion 43 could be delayed without any significant impact.

It was **MOVED** by Councillor J O'Dwyer, **SECONDED** by Councillor Y Atkinson and

**RESOLVED**

(a) that the proposed Administering Authority Discretions 40 - 42 as detailed in the Report be approved; and

(b) that the wording of Discretion 43 (as detailed in the Report) be reviewed by Officers for consideration at the next meeting of this Committee.

\* 106

## **Private Markets Investments**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/32) on the medium-term target allocation to private markets of 30%, as stated in the Fund's Investment Strategy.

The current progress towards achieving the target allocations was summarised in the Report. This Report provided further details on the individual private market portfolios and the current position on the commitments made. It also looked at how the private markets allocation could support the UK Government's levelling-up agenda, including the potential for local investment including Infrastructure funds.

Before the set-up of Brunel, the Devon Fund had invested in five infrastructure funds, and would remain invested in those funds until they reached the end of their fund lives and sold off all their assets. In addition, the Fund committed £175 million to Brunel's first infrastructure cycle, £310 million to Brunel's second infrastructure cycle, and £100 million to Brunel's third infrastructure cycle. The Devon Fund's total current commitments were set out in the in the Report.

Members discussion points with Officers included:

- the options for local investments would include devon-wide, across the Brunel partner areas and nationally and subject to proper risk and return analysis as would be the case with any investment and preferably with other investors from the partnership.

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

## **RESOLVED**

(a) that the progress being made on the investment of the Fund's private markets commitment be noted;

(b) that no top-ups be made to Brunel's existing Cycle 3 Infrastructure, Private Debt and Private Equity portfolios; and

(c) that Officers be authorised to engage further with Brunel on the potential options for a local impact fund to be funded from the Fund's private markets allocation.

# Agenda Item 12

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INVESTMENT AND PENSION FUND COMMITTEE

3/03/23

## \* 107 **Employer Changes**

The Committee noted:

Employer changes not previously reported to the Committee, as set out below

(a) New admitted bodies - The following application for admitted body status has been approved: On 1st September 2022 Axe Valley (Vector Learning Trust) outsourced their catering to Innovate Services.

(b) New academy conversions and changes:

- On 1 July 2022 St Budeaux Primary (Plymouth LEA) and Whitchurch Primary (Devon LEA) joined First Federation Trust.
- On 1st July 2022 Bolham Community Primary School (Devon LEA) joined Ventrus Academy Trust.
- On 1st July 2022 High View Primary (Plymouth LEA) joined Learning Academy Trust.
- On 1st September 2022 Burlescombe CofE Primary School (Devon LEA) and Webbers CofE Primary (Devon LEA) joined Alumnis MAT.
- On 1st September 2022 King Edward VI Community College (KEVICCS) joined Education South West.
- On 1st September 2022 Brixham College joined Thinking School Academy Trust.

(c) Cessations: on 1st August 2022 staff were insourced from Babcock International to Devon County Council.

## \* 108 **Annual Consultative Meeting with Staff and Retired Members**

The Committee noted that the Annual Consultative Meeting was being 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, Head of Investments, Rachel Lamb, Head of Peninsula Pensions, and Councillor Colin Slade, Chair of the Devon Pension Board.

## \* 109 **Dates of Future Meetings**

16 June, 15 September, 24 November, and 1 March 2024 (followed by the Consultative meeting).

Confirmation of dates and other information available at:

[Browse meetings - Investment and Pension Fund Committee - Democracy in Devon](#)

\* 110 **Exclusion of the Press and Public**

**RESOLVED** that the press and public be excluded from the meeting for the following items of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act, information relating to the financial or business affairs of an individual 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

\* 111 **Brunel 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 Director of Finance and Public Value (DF/23/33) on three special reserved matters issued by the Brunel Partnership that required a response and given the timing and importance of the issues concerned, these were brought to Committee for endorsement before being signed off by the Director.

They related to: (i) Revised strategic objectives; (ii) Business case and budget for 2023/24; and (iii) Revised remuneration policy and people strategy.

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

**RESOLVED**

(a) that the Brunel Pension Partnership's revised strategic objectives for approval by the Director of Finance and Public Value under their delegated powers as the shareholder representative for Devon be endorsed;

(b) that the Brunel Pension Partnership's business plan for 2023/24 for approval by the Director of Finance and Public Value under their delegated powers as the shareholder representative for Devon be endorsed; and

(c) that the Brunel Pension Partnership's revised remuneration policy for approval by the Director of Finance and Public Value under their delegated powers as the shareholder representative for Devon, be endorsed.

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INVESTMENT AND PENSION FUND COMMITTEE

3/03/23

## \* 112 Infrastructure Investment

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

The Committee considered the Report of the Director of Finance and Public Value (DF/23/34) on an update on the position in regard to the Hermes and Igneo Infrastructure funds.

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

### **RESOLVED**

(a) that the current position with the Hermes and Igneo infrastructure investments be noted;

(b) that an investment of £30 million, as detailed in the Report, in a renewable energy fund, as part of the 10% strategic allocation to infrastructure, be approved.

## \* 113 Passive Benchmarks

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

The Committee considered the Report of the Director of Finance and Public Value (DF/23/35) on the benchmarks for passive investments.

It was **MOVED** by R Franceschini, **SECONDED** by Councillor P Bullivant and

**RESOLVED** that the position set out in the report be noted.

### **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 12.50 pm

DF/23/47  
Devon Pension Board  
18 April 2023

## **PENINSULA PENSIONS PERFORMANCE REPORT**

Report of the Director of Finance and Public Value

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

Recommendation: The Board notes the report.

### **1) INTRODUCTION**

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

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

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

### **2) TEAM PERFORMANCE**

- 2.1 Total performance against the Occupational and Personal Pension Schemes (Disclosure of information) Regulations 2013 for the quarter ending 31 December 2022 was 88% (94% for High Priority procedures).
- 2.2 As referred to in the performance reports for previous quarters, the lower-than-expected performance is in part due to delays in responses to member information requested from employers. The team has continued to work with employers to implement improvements in this area. It should be noted that employers have been undertaking a historic data sign off exercise over the period in preparation for the McCloud remedy, which will explain some of these delays. Of the 305 Devon employers with active members, 247 have been signed off, the remainder are all in progress.
- 2.3 The team have also continued to concentrate on processing outstanding deferred benefit and amalgamation cases in preparation for the McCloud remedy and future Pension Dashboard, (please see separate overview paper), which has impacted

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performance. Once these cases have been completed, we expect to see an improvement in performance.

- 2.4 The team received a total of 22 compliments between 1 October 2022 and 31 December 2022.
- 2.5 Appendix 1 of the report provides a detailed breakdown of administration performance relating to the Devon Pension Fund only, for the quarter ending 31 December 2022 against the statutory Disclosure Regulations. It also includes a new graph which shows the monthly trend analysis on the percentage of high, medium, and low priority cases completed within timescales for the current financial year.
- 2.6 Appendix 2 of the report highlights the longer-term performance of Peninsula Pensions (Devon Pension Fund only) for this financial year from 1<sup>st</sup> April to 31 December 2022. The bottom chart shows how many of the 'remaining' tasks outstanding to be actioned are awaiting information from another third party (member/employer) and therefore are on 'reply due'. The figures for December 2022 are impacted by the Christmas closedown.
- 2.7 Appendix 3 of the report highlights the amount of work received the previous 12 month rolling period, compared to the same periods in the previous year. The first 2 charts show an increase in demand. Chart 3 breaks down the work into the different work types showing where there is an increase or decrease.
- 2.8 Other updates – The Pension Regulator annual returns completed November 2022.

2022 data quality score included:

Common data score: 95.8%

Scheme-specific data score: 97.07%

## 3. CONCLUSION

- 3.1 The Board is asked to note the report.

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

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Address: Great Moor House



## Appendix 1

### Summary -DCC Disclosure 1st October 2022 to 31st December 2022

	Total Cases	Success Rate
High Priority Procedures	3116	94%
Medium Priority Procedures	5043	90%
Low Priority Procedures	1660	89%

#### High Priority

	Total	Success Rate
CHANGES	453	96%
COMPLAINT/IDRPMEM	32	100%
COMPLAINT/IDRPEMP	2	100%
DEATH	298	79%
DEFERRED OVER 55	361	84%
PAYROLL	737	98%
REFUND	155	100%
RETRACT	524	91%
RETPB	554	94%
<b>TOTAL</b>	<b>3116</b>	<b>94%</b>

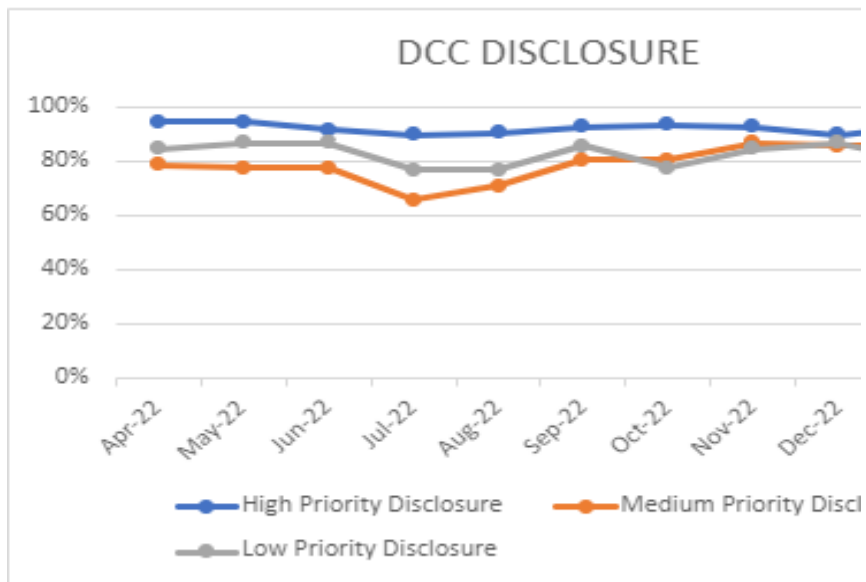
#### Medium Priority

	Total	Success Rate
AMALGAMATIONS	949	70%
DEFERRED	1136	75%
DIVORCE	85	91%
EMPLOYER QUERIES	476	82%
ESTBULK	0	-
ESTEMP	12	100%
ESTMEMB	47	94%
GEN	1078	100%
HMRC	54	100%
MSS	1206	100%
<b>TOTAL</b>	<b>5043</b>	<b>90%</b>

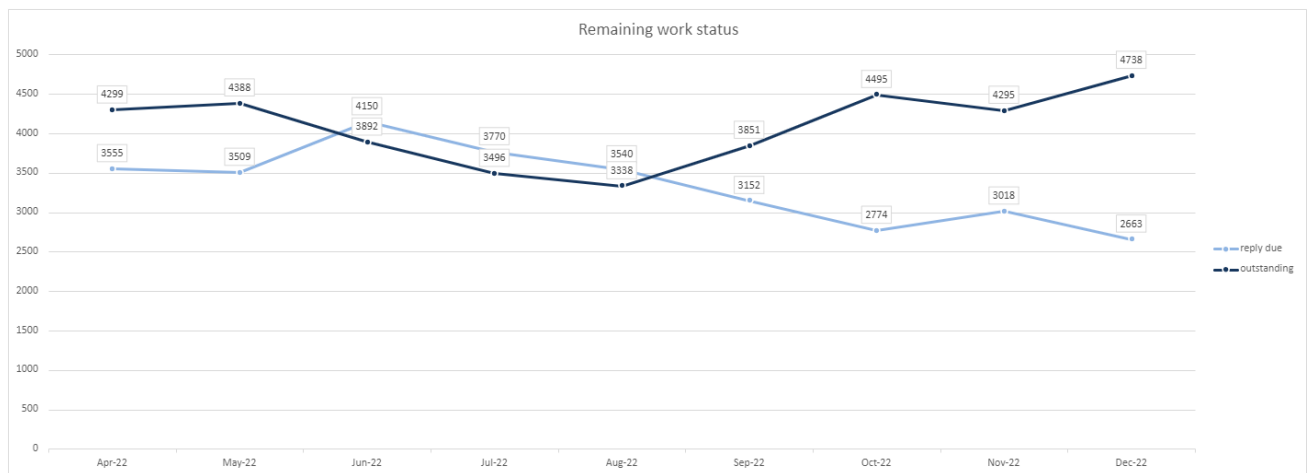
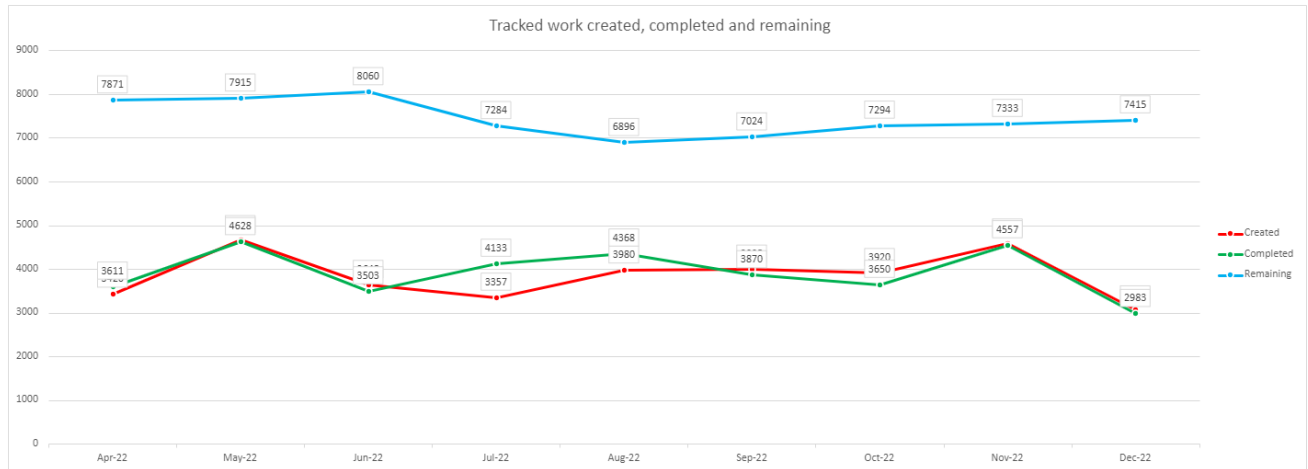
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## Low Priority

	Total	Success Rate
ESTOTHER	63	97%
GMP ACTIVE/DEFERRED	15	100%
INTERFUND IN	111	86%
INTERFUND OUT	75	69%
PENSION TOP UP	146	99%
REFUNDSFROZ	1046	78%
STARTERS	0	-
TVIN	111	93%
TVOUT	93	92%
<b>TOTAL</b>	<b>1660</b>	<b>89%</b>



## Appendix 2

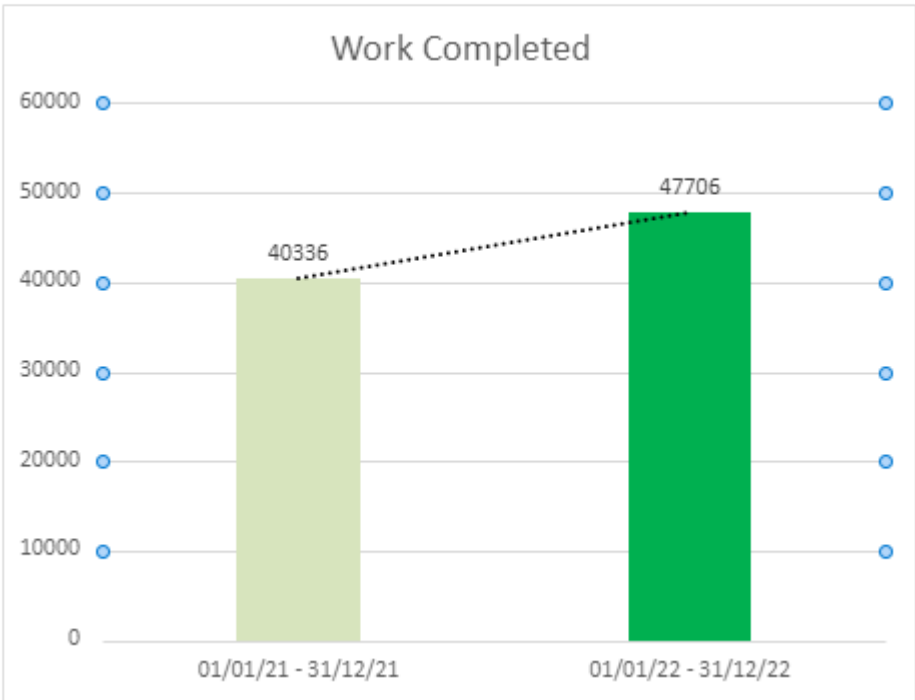
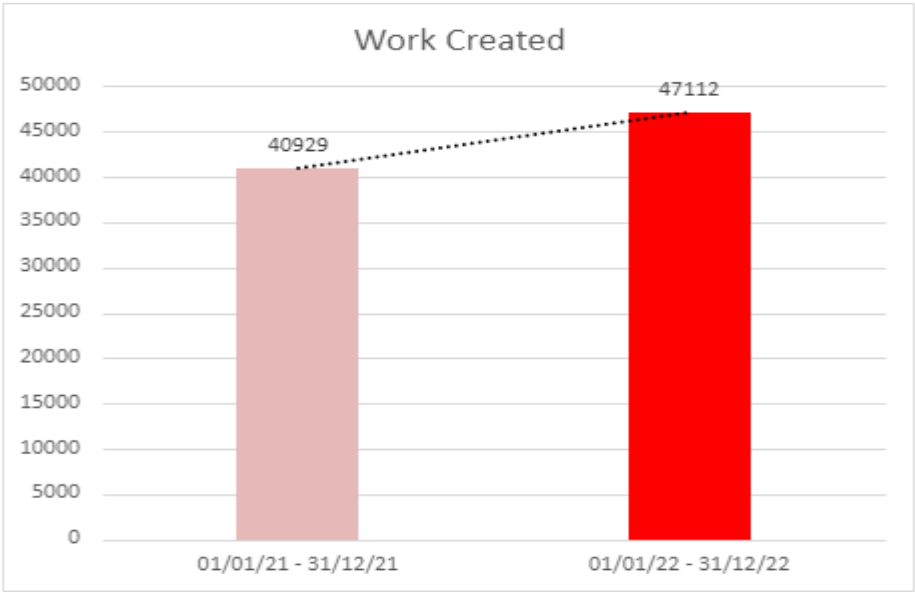


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Appendix 3

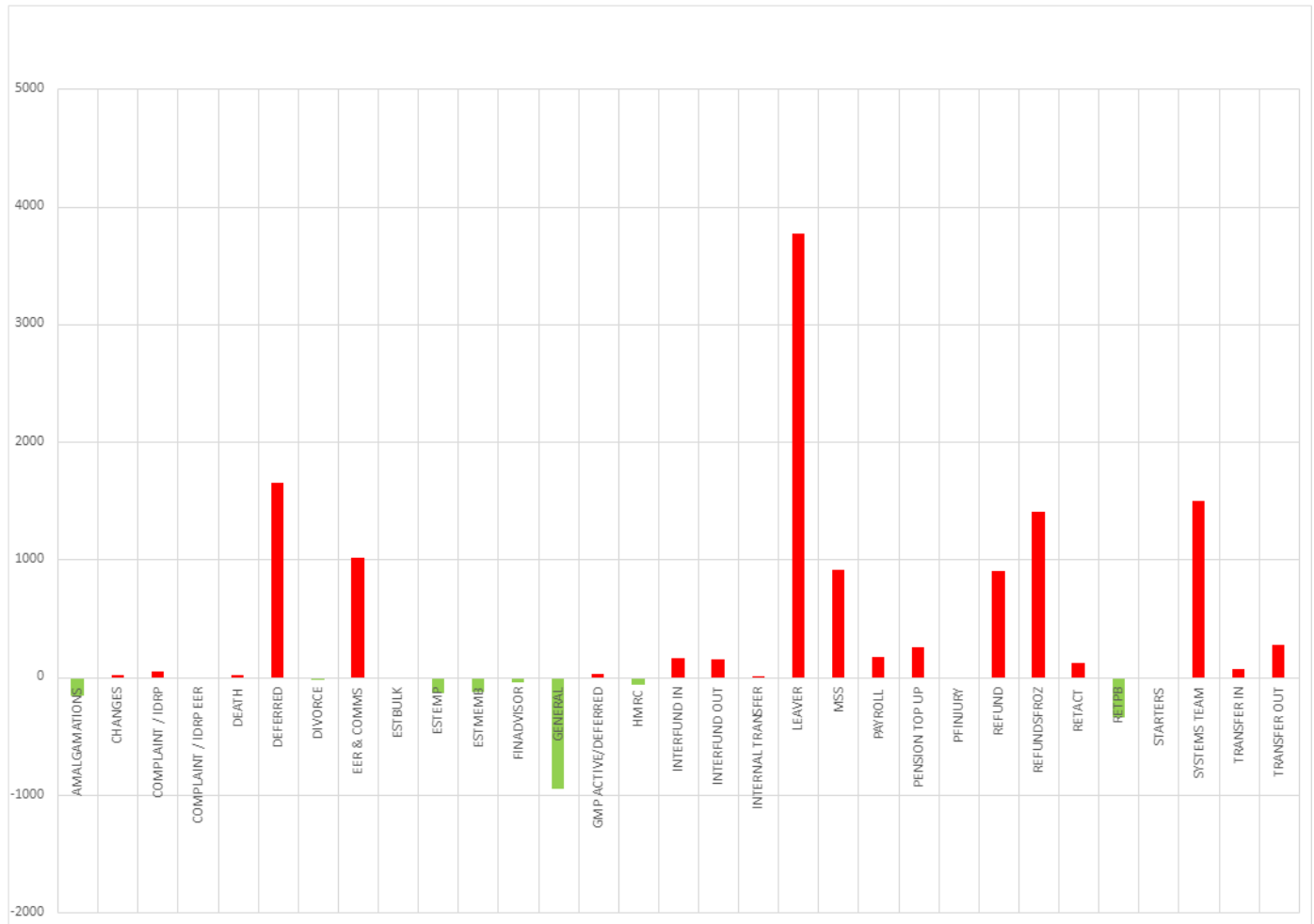
**Work received 12 month rolling period 1 January 2022 to 31 December 2022  
(against same period for previous financial year)**

from	to	Work Created	Work Completed
01/01/2021	31/12/2021	40929	40336
01/01/2022	31/12/2022	47112	47706



## Increase or decrease of type of work created within period 1 January 2022 to 31 December 2022 against same period for previous financial year.

(Increase shown in red, decrease shown in green)





DF/23/48  
Devon Pension Board  
18<sup>th</sup> April 2023

## LGPS Update

### Report of the Director of Finance and Public Value

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

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#### **1) Recommendation**

That the Board be asked to:

- (a) Note the developments affecting the LGPS

#### **2) Introduction**

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

#### **3) Annual Revaluation**

- 3.1 On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023 ('the regulations'). The regulations move the annual revaluation date from 1 April to 6 April. The regulations are effective from 31 March 2023.
- 3.2 The regulations remove the impact of inflation on the annual allowance calculation. They do so by changing the annual revaluation date from 1 to 6 April 2023, and thereafter on each 6 April, for all members.
- 3.3 From the tax year 2023/24 onwards, the inflationary increase used in the AA calculation and the annual revaluation will both use the same CPI figure. For the tax year 2023/24 this will be 10.1 per cent. Without changes to scheme regulations, there would be a significant increase in the number of LGPS members breaching the annual allowance and potentially incurring a tax charge

#### **4) The Spring Budget**

- 4.1 It was announced in the recent Spring Budget that important changes to the Annual Allowance (AA) and the Lifetime Allowance (LTA) would take effect from April 2023.

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- 4.2 The AA and LTA were introduced in 2006 as mechanisms for limiting tax-favoured pension savings in registered pension schemes. There is no limit on the tax relief provided but it is recouped by charges when the AA and LTA are exceeded. The limits have changed many times but for the 2022/23 tax year they stood at £40k for the Annual Allowance (with tapering starting with earnings over £240k) and £1,073,100 for the Lifetime Allowance.
- 4.3 Legislation will be introduced in Spring Finance Bill 2023 to:
- Increase the annual allowance (AA) from £40,000 to £60,000
  - Increase the Money Purchase AA from £4,000 to £10,000
  - Increase the income level for the tapered AA to apply from £240,000 to £260,000
  - Ensure that nobody will face an Lifetime allowance (LTA) charge from April 2023
  - Limit the maximum an individual can claim as a PCLS to 25% of the current LTA (£268,275), except where protections apply
  - Change the taxation of the LTA excess lump sum, serious ill-health lump sum (SIHLS), defined benefits lump sum death benefit (DBLSDB), and uncrystallised funds lump sum death benefit (UFLSDB), where they are currently subject to a 55% tax charge above the LTA, to taxation at an individual's marginal rate;
- 4.4 Legislation will be introduced in a future Finance Bill to remove the LTA from pensions tax legislation.

## 5) The SCAPE discount rate

- 5.1 The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes (PSPS) and determine the actuarial factors across all Public Sector pension schemes including the LGPS
- 5.2 The scape discount rate reduced on 30 March 2023 to the consumer price index (CPI) plus 1.7 per cent. This is a change from CPI plus 2.4 per cent. This will have the effect of increasing non club transfer values out of the fund whilst also reducing the benefits purchased by any incoming non club transfers in.
- 5.3 DLUHC have confirmed the following calculations should be immediately suspended until new factors are issued:
- certain non-club transfers and interfund / intrafund calculations
  - certain non-club cash transfer sums
  - all cash equivalent values (CEV) for divorce.
- 5.4 DLUHC will issue new transfer factors in April / May. They have also confirmed the remainder of the Scheme's actuarial factors will be amended in due course. Their intention is to introduce revised factors over a four-month period starting in April 2023.



## 6) State Pension Age review

- 6.1 The Government is required to undertake a regular review of the State Pension age in accordance with the Pensions Act 2014 and on 30<sup>th</sup> March 2023 the DWP published its latest review.
- 6.2 The State Pension age (SPa) is currently age 66 and will rise to age 67 between 2026 and 2028 before rising again to age 68 between 2044 and 2046. At the first review in 2017, the Government accepted the recommendation that the State Pension age should rise to age 68 over the period 2037 to 2039; however, it outlined this would be subject to further review.
- 6.3 The 2023 review confirms the rise to age 67 between 2026 and 2028 is still appropriate. However, the Government does not intend to change existing legislation to implement any changes to the timetable for the rise to age 68 at the current time. It plans to have a further review within two years of the next Parliament to consider whether the rise to age 68 should occur earlier. The Government must publish the report no later than 29 March 2029.

## 5) Conclusion

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

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

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DF/23/49  
Devon Pension Board  
18<sup>th</sup> April 2023

## FUTURE WORK PROGRAMME

### Report of the Director of Finance and Public Value

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

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#### 1) Recommendation

That the Board be asked to:

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

#### 2) Introduction

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

#### 3) Future Work Programme

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

##### Standing items

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

##### July 2023

- TPR Code of Practice
- Communication Strategy review
- TPR data scores improvement plan

# Agenda Item 15

## October 2023

- Budget monitoring
- Terms of reference review
- Governance policy review

## January 2024

- Scheme Advisory Board Governance review
- Scheme Advisory Board Knowledge and skills framework

## **4) Conclusion**

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

### **Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

### **Local Government Act 1972: List of background papers**

Nil

### **Contact for enquiries:**

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